Extraordinary Council

1 August 2022

SPELTHORNE BOROUGH COUNCIL

Report updated following comments received at the Development Sub-Committee on 26 July 2022	
Title	Variation to the Waterfront Development Agreement
Purpose of the report	To make a decision
Report Author	Richard Mortimer – Development Advisor Petra der Man – Group Head of Corporate Governance
Ward(s) Affected	Staines South Staines
Exempt	No
Exemption Reason	N/A
Corporate Priority	Affordable housing Recovery Service delivery
Recommendations	**The Development Sub-Committee is asked to:** 1. Refer the decision for the Waterfront Development to Council In accordance with Standing Order 32.4, referral to parent body. Full Council are asked to: 1. Approve the request for a design variation to the Development Agreement between the Council and Arora Hotels Group Ltd from a 354-bed upscale 4* luxury hotel led scheme up to a 205-bed upscale luxury 4* hotel led regeneration scheme (as presented to Council on 9 February 2022 by Arora). Full scheme analysis can be seen at Appendix 1 (Cushman's Market Report), and to advise Arora Hotels Group Ltd that they need to have due regard to the 'Consultation on Emerging Planning Proposals' document which was adopted by the Corporate Policy and Resources Committee on 14 March 2022 (item 40/22) Agenda for Corporate Policy and Resources Committee on Monday, 14 March 2022, 7.00 pm - Spelthorne Borough Council"

	2. Approve the request for an extension of the Planning Condition Long Stop Date and the VP Condition Long Stop Date in the Development Agreement to 31 December 2023. 3. Confirm the Amended Planning and Vacant Possession Long Stop dates that will be applicable to the amended scheme. 4. Delegate authority to the Deputy Chief Executive, in consultation with the Group Head of Corporate Governance and the Chair of the Corporate Policy and Resources Committee, to enter into a Deed of Variation to the Development Agreement to give effect.
Reason for Recommendation	1. The original scheme for a denser and taller 342 bed hotel led development was unanimously approved by Cabinet in April 2020. However, with the passage of time, sentiment has shifted against the scale of this scheme. The Development Agreement permits Arora to suggest amendments to the scheme. Proposed amendments have no effect unless approved by the Council. Arora have suggested changes to more closely align with Council's aspirations to reduce the scale of the scheme. 2. In accordance with the Constitution, the Council's consent is required to confirm acceptance of the requested amendments to the Development Agreement. 3. Arora have been undertaking design development of the compliant scheme (342 beds) since May 2020 and have spent around **£1.2m** on design related fees to date. In good faith, they have put their proposals in abeyance since **February 2022** pending Council's consideration of the proposed amendments which include a new 205 bed hotel led design proposals which more closely align with political and public aspirations. **A reduced scheme for 205 beds was presented to Councillors by Arora on 9 February 2022** that was generally supported. If the variations are not agreed and the DA is terminated in August, then Arora are at risk of significant financial loss due to abortive design costs despite their willingness to address the changes being sought by Council. If they so wish, Arora may begin legal proceedings to challenge the decision of the Council not to proceed with the scheme**. The Council would not be acting in good faith and risks serious reputational damage if the variations are not approved**. This is also likely to result in other investors being highly cautious about investing in the Borough if Council cannot be consistent in their decision making. **4.** Notwithstanding the changes to the scheme, the financial metrics have not materially changed given the significant

	reduction in the overall massing of the revised proposals. **The way the Development Agreement is structured has insulated the Council against changes in increased build and fuel/operating costs as it derives its proportion of the income as a percentage of turnover not profit. Also, if the apartments are sold, the council receives a percentage of sales rather than profit. In fact, the financial cashflow returns from a smaller scheme are not that materially different to the larger scheme due to a shift in Arora's business plan strategy which is less reliant on airport business and more on higher rated tourism and local business-related stays. Therefore, the economic balance of these changes has not adversely affected the council's position despite the impacts of increased build costs for Arora.** 5. Arora is a well-funded private owner operator in the luxury hotel sector and has continued to be acquisitive even throughout the pandemic. They are cash rich with significant equity available to undertake transactions unlike many of their competitors. Recent developments undertaken by them include the new Fairmont Windsor which opened in Spring 2022 and others in Luton and Dublin. Given the unsuccessful bidders were more highly leveraged and reliant on debt which is more limited in the current market, it is unlikely that such an attractive bid could be procured if the Council went back to market. Also, due to build cost volatility and the impacts of the pandemic on the sector, many hotel investors have either withdrawn from the market or become highly selective in where they invest.

1. Summary Of the Report

1.1 This report requests the Development Sub-Committee to refer to Council the decision to approve variations to the Development Agreement to ensure the borough receives all the direct and indirect benefits which support the Council's key Corporate Priorities of **Recovery, Affordable Housing and Service Delivery.**

2. Key Issues

Background – Regeneration Objectives

2.1 The objective of the Development Agreement has been to facilitate the delivery of a much-needed high quality upscale 4* luxury hotel led regeneration of a council owned under-utilised prime development site. It is currently under-delivering in terms of revenue and makes a negative contribution to the street scene.

Spelthorne has a supply of budget hotels but higher quality alternatives do not exist to support our internationally renowned business community. **Such a scheme would provide an important strategic asset for the town centre that would also act as a catalyst for increasing inward investment in the form of tourism, job creation, significant secondary spend in local shops, restaurants and leisure/recreational facilities**. This is supported by the BID. Furthermore, this is likely to pump prime confidence amongst investors and act as a catalyst in bringing forward wider regeneration in Staines-upon-Thames. This is much needed and would make it a more attractive destination for businesses looking to expand or relocate into the borough. It will also help in improving the long-term economic sustainability of the town which has suffered from under-investment, reduced footfall and consequently offers limited competition to surrounding higher quality retail centres.

2.2 By partnering with Arora, a specialist hotel developer/investor, the Council can deliver a mixed-use scheme that will provide these high-quality facilities that businesses and residents can only access by travelling and spending outside of the borough. This results in a net outflow of funds that would ordinarily be captured by local businesses thereby creating local jobs and more widely distributing prosperity across the borough. Creating a diverse local economy is a cornerstone of the infrastructure that local authorities such as Spelthorne need to be prioritising in order for the borough to improve its economic competitiveness and remain sustainable in the long term.

3. History Of The Development Agreement & Progress To Date

3.1 From June 2019 to April 2020, the Council undertook a Public Contracts Regulations compliant Competitive Dialogue tender process. Bids were evaluated in March 2020 and Officers recommended the appointment of Arora's bid as being the most economically advantageous tender. **This was unanimously supported by Cabinet on 8 April 2020 and a binding Development Agreement was entered in on 30 April 2020.**

3.2 The scheme that was unanimously approved by Cabinet comprised 342 hotel beds, 26 aparthotel units, spa, wellbeing centre, restaurant, conference, banqueting facilities and 214 residential apartments. This scheme comprises buildings up to 12 storeys and a total area of 637,837 square feet.

3.3 When the Development Agreement was entered in April 2020, the full ramifications and longer-term impacts of the pandemic were not yet apparent. With hindsight, the uncertainty and staffing impact of Covid-19 infections on the Arora team (and to a smaller extent, on the Council) inevitably led to slippage in the design and planning timetable. Due to these unforeseeable delays, Arora's contract was extended in January 2021 from April 22 to 1 August 22. However, in late Spring 2021, it became apparent that there was emerging local opposition to their proposals based on height and it later transpired that this was also being supported by local politicians. Therefore, after further consultation with the LPA, Arora took the decision in **Autumn 2021** to enquire whether the Prohibited Variation clause in the DA could be varied in order to reduce the bulk, massing and room numbers in order to more closely align with local sentiment and the shift in political opinion.

3.4 An alternative scheme was presented to Councillors on 9 February 2022 comprising a 205 bed hotel led regeneration scheme with 30 aparthotel units, 6 meeting rooms, restaurants, bars, gym/spa and 235 residential apartments. The total gross internal area of this scheme is approximately 387,400 square feet which compares against the original scheme of 638,000sqft. **This represents a substantial 40% reduction in the scale and massing of the revised scheme** and would need full Council approval to vary the Development Agreement ("DA") to accommodate this change. Following this presentation, a formal request was made by Arora on 11 March 2022 for changes to the Long Stop Planning Date to **31 August 2023** and the Prohibited Variation to permit the proposed design changes. If this is approved by Council, then Arora will write off costs associated with the original scheme and start preparing revised scheme proposals for planning submission next summer. As stated, **Arora has acted in good faith** and has sought to engage with the Council at the earliest opportunity in order to find a viable solution to address both political and public concerns.

3.5 Following unanimous Cabinet support for the original scheme and the subsequent signing of a legally binding DA, Arora have proceeded in good faith to invest approximately **£1.2m** in progressing a compliant design for the originally approved scheme **(see Appendix 2).** As it stands, their investment to date is at risk pending Council approval of their revised proposals.

3.6 Arora have also been sensitive to the Moratorium which the Council imposed preferring to not court controversy by submitting a compliant planning application during this period. A more commercially motivated developer, rather than one with an eye on the longer-term relationship would have progressed this with the objective of taking this to appeal if rejected at local level. It is very likely this would have been approved given it is similar in scale to the previously consented Bellway scheme. Also, as the scheme includes housing, their proposals would have benefited from the "presumption in favour of sustainable development" given the borough's inability to meet their own Housing Delivery Targets. They have also had some engagement with the Riverside Residents Staines group and are aware of their assertions despite not having formally presented any plans in the public domain.

Council will also be aware that by Arora delaying their application during the Moratorium they have incurred **significant financial uplifts in build costs** due to market volatility in the same way that the Council's own schemes have. It would not have been a surprise if Arora had decided to either withdraw or seek to renegotiate the financial terms of the DA given these circumstances. At present, they are prepared to stand by the terms originally agreed in their bid.

Variations Requested By Arora

3.7 Arora's correspondence of 11 March 2022 requires the Council to determine:

(a) firstly, whether to agree to a variation in the design of the proposed building(s), and

(b) Secondly, whether to grant an extension of time to satisfy the Planning Condition. Members are advised that an extension of time requires an extension to the Planning Long Stop date by which Arora is required to submit a planning application as well as an extension of the Vacant Possession Long Stop date by which the Council is required to achieve vacant possession of the site.

Both of the decisions set out above will result in a variation to the Development Agreement.

3.8 The Planning Longstop date is currently 1 August 2022. Arora are seeking Council's permission for this to be extended to 30 August 2023 in order to allow them to submit a revised planning application for the 205 bed hotel led scheme. Our view is that this should be extended to 1 Jan 2024 as the original request was made in March 2022 and there has been a delay of 4 months in getting this to DSC and then Council.

3.9 Approaching the request practically, the variation to the design of the scheme and the extension of the planning long stop date are one indivisible proposal. It would make little practical sense to approve one request without the other being also approved as the proposed amended development cannot be delivered unless both dates are varied.

3.10 The amended scheme proposed by Arora remains consistent with the minimum requirements of the tender process which concluded in 2020. However, some aspects of the amended scheme could be regarded as "Prohibited Variations" under the DA. Members are advised that the DA includes allowance of variation of terms including the definition of "prohibited Variation". Subject to the amended scheme remains consistent with tender requirements and Public Contract Regulations 2015, the Council is empowered to approve the proposed amendment and vary the DA to give effect to its decision. In this instance, a minor variation to the definition of "Prohibited Variation" is required to enable the amended scheme to proceed.

3.11 Officers advise that, with reference to the report by Cushman and Wakefield, the variations proposed by Arora are unlikely to change the economic balance between the parties and are thus permissible under procurement legislation. **The variation of the DA as set out above is therefore permitted under the Public Contract Regulations 2015.**

3.12 Whilst it remains open to the Council to specify additional/alternative variations to those proposed by Arora. Members are advised that any such additional/alternative amendment must be compliant with the requirements of procurement legislation in order to be tabled to Arora. It remains the position that any proposal, whether proposed by the Council or Arora – needs to be consistent with the Public Regulations 2015 in order to be capable of lawful acceptance.

3.13 Members will note that the DA requires the Council to deliver vacant possession of the site to Arora within timescales that have since passed. Arora have not raised any challenge to the failure to deliver vacant possession of the site.

3.14 Thames Brewery are due to vacate the former Sea Cadets building on the main site on 31 July 2022 and Living Guardians remain in situ at Hanover House. Due process will dictate timescales for delivering vacant possession of Hanover House and the main site. Members are therefore advised to additionally extend the Vacant Possession Long Stop date so that vacant possession is obtained in due course.

Risk Of Legal Action Against Decision Made

3.15 As with any contract there is a real and significant potential for litigation arising from the variation of the development scheme and/or variation (or failure to vary) the Development Agreement. All litigation carries likely substantial costs for both bringing and defending court proceedings. The losing party inevitably has to pay its own costs, those of the winning party and in most cases, substantial financial compensation by way of damages.

3.16 Whilst the amended scheme was requested on 11 March 2022, the final details of the amended scheme were confirmed in May 2022. Arora has not progressed its planning and development work since March 2022 as they have co-operated with the Council during the Council's due diligence and Cushman's financial review of the amended scheme.

3.17 The position now is that there is limited time for Arora to comply with Planning Long Stop Date. A refusal to extend the Planning Long Stop Date – even if for a shorter period than that requested – may unfairly prejudice the Scheme and raise the risk of litigation. The impact of this is an increased likelihood of litigation that may divert key Council resources away from resident focussed services.

4. Options analysis and proposal

4.1 **Approve Arora Contract Changes (Recommended) -**

Arora's original bid was unanimously supported by Cabinet. Notwithstanding, the shift in political sentiment towards a smaller scheme, **Arora remains committed to delivering a revised high-quality scheme that reduces the overall massing by approximately 40% which is a significant change**. Furthermore, they have not sought to change the financial metrics which make it align with their original bid and importantly compliant with the Public Contract Regulations. **Also, the financial returns to the Council have not materially changed as a result of the scheme reduction**. This is due to the change in strategy from airport related custom to tourism and local/business activities where higher rates are attainable.

The partnership with Arora will enable a much-needed high quality 4* upscale hotel led regeneration to be delivered without the council needing to provide any additional capital apart from the site. Not only will this help encourage further third-party regeneration in Staines and the wider borough, it will also bring greater inward investment and spend which contributes towards making the town more financially sustainable and more attractive to businesses looking to relocate. The income returns anticipated from the hotel once income has stabilised will significantly exceed that currently derived from Hannover House and the existing car park thereby making greater contributions to the council's wider service delivery. **The asset value will**

also be significantly enhanced and significant capital receipts are forecast from the residential sales.

4.2 **Reject the Proposed Contract Changes -** This goes against the Council's own priorities of delivering affordable housing, economic recovery and protecting service delivery that are supported by all political parties. **Presently, this prime riverside site is failing to deliver a meaningful income and makes a negligible financial contribution to the wider service delivery requirements of the Council.** With rising costs, this provides an opportunity for the Council to derive a passive income without additional investment or borrowing. Rejecting this request without a better alternative not only frustrates the Council's ability to derive optimal income from the site without the need to raise further debt investment, it also opens the council up to potential legal action.

There is also the inevitable reputational damage to the Council in not supporting an investor that is willing to respond to changing political and community sentiment, and in doing so has had to incur delay and increase their exposure to financial loss.

Apart from the procurement considerations detailed above in this report, **the Council is required at common law to engage with Arora on a fair and reasonable basis and consider all proposed amendments accordingly.** It is reasonably possible that a summary rejection of the proposed amendment will result in litigation by Arora which will drain manpower and resources away from essential services. The financial burden arising from such litigation may not be consistent with the Council's Best Value Duties

4.2 **Do Nothing –** Council could decide to do nothing and allow the Development Agreement to lapse on 1 August 2022. This has many of the same implications as rejecting Arora's requests given there is only circa one month left before the DA expires.

4.3 **Develop The Site Ourselves** –

The site is a prime riverside site and could be developed for housing or a range of other uses. Developing it for housing would of course help take pressure off our growing Housing Register, however this does not contribute to the regeneration of the town centre in the same way as a high quality 4* hotel led proposition that would attract inward investment, tourism and increased footfall. This is vital for the long-term economic sustainability of the town's retail centre.

If the council were to develop the site, the Council would need to extend its borrowing to cover the costs of its own development. **The Council could consider building a hotel themselves but in reality it does not have the expertise or resources available to operate it** in the same way as a highly experienced owner operator such as Arora. Therefore, this option is not recommended.

4.4 **Sell The Site –**

The council could opt to sell the site. This would deliver a capital receipt however this would be suppressed in the current market due to increased construction costs which are reducing the residual value of land. Also, due to

Spelthorne's failure to deliver Housing Delivery Targets and the level of refusals, residential developers will factor in appeal costs and delays into bids which could further reduce values. **Selling the site would also go against the Council's own objective of delivering more affordable housing** for rent as a private developer would seek market sales to maximise revenue.

The current deal structure with Arora is highly favourable insofar that it is based on a fixed ground rent and a turnover based rental income. Therefore, it is not affected by increases in build costs or higher fuel costs and overheads for the operating hotel asset. The current deal also offers a percentage of residential sales revenue and would not be adversely impacted by increased build costs. The current deal structure also does not require Spelthorne to invest any of their own funds apart from the land.

4.5 **Retender The Hotel Led Regeneration Proposition –** This is not recommended as most specialist hotel developers are debt led and the market for funding has become much more cautious towards whom they lend to and which projects they finance. This would lead to a more limited pool of parties prepared to compete in a tender process and arguably higher returns being sought on capital deployed. Therefore, it is unlikely to yield better financial returns. The impact of higher build costs and greater economic uncertainty would inevitably be factored into any bids (unlike Arora's) that were received. Also, the pandemic has severely impacted the hospitality sector although it is forecast to fully recover in the next 2 years – another reason why those lenders and investors are currently seeking higher risk/reward ratios on their capital.

4.6 **Further Negotiation -** Members may instruct officers to further negotiate amendments to the Scheme. This will allow the Council and Arora to work together to address concerns related to the scheme and permit the development to progress. This option is preferable to rejecting a scheme because it allows both parties to work collaboratively together to deliver a development unanimously approved by Cabinet. However, it would need to comply with the original brief to remain compliant under the Public Contracts Regulations.

5. Legal Considerations

5.1 The Risks and impacts of the proposed variations and consequential amendments have been substantially set out and detailed within the report at paragraph 3.9-3.17. It is advisable for Members to balance these risks against the benefits of the Scheme in order to reach a determination that is compliant with the Council's Best Value duties.

5.2 It is open to Members to accept or reject the amended scheme proposed by Arora. Members may also determine to take no action. For reasons stated above in paragraph 4.3, this will be akin to doing nothing.

5.3 In the event that Members are minded to accept the proposed variation, Members are advised that the determination should also include a specific date for the achievement of the Planning Long Stop and Vacant Possession requirements.

5.4 If the option set out in 4.5 is Members' preferred course of action, Members would have to instruct officers on aspects of the proposed amended Scheme that are:

(a) Accepted; and

(b) Subject to further negotiation and reporting back to the Council; and

(c) If applicable, rejected.

5.5 If Members are minded to act in accordance with 4.1 or 4.5 above, it is recommended that the Planning Long Stop Date and Vacant Possession Date are extended for a reasonable period of at least 6 months to enable negotiations to be conducted and concluded without Arora defaulting on its DA commitments.

5.6 With a real and potential costly risk of litigation, in the event that Members are minded to reject the request submitted by Arora, it is advisable that Members clearly set out the reasons for rejecting the proposed variation to the scheme.

6. Financial Implications

6.1 The table below compares the range of facilities in the original scheme and the revised proposal -

PREVIOUS SCHEME		REVISED SCHEME	
HOTEL	RESIDENTIAL	HOTEL	RESIDENTIAL
• 342 rooms • 26 Service Apartments • 6 meeting tooms • Restaurant • Bar • Gym • Spa • Car Park	• 214 residential units	• 205 rooms • 30 Apart hotel units • 6 meeting rooms • Restaurant • Bar • Gym • Spa • Car park	• 235 residential units
Approx. GIA = 637,837 sqft (59,257 sqm)		**Approx. GIA = 387,393 sqft (35,989 sqm)**	

6.2 In terms of financial performance, the table below confirms the metrics that were agreed as part of the winning bid that are to be applied to the gross revenue streams arising from the DA compliant scheme and the revised scheme proposals. Notwithstanding significant increases in build costs, market uncertainty and operating costs, these percentages of revenue share have remained the same -

COMMERCIAL OFFER	PREVIOUS SCHEME	REVISED SCHEME
Fixed Ground Rent	£115,000 per annum	£115,000 per annum
Turnover Ground Rent *(% Revenue)*	Year 1 = 2.00% Year 2 & 3 = 3.00% Year 4 onward = 4.00%	Year 1 = 2.00% Year 2 & 3 = 3.00% Year 4 onward = 4.00%
Residential Contribution	8.00%	8.00%

6.3 The forecast income and its value for the compliant scheme and the revised scheme are set out below -

Income Type	Compliant Scheme	Revised Scheme	Notes
Minimum Ground Rent (MGR)	£115,000pa	£115,000pa	Rises every 5yrs by CPI.
Turnover Ground Rent (TGR)	£683,000pa	£639,000pa	Stabilised income at yr4
Total Rents	**£798,000pa**	**£754,000pa**	Income at yr4
Income Type	**Compliant Scheme Value**	**Revised Scheme Value**	**Notes**
MGR Value (Gross)	£4.18m	£4.2m	Capitalised rent
TGR Value (Gross)	£11.88m	£11.1m	As above
Total Ground Rent Value (Gross)	£16.06m	£15.3m	
Less Top Up Deduction	(£1.116m)	(£1m)	Top up rents to yr4
Acquisition Costs	(£728,000)	(£686,000)	Fees @6.8%
Total Net Value	**£14.16m**	**£13.6m**	

6.4 In addition to the above long term income stream, the Council is entitled to receive 8% of the capital receipts generated from the residential sales. Such Capital receipts can be used to reduce the need for future borrowing to support other elements of the Council's longer term Capital Programme. Therefore, the table below compares these forecast receipts for the compliant scheme and the revised scheme –

Residential	Compliant Scheme (214 apartments)	Revised Scheme (235 apartments)
Size (Area)	199,000sqft	194,267sqft
Sales Rate (psf)	£575 per square foot	£575 per square foot
% Payable To SBC	8%	8%
Capital Payment To SBC	**£9.154m**	**£8.94m**

6.5 The table below shows the total forecast value of the ground rents and the residential sales receipts for each scheme proposal –

Sector	Compliant Scheme	Revised Scheme
Total Ground Rents	£14.16m	£13.6m

Residential	£9.154m	£8.94m
Total Value	**£23.3m**	**£22.5m**

Given that Arora have reduced the scale and massing by 40% when compared to the compliant scheme, this has had a de minimis impact on the overall forecast financial returns to the council. In the longer term, the greater number of rooms in the compliant scheme would have benefited from room rate inflation enabling the percentage of income to the Council to increase at a greater rate. However, Arora have sought to retain a balance between reducing the size of the scheme to align with political aspirations, retaining the high-quality aspects whilst ensuring the financial viability of the development. Therefore, the revised scheme seems to offer the Council the reduction in scale being sought without any significant adverse impacts on their financial returns.

6.6 If the Long Stop Date in the Development Agreement is extended to 31 December, then the Council could anticipate receiving revenue from mid-2026 as the construction period is approximately 2 years. It should be noted that if Council decided not to extend the Development Agreement and retender the proposition, not only is there likely to be less interest, this would also defer the point at where the Council starts receiving any income towards 2028.

7. Other considerations

7.1 **Regeneration –** Staines has suffered from a lack of inward investment and continues to fall behind competing centres. The quality of shops and the town centre environment has gradually been declining. New challenges such as covid, online shopping and the decline in footfall have combined to make the centre less desirable. Local people will often travel to other centres such as Kingston, Richmond, Guildford and even Reading seeking a greater experience and range of good quality shops/restaurants. These towns have all benefited from investment over the last decade and seen improved public realm which enhances visitor experience and dwell time.

Also, despite Staines's close proximity to Heathrow it **has failed to attract its share of airport related business.** Whilst having the River Thames running through it which should be a major attraction/USP, the town only offers lower quality budget hotel accommodation and **lacks the high quality town centre riverside hotel** option which could offer a different experience and compete with hotels located adjacent the airport. This type of offer would also allow **Staines to build a higher quality "brand" and more strongly capitalise on its "Upon Thames" relationship.** Arora, as a well- established and experienced airport operator recognises the synergies that their Group can bring to the local economy.

Whilst the proposed Staines Development Framework is a step in the right strategic direction, it will only be backed up by investment where development and improvements can be financially viable and sustainable in the long term. This will also require council and its leadership to demonstrate it is willing and able to work constructively with major landowners, investors and developers, otherwise, like many planning led frameworks, it won't progress beyond the drawing board **and Staines will further decline**. This project provides the opportunity for the council to demonstrate it's commitment to working collaboratively with Arora on the regeneration of the Waterfront site. Furthermore, it will go some way to creating landowner and investor confidence in attracting the right investment to regenerate and improve the borough. **Given Arora have gone through an unprecedented period since signing the Development Agreement and remain committed to the project, there remains a strong argument for the council to continue supporting them**.

7.2 **Planning –** should Council agree to extend the terms of the Development Agreement with Arora, the revised scheme proposals for the site will be subject to them obtaining planning permission. **All costs associated with obtaining such consent will be at Arora's risk.**

7.3 **Corporate Objectives –** the Council's own priorities of recovery, affordable housing and service provision have all been compromised as a result of political directives in how its own development assets are delivered for providing benefits to the wider community. This includes delays to the Council's own development programme (ie- moratorium) which has resulted in it incurring increased holding and significant build cost inflation resulting in poorer financial performance of these assets. Importantly, therse delays have deferred much needed affordable housing for local people. Furthermore, many schemes have resulted in dwelling numbers being reduced (despite LPA support) and the borough failing for several years to meet its own Housing Delivery Targets. Consequently, our Housing Register has grown from 1900 applicants to over 3400 in the last 2 years. The delivery of affordable housing for local people is a cornerstone of this Council's primary objectives and also provides a long term sustainable revenue stream. **Similarly, not only does the Waterfront scheme offer significant regeneration benefits, it also provides an important income stream and capital that contributes to the wider service provision and housing delivery of the borough**.

8. Equality and Diversity

8.1 The development is being undertaken directly by Arora who will have their own policies in terms of equality and diversity. They will also need to comply with new Part L Building Regulations that came into force last month which cover accessibility requirements. There are also Spelthorne's own planning requirements.

9. Sustainability/Climate Change Implications

9.1 As a minimum, Arora's scheme proposals will need to comply with the new energy efficiency requirements in Part L of the Building Regulations that came into force in June 2022. This will ensure the scheme minimises its carbon footprint and adopts current best practice in terms of air tightness and thermal efficiency. As an owner operator, Arora are incentivised to reduce their own energy costs particularly in the current volatile fuel markets.

10. Indicative Timetable for implementation

10.1 Development Sub Committee Decision – 26 July 2022.

Council Decision – 1 August 2022.

Contract Amendments – September 2022.

Design Development (Stages 1&2) – October 2022 -February 2023

Public Consultation(s) – Late Q1-Q2/2023.

Planning Submission – July 2023.

Planning Consent – November 2023.

Start on Site – Q2/2024

Background papers: There are none.

Appendices:

Appendix 1 – Arora Extension Of Time/Prohibited Variation Request – March 2021.

Appendix 2 – Cushmans Market Report June 2022 (Includes Early Feasibility Stage Artists Impressions at Appendix 6 -from page 45).