



Appendix B: GBF Projects spending beyond 31 December 2022 and a summary of high risk GBF projects

1. Purpose

- 1.1. This appendix provides details of the one project which is seeking approval for Getting Building Fund (GBF) spend beyond the 31 December 2022 at this meeting of the Board, and details of the three high-risk GBF projects.
- 1.2. The Board is asked to agree GBF spend beyond 31 December 2022 for the Techfort, Dover project (£1.009m). An update on this project is set out in Section 2 of this appendix.
- 1.3. Three GBF projects have been identified as being High Risk, with a risk score of 5 out of 5. These projects are:
 - 1.3.1. Swan Modular Housing Factory, Basildon (£4.53m)
 - 1.3.2. Techfort, Dover (£1.009m)
 - 1.3.3. Better Queensway (£4.2m)
- 1.4. Updates on Swan Modular Housing Factory, Basildon and Better Queensway are set out in Section 3 of this appendix.

2. GBF spend beyond 31 December 2022

Project: Techfort, Dover	GBF award: £1.009m	Risk Rating:	5
Status: Construction in progress	Forecast GBF spend beyond 31 December 2022: £0.419m Actual completion date: March 2023		
<u>Project description:</u> The project seeks to renovate Casements in building numbers 51 and 52 in the Citadel which comprises 10,890 sqft in total. These buildings are in poor condition, and it is intended that urgent maintenance and upgrading is carried out to accommodate a unique mix of cultural uses including a gallery, market, recording studio and bar as the first step of delivering the ambitious Techfort vision. The project will kickstart further development of Techfort at the Citadel enabling the birth of a new cultural, arts and technology community that can contribute to Dover and Kent as well as making re-use of a range of dilapidated buildings and historical assets.			
<u>Project benefits:</u> The project will: <ul style="list-style-type: none">• Create 17 new jobs and 5 trainee opportunities• Create 1,012sqm of space for a mix of creative businesses• Provide improved public realm for an expected minimum of 3,000 visitors to the site• Provide educational opportunities for an estimated 1,560 learners and art participation for an estimated 1,040 students.			
<u>Cause of project delay:</u> The delivery programme has been extended due to the need for more extensive roof and revetment wall work to ensure the quality of the project is maintained. In addition, the process to discharge the conditions attached to the planning and Scheduled Monument consents has taken longer than anticipated. The conditions attached to the planning and Scheduled Monument consents have been discharged and therefore no longer present a risk to the delivery programme. In addition, the construction contractor has now provided an updated delivery programme which indicates that the project is expected to complete in early March 2023.			



3. High Risk GBF projects

Project: Swan Modular Housing Factory, Basildon	GBF award: £4.53m	Risk Rating:	5
Status: Project delivery in progress	Expected completion date: March 2024		
<p><u>Project description:</u></p> <p>The GBF funding is being used to support delivery of a modular housing factory in Basildon. The new factory is immediately adjacent to Swan’s current factory, which was established in 2017, which provides 70 jobs and produces c450 homes per year.</p> <p>Delivery of the new factory will allow the company to both increase its current production capacity of Cross Laminated Timber (CLT) housing modules, as well as establish an innovative in-house capability to manufacture fabricated steel modules, which are essential for the construction of higher buildings (over 18m high) given recent changes in legislation with regard to combustible materials.</p>			
<p><u>Project benefits:</u></p> <p>The project will:</p> <ul style="list-style-type: none">• Enable the creation of 124 FTE net additional operational jobs in Modern Methods of Construction (MMC) module production.• Assist 144 new learners.• Enable manufacture of 2,500 steel MMC modules per annum by year 5, along with expansion of CLT MMC module production from 720 per annum now to 1000 by year 5.• Support the development of 1,500 new homes over a five year period, of which 40% (600) are estimated to be affordable.			
<p><u>Risks:</u></p> <p>The project has been identified as High Risk due to the involvement of Swan Housing as delivery partner. In late 2021, the Regulator of Social Housing took the decision to downgrade Swan Housing’s viability and governance grades. As a result of this decision, Swan Housing do not currently meet the Regulator’s governance and viability standards and steps need to be taken to improve work in these areas.</p> <p>Following the decision by the Regulator of Social Housing, Swan Housing announced a planned partnership with Orbit. At the Accountability Board meeting in September 2022, it was reported that the partnership was progressing and was expected to formally complete on 1 October 2022. However, it was subsequently confirmed that discussions between Swan Housing and Orbit had ceased.</p> <p>Swan Housing has now entered into merger discussions with Sanctuary Housing Association. It is understood that if the merger between Swan Housing and Sanctuary goes ahead that it is likely to complete on 30 November 2022 (and a verbal update will be provided during the Board meeting). If the merger does not go ahead, the future of Swan Housing looks very uncertain.</p> <p>Even if the merger proceeds, the status of the project remains unclear as Essex County Council have been unable to obtain any information which provides any clarity as to the status of the factory being delivered through the project. There is therefore a risk that the project will not be delivered in accordance with the agreed Business Case and/or that the forecast project benefits will not be realised.</p> <p>Delivery of the project has been paused until the outcome of the merger discussions is known.</p>			



Mitigation/Action required:

Essex County Council have identified a number of scenarios which may arise depending upon the outcome of the merger discussions. However, no action can be taken until the merger discussions have concluded.

Delivery of the project cannot resume until the future status of the factory has been confirmed and this may be subject to lengthy discussions. A further update on the project will be provided to the Accountability Board in March 2023.



Project: Better Queensway	GBF award: £4.2m	Risk Rating:	5
Status: Project delivery in progress	Expected completion date: 2033 (wider regeneration programme)		
<p><u>Project description:</u></p> <p>Better Queensway is an estate and town centre renewal project, seeking to transform a 5.2-hectare site to the north of Southend town centre. The project will include phased demolition of existing residential and commercial units, including four tower blocks and redevelopment to provide up to 1,669 dwellings and 7,945sqm of commercial space made up of retail, office, and community and leisure space. The project will also involve significant infrastructure and engineering work to provide a new four lane carriageway with footpath, cycle and bus facilities, which will remedy the sites severance with the High Street, provide a greater developable area, reduce pollution and improve connectivity, including important through traffic routes to the seafront.</p> <p>The Project is in receipt of £15m of funding from the Housing Infrastructure Fund (HIF) to enable the necessary highway improvement works and Southend-on-Sea City Council has entered into a Joint Venture with Swan Housing Association as development partner. GBF investment was sought due to unforeseen costs associated with the upgrade of local electrical networks to provide the needed capacity to meet new government guidelines on energy use in new homes and to enable sufficient resilience in the local grid to provide the required level of electric vehicle charging points to future proof the town centre.</p>			
<p><u>Project benefits:</u></p> <p>The project will:</p> <ul style="list-style-type: none">• increase the attractiveness of the area to developers• increase the attractiveness of the area to businesses• increase footfall in the area• increase connectivity between the Queensway estate and Southend town centre• reduce environmental impacts through the provision of electric vehicle charging points and through enabling the use of sustainable transport means in the town• provide enhanced public realm and open space for local people, alongside providing a more attractive living environment and landmark development for Southend• enable the creation of additional jobs and GVA as a result of the delivery of additional high-quality commercial space, with increased local resident spend through an increased population on the site and across the wider town			
<p><u>Risks:</u></p> <p>The project has been identified as High Risk due to the involvement of Swan Housing as joint venture partner.</p> <p>In late 2021, the Regulator of Social Housing took the decision to downgrade Swan Housing’s viability and governance grades. As a result of this decision, Swan Housing do not currently meet the Regulator’s governance and viability standards and steps need to be taken to improve work in these areas.</p> <p>Following the decision by the Regulator of Social Housing, Swan Housing announced a planned partnership with Orbit. At the Accountability Board meeting in September 2022, it was reported that the partnership was progressing and was expected to formally complete on 1 October 2022. However, it was subsequently</p>			



confirmed that discussions between Swan Housing and Orbit had ceased.

Swan Housing has now entered into merger discussions with Sanctuary Housing Association. It is understood that if the merger between Swan Housing and Sanctuary goes ahead that it is likely to complete on 30 November 2022. A verbal update on the status of the merger will be provided during the Board meeting.

The future of Swan Housing remains uncertain and therefore there is a risk that they will not be able to fulfil their obligations as joint venture partner. This has the potential to impact on the delivery of the project.

Mitigation/Action required:

Southend-on-Sea City Council have indicated that they have several options available to them should Swan Housing be unable to full their obligations in relation to the joint venture. These options include stepping in and buying out the Swan Housing interest and the work in progress. The Council could then join with an alternative joint venture partner or continue alone to undertake to direct delivery of the project.

Southend-on-Sea City Council will be providing a further update to the Accountability Board in March 2023, which confirms the status of the merger between Swan Housing and Sanctuary Housing Association, provides an update on project delivery and provides assurances regarding the ongoing delivery of the wider project, including consideration of the route to delivery which is being pursued.