

Southend-on-Sea Borough Council

Report of Deputy Chief Executives (Place and People)

to

Cabinet

on

28th March 2017

Report prepared by: Emma Cooney
Director of Regeneration and Business Development

**Better Queensway: Process to appoint a preferred project partner
Place Scrutiny Committee
Executive Councillor: Councillor Ann Holland
(Portfolio Holder for Culture, Tourism and the Economy)
Part 1 Public Agenda Item**

1. Purpose of Report

- 1.1. The purpose of this report is to seek approval to progress the project to procurement stage to identify a preferred partner(s).
- 1.2. In order to commence procurement it is critical that the Council has an agreed position of its expectations of core criteria for the project to shape the market's response and to ensure that the Council's ambitions for the Queensway site are delivered through the partnership. The report sets out those criteria and seeks Members' agreement to them.
- 1.3. The report details a series of processes that need to be undertaken in order to meet the proposed procurement timetable. To enable this a number of approvals and delegated authorities are required and the reports seeks Members' agreement to these.

2. Recommendations

- 2.1. **That the following key elements are agreed for inclusion in the procurement documentation to set out the Council's ambitions, parameters and expectations of Better Queensway and to enable the procurement process.**

Finance

- 2.1.1 **That the intention to act as senior lender is agreed and included in the procurement documentation while clearly stating that the Council will assess the position at the time to ensure that this meets the Council's best interests.**

Procurement

- 2.1.2 That Competitive Dialogue is agreed as the procurement approach to securing a preferred project partner(s).**
- 2.1.3 That commencement of the competitive dialogue process, based on the timetable set out in 5.4 is approved.**
- 2.1.4 That the term “Partnership Approach” be used in defining the approach to be developed by tenderers in response to the Council’s objectives and that this be used throughout the procurement documentation.**
- 2.1.5 That the proposed Better Queensway objectives/requirements are agreed in principle as an appropriate and comprehensive set of underpinning statements to be included in procurement documentation and to form the basis for evaluation questions and that the Deputy Chief Executive (Place) and the Deputy Chief Executive (People) shall each be individually authorised, in consultation with the Portfolio Holder for Culture, Tourism and the Economy, to refine and confirm the final objectives and requirements.**
- 2.1.6 That the outline evaluation criteria and weightings are agreed in principle and that the Deputy Chief Executive (Place) and the Deputy Chief Executive (People) shall each be individually authorised, in consultation with the Portfolio Holder for Culture, Tourism and the Economy, to refine and confirm the final evaluation criteria.**

Governance

- 2.1.7 That a sponsoring group is established within the project structure including the Leader of the Council, Portfolio Holder for Culture, Tourism and the Economy, Chief Executive, Deputy Chief Executive (Place) and Deputy Chief Executive (People).**
- 2.1.8 That the Deputy Chief Executive (Place) and the Deputy Chief Executive (People) shall each be individually authorised, in consultation with the Portfolio Holder for Culture, Tourism and the Economy, in the context of the sponsoring group, to take decisions during the procurement process to ensure agile and timely decision making keeping the procurement to timetable and protecting the Council’s position.**
- 2.1.9 That the Deputy Chief Executive (Place) and the Deputy Chief Executive (People) shall each be individually authorised, in consultation with the Portfolio Holder for Culture, Tourism and the Economy, and the Director of Finance and Resources to negotiate to purchase residential and commercial properties which become available within the ‘Better Queensway’ site if this offers value for money and proves to be advantageous to the project.**

Planning

- 2.1.10 **That the draft site boundary as per the plan (Appendix 1) is agreed as the preferred regeneration area for which a partner(s) is sought but in order that adjustments, which may be required to optimise the final scheme, can be made that the Deputy Chief Executive (Place) and the Deputy Chief Executive (People) shall each be individually authorised, in consultation with the Portfolio Holder for Culture, Tourism and the Economy, to approve the final site.**
- 2.1.11 **That a preference for buildings of no more than 12 storeys is reflected in the procurement documentation.**
- 2.1.12 **That a preference for a minimum of 1:1 residential parking is reflected in the procurement documentation.**
- 2.1.13 **That the outline for the Design Code is agreed and authority delegated to the Deputy Chief Executive (Place), in consultation with the Portfolio Holder for Housing, Planning and Public Protection Services to approve the final document.**
- 2.1.14 **That the demolition of the towers, as per the decision taken at Cabinet in September 2016 (Minute 261, item 4 refers), is confirmed as a minimum criterion in the procurement documentation.**

Housing

- 2.1.15 **That a minimum of 441 affordable homes is included in the specification and that the composition of tenancy type for the remaining housing units (private sale and private rented) is finalised through competitive dialogue.**
- 2.1.16 **That the overall total number of housing units to be provided on the scheme, subject to compliance with Council planning policies, will be finalised through competitive dialogue.**
- 2.1.17 **That a viable mix of 1, 2 and 3 bed residences will be developed as part of the overall Better Queensway scheme and finalised through competitive dialogue.**
- 2.1.18 **That Assured Tenancies, containing the same terms and conditions as current Secure Tenancies, must be offered to returning current Council tenants.**
- 2.1.19 **That the option of offering a 'Right To Buy' clause for returning Council tenants should be retained.**
- 2.1.20 **That the partnership approach procured should entail the whole funding, development and management approach for all elements of the Better Queensway scheme (affordable, private, commercial and community).**
- 2.1.21 **That the Council's tender documentation encourages tenderers to consult with South Essex Homes (SEH) as the Council's existing Arm's Length**

Management Organisation (ALMO) and managers of the Council's existing housing stock with regards to their approach to the scheme.

Transport

- 3.1.21 That the plan in Appendix 2 (SBCC10384-126-SBC-QW-P-0101A-A1) is approved as the preferred road transport layout for the regeneration area but in order that adjustments can be made, which may be required to optimise the road layout, that authority is delegated authority to the Deputy Chief Executive (Place), in consultation with the Portfolio Holder for Transport and Waste, to approve the final layout.

Land:

- 2.1.23 That land and premises outside the Council's ownership, but which may be of strategic significance for the project are identified and considered on a case by case basis for acquisition.

Communication:

- 2.1.24 That the communication and engagement activity includes the wider resident base, business community and stakeholders is agreed.
- 2.1.25 That a general public awareness event be held prior to the submission of an outline planning application.

Quality of Place:

- 2.1.26 That a sustainable energy and environment approach is taken in the design and development of Queensway, to be determined by the market.
- 2.1.27 That a Smart Cities approach is taken in regards to Queensway, designing in current and future-proofed capability to ensure that the site benefits from cutting-edge technology for the benefit of residents, businesses and in its management.
- 2.1.28 That local skills and employment benefits are sought where possible from the design, development and delivery of Queensway.
- 2.1.29 That external funding is sought for as many elements of the project as possible noting that external funding often requires match funding which may be able to be found in the partnership, but which may need to come back to Cabinet for approval as part of future budget rounds.
- 2.1.30 That the principle of a community fund to maximise participative community development and integration be included in the procurement documentation for development through competitive dialogue.
- 2.1.31 That roads surrounding the regeneration site (excluding primary highway roads), are considered for 'home zone' or equivalent treatment.

- 2.2. **That, on the basis of the objectives, expectations and processes set out in 2.1 above, commencement of the procurement process in accordance with the timetable set out is agreed.**
- 2.3. **That a further £1.25m financial support to the project is approved as set out in paragraphs 15.2**
- 2.4. **That in agreeing the additional financing for the project there is approval for an addition to the capital programme of £1m and an adjustment to reserves of £0.25m to fund these costs subject to full council approval.**
- 2.5. **That it is noted that the costs of any Sustainable Urban Drainage System (SUDS) interventions and relevant highways works beyond those directly related to the project are considered as part of the review of the Capital Programme in the 2018/19 budget setting.**
- 2.6. **That it is noted that there may be additional funding requests for the Capital Programme in respect of commercial and residential acquisitions during 2017/18.**
- 2.7. **That the status of the financial viability of the project as set out in paragraphs 4.1 to 4.3 is noted.**

3. Background

- 3.1. The Better Queensway project is a regeneration and resident focussed project, which will transform part of the town centre. It is focussed on delivering better housing and better place.
- 3.2. In September 2016 Cabinet received an update report on Better Queensway and agreed *“That further work be undertaken on the preferred Joint Venture approach (through competitive dialogue) with a report being submitted to Cabinet to determine this matter and the selection of a development partner”* (Item 261, recommendation 7 ref paragraph 2.7 refers). Since that time officers have been undertaking the necessary work ahead of seeking Cabinet approval to commence the procurement process.
- 3.3. Given the scale of the project the work has been approached thematically and is set out accordingly in this report. Each theme provides the background information and updates relevant to the recommendations. In many cases the recommendations are to set out the Council’s objectives, expectations and base position as competitive dialogue should drive innovation from the private sector in how to best meet the needs that the Council sets out. This seeks to ensure that the Council’s objectives and minimum expectations are met.

4. Finance

- 4.1. In order to establish whether a financially viable scheme is feasible on the Queensway site a series of financial viability assessments have been undertaken on potential schemes that could be delivered. This work has been based on example schemes that meet the Council’s minimum criteria, to re-provide 441 affordable units within the scheme and to demolish the tower blocks, and its

expressed preferences such as amongst others limiting development to 12 storeys, providing 1:1 parking capacity and a sustainable energy solution.

4.2. The financial viability work was based on updated costing and value studies that examined the potential cost of funding, developing and operating a scheme on the site. These were undertaken by the Council's Property, Financial, Urban Planning and Environmental advisors and were integrated into a financial model that modelled the impact of different development assumptions.

4.3. This work has shown that a viable scheme could be developed on the site that meets the Council's stated minimum criteria and that a number of its preferences could also be accommodated depending on the design and delivery of the scheme.

4.4. The partnership approach provides the opportunity for the Council to act as the Senior Lender ('the bank') to the scheme. By so doing, the Council could potentially borrow at a competitive rate and on lend to the partnership at a commercial rate to comply with the requirements of State Aid. The Council would then receive the difference between these two rates as investment income to the General Fund. However, this approach may not be advantageous to either party should circumstances change and/or the market dictate other sources of finance. By stating its intention to act as senior lender the Council would signal its clear intent to do so but reserves the decision to commit to this course dependent on its assessment of risk at the appropriate point.

5. Procurement

5.1. As noted in 3.2 Cabinet agreed *that further work be undertaken on the preferred Joint Venture approach (through competitive dialogue)*. Extensive work has been undertaken by the Council and its specialist advisors to fully scope the necessary information to pursue competitive dialogue as the procurement route.

5.2. Competitive dialogue seeks to drive innovation from the market through an iterative process. It will put the regeneration of Queensway to the market for response which, through dialogue, should result in significant added value while addressing the Council's requirements and objectives.

5.3. The competitive dialogue process will start with an open market position and as each stage is completed the bidders may be reduced. Three of the key stages for the procurement process are:

- Selection Stage (formerly known as Pre-Qualification Stage), which will assess applicants' past experience of delivering similar projects and their capacity to deliver a scheme such as Better Queensway, rather than their proposals;
- Detailed Solution Stage, when a series of meetings are held with shortlisted tenderers to discuss aspects of their solution, following which solutions are submitted and evaluated;
- Final Tender, which results in the selection of a preferred bidder.

5.4. The procurement timescale below has been designed to enable the appropriate communications and decisions to take place with the least risk of delay to the overall procurement and enables a preferred partner to be approved by Cabinet

in January 2018. To enable this timetable to be adhered to a detailed suite of legal documents is being developed in partnership with the project's legal advisors.

28 th March 2017	Cabinet approval to commence the procurement
8 th May 2017	Publication of procurement
June – November 2017	Dialogue stages
January 2018	Preferred bidder recommended to Cabinet for approval
Preferred Partner(s) established with contracts signed by 27 th March 2018	

5.5. The September 2016 Cabinet report referred to the potential approach as a “Joint Venture”. Engagement with the market, as well as the work undertaken with the Council’s legal, financial and property advisors, has suggested changing this terminology to “partnership approach”. The primary reason for this is to avoid any limitations, which may be perceived by the market by specifying a joint venture as an approach because a variety of innovative partnership arrangements have emerged for the delivery of schemes similar to Better Queensway over recent years. The outcome of this will be that the partnership approach to be used will not be defined by the Council alone, instead the market will be asked to design a solution that meets the Council’s objectives/requirements.

5.6. In order to assess the bids received an evaluation must be carried out in accordance with the published criteria which must be clearly stated from the outset and remain constant. Well-defined criteria and consistent evaluation are critical and will have a significant bearing on reducing the risk of challenge from unsuccessful tenderers. There is a significant risk to the procurement process should core components of the scheme and a full set of evaluation criteria not be determined and made available at the point when the Council advertises the opportunity to the market.

5.7. Since the inception of the Better Queensway project multiple objectives and requirements for the scheme have been articulated at different stages. These have been reviewed based on the project’s progress and Cabinet decisions in order to form a basis for the procurement documentation and to underpin the evaluation of tenders. The objectives and requirements form the overall scope against which suppliers will be invited to tender and are a framework, which should reflect all those elements to be scored in the detailed evaluation process. An updated set of objectives and requirements have been developed to reflect the Council’s position for the scheme and for the partnership (Tables 1a and 1b below).

5.8. Table 1a and 1b

Scheme Objectives/Requirements	
1	The Council requires a mixed use integrated residential and commercial use scheme on the site with mixed tenure housing development of private sale, private rent, and a minimum of 441 affordable units as well as a scheme that is in accordance with the Council’s planning policies.
2	The Council aspires to the expeditious delivery of the scheme as soon as reasonably practicable in accordance with a robust and realistic proposal.
3	The Council is seeking the establishment of a safe, vibrant, sustainable community through the Better Queensway scheme that will impact positively on the economic and social well-being of the Community. This should include the establishment and operation of an ongoing Community Fund.

Scheme Objectives/Requirements	
4	The Council requires the delivery of the highway works serving the Better Queensway site as defined by the Council with all adopted roads continuing to be maintained by the Council.
5	In addition to the highways works, the Council requires the scheme to be permeable by the public, with appropriate parking provision, and improved pedestrian and cycling connectivity to the town centre with safe and legible routes whilst ensuring the road network still provides convenient and efficient transport links, particularly to the seafront.
6	The partnership will offer existing council tenants on the site the chance to return via an assured tenancy. Although this will not be a direct Council tenancy, it will offer the same terms and conditions. The Council recognises that those seeking a secure tenancy will be offered Council housing elsewhere within the Borough as available. Resident leaseholders must be offered a shared equity unit, and the remainder of the affordable must be genuinely affordable with rents at or below Local Housing Allowance levels on a continual basis. The Council's Residents Offer document, must be adhered to when delivering the scheme.
7	The Council is seeking a high quality sustainable scheme with high quality homes throughout the development at an appropriate density delivered in accordance with the Better Queensway Design Code.
8	Provide a high quality public realm ensuring all buildings (including the key heritage assets bordering the site) are set within attractive useable open spaces in which people feel safe to live, work and play.
9	The Council requires the development to be sustainably delivered both during construction and its lifetime, taking into account the impacts of climate change and therefore designed to mitigate the impacts of change in respect of heat, cooling, energy and water.
10	The Council requires the scheme to further and contribute to the Better Queensway Smart Cities aspirations.
11	The Council aspires to the development delivering: <ul style="list-style-type: none"> • 1:1 car parking provision • Building heights not exceeding 12 storeys • Box culvert over the road

Approach Objectives/Requirements	
12	The Council requires a long-term partner to work with it to fund and develop the mixed use scheme identified above on the Better Queensway site including associated highways infrastructure and to fund, manage and maintain all public realm and retained operational units on the site.
13	The Council requires an ongoing role in the governance of Better Queensway including equal say on, at least, the following areas: <ul style="list-style-type: none"> • Community / Resident engagement • Changes to tenancy agreements; • Rent levels; • Tenure changes; • Retaining the minimum number of affordable units; • Operation of the Community Fund. The Council requires a significant influence over, at least, the following areas: <ul style="list-style-type: none"> • Design of the scheme; • Branding of the scheme; • Sales, operation and rental strategies of residential and commercial facilities; • Management and maintenance of all retained operational units and public realm; • Procurement of contractors
14	Where the Council does not already own the freehold of elements of the site at the point of entering the partnership it will seek to obtain such freehold ownership through the partnership. Any costs associated with CPO/land assembly will be funded by the partnership.

15	The Council's preference is to retain freehold ownership of the entire site throughout the development and operational periods.
16	The Council's only guaranteed investment into any partnership arrangement will consist of the value of the long lease of the land.
17	The Council has some appetite for risk. This could extend to providing senior debt funding for the initial development of the scheme and/or developing and operating the site. Any such investment must be balanced by commensurate reward. Any investment by the Council must be balanced by private investment.
18	The Council expects to receive meaningful financial returns which are to be delivered throughout the development and the life of the operation of the scheme.
19	The Council requires the partnership to keep all relevant stakeholders engaged and informed in an open honest timely and appropriate way.

- 5.9 The criteria for evaluating the procurement of a partner(s) must be published when the OJEU notice is published, and must remain the same throughout the competitive dialogue process. The weightings and the categories/questions set in each tier are fixed at the point it is published. Any change to them would be likely to be seen as a material change to the procurement and would result in significant risk of challenge.
- 5.10 The tenderers who pass the initial selection process will submit a detailed submission which will be evaluated against the criteria and those who pass that evaluation will submit a Final Tender which will also be evaluated against the criteria published from the outset.
- 5.11 The assessment criteria are structured on the basis of tier and weighted in order to ensure they are given the importance they merit. At the highest level ('Tier One'), the weighting is of Price against Quality.
- 5.12 Price consists of all the costs and returns of the scheme, together with assumptions underpinning those costs and returns and proposals for funding the costs, giving a 'Net Scheme Balance' as an outcome. This is likely to be an indicative fund flow to the Council based on the scheme developed, and will be based on a number of assumptions that could flex over time, as such it is not going to be a guaranteed amount.
- 5.13 Quality criteria refer to the Council's requirements for what should be delivered. This covers the design of the scheme as it will be built, how the community will be developed, the benefits to be delivered, how existing residents' needs will be met and how the Council's economic, social and environmental aspirations will be met. It will also include evaluation of the prospective partners and how they propose a potential partnership structure will be constituted and run in order to 'fund, develop and manage'. Reviewing quality enables the procurement to make judgments, based on expert review, which are more subjective than those affecting price, but the criteria and questions must be formulated in such a way that the results are consistent, transparent and can be substantiated.
- 5.14 This weighting of price and quality affects the evaluation outcome, both in terms of the result and the signal it gives the market about what is important to the Council. The Council, in partnership with its advisors, has drawn on market experience to establish the appropriate balance between the two. On the basis of this work a scoring approach with 35% of the score allocated to price and 65% to

quality is recommended as it appropriately signals to the market the importance that the Council places on the quality of the scheme.

- 5.15 The Council will set out its requirements from the outset, which will correlate with the overarching objectives in 5.8. Bidder responses will be marked against evaluation criteria which reflect the importance of the Council’s requirements. In addition the Council intends to set a threshold score for quality questions, i.e. tenderers will need to achieve at least the threshold score in order to remain in the procurement process.
- 5.16 Certain key requirements, (including the requirement to provide the minimum of 441 affordable homes) are set as “minimum criteria”. This means that these elements are 'Pass/Fail' criteria, which would automatically result in a tender failing if the minimum requirement is not met, and the bidder’s removal from the process if they are not met.
- 5.17 The table below shows thirteen evaluation criteria for which questions are being developed.

Note: Responses are scored at the Tier 3 level

Split Tier 1	Weighting Tier 1	Split Tier 2	Weighting Tier 2	Split Tier 3	Weighting Tier 3
Price	35%	Commercial Offer	21%	Net Scheme Balance	21%
			14%	Assumptions	8.4%
				Funding Proposal	5.6%
Quality	65%	Design and Masterplanning	19.5%	Masterplan	17.3%
				Environment and Sustainability	2.2%
		Deliverability	15.2%	Programme	8.7%
				Planning Strategy	3.2%
				Skills and Capabilities	3.2%
		Management	8.7%	Operational Plan	8.7%
		Partnership Arrangements	8.7%	Partnership Approach	8.7%
		Legal	8.7%	Legal	8.7%
		Smart Cities	2.2%	Smart Cities	2.2%
Social Value	2.2%	Social Value	2.2%		
	100%		100%		100%

6. Governance

- 6.1. Phases 1 and 2 of the project have identified the scope of the project, and tested the viability, market interest and routes to market respectively. As the project moves into Phase 3 and engages with the market it is important that the project is structured to enable timely decision making and oversight by Members with designated responsibility for the project. A sponsoring group approach and structure has been successfully implemented on previous Council projects, such as the Forum, to enable responsive and agile decision making in response to negotiations with the market outside the usual Cabinet cycle, where necessary. The group, which will include the Leader and Portfolio Holder for Culture, Tourism and the Economy together with senior officers, is considered to be an appropriate governance approach to achieve the level of oversight and responsiveness required to progress the project. Terms of reference will be

established for the group. The outcome of the procurement process will be presented to Cabinet for formal approval of the preferred project partner(s).

6.2. There are a number of existing delegated authorities in place to facilitate the project's progression. Following the senior management restructure autumn 2016 the project structure the Senior Responsible Officer and Project Sponsors have changed. It is therefore necessary to update the delegations to reflect the changed structure as well as to put additional delegations in place to progress through the procurement phase.

7. Planning

7.1. At Cabinet in September 2016 Members resolved to submit an outline planning application based on the site set out in the report (item 6 of minute 261 refers). Since that time discussion has continued with relevant landowners and as a result some adjustments of the site boundary prior to planning are required. Following discussion with various landowners and refinement of the scheme, the site, as shown in the draft site boundary plan **Appendix 1**, is considered to be an appropriate site. This includes the following main areas of land:

- The Short Street Public Car Park.
- The temporary Essex Street Car Park.
- The residential tower blocks known as Chiltern, Pennine, Malvern and Quantock and the surrounding land.
- The properties to the north of Southchurch Road and east of Chichester Road.

7.2. At the same Cabinet, item 4 agreed the project "*should include the demolition of the towers*". This will be set out in the procurement documentation as a minimum requirement of the scheme.

7.3. There are no specific policies referring to the heights of buildings within the Southend Central Area Action Plan (SCAAP) to establish maximum heights for the new accommodation and that Queensway is not identified as being a site for a landmark building. Modelling has shown that a scheme with buildings at 12 storeys could be possible with the heights being reduced across the site to enable particular buildings to be features or focal points and also to enable the height of the buildings to be lowered to reduce the 'step' to neighbouring buildings. This is based on the provision of 1255 dwellings which is comparable to, the indicative target of 1200 dwellings that is set out within policy PA4 of the Southend Central Area Action Plan for the site. Delivery of at least 1200 residential units on site the scheme will positively contribute towards Southend's housing targets and meet demand from the market. It is considered that the total number of dwellings on the site should be led by the market and finalised through competitive dialogue.

7.4. The viability of the scheme will be influenced by a number of factors including parking provision. A reduced level of parking in a location such as Queensway can improve viability of the scheme. It is considered that the Council proceed with the preparation of the procurement documentation on the basis of a Council preference for 1:1 residential parking.

- 7.5. The Queensway regeneration must also deliver sustainable urban drainage system (SUDS) measures in line with planning requirements. Drainage needs to be designed to cope with water from the development, water from areas outside the development and to ensure that water from the development does not simply move surface water into another area.
- 7.6. Given this relationship between water management in and around Queensway with the wider area it would be prudent to take the opportunity offered by the project, and the SUDS works required to support it, to include additional measures which align with the studies and work underway to the benefit of central area. The scale and cost of these additional works will be disaggregated from those specific to the Queensway development so that the project considers only the direct costs and that the Council funds the additional works separately.
- 7.7. Achieving a high standard of development has been a consistent ambition for the project, particularly the residential accommodation. A design code is being developed in order to ensure quality is placed at the forefront of the scheme development process. A design code is a form of planning guidance which seeks to achieve high quality, well designed places in a transparent, streamlined and collaborative way and which is tailored to reflect local needs and circumstances.
- 7.8. The Better Queensway design code currently under development will be structured to cover:

1	Introduction	Status and how to use code
2	Design Objectives: Better Housing, Better Living; Better Place	<ul style="list-style-type: none"> - Connectivity/Permeability - Safety/Security - Health - Economic vitality - Sustainability
3	Part A: Standards	<ul style="list-style-type: none"> - Space Standards, Amenity Space requirements Housing Mix, Car Parking Ratios etc. - Performance requirements: Energy, SUDS, Recycling - Community Facilities: Play Areas, MUGA - Smart Tech Standards
4	Part B: Built Form	<ul style="list-style-type: none"> - Residential Building Typologies: Apartments, Town Houses, Terraced Houses - Other Uses (Commercial) - Public Realm - Route Typologies: Vehicular Access, Pedestrian Links

8. Housing

- 8.1. Residential accommodation will represent the majority of the buildings on the Queensway site. The re-provision of housing for existing tenants together with the introduction of additional homes which will meet market demand while contributing towards delivery against the Council's housing targets and which

reinforce the town centre through additional footfall and activity is complex, but a vital aspect of the project.

- 8.2. The Council has undertaken work with its advisors using a number of models for assessing the likely viability of the project. This, together with soft market testing, has led to the conclusion that the market should be allowed to make proposals for the total number of homes to be delivered on the Queensway site as part of competitive dialogue. This will form part of the overall proposal for Better Queensway in which tenderers must demonstrate that they can meet the Council's requirements for viability and quality. To specify a target number of homes would have the effect of constraining tenderers' room to exercise innovation and maximise viability.
- 8.3. Any proposal must obtain planning consent on the basis of the appropriate policies, including the Southend Central Area Action Plan (SCAAP). The overall number of units to be delivered will be one of the many aspects of the scheme to be scrutinised in this light. The planning consent process will allow the Council to ensure that only a proposal which is appropriate and in line with Council policy progresses.
- 8.4. The Council needs to at least maintain, if not increase, the number of affordable homes on the site. There are currently 441 flats within the Queensway area. In order to ensure that there are sufficient homes for current Queensway tenants who wish to return to the regenerated scheme and an appropriate stock of new homes for local people on low incomes to which the Council will have nomination rights for those who the Council has a legal duty to house the market will be required to provide a minimum of 441 affordable homes.
- 8.5. Soft market testing has shown that bidders are likely to propose a range of total numbers of residential units on Better Queensway. The Council's policy aspiration, set out in the Development Management Policy (Council DPD2 Policy DM7) is that at least 30% of all units across the development should be affordable. The Council's minimum of 441 affordable homes will meet or exceed this proportion until the total number of units grows beyond 1,466.
- 8.6. The market may yield proposals which meet the Council's aspirations for viability and quality which exceed this total number of units and this will be subject to the normal planning procedure, which allows the Council to ensure appropriate standards are met.
- 8.7. Soft market testing has shown that the greatest benefits will be delivered by allowing the market to propose the mix of housing in terms of the number of bedrooms as they will need to demonstrate that their proposed scheme is viable.
- 8.8. Development Management Policy (Council DPD2 Policy DM7) sets out the Council's aspiration for residential accommodation, as a result of which the planning process will ensure that any development is appropriate.

Tenure	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms
Market	9%	22%	49%	20%
Affordable	16%	43%	37%	4%

This has been taken into account in the viability testing.

- 8.9. The Government's Technical Housing Standards – nationally described space standard - deals with internal space within new dwellings for application across all tenures. It sets out requirements for the Gross Internal (floor) Area of new dwellings at a defined level of occupancy as well as floor areas and dimensions for key parts of the home, notably bedrooms, storage and floor to ceiling height.
- 8.10. The Local Lettings and Decant Policies, which are also being considered by this Cabinet, are relevant to the Better Queensway project. The former is specific to Queensway while the latter is a borough-wide policy. They set out the legal terms and conditions relating to the resident moves required to enable the Queensway project to progress.
- 8.11. As part of the scheme, a Residents' Offer document which will embody relevant aspects of these policies is under development and will be communicated to all current residents.
- 8.12. The Council has stated its intention that existing Council tenants will be offered a new tenancy at the same rent levels and other terms and conditions as their existing tenancy. Offering secure tenancies (current council tenancy) to tenants returning to Queensway would:
- Rule out the partnership arrangement as an ownership/management vehicle as secure tenancies can only be offered by the Council.
 - Limit future opportunity to shape policy in relation to the stock in order to meet local housing need.
 - Limit options for rent levels and flexibility of management of stock.
- 8.13. In exploring an alternative, the two key elements in a tenancy offer to existing council tenants are:
- that any existing secure tenants who wish to continue to live on the Better Queensway scheme are given the opportunity to do so (albeit under a new form of tenancy).
 - that any existing secure tenants who wish to remain as secure tenants are given the opportunity, if available, to take up a secure tenancy elsewhere in the Borough.
- 8.14. An Assured Tenancy offers a viable alternative under which the Council can offer all the elements required to replicate key existing terms and conditions but can be delivered through the partnership.
- 8.15. Secure tenants currently have the option of utilising the 'Right To Buy' scheme to purchase their properties. The new 'Assured Tenancy' arrangement would fall outside the statutory scheme however can be included as a term within an assured tenancy offered to returning tenants.
- 8.16. The September 2016 Cabinet report showed three example variations of partnership approaches, each involving varying levels of Council involvement in the funding, development and operation of elements of the site. A further review of these, together with feedback from the market, has concluded that the Council's financial position does not support self-development of the affordable

units due to limitations in the Council's borrowing headroom in the Housing Revenue Account and that a holistic approach to the scheme where the partnership develops and manages all residential units on the site will deliver a more effective long term solution. A partnership which provides the delivery and management approach for all units (affordable, private, commercial and community) is therefore the most beneficial approach.

8.17. Management of the rented properties on the Better Queensway scheme, including private, affordable and commercial stock, will require a management partner or partners to manage these properties. There will potentially be a number of different approaches to delivering the management of rented properties, ranging from having a single management agent for both private and affordable stock, to having separate arrangements for each type of property. As part of the procurement process and documentation the Council should ensure that:

- it does not pre determine the management approach for each type of rented property as this could limit the interest from the market.
- it does not pre determine the management partner which helps deliver each type of property to avoid any risk of procurement challenge.
- the market proposes different approaches to managing the types of properties to drive innovation in service delivery.

8.18. South Essex Homes (SEH), as the Council's Arm's Length Management Organisation (ALMO), currently manages the Queensway residences. On the basis that the management partner is not pre-determined in the procurement documentation, SEH would need to participate in the procurement process to undertake this role for the new scheme. The Council has been working with SEH to develop and market their wider property services capabilities (such as Facilities Management services, cleaning, security) which could give them the potential to respond the opportunity.

8.19. The Management Agreement between the Council and SEH runs until 31 March 2019 and sets out the working arrangements between the two bodies and has been reviewed by legal advisors in the context of this approach. The Management Agreement does not prohibit this approach. Subject to Cabinet approval discussion, in line with the agreement, will follow between the Council and SEH and be reflected accordingly in the procurement documentation.

9. Transport

9.1. Further refinement to the road alignment and modelling has been undertaken with consideration given to other network improvements, including Variable Message Signs (VMS) signage, which will have an impact on traffic flows through Queensway, connectivity to the seafront and visitor parking, east-west and north-south traffic movements, minimising impact on surrounding streets and the quality of the public realm so as to increase permeability.

9.2. The draft transport layout in **Appendix 2** (SBCC10384-126-SBC-QW-P-0101A-A1) is proposed as the traffic layout for the site and includes the following key features:

- Removal of all roundabout slip roads except north bound off slip from Queensway to Southchurch Road.
- Realignment of the underpass, reducing the width to a wide single carriageway (accomplished by the construction of a box culvert), thus enabling the covering of up to 150m for public realm/landscaping.
- Adjustments to surrounding road network to take account of above, including modifications to:
 - The southern end of Sutton Road and closure of Lancaster Gardens into and out of Southchurch Road to install new traffic signalised junction.
 - New signalised junction at Sutton Road/Southchurch Road through development.
 - Realigned one-way link between Southchurch Road and Sutton Road.
 - Reconfigured Southchurch Road and widened Chichester Road (high quality public realm design standards to allow pedestrian permeability including crossings dependent upon final masterplan desire lines).
 - Reconfigured Chichester Road/Short Street junction to allow additional traffic movements in and out of Short Street.
- New access arrangements for Warrior Square and Tylers Ave/York Road car parks to permit access/egress onto Queensway.
- Further localised adjustments to the highway adjacent to the site for traffic management purposes, e.g. relocated bus stops, cycle route modifications, speed limits.
- Further network management modifications to promote walking, cycling, signage to car parks, and general direction/tourist signage to better improve the connectivity of the site to the town centre.

10. Land

- 10.1. The Council is not the land owner for the whole of the Queensway site and in September 2016 Cabinet resolved that *“the use of the Council’s Compulsory Purchase Powers continue to be investigated and that the preparatory work be undertaken for the making of a Compulsory Purchase Order, which will be subject to a formal resolution of the Cabinet in the future.”* (Item 3 of minute 261 refers). Work has been undertaken in this regard to ensure a full understanding of the Compulsory Purchase Order (CPO) process with indicative timescales and implications included. However, prior to commencing CPO every attempt to purchase a site through direct negotiation must be made.
- 10.2. It is good practice within regeneration schemes to own the whole site and through direct negotiation or CPO this can be achieved. Prior to entering into the partnership, the Council will seek to acquire strategically advantageous sites which will be considered on a case by case basis. Once in the partnership any compulsory site purchases will require use of the Council’s CPO powers and will therefore be owned by the Council but funded through the partnership.
- 10.3. Sites may be purchased through direct negotiation with the land owner. All acquisitions will be subject to the valuation and compensation payable having been approved by the Council’s retained strategic property advisors.
- 10.4. CPO powers must be as a last resort, where acquisitions by agreement have failed. Therefore prior to commencing a CPO process negotiations with

landowners must be commenced and concluded. There are a number of holdings which have been identified as potentially having a strategic significance for the project but those sites are not likely to be required at the same time. Therefore a case by case basis is suggested for considering the need for purchase.

- 10.5. Land assembly for such a regeneration project needs to be considered in relation to the coherence of the proposition and Council contribution to the scheme as the partnership is put in place, and in relation to the corresponding financial returns.

11. Communication

- 11.1. The overarching objective of the Communication Strategy is: *“To keep all relevant stakeholders, including affected local tenants/leaseholders and businesses, councillors, funding partners and media engaged and informed in an open, honest, timely and relevant way.”*

- 11.2. Targeted engagement with local residents of the Queensway estate and Coleman Street has been provided through regular face to face update sessions and direct communications in 2016 such as letters and newsletters. A site visit to London with tenants, leaseholder drop in sessions, a trader’s breakfast briefing and a ‘Day in the Life’ resident session to inform the ‘better place’ element of the project have also been carried out. Resident design sessions were also held in December 2016 to help inform the outline planning application. All of these events have been well attended, with the exception of the trader session. A Tenant Liaison Officer has also been appointed to undertake direct communication with residential tenants and will be a key role as the project progresses through to delivery.

- 11.3. The project has now progressed to a stage where engagement with a wider stakeholder base and the public would be appropriate to ensure wider awareness of the project and its impact, mitigating any risks associated with limiting consultation for a project of this significance, to solely the statutory consultations.

12. Quality of Place:

The Council’s ambition for Queensway is for it to be an exemplar of transformational town centre regeneration. The quality of the development over its entire lifecycle is therefore of upmost importance. There is a number of factors to be considered which can add value and contribute to the quality of the development; mitigating the challenges faced by developments of this scale and nature and delivering a high quality, future-proofed, place which to the benefit of its residents and the wider town for decades to come.

There is a number of factors to be considered which can add value and significantly contribute to the quality of the development.

a) Energy and Environment

The Council’s Low Carbon Energy and Sustainability Strategy (LCESS) sets out the corporate approach to energy and sustainability issues and should apply to Better Queensway. The delivery of the project should be consistent with the strategy and assist with achievement of these objectives as well as ensuring

compliance with all planning and legal requirements relevant to such a scheme. However, how these are addressed, and the technology applied to do so, should be for the market to determine.

Some of the most pertinent issues to be considered through the competitive dialogue should address the provision and use of sustainable energy, access to sufficient energy, use of green infrastructure, responding to climate change, electric charging points for vehicles, and the application of new technologies. In doing so benefits can be derived for the Queensway area in terms of site management, quality of accommodation and environment, energy supply and costs, and future-proofing.

b) Smart Cities

In 2015 IBI, the Councils retained urban design advisor, produced a report for the Council in relation to smart cities in the context of the project. They identified, via a multi-user stakeholder workshop, a number of opportunities where smart city concepts and enabling infrastructure could be applied to help deliver the 'better living' headline of the project such as:

- Health and wellbeing
- Mobility
- Environmental sustainability
- Community cohesion
- Education and skills
- Employment

Designing the principle of a smart cities approach into the project from the outset, and future-proofing the Queensway to allow for new and emerging technology, would enable the community to be at the forefront of high-quality contemporary living, equipped to be resilient in the face of change, reduce costs, and maximise the benefits that the individual can derive – be that independent living, increased access to skills, or enhanced travel options.

c) Economic Growth

The Economic Impact Assessment that was undertaken for the Better Queensway Project in early 2015 indicated that approximately 2,500 temporary construction jobs would be created during the development and construction phases of the project. In order to deliver the wider benefits of Better Queensway and other regeneration projects, the Virtual Skills Academy has been established between the Council and local education providers as a mechanism to ensure that the maximum opportunity and benefits from local regeneration activities are accessible to local residents. The experience of other large scale regeneration projects indicates that an active pursuit of local skills and employment benefits can maximise resident benefit, increase buy-in, improve public perception and generate a strong legacy for the project.

d) External Funding

The scale of the Better Queensway regeneration project is significant and funding to deliver it is not yet in place. Securing funding from external sources reduces the commercial funding required making the project more attractive, and/or creating opportunities for added value and raising the profile of the project with

Government and funders through the submission of bids. While funding for the project in its entirety will not be secured via grants there may be discrete elements which meet the requirements of different funding rounds improving the financial case for the project.

While external funding brings investment, which would otherwise have not been available, it often requires local match funding of a set percentage of total cost. Should match funding be required, in a project of the size and scale of Better Queensway, it is likely to be found within the partnership. However, should the match funding requirements be outside the scope of the partnership these will be brought back to Cabinet for consideration.

e) Community Cohesion

One of the key objectives of the project is to maximise community cohesion. Not just across the site as the severance caused by the road is addressed but across the town centre as communities to the north of Queensway are not only more able to access the town centre but are encouraged to do so by walking or cycling through Queensway. As a result community space, provision and infrastructure will be vital to shape this new community and fully integrate it with surrounding ones.

Work has been undertaken to map the community infrastructure, in all forms, within a short distance of the Queensway site. This has found that there are a range of venues which are available to be used by any number of groups wishing to do so. As a result the need for a more traditional community centre or hall on the Queensway site is negated. However, investment in existing community infrastructure to enhance and embed community cohesion; maximise accessibility, create a sense of belonging for all groups and giving everyone in the area equal opportunities to thrive is a key facet of the project.

The creation of a community fund, into which groups can bid, would deliver creative and contemporary spaces for events and networks which enhance and support the Queensway community and draw other residents in to use and enjoy the space. It would encourage the community to actively participate in community development and enable it to be responsive to changes in technology, intergenerational contact, challenges faced by specific groups etc and therefore focus investment on a more forward-looking, inclusive and agile approach to community development.

f) Surrounding Roads

Home zoning is a living street (or group of streets) which are designed primarily to meet the needs of pedestrians, cyclists, children and residents and where the speeds and dominance of cars is reduced. Home zones can assist with a better balance of road space use for pedestrians and to create a high quality urban space. It is an excellent way to help cement community identity, generate inspire activity across a community.

The introduction of homezone or equivalent treatment to streets outside the regeneration area, but in close proximity to it, would serve to integrate the Queensway development with surrounding streets through softening and blurring

the edges of the site rather than the possibility of a stark contrast between the two. It could also create opportunities for the benefits of the development to radiate out from the main regeneration area.

13. Reasons for Recommendations

It is critical that the Council has an agreed, robust and transparent position on each of the matters presented in this report in order to shape the procurement documents and to ensure that the Council's ambitions for the Queensway site are delivered through the partnership. Not reaching agreement on any of these matters risks delaying the procurement process or leaving the Council exposed in the partnership with no defined red lines or tolerances on specific matters.

14. Other Options

- 14.1. Should the requirements, parameters and processes outlined in this report not coalesce with Cabinet expectations these could be subject to further work and refinement before being brought back to a later Cabinet. This would impact on the procurement timescale and mean that the preferred bidder could not be confirmed before the end of March 2018.
- 14.2. Cabinet considered three different funding models for the development in September 2016. These could be revisited to explore alternative route to the one set out in this report, at which point the focus of the work would need to immediately shift from setting out the Council's position for the market to re-evaluation of final options to fund the development and its implications for timescales, resources, phasing and delivery.

15. Corporate Implications

15.1 Corporate Priorities

The project has all the Council's corporate priorities at its core. **Safe** through reconfigured transport layout improving connectivity and permeability for residents in and through the area. Also through improved quality of buildings, community space and public realm safety and security of the area will be significantly enhanced. **Clean** through the introduction of new parks and open spaces and adhering to the principles of the Council's Low Energy and Sustainability Strategy in responding to climate change and energy generation opportunities. **Healthy** by seeking to improve the lives of existing and new residents through better quality accommodation and environment, including connectivity and transport methods. **Prosperous** by aiming to derive maximum benefits from the development of the project through skills and employment for local people, reinforcing the town centre with increased footfall from greater numbers of residents living within a short distance of it, and securing outside investment in the town. **Excellent** through delivering a high quality regeneration project that everyone can be proud of, which is a sought-after location to live in and which is recognised by Government for its innovation and impact.

15.2 Financial Implications

15.2.1 To date the Council spend on the associated costs over the last three years and commitments to this stage of the project have been:

	£000's
2014/15	26
2015/16	345
2016/17 (up to end of Feb 2017)	636
Committed not yet spent	465
Total	1,472

15.2.2 The above sum has and is to be spent mainly on a project management team, external advisors, various surveys and a significant ground penetrating radar survey. This spend has been fully budgeted for in the Council's capital and revenue budgets over the last three years along with the use of some external funding secured specifically for the Queensway project. In addition, the Council has already approved a Capital budget of £1.4m to allow for the flexibility to purchase commercial and residential units to facilitate full ownership of the regeneration site. Therefore, in total the sum spent and committed to the project has been £2.872m.

15.2.3 To enable the project to proceed to a position of selecting a preferred project partner(s) a further Council budget is required to meet the relevant costs over the financial year 2017/18.

15.2.4 The costs that will be incurred in 2017/18 will relate to:

- External advisors (to support the competitive dialogue process, financial advice and modelling, property advice and legal advice)
- Project Management Team
- Master planning for outline planning submission
- Outline planning application (Surveys, fees and planning advice)
- Tenant and Stakeholder communications
- Traffic Modelling
- Contingency

15.2.5 The estimated spend on the above areas, to enable the project to reach the stage of the selection of a proposed partner(s) by the end of 2017/18, is estimated to be circa £1.25m including contingency. Of this sum certain items of expenditure can be capitalised and some will need to remain to be funded from revenue.

15.2.6 The estimated funding of the spend is £1m capital and £0.25m revenue. No current budgets exist for this proposed expenditure and therefore there will need to be provision for a new capital budget of £1m approved with associated financing costs of £70k per annum. Additionally £0.25m revenue funding will be required from earmarked reserves and allocated to the Queensway reserve.

15.2.7 This will therefore bring the Councils commitment on the project to £4.122m by the end of 2017/18.

15.2.8 The project will require a Sustainable Urban Drainage System (SUDS). As set out in paragraph 7.6 the current designs include future proofing rather than the basic needs for such a regeneration scheme. A capital budget will be required for this overage for the Council to fund and will be calculated through the Competitive Dialogue process. Initial indications are that this sum could be circa £1m and will need to be included in the Capital Programme review for 2018/19 budget setting. Members are asked to note this is also likely to be required for highways works to be included in future capital budget rounds.

15.2.9 The project will require relevant land acquisition, both residential and commercial. Any acquisitions that are not resolved by the time of partner contract will need to be funded through the Partnership. Those costs incurred before this date will require funding by the Council. Currently the Council has a capital budget of £0.9m for commercial acquisition and £0.5m for residential acquisition. These sums are likely to be insufficient over the next year or so and therefore further requests to Cabinet for capital funding may be required depending upon the position of acquisition negotiations.

15.3 Legal Implications

This is a complex and intricate project which has legal implications throughout its development, procurement, partnership and delivery. Specialist legal advice has been procured to ensure that the Council is compliant and protected.

15.4 People Implications

The project draws significantly on internal staff resource supplemented by procured specialist advisors. This is proposed to be amplified with the introduction of a sponsoring group which will include elected Members.

15.5 Property Implications

While much of the land and premises within the project area are owned by the Council it is proposed that those which are not but may be of strategic importance to the project are considered on a case by case basis. Specialist advice has been sought to develop an approach to land acquisition using all powers available to the Council.

15.6 Consultation

Resident consultation has been undertaken throughout the evolution of the project and will continue to be a primary activity as it continues. Engagement with traders has not yielded the same engagement to date but further activities

are planned and will draw on wider resources to try to secure a response. Wider consultation is also underway with key stakeholders and landowners. A full public engagement event is recommended prior to submitting the outline planning application.

15.7 Equalities and Diversity Implications

Ensuring equality of access to the opportunities which arise as a result of this regeneration will continue to be considered as the project progresses.

15.8 Risk Assessment

The scale of the project is such that it must be set in a wider context to fully comprehend its impact, opportunities and challenges. The project has been promoted and supported at both a sub-regional and LEP level and is of interest to the Homes and Communities Agency (HCA – soon to be renamed Homes England) and the Housing and Finance Institute. This may lead to funding opportunities, further profile or Government support in driving innovation in its delivery. Just as it is of interest outside Southend so it is also subject to market forces outside Southend. Increases in construction costs over the past year and the weakened pound, among other things, mean that the costs relating to the project currently look quite different to those identified when the project was first established. It is important to note that this will continue to be the case as the development takes place over the next 5-10 years. Market changes and outside influences may affect timings, costs and phasing so the programme will have to be updated on a regular basis.

There is a risk register specifically for the project which has been developed through cross-organisational consultation, is owned by the Project Office and the respective workstreams, and is reviewed on a regular basis by the Project Board.

The most significant risks relevant to this report:

- are not establishing the Council's position and parameters prior to procurement could leave it open to challenge and deviation.
- too extensive a list of requirements and restrictive tolerances, or competition with other regeneration schemes nationally result in a minimal response from the market.
- external factors and their implications for costs, timing and market response
- planning blight in regards to land acquisition. This has been reviewed and considered not to be a material risk
- that the Council's aspirations are not viable resulting in a limited or nil response from the market. Actions taken to address this include: financial viability modelling of an indicative scheme by the specialist advisors, informing the approach to competitive dialogue to ensure that there is scope for discussion where appropriate and ensuring only costs which relate to the project are reflected in the approach.
- the partnership will be required to deliver the highway works against a detailed design which the Council has completed for all elements except the box culvert and as such all design risk remains the Council's.

However, for the box culvert, the partnership undertakes the detailed design risk and works thus it takes the risk.

- not progressing a scheme on the site, leading to continued quality, access and housing pressures.

15.9 Value for Money

By undertaking a fully competitive procurement process and ensuring the right evaluation scoring criteria within the procurement exercise this should establish VFM for the Council.

15.10 Community Safety Implications

As the tower blocks and the surrounding area have been subject to some anti-social behaviour in the past it will be an important objective for the project to reduce such instances through the regeneration proposals. It will be essential to work closely with the Police to achieve secured by design principles. In addition work has been completed to install security doors to the tower blocks and Victoria neighbourhood patrols continue.

Investigation work has been carried out with the local community and third sector partners to investigate what investment in community facilities may be needed on and around the Better Queensway Estate.

15.11 Environmental Impact

A development of this scale and nature will have a significant impact on the local environment. In this instance the project seeks to improve the environmental impact through the introduction of measures, technology and future-proofing capability which respond to climate change, water drainage and management, sustainable transport and energy generation as well as the introduction of more green space.

16. Background Papers

Better Queensway Cabinet Report 20th September 2016 – item 261

17. Appendices

Appendix 1 – Draft Site Boundary Plan

Appendix 2 – Proposed transport layout (SBCC10384-126-SBC-QW-P-0101A-A1)