

Waverley Borough Council

Report to: Overview & Scrutiny, Resources Committee

Date: 19/03/24

Ward(s) affected: Haslemere West

Report of Director: Dawn Hudd, Strategic Director - Place

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Report Status: Part Exempt

Key Decision: Yes

Fairground Car Park Development Project

1. Executive Summary

1.1 This report updates the O&S Committee on progress made regarding the project to deliver a mixed-use development scheme at the Fairground Car Park, Wey Hill, Haslemere.

1.2 It seeks scrutiny of the updated projected financial profile for the scheme in the form of an Outline Business Case and asks for

comment and recommendations on the recommended preferred option for the development of the housing scheme.

2. Recommendation to Overview & Scrutiny

2.1. It is recommended that the Overview & Scrutiny Committee – Resources considers the report and makes any recommendations to the Executive, as appropriate – noting the following recommendations for Executive and Council:

2.2. That subject to there being a full Council approval of budget of £21,408,334, the Executive approves:

2.1.1 Adoption of option A as set out in the Business Case for the Fairground Development Project.

2.1.2 The procurement strategy namely, competitive dialogue for the purposes of procuring a development partner.

2.1.3 Delegation of authority to the Strategic Director - Place in consultation with the Executive Director of Legal Services and Democratic Support and the relevant portfolio holder to approve all procurement documents.

2.1.4 That a further report will need to be brought back to the Council and Executive for approval of decision to award contract to a development partner.

2.2 That the Executive approves:

2.2.1 The proposed budget of £280,410 for the procurement of services that are required for the purposes of preparation, planning, and implementation of the procurement strategy.

2.2.2 The total sum of £328,410 with £48,000 carried forward from the existing budget (sitting within the consultancy allowance in the overall budget at 2.1).

2.2.3 Delegation of authority to the Strategic Director - Place, in consultation with Executive Head of Legal and Democratic Service to approve award of consultancy services contracts referred to in recommendation 2.2.1 above.

3. Reason(s) for Recommendation:

- 3.1. In order to proceed with the Fairground Development Project in line with the Business Case at appendix 1.
- 3.2. To give authority to officers to undertake the next steps of procurement (a Competitive Dialogue Process), and once complete, return to Council to report the outcome of the process.

4. Exemption from publication

- 4.1. Yes, part of the report.
- 4.2. The exempt content is to be treated as exempt from the Access to Information publication rules because it contains confidential information, financially sensitive data and is therefore exempt by virtue of paragraph(s) 3 of Part 1 of Schedule 12A to the Local Government Act 1972 as follows: Information relating to the financial or business affairs of any particular person (including the authority holding that information).

5. Purpose of Report

- 5.1. To ask Members to approve the Business Case that demonstrates a viable mixed use development project at the Fairground informal Car Park, Wey Hill, Haslemere.
- 5.2. To update Members on the enabling project to rehouse the existing Youth Hub on the site to facilitate delivery of the mixed-use scheme.

6. Strategic Priorities

- 6.1. The Project supports the [Corporate Strategy 2020-25](#) priorities of ‘Supporting a strong, resilient local economy’ and ‘Effective strategic planning and development management to meet the needs of our communities’ – specifically meeting the aims of delivering the Local Plan Part 2 and attracting new enterprises and employment opportunities.
- 6.2. The Project also supports the [Corporate Strategy 2020-25](#) priority of housing to buy and to rent, for those at all income levels. Furthermore, will contribute towards meeting the objectives of the [Affordable Homes Delivery Strategy 2022-25](#). This strategy contains ambitious plans to build more good quality affordable sustainable homes through Waverley’s own new build programme and by working in partnership with other affordable housing providers.
- 6.3. The project will also deliver on the corporate priority of ‘A sense of responsibility by all for our environment, promoting biodiversity, championing the green economy and protecting our planet’ as the development will be sustainable / energy efficient and meet the requirements of the biodiversity policy.

7. Background

7.1 In March 2022 the Executive approved a project to investigate the feasibility of a mixed-use development (as per the Local Plan Part 2 allocation), that would include housing and commercial with a rental income to the Council on the site at the informal (non-chargeable) Fairground Car Park in Haslemere. The site is a General Fund asset. A £50K budget was approved.

7.1. In October 2022 the Executive approved a further £100K to continue the progression of the project by developing the Outline Business Case and development of feasibility through design, planning advice and drafting of procurement documentation. A total of £102,000 has

been spent to date.

7.2. The Feasibility Study shows that the Fairground site can deliver a building that is suitable for mixed use, with good transport access and egress, and considers important trees on the site and anticipated parking requirements. The housing numbers possible in the design are more than those allocated in the local plan, and the retail space provided is in line with supermarket providers requirements.

7.3. These proposals have been soft market tested with potential development partners in the supermarket sector by the Council's consultants. A number have confirmed that the opportunity the site offers is a proposal that they would be keen to bid for in a Competitive Dialogue Process, and something they already have experience of delivering.

7.4. Soft testing with Planning colleagues has been completed. The site, use and proposed built form is sustainable in Planning terms. Surrey Highways Pre-application advice has confirmed the proposals can be supported. All planning matters will be taken forward by the Development Partner, in consultation with the project team.

7.5. A car park capacity study has been undertaken to understand current local trends for parking in the area and demonstrates that there will be adequate parking available in the vicinity to support the local shops and businesses. Further updates will be made to this as the project progresses.

The Business Case to move forward

7.6. The Business Case (Exempt Annexe 1) sets out the five cases, Strategic, Economic, Commercial, Finance and Management. It demonstrates that the project could deliver a viable mixed-use scheme (retail and residential) with three of five options being considered financially viable and meeting the objectives of the scheme.

7.7. The **Strategic case** demonstrates (as outlined in the report in section 6), that the project meets the original objectives of the scheme as it will deliver housing on an allocated, Council owned site; bring a commercial development with a long-term lease to the General Fund; develop formalised parking and a built facility that will be retained by the Council.

7.8. The **Economic case** shows that the development will generate an income to the Council, whilst also eliminating existing liabilities with the re-provision of the Haslemere Youth Hub and resolve the existing land being used as an informal car park. This therefore provides a good value option for the site. Doing nothing does not demonstrate best value in this case.

7.9. The feasibility study was costed by external cost consultants (exempt Annexe 2) and a financial appraisal completed by the Council's finance team (summary at Exempt Annexe 3).

7.10. A number of options have been explored with regards to mix and tenure of housing, with five options being assessed financially as a whole (GF and HRA) and against the strategic deliverables. They are:

Option A	Retail (GF) with 32 homes at Waverley Rent (mix of 70% & 65% of Market Rent) (HRA)
Option B	Retail (GF) with 32 homes all at Waverley Rent @ 65% of Market Rent (HRA)
Option C	Retail (GF) with 32 homes – A Mix of 16 Social, Waverley Rent (HRA) & 16 Shared Ownership / purchase disposal to RP (Registered Provider) (GF)
Option D	Retail (GF) with housing sold as private development opportunity with minimum 30% affordable housing provision as required by Planning (GF)
Option E	Retail (GF) with 32 homes at Social Rent (HRA)

- 7.11. These options are explored in more detail at Section 15 of this paper.
- 7.12. The **Commercial case** for the development is that the Council will tender a development partner that will be responsible for the design and build out of the development, as specified by the Council. The project has been soft market tested with potential bidders and is considered to be an attractive offer. Two supermarkets have developed and shared early feasibility plans on the site to demonstrate their interest and willingness to deliver a store with residential above, in line with our present requirements. Procurement will be through a Competitive Dialogue Process. Further detail on the procurement process can also be found at Exempt Annexe 4 and as part of the Business Case.
- 7.13. A summary of the **Financial case** for all five options is set out in the Business Case, and in detail at Exempt Annexe 3. Section 10 of this paper details the preferred option costs and financial implications.
- 7.14. The **Management case** demonstrates that the Council requires further internal capacity to deliver the scheme and create resilience in teams including estates, finance and legal. Some capacity and specialist resource will be created via external consultancy. Further detail of this can be found at Section 12. The case also sets out the governance arrangements for the project which will align with the authorities requested in this paper.

Appraisal of the project in line with the Asset Investment Strategy

- 7.15. The project has been re-appraised in light of the original objectives and against the Asset Investment Strategy to gain reassurance that:
- It delivers corporate priorities – detailed in section 6.

- Is financially viable – work to date shows the project is viable. The final award to a development partner will only be concluded following successful negotiation of favourable terms to the Council.
- Risk management has been undertaken – risk management is detailed in the Business Case, with a full risk register to be monitored by the project manager, into the next stages of the project.
- Robust governance has been followed at each stage of the project – the project has been undertaken in accordance with the Asset Investment Strategy and in line with the Council’s Project Management methodology and Contract Procedure Rules.

Whilst:

- Bringing Public value to Haslemere through the selection of the optimal design scheme sympathetic to the surrounding area.
- Being commercially viable and attractive to potential development partners – this has been confirmed by engagement with potential partners.
- Retaining short-term parking for retail users of Wey Hill, allowing long-stay parking to transfer to more appropriate car parks.
- Giving reassurance for successful delivery by the Council and its partners – as documented in the Asset Investment Strategy officers will continue to work alongside Montagu Evans to deliver the project and ongoing dialogue will continue with prospective delivery partners.

Enabling project to bring forward the development of the site

7.16. To deliver the mixed-use development requires moving the existing Haslemere Youth Hub that is housed in the Wey Centre. Removing this community building from the site and including the vacated area in the whole site is a prerequisite for a viable development. It is the Council’s responsibility to provide Vacant Possession of the site.

7.17. The enabling project called Weydown Road Community Hub will deliver a new community hub for the existing users of the Haslemere Youth Hub. It is proposed that this facility will be built on a Council owned car park approximately 300m from the existing facility. Concept designs have been prepared and formal pre-application Planning advice issued in January 2024 states the proposed building and use of the site for a community facility is acceptable subject to the requisite supporting information on parking, drainage, etc that would come forward with a full Planning application.

7.18. A capital contribution to this project has been included in the financial business case of this project.

7.19. The Business Case for the new Weydown Road Community Hub will be considered at the same Executive meeting as this Business Case to allow members to understand the progression of both projects and inform their decision making.

8. Consultations

8.1. Engagement with the Haslemere Youth Hub managers and Trustees has been on-going since the Council served notice on their lease (with a new lease now in place that allows for termination by the Council at the appropriate time). They have been involved in developing the plans for their new community facility, to ensure any new built facility aligns with their requirements.

8.2. Waverley Haslemere Ward Members were briefed in late 2022, Spring 2023 and December 2023. General feedback has been positive.

8.3. The Business cases appended to this paper were reviewed by the key portfolio holders in December 2023.

8.4. An All-Member Briefing is proposed for April 2024 and engagement with Haslemere Town Council in March 2024.

8.5. The report has been shared with O&S at this committee meeting on 19th March 2024.

8.6. No formal public engagement or consultation will take place until further work is completed on both schemes. A full consultation will take place ahead of any planning application.

9. Key Risks

9.1. The top two risks have been noted here, further risk management can be found in the risk section of the Business Case, and a full risk register will be created, updated and managed throughout the project.

9.2. **Risk 1** - if the Council cannot provide vacant possession (VP) of the site through delivery of the new Weydown Youth Campus, the Fairground project could stall, or the delivery partner could exit the contract, costing the Council and impacting the financial position of the council and its reputation.

9.3. **Risk 1 Mitigation** – bring forward proposal to transfer the Haslemere Youth Hub off the Fairground to Weydown Road Car Park. Timings are critical and strong management of expenditure for this separate project whilst the competitive dialogue process is in place is key. Officers are currently seeking a capital contribution for this project at the same Executive meeting, to enable a submission of a planning permission by summer 2024.

9.4. **Risk 2** – if the Competitive Dialogue Procurement Process does not yield a suitable development partner and / or commercial tenant for the retail space and the project does not progress to the next stage, monies paid out will not be recovered via this development.

9.5. **Risk 2 Mitigation** – the site will still be available for development through a different approach (and would remain in the Local Plan as a development site) and this would therefore only delay the repayment of costs expended.

10. Financial Implications

10.1. A financial analysis on the overall scheme, and associated impacts on the General Fund and HRA income and expenditure can be found in the Business Case and at Exempt Annexe 3.

10.2. The estimated overall costs to deliver the scheme (option A) of £21,408,334 is broken down as follows:

	General Fund		HRA	TOTAL
	Retail	Enabling Project Contribution (Weydown Road)	Housing	
Total Scheme Cost	£8,143,661	£3,000,000	£10,264,673	£21,408,334
Funding:				
Capital Receipts	£375,000		£500,000	
HRA New Development Impact Reserve			£50,000	
Strategic Investment Reserve	£160,000			
Invest to save reserve	£127,010	£50,000		
Borrowing	£7,481,651	£2,950,000	£9,714,673	
Total Funding	£8,143,661	£3,000,000	£10,264,673	£21,408,334

- 10.3. The proposed expenditure of £280,410 for this next phase is to be funded from a combination of the strategic investment reserve (£112k) and the remainder from invest to save reserve.
- 10.4. As the project progresses viability will continue to be reviewed and updated when any change to current assumptions are known.
- 10.5. There is an impact of £337k to the general fund over the first 5 years of the project. This will be bridge funded from the capital cost contingency reserve.
- 10.6. The current Wey Hill car park site (fairground) is held on the asset register at £6.5k. No income is currently received from the car park site. This project will generate a future net income stream to both the General Fund and Housing Revenue Account (HRA).

11. Legal Implications

- 11.1. There is currently, no budgetary allocation for the scheme. The report is therefore, seeking endorsement of a business case for onward transmission to the Full Council for approval. Subject to there being an approval by the Council, the report is seeking approval of a competitive dialogue procurement strategy for the purposes of procuring a development partner. The decision to award resultant contract for development partner will be subject to further Executive decision.
- 11.2. The report is also, seeking approval of budget for the purposes of procuring consultancy services and delegation of authority to Strategic Director - Place to award resultant consultancy contracts.
- 11.3. Procurement of services must be undertaken in accordance with the requirements of the Council's Contract Procurement Rules (CCPR) and Public Contracts Regulations 2015 (CPR 2015).
- 11.4. Procurement of a development partner can only be undertaken after Council approval and allocation of funds. Again, such a procurement

must be undertaken in accordance with the requirements of CCPR and CPR 2015.

11.5. Whereas the Council has power under section 1 Localism Act 2011 to undertake any of the activities contemplated within the report, in undertaking any of the procurement activities and subsequent procurement of a development partner, the Council must be mindful of its:

- best value obligations as required by section 1 Local Government Act 1999 to continuously secure value for money.
- public sector equality duties under Equality Act 2010.
- Social Value duties under Social Value Act 2013.

11.6. A further report will be required for decision to award contract to development partner.

11.7. Commercially sensitive information such as financial analysis and modelling must be exempt from disclosure.

11.8. Legal must be consulted for the purposes of running the procurement of services and development partner and finalisation of contract documents.

12. Human Resource Implications

12.1. The delivery of this project is dependent on the recruitment of a new project manager that forms part of the establishment budget for 2024/25.

12.2. This project will have calls on other teams across the Council, including Finance, Procurement, Assets, Parking and Legal.

12.3. It is anticipated that external legal advice will be used to develop all agreements associated with the Competitive Dialogue Process including drafting of all contracts / agreements, but with an in-house legal contact that brings support to the project team in understanding and recommending direction from that external legal advice.

- 12.4. Resilience may be required in the finance team to ensure viability assessments and appraisals can continue at the right time throughout the Competitive Dialogue Process.
- 12.5. Housing Development input will be required into the specifications of the housing units and involvement throughout the Competitive dialogue Process.

13. Equality and Diversity Implications

- 13.1. Any development scheme will incorporate the requirements of the Council with regards to Equality and Diversity.
- 13.2. Tender documentation will refer to the Council's Equality and Diversity requirements.
- 13.3. An equality and diversity impact assessment will be completed before any designs are progressed to a planning permission.

14. Climate Change/Sustainability Implications

- 14.1. All designs for new buildings will incorporate standards for ensuring that the Council does not have an on-going concern for carbon output, ensuring renewable energy sources are incorporated and design enables high quality standards for retaining energy.

15. Summary of Options

- 15.1 Five options have been assessed with three options (A-C) that present a viable Business Case for the development.
- 15.2 **Option A** is ranked first from a financial viability perspective for both the retail and housing element. It is proposed that the mixed-use scheme would be developed with the housing retained as housing stock within the HRA.
- 15.3 Waverley Rent as defined in the [Affordable Housing Supplementary Planning Document](#) adopted in March 2023, is 70% of market rent for a

one and two bed home and 65% of market rent for a three-bed home. As a benchmark an average social rent is 45-50% of market rent.

15.4 The payback for this option (residential element only) is 26 years with a delay in repayment and bridge funding required from the HRA of £537,937 in the first 7 years, but a total income to HRA of £5,233,822 over 30 years.

15.5 This option ensures that the development can proceed on a cost positive basis over the life of the asset to both the General Fund and the Housing Revenue Account. It will also bring much needed housing and regeneration to Haslemere Wey Hill area, and generating an income to the general fund that will also bring forward regeneration through the building of a new community facility.

15.6 **Option B** (ranked second in the overall assessment in the Business Case) is to develop the retail element, and all homes are developed for the HRA at 65% of Market Rent (regardless of number of bedrooms).

15.7 Option B will generate less income over the period than Option A due to the reduction in rental income.

15.8 The payback for this option (residential only) is 33 years (compared with 25 for Option A) with a delay in repayment and bridge funding required from the HRA of £ 781,575 in the first 10 years and a total income to HRA of £4,039,740 over 30 years (compared to £5,233,822 in option A).

15.9 Options A and B can be re-assessed at each stage in the project, but it is recommended that all unit mix (e.g. all one bed apartments or all two bed apartments) be set at the same rent for the scheme to avoid a disparity of rents in the same development.

15.10 **Option C** (ranked third in the overall ranking in the Business Case) is to develop the retail element but sell some of the units to a registered provider for shared ownership, and for the HRA to retain the others.

- 15.11 This option reduces the amount of retained housing by the Council by 50%.
- 15.12 This option has more risk attached from a delivery and long-term complexity perspective, as a third party is involved. It assumes interest from a Registered Provider that has not been tested. It also provides significantly less income to the HRA over the period (£294,569 compared to £5,233,822 for Option A). However, it does offer a net capital receipt of £7.4m which would be used to offset the total scheme cost, which is why the financial ranking placed this option second.
- 15.13 The benefits of a capital receipt into the General Fund could be further explored, alongside testing the market with a Registered Provider to see whether the units and location would be of suitable interest to them, and whether the capital receipt is achievable. However, this option does not enable the Council to retain all the homes on site, which is why it is not being recommended for approval.
- 15.14 A further option was the delivery of a planning policy compliant scheme with regard to provision of affordable housing delivered as part of a private development (**Option D**). This option does not guarantee that any housing is retained for by the HRA and therefore is not recommended for approval.
- 15.15 An option to look at all of the homes being retained by the HRA for Social rent was considered (**Option E**). However, the cost to the HRA is £3.1m over the first 23-year period. Consideration has been given to the other development opportunities in Haslemere / the Borough where social homes are coming forward within the HRA development programme, and therefore this option is not recommended.
- 15.16 The option to do nothing and to leave the site as a free, unmade car park with a dilapidated community building is not considered appropriate as it does not utilise the Council's assets to the maximum and does not deliver regeneration for the benefit of residents. It also does not achieve any of the benefits set out above.

16. Conclusion

- 16.1 Regeneration of the site achieves multiple strategic priorities of the Council.
- 16.2 It is financially viable and beneficial to deliver a mixed-use commercial retail and residential development whilst supporting Waverley affordable rented housing provision at this site.
- 16.3 Option A is recommended for progression, that delivers a regeneration scheme with general fund income and the maximum number of homes retained by the HRA at below market rent.
- 16.4 It is therefore the appropriate time to commence a competitive dialogue process with potential development partners.

17. Background Papers

- 17.1 Executive - March 2022 – Fairground Development Project (Exempt)
- 17.2 17.2 Executive - October 2022 – Fairground Development Project (Exempt)

18. Appendices / Annexes

- 18.1 Exempt Annexe 1 - Fairground Development Project Business Case
- 18.2 Exempt Annexe 2 – Appraisal Summary (including build costs) – Montagu Evans
- 18.3 Exempt Annexe 3 - Financial options appraisal
- 18.4 Exempt Annexe 4 Fairground Development Procurement Process – Montagu Evans -
- 18.5 Annexe 5 - Fairground Development Project Budget – Exempt

Please ensure the following service areas have signed off your report.
Please complete this box, and do not delete.

Service	Sign off date
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Finance / S.151 Officer	10/01/23
Legal / Governance	17/01/2024
HR	
Equalities	
Lead Councillor	05/03/2024
CMB	
Executive Briefing/Liaison	05/03/2024
Committee Services	