

Southend-on-Sea Borough Council

Report of Deputy Chief Executive (Place)

**to
Cabinet**

on

13th February 2018

Report prepared by: Emma Cooney, Director of Regeneration
and Business Development on behalf of
The Better Queensway Project Board

Better Queensway

**Executive Councillor: Councillor Ann Holland
Place Scrutiny Committee
A Part 1 Public Agenda Item**

1. Purpose of Report

- 1.1.** The purpose of this report is to seek agreement of the final parameters for the Better Queensway regeneration project, including the proposed highways alignment, so as to commence procurement to secure a partner(s) to fund, develop and manage the scheme.

2. Recommendations

- 2.1.** That the results of the public consultation be noted;
- 2.2.** That the plan in Appendix 4 be approved as the preferred indicative highways alignment for the regeneration area to be included in the procurement process;
- 2.3.** That the approach to the planning application is adjusted so that the application is made by the partnership formed following procurement;
- 2.4.** That the site indicated in Appendix 5 be included within the redline boundary for the procurement and that continuance of the Council's income stream it derives from the site is placed as a requirement of the partnership;
- 2.5.** That the site boundary, as per the plan in Appendix 6, be agreed as the regeneration area for which a partner(s) is sought;
- 2.6.** That the level of affordable housing provided on the site shall be required to be above the current 441 affordable units and that tenderers are required to put forward their proposition to increase this provision, demonstrating how this is viable;

- 2.7. That the updated procurement objectives, set out in section 7.3 of this report, are agreed in principle to be used as the basis for the procurement 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 wording of the objectives;
- 2.8. That the principle of a second lot “Lot 2” be agreed for inclusion in the procurement and that the Deputy Chief Executive (Place) and the Deputy Chief Executive (People) shall each be individually authorised, in consultation with the Director of Finance and Resources and the Portfolio Holder for Culture, Tourism and the Economy to agree its inclusion or exclusion in the procurement process and the final wording of the Lot 2 procurement documents;
- 2.9 That the Better Queensway Project Board be authorised to approve a variation of existing professional consultant contractual arrangements in accordance with CPR 9.2 to 9.4 to accommodate additional in-scope work in support of the project up to the sum of £427k;
- 2.10 That the Better Queensway Project Board be authorised to seek extensions of existing contractual arrangements under CPR 9.5 and 9.6 in 12 month increments up to a maximum of 4 more years in accordance with the terms thereof and subject to the approved financial resources;
- 2.11 That the Better Queensway Project Board be authorised to purchase any further work necessary to support the Project which is either included in the scope or defined as out of scope of the current contracts from the contracted consultants via framework agreement call-offs in accordance with CPR8.3 in line with the approved financial resources available;
- 2.12 That approval is given to commence procurement of a 30 year partnership to fund, develop and manage the Better Queensway regeneration project.

3. Background

- 3.1. The Better Queensway project is a transformational housing-led town centre regeneration project in the centre of Southend. It is focussed on delivering better housing and a better place.
- 3.2. In March 2017 Cabinet approved a report setting out the procurement parameters in preparation for commencing a competitive dialogue process to secure a partner to fund, develop and manage the scheme (minute 892 of Cabinet meeting on 28th March 2017 and minute 1006 of Council on 20th April 2017 refer).
- 3.3. The report established the Council’s minimum criteria for the scheme. As such bidders for the project must meet these requirements and failure to do so will result in their exclusion from the procurement process. The minimum criteria were:

- demolition of the towers;
- provision of a minimum of 441 affordable homes; and
- equivalent tenancy terms and conditions under an assured tenancy for existing Queensway tenants who return to the site.

3.4. The report also established a set of preferences which included:

- buildings of no more than 12 storeys;
- 1:1 car parking;
- a sustainable energy and environment approach;
- employment and skills benefits; and
- smart cities connectivity.

These preferences form part of the evaluation questions which are scored against the published evaluation criteria. Failure to deliver one or more of the preferences will not result in exclusion from the procurement process but will instead be reflected in lower scores.

3.5. Finally the report established a number of process and governance related matters such as:

- the principle that the Council may wish to become the senior lender for part or all of the scheme and reserves the right to do so,
- that competitive dialogue be used for the procurement of a partner(s),
- a set of objectives and related evaluation criteria, and
- that external funding be sought to support the project wherever possible and appropriate.

3.6. To support the latter objective, a £122,000 Estate Regeneration Fund was successfully secured from the Ministry of Housing, Communities and Local Government (MHCLG – previously DCLG) and Homes England (previously HCA) in April 2017 to support the progress of the Better Queensway project. A successful bid was also made to the National Productivity Infrastructure Fund (NPIF) which announced in October 2017 an award of £1.75m to support measures across the highway network in the borough including improved access in to town centre car parks from Queensway. In September 2017 a further bid was submitted to MHCLG and Homes England's Housing Infrastructure Fund (HIF) under the marginal viability strand aimed at projects at an advanced stage of development. The outcome of this was announced on 1st February with an award of £15m to the Council for Better Queensway thereby affirming Government's confidence in the project.

3.7. At Council on 20th April 2017 Members agreed that the highways alignment should reflect two lanes in each direction, that further consultation on highways should be undertaken and brought back to Cabinet for approval. This is addressed in paragraphs 4.9 - 4.17 in this report.

3.8. Since the report was approved and the resulting establishment of the minimum criteria, preferences and processes there have been some changes which affect the project such as policy updates, changes to market conditions, public consultation and progression of the project. This report only seeks to consider aspects which have been materially affected by the changes.

4. Consultation and Highways

- 4.1. Between October and December 2017 consultation was undertaken on the proposals. The approach to consultation was developed with advice from the Consultation Institute and led by the Council's consultation advisors, Copper Consultancy – a consultation organisation specialising in complex infrastructure and regeneration projects procured to lead the consultation. The interim consultation report is found in **Appendix 1** and sets out the process and findings of the consultation. A second consultation report from Copper will follow on approval of this report. This will set out the Council's agreed response to the consultation in relation to the feedback received.
- 4.2. The consultation was designed to meet the Gunning Principles – which set out the expected standards for public consultation - and included two public exhibitions (with two preview events), online provision of material and response mechanisms, freepost returns and face to face meetings. Two Member briefings specifically on the highways layout were also held during the consultation period as well as a number of individual briefings in response to requests from several Councillors.
- 4.3. The consultation sought views from all stakeholders including existing Queensway residents, town centre and seafront businesses, residents associations, emergency services, transport operators, and residents and businesses from across the borough. Stakeholders from across the borough were invited to respond recognising the broad ranging impacts of changes to this part of the town centre on residents, visitors, businesses, transport operators and other public institutions. Over 300 people attended the exhibitions and 120 written responses were received during the consultation period. The responses have been independently reviewed, analysed and reported by the Council's consultation advisors with all contributions, regardless of origin, given equal consideration.
- 4.4. In addressing the commitment to undertake further engagement on the highways scheme and to broaden engagement beyond the Queensway area consultees were asked for their views specifically on transport and access and the wider scheme including public space, housing, quality of life and wider socio-economic benefits. Free-text boxes encouraged consultees to comment on other aspects of the scheme that were important to them.
- 4.5. The results of the consultation have been analysed by the Council's consultation advisors and show that there is general support for the scheme with a range of views shared on specific aspects. This work concluded that *"The consultation has demonstrated support for the principle of development on the Better Queensway site and for improving the area through the provision of high-quality homes and building design, affordable housing and public space."*
- 4.6. The report also identifies a number of aspects which featured strongly in the feedback including transport and access, access to affordable homes, safety and security, and impact on local services. A summary of the wider scheme consultation findings and how they are reflected in the approach to procurement can be found in table 1.

4.7. Table 1 Scheme Consultation

Theme	Comment Summary	Procurement Consideration
Housing	<p>Support for housing, particularly affordable provided it is genuinely affordable. There should be a mix of homes for families and single people and should reflect the way people now live in terms of layout and environmental standards. The housing should be of a style and quality that engenders community cohesion and a positive environment.</p> <p>Some respondents noted that an increase in homes will increase the draw on public services.</p>	<p>Minimum number of affordable units will exceed the 441 currently on the site and will use the national definition of affordable housing “<i>Affordable housing is social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market.</i>” This is reflected in one of the objectives for the procurement. The procurement will also require a viable mix of homes in terms of size and tenure.</p> <p>Procurement objectives: 1 and 6.</p>
Public space	<p>Significant support for high quality public realm which is safe, secure and well maintained. Wide ranging suggestions for what it could include varying from green space to play and sports facilities, with an emphasis on physical activity. Respondents were keen to participate in conversations about such provision in the future. A minority felt that there was sufficient public space available nearby and not including it would reduce the risk of anti-social behaviour.</p>	<p>This supports the Council’s overarching objectives for the project and aspirations for quality of the development now and in the future. Council has also agreed to include the principle of an on-going community fund to maximise participative community development and integration through the scheme. The Council’s physical activity strategy will also be included for bidders to consider how space and design to encourage physical activity can be included in the scheme. Bidders will also be asked to express how they would propose to engage with communities over the lifetime of the project.</p> <p>Procurement objectives: 3, 7, 12 and 20</p>
Economic growth	<p>Respondents recognised the opportunities that the development could bring in terms of skills and jobs but inclusion of commercial space within the development was not as high a priority as other aspects. Local amenity retail and cafes/restaurants which connect well with the high street were generally considered to be welcome.</p>	<p>This supports the Council’s objective for the scheme to impact positively on the economic and social well-being of the community. The procurement process requires bidders to consider their Social Value on Investment – i.e. how the development will deliver greater social benefits such as those identified. Commercial space will not be a dominant feature of the development and will seek to complement the High Street rather than compete with it.</p> <p>Procurement objectives: 3 and 12.</p>
Community cohesion	<p>Community cohesion, integration and increasing the sense of safety in the area was a key theme running through all the responses to the consultation with the development considered a primary mechanism to address this and reinstate pride in the area.</p>	<p>This supports the Council’s objectives that the new area should be a safe, vibrant, sustainable community and that the scheme will impact positively on the economic and social well-being of the Community.</p> <p>Procurement objectives: 3, 12 and 20.</p>

Sustainable travel	<p>The responses showed significant support for sustainable travel with some recognising the location of the development lends itself particularly to modes of transport other than the car and others stating that car usage, or using one's own car rather than a car club, is decreasing so more space should be made available for safe bike storage and dedicated walking/cycling routes and less for parking.</p> <p>These were linked with the safety and security points above.</p> <p>There were concerns about carers, deliveries and emergency vehicles being able to access residents.</p>	<p>This supports the Council's objective to enhance walking and cycling permeability across the site and to the town as well as the development being safe, vibrant and environmentally sustainable.</p> <p>Access and turning circles for vehicles, other than residential cars, are a required and normal part of highways engineering and will be reflected in the design.</p> <p>Procurement objectives: 3, 5 and 8</p>
Environmental sustainability	<p>The need for the scheme to be environmentally sustainable was well supported in the responses ranging from the outdoor space – minimising concrete and introducing more green space – to the aspect of homes and right to light.</p>	<p>The Council has agreed environmental sustainability as part of the scoring criteria for the scheme. The quality of the public space and its environmental qualities as well as the impact and opportunities of the built environment are reflected in the Design Policy and Principles document which will be included for bidders to respond to. The new partnership will also have to secure planning permission and in doing so the scheme will have to be compliant with policies which also reflect some of these elements. The Council is also asking bidders to consider sustainable energy sources for the development.</p> <p>Procurement objective: 8</p>

4.8. The findings of the consultation will be shared with stakeholders and will show how comments are reflected in the procurement documents, or explaining why it is not feasible to do so. The report will also be made available to bidders through the data room as essential background information and context so as to inform their understanding of local views on the scheme and what the Southend community would wish to see the development deliver.

4.9. As set out earlier in the report the Council undertook to consult on the highways proposals as set out in the March 2017 Cabinet report. The proposals were developed as a result of a comprehensive modelling exercise using a traffic model which is WebTAG compliant¹. The model includes data from all known planning consents and other traffic assessments as well as including details of potential schemes. The highways consultation included an animated VISSIM model², developed by the Council's transport advisors, Mott MacDonald, using the Council's established multi-modal model.

¹ Transport modelling and appraisal methods that facilitate the appraisal and development of transport interventions. It is the recognised methodology used by Department for Transport to appraise impacts of highways schemes

² A microscopic multi-modal traffic flow simulation

- 4.10.** The model has been used very successfully in the past and has been the basis upon which Department for Transport (DfT) and South East Local Enterprise Partnership (SELEP) funding has been secured to deliver improvements schemes at Cuckoo Corner, Victoria Gateway, Progress Road, Tesco roundabout, City Beach and now the HIF bid. It has also been used to inform the Southend Central Area Action Plan (SCAAP) transport and highways proposals, and the resultant plan has been found to be sound by an Independent Planning Inspector. It has also been used to appraise the highways and traffic implications for planning applications submitted to the Council.
- 4.11.** The modelling demonstrates that with the proposed changes to the road network the traffic flows would not be adversely affected by the introduction of additional residents to the town centre and associated changes to the public highway to enable the regeneration of the area.
- 4.12.** The modelling used a 1:1 parking ratio as its basis. The consultation generated mixed responses on this with some being in favour of at least 1:1 parking but with other responses challenging the parking ratio and suggesting it be at a lower level as the site is in a sustainable location with alternatives available.
- 4.13.** Should the bidders respond with a 1:1 parking scheme the traffic volumes would be as per the model and without detriment to the town centre traffic flows. Should a lower parking ratio be delivered as a result of procurement and secures planning consent this will reduce vehicle movements and therefore pressure on the network.
- 4.14.** One existing public car park and one temporary car park are situated within the Better Queensway Opportunity Site in the Southend Central Area Action Plan (SCAAP) (to be adopted) and are located to the north of the Central Area, which is an area that is identified to have spare capacity even during peak times (Car Parking Study for the Central Area of Southend, 2016). Importantly, Better Queensway is located outside of Central Area South (see Map 4, SCAAP) and therefore SCAAP Policy DS5.2.b that seeks to ensure no net loss of key visitor parking in Central Area South does not apply.
- 4.15.** The consultation responses regarding highways were broad and full responses to transport comments are available in the consultation report. The main themes from this section of the consultation were:

Table 2: Highways Consultation

Theme	Comment Summary	Highways Consideration
General comment	General responses suggesting that the scheme would not work but without explanation as to why or suggestion of improvement.	Without the detail it is difficult to address these concerns specifically. The transport modelling work coupled with the Council's design work over the last year provide significant evidence that the scheme is robust.
Congestion	Either at specific locations or more generally across the area.	The highways layout for the regeneration area is not intended to adversely affect current traffic flows while enabling the provision of more, quality homes which the earlier section of the consultation recognised as a priority and for which the Council has a responsibility to

		deliver. As a densely populated urban area this will be busy, particularly on high volume days.
Data inaccuracies	Suggestions that the data used to undertake the modelling was inaccurate.	As explained in paragraphs 4.10 - 4.11 the data is robust and can be relied upon as it is compliant with national standards and processes and has been verified on multiple occasions for a variety of schemes by Government.
Suggestions for specific improvements	<p>A mix of location or approach specific improvements:</p> <p>a) Dedicated left turn from Victoria Avenue in addition to existing two left turn lanes</p> <p>b) Reduction in speed limits and treatment of roads in and around the regeneration area</p> <p>c) Reopening the Deeping</p> <p>d) Consideration of the wider network</p> <p>e) East-west connectivity</p>	<p>These have each been drawn, modelled and considered.</p> <p>Any change to the highway that reflects this would introduce an additional green phase at the eastern end of the existing bus lane to avoid conflict with the east bound A13 traffic and pedestrians crossing the north side of Queensway. In addition to this an on-demand pedestrian crossing would be required outside Victoria Station to provide for the considerable pedestrian and cycle movements from the station towards the High Street. For these reasons it is felt that this suggestion would increase traffic congestion at the Chichester/Queensway/Short Street junction and reduce pedestrian safety in the area.</p> <p>The Council has agreed to consider the roads around the area, excluding primary roads, for a home zoning or equivalent treatment. Home zoning is a living street (or group of streets) which is 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.</p> <p>See paragraph 4.16</p> <p>Work is already underway to support the wider network having successfully secured funding from the National Productivity Infrastructure Fund (NPIF) last autumn. The modelling considered traffic reassignment across the borough which can be considered as the changes that individual drivers may make to their journey in reaching their destination. This illustrates the impact of measures planned for the road network such as smart signage and revised car park access as well regeneration schemes such as Better Queensway. It shows that the routes taken by vehicles in the borough will be within the capacity of the road network. This takes into account the road classification and the existing alignment constraints (e.g. width, number of side roads, private driveways, etc). The traffic reassignment drawing can be found in Appendix 2. It is important to recognise that traffic management will be an ongoing consideration and vehicle flows will be subject to change. Undertaking this assessment allows the Council to identify and address any potential issues so as not to create pinchpoints.</p> <p>See paragraph 4.17</p>

- 4.16.** The suggestion to consider reopening the Deeping was first made at Place Scrutiny in April 2017, and the Executive Councillor for Transport, Waste & Regulatory Services committed to this modelling being undertaken at Council in April 2017. It has helpfully generated a consideration outside the Queensway regeneration area which could benefit the scheme and has been subject to an independent assessment, which has considered and modelled reopening the Deeping. This was modelled as a traffic signalised junction and as a roundabout. The modelling shows that for either scenario the reopening the Deeping would not work due to traffic stacking on Victoria Avenue and at the Chichester Road/ Southchurch Road junction. It is therefore not proposed to reopen the Deeping. The technical note for the assessment is found in **Appendix 3**.
- 4.17.** East-west connectivity in the borough is an important issue for the Council and the subject of discussion over recent years. Recognising the emphasis given to this by Councillors and through the consultation responses the Council's planning, highways and economic growth officers will explore this further through conversations with relevant Government departments, neighbouring authorities and designing possible solutions for funding and delivery in the future.
- 4.18.** The highways alignment was a common theme in the consultation feedback and in response it is proposed that the alignment found in **Appendix 4** is agreed as the preferred indicative highways alignment and is included in the procurement documentation with the Council's requirements from the procurement. It should be noted that this highways alignment is not a minimum requirement and bidders will not be excluded from the process should they fail to adopt the preferred alignment, in whole or in part. This would enable the highways alignment to be optimised and at the same time maximise land available for the development.
- 4.19.** The preferred indicative highways alignment will be subject to the dialogue process, allowing for refinements and evaluation of the result against the Council's preferences and requirements. One of the requirements will be that the detailed design, once the partner has been appointed, must be done in partnership and together with the Council's highways team so as to ensure close working on a key piece of infrastructure.
- 4.20.** In this way the final highways scheme would be considered by Development Control Committee as part of the overall planning application made to the Council as Local Planning Authority and Highways Authority, and thereby considered in the same way as other applications for regeneration schemes in the borough.
- 4.21.** This approach is beneficial to the Council as the risk associated with the highways design is shared with the selected partner.
- 4.22.** The Council has committed to retaining two lanes in each direction through the Queensway but is proposing that bidders be given the flexibility to consider the four lanes through the underpass for intelligent highway technology which can adapt to vehicle flows on that part of the network.

5. Planning

- 5.1.** It is proposed to bring a planning application forward once development partner(s) have been appointed. This is a more expedient way to deliver the scheme. Bidders will be required to explain their approach to securing planning permission for the scheme and the appointed partner will be required to prepare the relevant planning application(s) in partnership with the Council. Any delays in submitting an application should therefore be reduced.
- 5.2.** The scheme expectations will be set out in the Design Policy and Principles document to be included in the procurement documents for bidders to reflect and respond to in their submissions and therefore will be scored as part of the evaluation process.

6. Viability

- 6.1.** The latest financial viability assessment was undertaken by the Council's specialist strategic, financial and property advisors in December 2017. As previously reported in February 2017, this used an example scheme which delivers the Council's minimum criteria and applied a sensitivity analysis in respect of the preferences.
- 6.2.** The viability appraisal is based on a series of updates to the financial assessment of the scheme over the last 12 months. These changes fall into two categories – changes in the scheme, and changes in the assumptions that underpin the scheme:

Changes to assumptions

- The Council's property advisors have undertaken a study to ascertain the changes in the baseline assumptions since the previous viability analysis undertaken in February 2017. This has shown the following:
 - A 9% increase in build costs over the last 11 months
 - A 9% increase in sales values over the same period

Changes to the scheme

- The principal change to the scheme over the last year relates to the highways scheme which, as a result of the decision taken by the Council in April 2017, requires four lanes through the Queensway. This change has resulted in a need to change the engineering solution for the highways works that has resulted in an increase in costs to the scheme of between £12m to £15m.
- The site identified for inclusion within the regeneration area has also been reviewed by the Council's specialist advisors and project team following a strategic land acquisition made by the Council in August 2017. The site directly abuts the north-western edge of the Queensway area as identified in **Appendix 5**.

- 6.3. The Council purchased the site to meet two key objectives:
- To assist on the Council's desire to build a balanced, low to medium risk, long-term income stream through a property investment programme; and
 - The long term benefit the site might deliver to the BQ regeneration area.
- 6.4. Following the purchase of the site, its potential inclusion in the Better Queensway scheme has been reviewed to understand and assess the impact in regards to scheme quality, viability, development capacity and affordable housing, planning considerations and highways movements.

Affordable Housing Provision

- 6.5. Through increasing the regeneration area an increase in affordable homes to be delivered through the scheme should also be sought. The Council aspires to see Better Queensway as an exemplar in affordable housing, exceeding minimum requirements within a viable development.
- 6.6. The Council has previously set its minimum requirements for the Better Queensway scheme in terms of the affordable housing to be provided on site. This has been articulated as "a minimum of 441 units" being provided by the scheme, representing a replacement of the units that are currently on the site. With the inclusion of the site identified in **Appendix 5** within the scheme there is the potential for the site to deliver an increase in this number.
- 6.7. As a result the minimum requirement should be changed to "Delivery of an increase on the current 441 affordable units." Bidders will therefore be asked to exceed the 441 affordable units and put forward proposals as to how they would achieve a meaningful increase within a viable scheme. These proposals will vary but would effectively require an open book viability test run by the new partnership that would trigger increases in affordable housing provision. While it is therefore possible that the winning bidder may offer 442 affordable units and a proposal on how to achieve an increase in future, this is not expected to be the case as it will have been subject to the competitive dialogue process which will reflect the priority Members have given to affordable housing in the procurement objectives, as set out in paragraph 7.3 of this report.
- 6.8. The focus given to affordable housing is to be such that it is given greater emphasis in the objectives signalling to the market the Council's desire to deliver a significant number affordable homes with a viable scheme.
- 6.9. **Quality of the scheme**
The Council's strategic, property and financial advisors reviewed the potential impact on the quality of the scheme of including the additional site and concluded that its inclusion would significantly improve the overall development. The key reasons for this were:
- A significant improvement of the development potential of the north-western section of the site by improving the shape, scale and frontage of the development area;

- A more holistic approach to the provision of decant accommodation, energy provision and service based uses;
- Greater site depth provided by the combined site potentially provides for more outdoor amenity space for residents, thereby enhancing the environment and values;
- Potential conflicts between residential and retail uses are avoided; and
- More certainty over long term plans for the area.

Planning Considerations

- 6.10.** As detailed above, one of the Council's key considerations in purchasing the site was due to its potential as a strategic site to improve the development of Better Queensway. The 'quality' considerations in paragraph 6.9 above have reinforced this decision, demonstrating the significant impact on scheme quality, and value that would be achieved by its inclusion.
- 6.11.** A key consideration in achieving the best outcomes from the inclusion of the site is ensuring that it is developed as part of the holistic approach to the whole regeneration area. If the site is included within the redline boundary of Better Queensway, and, therefore, the Council's partner is procured to develop the scheme masterplan, achieve planning consent, and then implement the scheme, then one planning consent for the entire site can be achieved. The Council would require that the income received from the site and its growth is secured as income through the development partnership so that the investment value is not lost.
- 6.12.** This has significant benefits for the scheme, as in obtaining a single consent for the site a number of provisions can be addressed across the site in a linked way. For example, affordable housing provision will be assessed at one time, the Section 106 agreement is negotiated across the whole scheme, and phasing / deliverability approached holistically across the whole area. If the site is not included within the regeneration area, it is not possible to apply for planning for this site with one consent. This would necessitate a separate planning application including separate consideration of affordable housing provision and section 106 which will not provide the chance to approach the site holistically.

Quantum of Development

- 6.13** A series of studies were undertaken to examine the potential capacity of the new northern section of the regeneration area incorporating the site. This work showed that a sympathetic high quality development on the site could accommodate between an additional 120 to 200 units with associated retail development.
- 6.14.** As with all previous design work for the scheme, this is the Council's interpretation of an appropriate development for the site. As part of the procurement, bidders will develop their own plans for the site that could significantly differ from these proposals, and indeed potentially show additional capacity for the site, however, in order to test the site's potential, and viability, schemes needed to be developed.

Transport Modelling

- 6.15.** The Council's Highways team has been working with its specialist advisors to assess implications of the inclusion of the site within the regeneration area.
- 6.16.** Increasing the development area, and therefore housing numbers, tenure and vehicle movements, will have an impact on the highways network and has been modelled. This has taken into account the ambition to increase affordable housing numbers and feedback that car parking on a 1:1 ratio is considered to be over-provision by some consultees. The result is that the vehicle movements can be accommodated within the capacity of the road network.

Viability Summary

- 6.17.** Through the inclusion of the aforementioned site, and a requirement of the partnership to replace the income generated from it, the viability of the project increases and analysis concludes that a financially viable, planning compliant scheme could be developed on the site that meets the Council's stated minimum criteria and a mix of its preferences, depending on the design and delivery of the scheme.
- 6.18.** The increased regeneration area also creates conditions for the Council to require an increase in the volume of affordable homes delivered as explained at 6.5 above.
- 6.19.** The Council has been successful in securing funding of £15 million from the Housing Infrastructure Fund (HIF) for the scheme that has resulted in a further improvement in viability.

7. Procurement

- 7.1.** The suite of procurement documents which will be issued to potential bidders has been developed based on the 19 objectives agreed previously (minute 892 of Cabinet meeting on 28th March 2017 refers). These objectives form the foundation of the Council's aspirations and therefore of the procurement with detailed documents sitting below these reinforcing the principles and expanding on the detail. They should therefore reflect all those elements to be scored in the detailed evaluation process through competitive dialogue. Consequently it is vital that the objectives represent all the areas of the scheme which are to be considered and agreed as the basis of the procurement, recognising that detailed documents then expand on the explanations and implications of them.
- 7.2.** Since that report was agreed the consultation has taken place so some objectives are proposed to be amended in response to consultation feedback and to reflect the changes experienced by the project in that time. This will also assist potential bidders. Tables 3a and 3b below identify which objectives have been amended and which remain as previously agreed.

7.3. Tables 3a and 3b

No	UPDATED Scheme Objectives	
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 an increase on the 441 affordable units on the site, as well as a scheme that is in accordance with the Council's planning policies.	Updated – to be agreed
2	The Council aspires to the expeditious delivery of the scheme as soon as reasonably practicable in accordance with a robust and realistic proposal whilst managing and minimising disruption.	Updated – to be agreed
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 on-going Community Fund.	Already agreed
4	The Council requires the delivery of a revised highways scheme serving the Better Queensway site in line with the requirements as set out in the Descriptive Document with all adopted roads continuing to be maintained by the Council.	Updated – to be agreed
5	The Council requires the scheme to provide enhanced pedestrian and cycling permeability across the site and links to the town centre.	Updated – to be agreed
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 will be offered a shared equity unit, and the remainder of the affordable units must be genuinely affordable with rents at or below Local Housing Allowance levels on a continual basis. These units must remain affordable on the exit of the partnership. The Council's Residents Offer document must be adhered to when delivering the scheme.	Updated – to be agreed
7	The Council is seeking a sustainable development based on excellent design quality of homes, open spaces and supporting infrastructure delivered in accordance with the Better Queensway Design Policy and Principles document.	Updated – to be agreed
8	The Council requires the development to be environmentally sustainably delivered both during construction and its lifetime, taking into account the impacts of climate change.	Updated – to be agreed
9	The Council requires the scheme to further and contribute to the Better Queensway Smart Cities aspirations.	Already agreed
10	The Council's design aspirations are reflected in the Design Policy and Principles document. The most important aspirations are, in descending order of priority: <ul style="list-style-type: none"> • Increased affordable housing provision; • 1:1 car parking provision; and • Building heights not exceeding 12 storeys. 	Updated – to be agreed

11	The partnership will obtain planning permission for the scheme and other consents as necessary.	Updated – to be agreed
12	The Council aspires to maximise all aspects of social value through the Better Queensway scheme in line with the Council's draft social value policy (policy to be finalized during the procurement).	Updated – to be agreed

No	UPDATED Approach Objectives	
13	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.	Already agreed
14	<p>The Council requires an on-going role in the governance of Better Queensway including equal say on, at least, the following areas:</p> <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; and • Management and maintenance of all affordable units <p>The Council requires a significant influence over, at least, the following areas:</p> <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; and • Procurement of contractors. 	Updated – to be agreed
15	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 will be funded by the partnership.	Already agreed
16	The Council will retain freehold ownership of the entire site throughout the development and operational periods.	Already agreed
17	The Council's only guaranteed investment into any partnership arrangement will consist of the value of the long lease of the land.	Already agreed
18	The Council has some appetite for risk. This could extend to investment beyond the land value and operation of the site. Any such investment must be balanced by commensurate reward. Any investment by the Council must be balanced by private investment. In addition the Council may provide senior debt funding for the initial development of the scheme.	Updated – to be agreed
19	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.	Already agreed
20	The Council requires the partnership to keep all relevant stakeholders engaged and informed in an open honest timely and appropriate way.	Already agreed

- 7.4.** Objective number 12 refers to the Council's social value policy which is being developed. This will set out how the Council will, and will require its partners to, deliver additional social benefits through its activities, particularly procurement.
- 7.5.** The Public Contracts Regulations 2015 require that the OJEU notice and procurement documentation stipulate how long the partnership will last. As a result the exit arrangements at the end of the 30 year period must be considered at the outset and will be scored as part of the bidders' overall approach to partnership. Bidders are required, as part of their submissions, to detail the suggested partnership arrangements which, among other things, deliver on the Council's objectives, shows how risk and reward is shared, provides appropriate governance arrangements for the development and operation of the scheme, and how the partnership is planned to wind up in 30 years' time.
- 7.6.** The new partnership will potentially deliver a number of homes that will be sold to the market, a number of affordable homes, private rented homes, and commercial units. The bidders can decide, as part of their bid, what happens to these operational assets but the Council requires the affordable units to remain affordable at the end of the partnership. This ensures units remain affordable but looks at the "best" outcome financially in 30 years. It also does not stop the Council purchasing them at this point and the Council will seek an over-riding right of pre-emption in relation to affordable units at market value to keep this opportunity available.
- 7.7.** Given the scale of the procurement process for Better Queensway officers have been investigating whether the resource that has gone into the process to date could be used to leverage greater benefits – either for Queensway or other regeneration sites. The most beneficial and high impact option is to introduce a second 'Lot' into the procurement.
- 7.8.** This would mean that in addition to the Queensway procurement, the Council would also run a parallel procurement for a framework of delivery partners for future schemes. The procurement would therefore consist of two Lots. Lot 1 being the existing Better Queensway scheme, Lot 2 being the establishment of a framework of partners (suppliers) to meet the varying developing requirements outside of the scope of Better Queensway.
- 7.9.** Procuring a framework agreement under the Public Contracts Regulations 2015 means:
- The term of the framework agreement cannot exceed 4 years;
 - The Council can target a number of partners (suppliers) to be on the framework – any number is permissible, but it is considered that somewhere between 6 and 10 partners (suppliers) is ideal;
 - Once the framework has been awarded, the Council can either run mini competitions to award 'call-off' contracts, or directly place individual 'call off' contracts, as appropriate. The length of the individual contracts can exceed the 4-year term, but must be let proportionally (e.g. a 15 year contract could not be let on the last day of the framework term).

7.10. A separate descriptive document explaining the types of development sites that could be made available by the Council, as potential development scenarios in Southend would need to be developed. The details within the descriptive document would:

- a) Explain that the Council does not guarantee bidders any specific development site(s) in Southend or any income/work/schemes at any point; and
- b) Articulate potential development scenarios, i.e. the types of developments that the Council may think of developing in the future.

A corresponding set of evaluation criteria would also be developed.

7.11. In terms of evaluating potential framework suppliers, it should be noted that:

- The bidders would be evaluated against a narrower set of criteria than those used to evaluate Better Queensway. It is recommended that design and masterplanning, planning, legal, partnership and social value are all evaluated as part of Lot 2;
- The same, or a similar, scoring matrix (referred to as 0 to 5) developed for Better Queensway would be used to score bidders responses;
- The Council would appoint suppliers onto the framework with the highest overall scores in response to the published evaluation questions. The aim is to create a framework of mixed use partners.

7.12. Once the Lot 2 Framework has been established with a number of approved suppliers on it, a real site, or scheme, can be developed. At this point, a tender document will be developed detailing the site and specification or minimum requirements.

7.13. The approach, while believed to be a route to expedite other sites for a comparatively reduced cost, does represent additional work and therefore the delegation sought in paragraph 2.7 is to enable the benefit of the proposal to be fully assessed.

7.14. As part of developing procurement documentation for the project, the procurement work stream identified the need for specialist technical input and professional advice throughout the various procurement stages which is described as follows, Urban Planning, Strategic Property and commercial & Financial.

7.15. After running a compliant procurement process, contract awards were made to 3 suppliers (referred to as “specialist advisors”) to the value of £285,000 (excluding VAT) for an initial 12 month term and the opportunity to extend the length of the project. Developing the procurement documentation was broadly in accordance with the tasks and cost, but the project faced a number of unforeseen challenges in terms of changes to highways scheme development and options review, financial viability and public consultation. The delays had an impact on the original procurement timescales for tender publication in May 2017 and increased the scope of the third party advisors’ time, to help manage resolutions to the challenges. The procurement of a partner was delayed until these known

challenges were addressed and the procurement activities commenced again in November 2017.

- 7.16.** However, the period of time that lapsed before, during and post (forecast) agreed procurement activities has resulted in additional advisor costs. Some of these costs were varying the original scope of the procurement, but other costs incurred were outside of scope which can be summarised as follows:

Summary of activities	In Scope (a)	Out of Scope (b)
Cabinet, new administration overview and council		£68K (see 7.19)
Procurement activities to April 2017	£246K	
Project and consultation advisor activities		£70K (see 7.19)
Agreed procurement activities and additional advisor cost post November 2017	£231K	£23K
Estimated advisor cost to support developing LOT2 procurement activities in 2018 if delegation to proceed with this procurement is exercised		£55K
Total	£477K	£247K
Contract extension ceiling (recommendation 2.8 & 2.9)	£427K	
To be called off framework (recommendation 2.10)	£50k	£78K

Note:

- a) **“In Scope”** - means the total cost of activities that can be associated with those specified tasks with in the original procurement documentation
 - b) **“Out of Scope”** – means the cost of activities **not** specified within the original procurement documentation that came about through evolution of the project, such as project workshops, project board meetings etc.
 - c) **None of the above costs includes Legal support.**
- 7.17.** Although the total projected cost of activities (defined as “In Scope”) can be associated with the activities specified within the original procurement documentation, they are slightly in excess of the 50% tolerance of the original procurement (referenced within the Public Contracts Regulations 2015, Clause 72 (B) and (C)). The original procurement value for in scope work was £285k and the 50% tolerance level therefore sits at £427k and the anticipated ‘in scope’ costs are anticipated to reach £477k by the end of the project in December 2018. To ensure an open and transparent process any spend in excess of £427k will therefore be purchased through a compliant framework which is available via Bloom (NEPO). The current forecast for this is £50k. (see recommendation 2.10)
- 7.18.** The original tender documentation did not foresee such changes and didn’t allow for the ability to modify the contract precisely and unequivocally in their specific terms. Therefore, regulation 72 (A) cannot be used to deal with the total

modification required to complete the project which requires “out of scope” services. Therefore the remaining spend currently forecast at £78k will be purchased through a compliant framework which is available via Bloom (NEPO), as above. (see recommendation 2.10).

- 7.19.** In relation to the previous amount of £138k which was spent on “out of scope” services this remains at risk of challenge from the market in procurement terms. However the risk of challenge has been assessed by our Legal and Procurement teams as extremely low. All bidders that expressed an interest in this opportunity were awarded one of the Lots and so there were no unsuccessful bidders.

8. Next Steps

- 8.1.** Approval of this report will result in the conclusion of the development of procurement documentation and commencement of the procurement process. This is timetabled to be publicly launched before the end of March 2018.
- 8.2.** Once procurement is underway the process dictates the activity of the following 9-10 months or until conclusion of competitive dialogue. During this time Members will be informed of progress but will not be able to influence the dialogue. The Council will continue to communicate with stakeholders to keep them updated on the progress recognising that a statement as to who the preferred bidder is will not be able to be made until early 2019.

9. 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 ambitions for the Queensway site are delivered through the partnership and in the delivery of the scheme. Establishing the right parameters for the procurement optimises the Council's influence on the procurement and development process. It is also necessary to demonstrate the potential for a viable scheme to the market. Not reaching agreement on any of these matters risks delaying the procurement process and incurring additional project costs or drawing the project to a close before commencing procurement.

10. Other Options

- 10.1.** The report sets out the agreed Council position for the proposed project. It also sets out the response to the consultation and specifically the highways scheme. If Members were to consider different options this would delay the procurement.
- 10.2.** The Better Queensway project could be brought to a close and not progressed further. This would limit the costs incurred to date in developing the project as well as the Council's exposure to risk; though the grant funding secured so far would need to be repaid within the relevant terms and conditions. Alternative solutions would then need to be developed to improve quality and conditions within the area and to increase the borough's housing delivery numbers. The impact on residents would also need to be addressed.

11. Corporate Implications

11.1. Corporate Priorities

This will be the largest regeneration scheme delivered in the town since the 1960's. The project has all the Council's corporate priorities at its core. **Safe** through improved quality of buildings, community space and public realm safety and security of the area will be significantly enhanced. Also through reconfigured transport layout improving connectivity and permeability for residents in and through the area. **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 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.

11.2. Financial Implications

There are two key elements of the financial implications of Better Queensway.

- a) The scheme and its viability, as set out in section 6, paragraphs 6.1-6.18
- b) The project costs associated with development and procurement which are set out below.

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	795
2017/18 (up to end of Jan 2018)	395
Committed not yet spent in 2017/18	255
Future capital programme	1,406
Total	3,222

In addition, a revenue contingency sum of £250,000 is held in the Better Queensway Earmarked Reserve.

The above budget 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 four 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 allocated to the project currently stands at £4.872m.

The costs that will be incurred in 2018/19 and 2019/20 will relate to:

- External advisors to support the competitive dialogue process, financial advice and modelling, property advice and legal advice.
- Internal competitive dialogue team
- Project Management Team
- On-going Tenant and Stakeholder communications
- External advisors to support contract optimisation and final letting
- Commercial and residential leaseholder acquisitions.

The estimated spend on the above areas will enable the project to reach the stage of the selection of a proposed partner(s) by the end of 2018/19 and subsequent contract optimisation and letting to the successful bidder.

This will therefore bring the Council's commitment on the project to £4.872m by the end of 2019/20.

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; for example there may be option agreements which provide certainty of cost and delivery but defer the bulk of the acquisition cost until a later date. 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.

Over the past year various successful external funding has been secured to support the project and these are identified in paragraph 3.6.

Retention of the annual rental income currently generated from the site being added to the development will be a requirement of the procurement. As part of the tender submissions and competitive dialogue process the Council's position will be confirmed to ensure the full value of the strategically acquired site will continue to support the Council's Medium Term Financial Strategy, as was originally intended with the acquisition.

11.3. Legal Implications

This is a complex and challenging project which has legal implications throughout its development, procurement, delivery and operation. Specialist

legal advice has been procured to ensure that the Council complies with its procurement obligations and that the legal risks associated with such an exercise are suitably mitigated. The Council's specialist legal advisors will be retained through the procurement process.

11.4. People Implications

The project draws significantly on internal staff resource supplemented by procured specialist advisors.

The competitive dialogue process will be an intensive 9-10 month period for the staff directly involved, diverting them from other work and service delivery for large portions of time which will have an impact on those services and projects. The members of staff to be involved with the competitive dialogue process are currently being identified, implications for the relevant services understood and additional resources will then be sought so as to support ongoing service delivery. Internal staff development through this process will be supported as far as practicable.

Staff identified to be involved with the competitive dialogue process will undergo training prior to participation to ensure understanding, compliance and consistency of approach.

11.5. 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.

11.6. Consultation

Wide-ranging stakeholder consultation was undertaken between October and December 2017, informed by the Consultation Institute and led by the Council's consultation advisors, Copper Consultancy.

This is comprehensively set out in **Appendix 1**.

This consultation builds on the preceding years of dialogue with Queensway residents and previous attempts to engage with businesses in the area, and this engagement will continue over the lifetime of the project.

11.7. Equalities and Diversity Implications

An Equalities Analysis has been undertaken for the current phase of the project. It identifies actions to be taken by the project to address gaps in data and analysis of the impact of the project. The Equalities Analysis will be revisited and revised at relevant points in the future.

Bidders will also be asked about their approach to equalities management as part of their submission documents.

11.8. Risk Assessment

There is a comprehensive 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 by the Project Board.

The procurement process and the preparation of the subsequent Development Agreement will be subject to a comprehensive due diligence exercise and financial appraisal of the consideration of the risk of insolvency by the potential partner at any time and the measures which can be put in place to protect against it as, starting with appropriate due diligence checks through the procurement process and then on into partnership. It is important to note that the risk of insolvency cannot be eliminated, it can only be mitigated.

11.9. Value for Money

By undertaking a fully competitive procurement process and ensuring the right evaluation scoring criteria within the procurement exercise this should establish value for money for the Council as well as the required outcomes.

11.10. 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.

11.11. 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.

12. Background Papers

- Better Queensway Cabinet Report 28th March 2017 – item 892.
- Place Scrutiny on 10th April 2017 – item 951.

- Council on 20th April 2017 – item 1006.
- Equality Analysis.
- Southend Central Area Action Plan (SCAAP) (to be adopted)

13. Appendices

Appendix 1 – Consultation report.

Appendix 2 – Traffic reassignment plan.

Appendix 3 – The Deeping technical note.

Appendix 4 - Proposed indicative highways alignment.

Appendix 5 – Proposed site for inclusion.

Appendix 6 – Proposed regeneration area.