Forward plan reference number: FP/AB/694

Report title: Better Queensway, Southend – GBF Update Report

Report to: Accountability Board

Report author: Glyn Halksworth, Director of Regeneration & Housing, Southend-on-Sea City

Council and Helen Dyer, Capital Programme Manager, SELEP

Meeting date: 12 January 2024 For: Decision

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SELEP Partner Authority affected: Southend-on-Sea City Council

1. Purpose of report

- 1.1. The purpose of this report is for the Accountability Board (the Board) to receive an update on the Better Queensway Getting Building Fund (GBF) project (the Project), which has been identified as High risk.
- 1.2. This report provides an update on project delivery and highlights the key risks faced by the Project.

2. Recommendations

- 2.1. The Board is asked to:
 - 2.1.1. **Note** the update on delivery of the Project.
 - 2.1.2. Agree **one** of the following two options with regard to the Better Queensway project:

Option 1

2.1.2.1. Agree that, given the importance of the Project to the local area, it should be retained within the GBF programme. Noting that further work is required to confirm the delivery route for all phases of the Project and acknowledging the intention to agree with the Department for Levelling Up, Housing and Communities that ongoing oversight of the Project will sit with them following the closure of SELEP (RECOMMENDED) **OR**

Option 2

2.1.2.2. **Agree** that, as there is not yet clarity as to the delivery route for all phases of the Project, it should be removed from the GBF programme and the full £4.2m GBF funding allocation returned to Essex County Council (as Accountable Body for SELEP) within 4 weeks of this meeting for reallocation to alternative projects.

3. Background

- 3.1. The Project 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, community and leisure space.
- 3.2. 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.
- 3.3. The Board approved the award of £4.2m GBF to support delivery of the Project in November 2020. The GBF funding was sought to help deliver initial enabling works, with delivery of the wider project expected to complete in 2033. In addition to the GBF funding, Southend-on-Sea City Council have been successful in securing £15m of Housing Infrastructure Fund funding to support delivery of key infrastructure.
- 3.4. The Project was being delivered as a joint venture between Southend-on-Sea City Council and Swan Housing through a Limited Liability Partnership (LLP). However, as the Board have previously been made aware, the Regulator of Social Housing took the decision to downgrade Swan Housing's viability and governance grades in 2021, which ultimately resulted in Swan Housing being acquired by Sanctuary Housing Association. Following the acquisition, Sanctuary Housing Association undertook the required due diligence in relation to all information received from Swan Housing and, as reported in September 2023, took the decision to withdraw from the Project.
- 3.5. It was agreed at the last Board meeting that Southend-on-Sea City Council should be allowed more time to consider alternative delivery models for the Project but it was also noted that assurances are required regarding the ongoing delivery of the wider project in accordance with the approved GBF Business Case. The Board agreed that the following information should be provided to the Board at this meeting:
 - 3.5.1. A full update on the Better Queensway project which provides information on the chosen delivery route and associated delivery timetable, the status of the GBF funding, and which contains the required assurances regarding the ongoing delivery of the wider project.

4. Update on project delivery

- 4.1. Since the Autumn the Better Queensway project focus has been on preparing the documentation for the LLP Sanctuary Better Queensway exit. This formal exit agreement was signed and sealed on 28 November 2023 meaning that Southend-on-Sea City Council (SCC) are now the sole owners of the LLP.
- 4.2. The full £4.2m of GBF has been spent on enabling works, fees and other capital costs to facilitate the regeneration to this stage. Now SCC are sole owners of the LLP the money can be transferred from the Council to the LLP to reimburse it for the enabling works that have been delivered.

- 4.3. Being sole owners of the LLP gives the Council a timeframe of 6 months before needing to introduce a new partner or dissolve the LLP. During this time the Council intends to continue working up the project options based on the existing outline planning permission and reserved matters application of phase 1. The Council has made a commitment to deliver housing and the Project has cross party support, meaning that there is no, no project scenario. If, therefore, the LLP is dissolved the Project will still continue.
- 4.4. The determination of the original Reserved Matters Application for phase 1 (RMA) has been deferred until 28 February 2024. This allows time to analyse the existing first residential phase, which consists of 300 homes and key public realm.
- 4.5. With the change in development environment since the detailed work was carried out on the existing scheme the team have been considering options available to SCC.
- 4.6. The highways infrastructure solution is being reviewed, and how this intertwines with the residential led scheme and its deliverability. It is now a pertinent time to revisit the delivery approach to be used, including potential hybrid approaches for early delivery of Phases 1a and 1b, and then subsequent phases, as set out in section 5.
- 4.7. New statutory guidance on fire safety has led to the project's architects needing to revisit the first phase and update plans to include the requirement for a second staircase on residential buildings between 11m-18m high.
- 4.8. As well as the inhouse architects updating the first phase in line with the Governments Building Safety Act, they have been re-assessing options for delivering the housing; these plans will then be shared with the Better Queensway Board before they are finalised for presentation to Members for decision at Cabinet and Council as required during 2024.

5. Future delivery model

- 5.1. Phased programme as originally planned the Project Team will present the Phase 1 plan to Council in early 2024 for guidance on the preferred delivery route to market. This will then start a procurement process for this work.
- 5.2. Removal of the Footbridge in early 2024 work is being undertaken currently to procure a contractor and timescales are being worked up as well as traffic diverting plans for when the construction is undertaken.
- 5.3. The high-level programme for delivery of the housing currently looks as follows:
 - 5.3.1. Phase 1A The RMA is approved and works would commence on site in March 2025. This would have a 2-year delivery timetable and so would be completed by March 2027.
 - 5.3.2. Phase 1B The RMA is approved, and demolition would commence on the existing tower (Quantock) and the delivery phase commenced in May 2027. This would also have a c. 2-year delivery programme so would be completed in 2029.
 - 5.3.3. Phase 2 The RMA is approved, and the phase commenced in early 2029 with 'The Range' exiting the site at the end of their lease and delivery commencing. This phase would be completed early 2031.

5.3.4. Remaining Phases – Phase 1 and 2 support the decanting of the remaining towers which means these phases can follow in line with the delivery strategy.

6. Key project risks

- 6.1. Since the last project update the top risks have moved on considerably. The below table shows new risks relevant to the position the project is currently in following on from the withdrawal of Swan/Sanctuary.
- 6.2. The current key risks are listed in the table below.

Table 1: RAG Risk Assessment

Risk	RAG rating (September 2023)	Change since last Board meeting	Current RAG rating (after mitigation measures) (January 2024)	Progress & Actions / Mitigations
Whole project risk Risk that the project does not go ahead due to finances / drive which would cause the council financial loss and missed opportunity to housing stock and waste of regeneration opportunities.	N/A	New	Green	Promises have been made to residents and Council has full backing for the regeneration so there cannot be a 'no project' position. Funding opportunities and collaborative working options will be reviewed once plans are drawn up, this will ensure there is a housing improvement and uplift in the area.
Housing risk Risk that lack of suitable stock to enable rehousing from Queensway estate (due to overcrowding or natural progress) leads to council being unable to meet vacant possession timeline and add additional costs with not meeting these deadlines.	N/A	New	Amber	Housing Needs Survey has the most up to date data to identify rehousing requirement. Assessment of current and future housing stock being undertaken each year to understand the current situation. We have a decanting strategy to ensure temporary residents are suitably housed either off the estate or in a suitable alternative. Capital budget for acquisitions programme on-going.
Footbridge risk Risk that removal of the bridge causes noise disruption	N/A	New	Green	Noise impact assessments being carried out
Design risk Risk that new design is too expensive / doesn't produce enough housing and doesn't get approved through Council process	N/A	New	Red	Work will be undertaken with advisors to analyse cost and market need. Continual dialogue will take place with portfolio holders and key stakeholders to understand desires and needs for this area.

	Milestone Completion Date (November 2022)	Milestone Completion Date (January 2024)	Change in milestone date (RAG rating)	Commentary (To include: % of milestone achieved to date)
Completion of the demolition of the footbridge	January 2023	March 2024	Red	Work is being undertaken currently to procure a contractor and timescales are being worked up as well as traffic diverting plans for when the construction is undertaken.
Completion of early acquisitions (GBF funded)	March 2023	On-going	Red	To date £878,000 of acquisitions have been completed. While the work is ongoing the GBF funded part of the project is completed – task therefore 100% complete.
Construction of housing, commercial space and public realm	Start 2024 Finish 2033	Start 2025 Finish TBC	Red	The first residential phase is now not likely to start on site until 2025. This will be confirmed once a timetable for Phase 1 has been agreed by Members.
Phase 1A – RMA approved and works to commence onsite March 2025	March 2027	March 2027	Green	The current RMA extension is in place until February 2024 when it can be extended further/adapted in line with the architect updates being made currently
Phase 1B – RMA approved, demolition to commence	2029	2029	Green	Demolition would be to commence on Quantock shown as the existing tower in the Phase 1B outline plan
Phase 1B – delivery phase commence onsite May 2027	2029	2029	Green	This would potentially have a two-year delivery programme and could start before Phase 1A is completely finished.
Phase 2 – RMA approved and works to commence onsite 2029	2031	2031	Green	Phase 2 currently encompasses 'The Range' and exiting their lease would enable delivery to commence

Remaining Phases	ТВС	ТВС	Red	Phase 1 and 2 support the decanting of the remaining tower blocks which mean the following phases will be in line with the delivery strategy
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7. Next Steps

- 7.1. Removal of the footbridge over the Queensway Road.
- 7.2. Architectural work on Phase 1 of the Project, detailed drawing up of options considering new regulations. An exercise will then be undertaken for these drawings to be tested against the market for values and rates.

8. SELEP Comments

- 8.1. The Board has received regular updates on the Project since the challenges faced by Swan Housing were first identified due to their position as joint venture partner. Uncertainty regarding the future of Swan Housing raised concerns regarding the ongoing delivery of the wider project as detailed in the approved GBF Business Case.
- 8.2. Following the acquisition of Swan Housing by Sanctuary Housing Association, it was hoped that Sanctuary would continue to work with Southend-on-Sea City Council to deliver the Project through the existing LLP. However, as reported in September 2023, Sanctuary ultimately took the decision to withdraw from the Project to focus on other projects which are already in progress.
- 8.3. Whilst the decision of Sanctuary Housing Association increased the challenges faced by Southend-on-Sea City Council in relation to project delivery, assurances were provided to the Board by the Council that they remained committed to delivering the Project and that steps were being taken to investigate alternative delivery models to ensure that delivery of the planned works continued. In light of this assurance, the Board agreed that the following information should be presented at this meeting:
 - 8.3.1. A full update on the Better Queensway project which provides information on the chosen delivery route and associated delivery timetable, the status of the GBF funding, and which contains the required assurances regarding the ongoing delivery of the wider project.
- 8.4. The update provided in this report goes some way to providing the update and assurances requested by the Board, however, there is further work to be done by Southend-on-Sea City Council before full assurance of project delivery can be provided. This is perhaps understandable given the scale of the Project and the fact that Sanctuary did not advise the Council of their withdrawal from the Project until 10 August 2023.
- 8.5. The report indicates that Southend-on-Sea City Council have made a public commitment to deliver the required housing within the city and clearly outlines an ongoing cross-party commitment at Southend-on-Sea City Council to deliver the Project. In addition, the report is clear that work has continued on the Project since the withdrawal of Sanctuary both in respect of updating designs to reflect new guidance or regulations and consideration of alternative delivery routes.
- 8.6. Furthermore, it has been confirmed that the £4.2m GBF funding allocation has been spent in full supporting delivery of required enabling works and completion of early acquisitions. Due to the challenges faced by the Project, the GBF funding has been spent on different enabling works to those originally planned. This was supported by Homes England who

- agreed that spend of the GBF funding could be prioritised over spend of the HIF allocation due to the shorter deadline for spend. Southend-on-Sea City Council have reviewed the expenditure claimed by the LLP against the GBF funding and are satisfied that the funding can be transferred to the LLP following completion of the official withdrawal of Sanctuary.
- 8.7. It should, however, be noted that there remain a number of uncertainties with regard to future delivery of the Project. Whilst it is evident that work has been undertaken to consider alternative delivery routes, no formal decisions in this respect have been taken by Southend-on-Sea City Council Cabinet or Full Council at this stage. It is noted within the report that a plan for Phase 1 of the Project will be presented to Full Council in early 2024 in order to seek guidance on the preferred delivery route. It is understood that options for each phase will be delivered separately as the Project progresses and therefore a clear delivery model/route for all phases of the Project is unlikely to be known for a number of years.
- 8.8. In addition, the report indicates that, whilst there is an indicative programme for Phases 1 and 2 of the Project, there is not currently a programme for the later phases of the Project. Whilst this increases the uncertainty with respect to the timeline for project completion and realisation of the expected benefits, it should be noted that a project completion date of 2034 has always been provided for this Project.
- 8.9. Finally, it has not been possible at this stage for Southend-on-Sea City Council to provide confirmation of the total project cost or the funding package for the Project. This is understood to be, in part, due to work which is ongoing to review the initial scheme designs in light of updated guidance/regulations but primarily due to ongoing discussions regarding the delivery route which could significantly impact on the funding package.
- 8.10. In light of the update provided in this report, there are two options for the Board to consider.
 - 8.10.1. Option 1: **Agree** that, given the importance of the Project to the local area, it should be retained within the GBF programme. Noting that further work is required to confirm the delivery route for all phases of the Project and acknowledging the intention to agree with the Department for Levelling Up, Housing and Communities that ongoing oversight of the Project will sit with them following the closure of SELEP.
 - 8.10.2. Option 2: Agree that, as there is not yet clarity as to the delivery route for all phases of the Project, it should be removed from the GBF programme and the full £4.2m GBF funding allocation returned to Essex County Council (as Accountable Body for SELEP) within 4 weeks of this meeting for reallocation to alternative projects.
- 8.11. Option 1 provides the opportunity for the Board to continue to support the Better Queensway project and to agree that it should be retained within the GBF programme. The inclusion of this option reflects the importance of the Project to the local area. It is acknowledged that it hasn't been possible to provide the full update and assurances requested at this meeting and that further work needs to be (and is being) undertaken by Southend-on-Sea City Council before full delivery of the wider Better Queensway project can be assured which does present a risk. However, it is proposed that this risk is mitigated through seeking agreement from the Department for Levelling Up, Housing and Communities that ongoing oversight of the Project will sit with them following the closure of

- SELEP. This will provide additional assurance that the Project will continue to be delivered in accordance with the approved GBF Business Case and will be supported by the ongoing requirement to provide the necessary reporting to Government throughout 2024/25 when key decisions are likely to be taken by the Council.
- 8.12. Option 2 provides for the removal of the Project from the GBF programme on the basis that there are ongoing uncertainties regarding the delivery route for the Project, and therefore the required assurances regarding delivery of the wider project have not been provided. This option is available to the Board if they are not prepared to accept the level of uncertainty which remains with regard to delivery of the Project. Under this option, the Project would be removed from the GBF programme and the full £4.2m GBF allocation would need to be returned to Essex County Council (as Accountable Body for SELEP) within 4 weeks of this meeting for reallocation to alternative projects at the February 2024 Board meeting.
- 8.13. Whilst both options are available to the Board, Option 1 is the recommended option. This is due to two factors:
 - 8.13.1. Southend-on-Sea City Council were not advised of Sanctuary Housing Association's decision to withdraw from the Project until August 2023. Consequently, there has been limited time for the Council to exit the agreement with Swan/Sanctuary and develop alternative routes to delivery. It is evident from the report that work has been ongoing to develop these options, with a decision on the first phase being sought from Full Council in early 2024.
 - 8.13.2. The Project is seeking to transform a 5.2-hectare site to the north of Southend town centre bringing forward higher quality housing and commercial (retail/community/office/ leisure) space. The Project is important to Southend, and this has been evidenced by the award of HIF funding by Homes England. Removal of the GBF funding will increase the challenges faced by the Project and by Southend-on-Sea City Council.
- 8.14. Given the complexity of the Project and the time that has passed since the funding decision was taken, Southend-on-Sea City Council will be delivering a presentation on the Project during the Board meeting to ensure that the Board are able to make an informed decision with regard to the ongoing retention of the GBF funding against the Project.
- 9. Financial Implications (Accountable Body comments)
- 9.1. Essex County Council, as the Accountable Body, is responsible for ensuring that the funding awarded by Government is utilised in accordance with the conditions set for use of the Grant. GBF is a capital grant awarded by Government and is subject to the following condition:
 - The grant may be used only for the purposes that a capital receipt may be used for, in accordance with regulations made under section 11 of the Local Government Act 2003.
- 9.2. This condition requires that the grant is used to fund Capital expenditure; no end date for use of the grant is included within the conditions, however, it was the expectation of

- Government that it was used to fund the GBF projects and that it would be defrayed in full by the end of March 2022.
- 9.3. With the GBF allocated to each project having been transferred in advance to the Local Authorities, there is a requirement for the Board to continue to effectively monitor the progress of the GBF projects in order to provide assurance of delivery in line with the agreed business cases.
- 9.4. Further, this gives the Board oversight of potential risks which may impact delivery of GBF projects along with proposed mitigations; this is of particular importance due to the current uncertain economic climate and increasing inflation, together with ongoing impacts experienced following the Covid-19 pandemic and Brexit.
- 9.5. To support this monitoring, the SLAs set out the requirement for Partner Authorities to provide regular update reports to SELEP and the Accountable Body in the timescales and format specified by the SELEP Secretariat, to inform the updates to the Board and Government. Should the funding not be utilised in accordance with the conditions, Government may request return of the funding.
- 9.6. With respect to the Better Queensway Project, work to the value of the grant was completed by Swan Housing in advance of the takeover by Sanctuary; however, the funds continued held by Southend-on-Sea City Council until the position with respect to the partnership with Sanctuary was resolved. As set out in the report, SCC have advised that Sanctuary have withdrawn from the LLP and SCC are now the sole owners; this will enable SCC to transfer the GBF to the LLP to offset the spend to date.
- 9.7. As set out in the report, there remains uncertainty with respect to the overall delivery route for the Project due to the time still needed to develop and evolve the plans in this respect. SCC, have, however, indicated a clear intention to continue development and delivery of the Project and the associated risk is in part mitigated by the secured HIF funding that is also available to support the Project delivery.
- 9.8. Should the Board agree to Option 1 which will enable retention of the GBF against the Project, it should be noted that due to the on-going challenges in the economic climate that due to the scale and ambition of the Project, there will be risks to the delivery of the full plan and by association, the anticipated benefits set out in the Business Case, if SCC are unable to secure sufficient funding or implement mitigation measures to reduce costs.
- 9.9. Under the GBF SLA in place with SCC, they are required to actively manage the risks associated with the Project and have set out the current position within the report, which gives some confidence with respect to processes being in place to address future risks.
- 9.10. As has been reported in agenda item 5, plans are continuing to close SELEP at the end of March 2024; Government have confirmed, however, their intention to continue monitoring delivery of GBF projects, which provides some assurance with respect to on-going oversight of delivery. If Option 1 is agreed, SCC will be expected to report any risks with delivery of the Project and by association future assurance with respect to realising the benefits of the GBF investment, to Government work is on-going between SELEP, Partner Authorities and the Accountable Body to ensure that future assurance arrangements are appropriately implemented following the closure of SELEP.

9.11. Should the Board choose to agree Option 2, there are provisions with the SLA in place with SCC to enable recovery of GBF funding where this determined by the Board; Essex County Council, as the Accountable Body, will work with SCC to secure recovery of any agreed funding.

10. Legal Implications (Accountable Body comments)

- 10.1. The funding is administered in accordance with the Service Level Agreements in place between Essex County Council, as Accountable Body of SELEP, SELEP Ltd and the Partner Authority. The SLA contains provisions that permit the Board to take a decision to require funding is repaid (either in all or in part) if the Partner Authority fails to deliver the project in accordance with the business case, a project is changed and the Board decline to agree the change or if the project can no longer meet the grant conditions.
- 10.2. Where responsibility for funds are transferred to a Partner Authority following the close of SELEP, appropriate agreements will be needed between the parties to require the management of the funds in accordance with the relevant funding conditions.

11. Equality and Diversity Implications

- 11.1. Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when a public sector body makes decisions it must have regard to the need to:
 - 11.1.1. Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act.
 - 11.1.2. Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - 11.1.3. Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 11.2. The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.
- 11.3. In the course of the development of the project business case, the delivery of the Project and the ongoing commitment to equality and diversity, the promoting local authority will ensure that any equality implications are considered as part of their decision making process and where possible identify mitigating factors where an impact against any of the protected characteristics has been identified.

12. List of Appendices

12.1. Appendix A – Better Queensway project information

13. List of Background Papers

13.1. Better Queensway GBF Business Case

(Any request for background papers listed here should be made to the person named at the top of the report who will be able to help with any enquiries)

Role	Date
Accountable Body sign off	
Michael Neumann	05/01/2024
(on behalf of Nicole Wood, S151 Officer, Essex County Council)	

Appendix A – Getting Building Fund Project Background Information

	Better Queensway		
Name of Project	Southend, SS2 5AW		
	Southend-on-Sea City Council		
Getting Building	£4.2m		
Fund value	Better Queensway is an estate and town centre renewal project seeking		
Description of what Project delivers	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 7,945sq m 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.		
	Southend-on-Sea City Council has been successful in securing £15m of funding from the Housing Infrastructure Fund to make the necessary highway improvement works and has entered into a joint venture with Swan Housing Association as development partner. This approach will employ a 'whole-place' approach to regeneration, addressing the inefficiently planned estate and poor quality of the existing 441 housing units on site, as well as enhancing the wider area and improving access to multiple development sites.		
	The project will deliver:		
	• 1,669 new homes		
	7,945sqm of commercial space		
	• 552 FTE jobs		
Project benefits	Improved environmental benefits through energy efficiency		
	Transport benefits through the delivery of road, cycle, pedestrian infrastructure to improve access to the town centre		
	Economic benefits through the creation of additional high-quality commercial space and increased spend through an increased population on the site.		
Current project constraints and risks	The Regulator of Social Housing took the decision to downgrade Swan Housing Association'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.		

	As a result of concerns regarding the ongoing viability of Swan Housing, they were acquired by Sanctuary Housing Association in February 2023. Following the acquisition, Sanctuary Housing Association completed required due diligence in relation to all activity inherited from Swan Housing. Following completion of this work, Sanctuary confirmed in August 2023 that they had taken the decision to withdraw from the Better Queensway project.
	Since the withdrawal of Sanctuary, Southend-on-Sea City Council have been investigating alternative delivery routes. However, no formal decisions have been taken to date resulting in ongoing uncertainty as to whether it will be possible for the full project scope to be delivered in accordance with the approved GBF Business Case.
Link to Project webpage	https://www.southeastlep.com/project/better-queensway-southend/