

Southend-on-Sea Borough Council

Agenda
Item No.

Report of Director of Regeneration and Growth

To

Shareholder Board

On

1st December 2020

Report prepared by: Emma Cooney, Director of Regeneration
and Growth.

Shareholder Representative

On behalf of the Better Queensway Partnership Board

Porters Place Southend-on-Sea LLP: Business Plan Report

A Part 1 Public Agenda item

1. Purpose of Report

- 1.1 To accompany the submission of the new business plan ("the Business Plan") at Appendix 1 for Porters Place Southend-on-Sea LLP ("the LLP") to the Shareholder Board.
- 1.2 To provide the Shareholder Board with clarity and assurance with regards to the Business Plan, highlighting the implications for Southend-on-Sea Borough Council ("the Council") to support Shareholder Board members in fulfilling their responsibilities in considering the Business Plan.
- 1.3 There is a Part II confidential Appendix (Appendix 2) that contains that part of the Business Plan (Appendix 3) not provided at Appendix 1.
- 1.4 To update Shareholder Board on the progress of the Project as delivered by the LLP.

2. Recommendations

- 2.1 That the Business Plan at Appendix 1 and that contained at Appendix 3 be recommended for approval.
- 2.2 That the Director of Regeneration and Growth in consultation with the Leader is authorised to:
 - (a) agree any non-adverse changes to the Business Plan whereupon any such matters shall be noted for information and reported to the following Shareholder Board; and

(b) approve, agree or action any necessary outcome, or product of, or from, the Business Plan necessary to progress the Better Queensway regeneration project (“the Project”).

3. Background

3.1 The Better Queensway regeneration project (“the Project”) is a Southend 2050 roadmap project which contributes to several Southend 2050 themes and outcomes.

3.2 This is the second business plan presented to the Shareholder Board for the Project. The current business plan (dated 10th October 2019) was approved by Cabinet on the 5th November 2019 (Minute 526).

3.3 The Business Plan contains commercially confidential information and therefore sections 1.5, 2.7, 3 and 4.1 of the Business Plan together with confidential appendices 3, 4, 5 and 6 are considered in a Part II appendix paper and marked as confidential.

3.4 The Business Plan has been written by, and for, the LLP, that being the vehicle responsible for the delivery of the Project. The Council is represented on the LLP by three senior officers who have been appointed to the board by the Council’s Chief Executive in consultation with the Leader in accordance with the Cabinet report of 12th February 2019. Swan BQ Limited (“Swan BQ”), the Council’s joint venture partner (a group company of Swan Housing Association (“Swan HA”)), likewise appointed 3 senior representatives to the LLP Board.

3.5 The Business Plan will supersede the business plan agreed in November 2019 (as augmented with any adjustments required as a result of the Final Proposals approved by each Shareholder in June 2020) and requires approval by the LLP and both the Council and Swan BQ as the LLP Partners (“the LLP Partners”).

3.6 The role of the Shareholder Board in reviewing the Business Plan is to represent the Council’s interests as LLP Partner, ensuring that the Council’s objectives are fully reflected in the LLP and that the Business Plan addresses the LLP’s objectives. Whilst it is not within the remit of the Shareholder Board to change the detail of the Business Plan where the principles meet the previously agreed requirements, the Board should ensure that the LLP is following the agreed strategic direction and that the Council is safeguarded from any excessive risk taking and/or poor performance by the LLP.

3.7 It should be noted that the Business Plan forms a critical part of the Partnership Agreement (the overarching legal document signed between the LLP Partners and Swan HA to progress the Project). This is due to the fact that many of the bid commitments made by Swan HA throughout the procurement process were captured as legal commitments in this Agreement. Material changes to the Business Plan must be agreed unanimously by the LLP Board and both LLP Partners and where non-material or non-adverse to the Project, through the delegations as detailed at part 2.2 of this report so as to ensure the timely

delivery and reducing any delay and the associated increase in costs that would be detrimental to viability of the Project.

4. The Business Plan

4.1 This section considers the Business Plan and seeks to provide members of the Shareholder Board with clarity, assurance and an understanding of the implications of the Business Plan for the Council. The Business Plan has been reviewed by senior officers on the Council's Partnership Board (who do not sit on the LLP Board) and the Council's procured specialist advisors. It is the view of the Council's officers and advisors that this Business Plan meets all the requirements set out in the Partnership Agreement.

4.2 It is important for the Shareholder Board to note that there is a business plan already in place for the LLP (which forms part of the Partnership Agreement) and that there must always be a live business plan to direct the LLP's activities. Should this Business Plan not be agreed by both LLP Partners, the October 2019 business plan will stand until a revised version is agreed by all parties.

Theme	Project Update	Business Plan Highlights
<p>Governance & Budget</p>	<p>Since the October 2019 business plan, a request of £750k (including the Council share of £375k, that being 50% of the total request) was made by the LLP and this fell outside the current Business Plan. The Director for Regeneration and Growth in conjunction with the Leader agreed this exercising delegated authority as agreed at Minute 526. The Council's share of £375K fell within the budget for the Project and brought monies forward to ensure continuity of the Project.</p>	<p>The next set of Final Proposals is due to be re-presented to the Council in early 2021 for approval. This process is a legal requirement on the LLP for it to present any upcoming application to planning in advance of its submission for review and approval by the 3 LLP Members.</p> <p>The next Final Proposals process will be for the first phase of Housing, including the park, community and commercial spaces. This will be the first reserved matters application of the project.</p> <p>This Business Plan covers the period to 31st December 2021, and provides further detail on the next five years, that being the period of the phase 1 delivery, and the scheme overall. A new business plan is required every year and this must be reviewed and approved by the LLP Board and each LLP</p>

Theme	Project Update	Business Plan Highlights
		Partner. The main elements of the Business Plan which are likely to change over time will be the working capital approval and works budgets which should fall inside the overall envelope of the budget of this Business Plan as well as the detailed activities to be addressed during the relevant period.
Design and Planning	<p>The scheme which was signed off by the Council through the Final Proposals process in June 2020 (the hybrid application containing the outline of the whole scheme and the detailed Highways works) was submitted to the Local Planning Authority (LPA) in September 2020. Determination of this application is currently estimated for early 2021.</p> <p>Work on the next planning application for the first set of reserved matters is part of this Business Plan period and is being undertaken in relation to the energy strategy and also technological solutions to meet our smart cities objectives.</p>	<p>If approved, the headlines for delivery by 2026 are as follows:</p> <ul style="list-style-type: none"> • Highways delivery; • A mixed-use, mixed-tenure scheme of circa 425 homes; • 4 plots across Phase 1A and Phase 1B- B, C (north), D (north) and G; • Porters Park (south) and the associated externals for the Phase 1 area; • Demolish Quantock and Sutton Road Flats; • A mix of ancillary commercial uses; and • The Community Concierge.
Enabling Works	Yet to be commenced.	The contract for these works and the first stage of them are likely to fall in this Business Plan period as identified in the document.
Housing	The overall scheme will deliver up to 1,760 homes in line with both the hybrid planning application and the June 2020 Final Proposals.	<p>The current accommodation schedule for each phase of development will align with the hybrid planning application parameters and contribute to/meet/deliver:</p> <ul style="list-style-type: none"> • Contribute to meeting the Minimum Requirements;

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		<ul style="list-style-type: none"> • The Council's Scheme Objectives and Aspirations; • Deliverability of the scheme in terms of the highway requirements and site constraints (including the need to decant residents); • Viability of the development, and market and cost advice; • Planning policy on tenure, mix, height, uses, highways and public realm; • Reflect input (where possible) from the resident steering group and consultation events; and • Reflect input through pre-application meetings with the Local Planning Authority. <p>There will be circa 425 homes delivered within Phase 1 across 4 Plots. The indicative tenures are:</p> <ul style="list-style-type: none"> • 50 shared ownership homes (outside of the S106 and on which Swan H A will seek a grant from Homes England); • 100 socially rented homes with the option for delivery of additional socially rented homes; and • 12 shared equity homes.
Programme & Phasing	<p>A phasing plan was included in the hybrid planning application (as detailed in the Final Proposals agreed by council in June 2020).</p> <p>This is being assessed and will be finalised as part of the reserved</p>	<p>The delivery programme for the Project currently envisages 7 phases with a balance of tenures to accommodate decants and to deliver a viable scheme (defined under the Land Agreement).</p> <p>The delivery period for Phase</p>

Theme	Project Update	Business Plan Highlights
	<p>matters application due in 2021.</p>	<p>1 is currently forecast to be from 2021- 2026.</p> <p>The assumed sub-phase plot order is as follows:</p> <ul style="list-style-type: none"> • Plot D- delivered first to enable the decant of existing tenants from Quantock House; • Plot G; • Plot C; and • Plot B- delivered once Quantock is decanted and demolished (once Plot D has been occupied).
<p>Finance and Viability</p>	<p>The funding strategy for the overall programme is included in the business plan. Viability has been assessed by 31ten Consulting (“31ten”) (see comments below).</p>	<p>To enable the activities of the Business Plan to be carried out during the period, a continued operational and delivery budget is required to fund the elements of the below that are required to 31st December 2021:</p> <ul style="list-style-type: none"> • pay for services required to enable design development; • carry out site due diligence and secure a planning consent (including consultation and communication with the affected community) for Phase 1; • design, procure and deliver the Enabling Works (including the Highways Works); • design, procure and deliver the Phase 1 plots B, C, D and G; • design, procure and deliver the Phase 1 externals including the Porters Park (south); • design, procure and deliver the Sales and Marketing Suite; • secure vacant possession, decant and demolish Quantock

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		<p>House;</p> <ul style="list-style-type: none"> • secure vacant possession, decant and demolish Sutton Road Flats; and • continue to secure vacant possession and decant Pennine, Malvern and Chiltern tower blocks in line with the phasing strategy, the decant strategy and Compulsory Purchase Order (CPO) strategy.
Insurance	<p>Insurance is in line with the current stage of the project and officers are happy with the proposed Business Plan levels.</p>	<p>Through this Business Plan period Employers Liability Insurance is not required as the LLP will not be employing staff directly.</p> <p>Director and Officer (D&O) Insurance and Public Liability Insurance (to cover LLP events) is in place and is reviewed regularly for the appropriate cover levels in line with market availability.</p> <p>Each individual member of the design team and Swan BQ will carry out their own insurance for their work.</p>
Land Assembly & CPO (Compulsory Purchase Order)	<p>From the Council's perspective, significant progress has been made in relation to land title identification.</p> <p>The CPO working group is in operation to formulate strategy for the implementation of CPOs.</p>	<p>Within the Business Plan period it is envisaged that the CPO will need to be made by the Council and approved by the Secretary of State to facilitate and guarantee the decant of Quantock.</p> <p>It is likely that (if granted) the CPO would have to run for the full 6 years permissible under law.</p>
Communication & Social Economic Regeneration	<p>A resident steering group has been set up and numerous LLP-run consultations have taken place (the most recent of which is running from 25th</p>	<p>The communications and stakeholder engagement strategy will continue to be led by the LLP's Activation Officer.</p>

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	<p>November- 8th December).</p> <p>A robust communications and stakeholder engagement strategy has been prepared and delivered to date in conjunction with the Council’s communication workstream lead which ensures that Queensway residents and wider stakeholders feel engaged, consulted and informed and that the engagement achieved to date by the LLP is maintained and enhanced.</p>	<p>It has not been feasible to run as many outreach and proactive events as the LLP would have anticipated due to COVID-19 pandemic. However, the team are working on alternative options and ideas and will seek to find ways to deliver community activation and outreach during this Business Plan period and a budget is allocated for this work.</p>
Sale & Marketing	<p>Several workshops have taken place with the LLP and Council officers</p>	<p>A sale and marketing strategy is being drawn up to:</p> <ul style="list-style-type: none"> • inform the design as it develops; • develop and implement the place-making strategy; • develop and implement the branding strategy; and • manage the design and delivery of the Sales and Marketing Suite.

5. Assurance

5.1 The following comments have been provided by the Council’s lead advisors 31ten Consulting (“31ten”) who supported the Project through its development and procurement process and continue to do so. They have reviewed the Business Plan, also referred to as the “Porters Place Southend-on-Sea LLP – Business Plan”, to provide assurance on the completeness and reasonableness of the document. The results of this exercise are detailed below:

- (a) Completeness – The Business Plan process and document, agreed through the procurement process that appointed the Council’s joint venture partner agreed a specific format for the Business Plan for the LLP and any amendments to this format need to be agreed by the Shareholders, Swan BQ and the Council. 31ten reviewed the document to highlight key changes from the previously approved Business Plan. This highlighted a number of material and non-material changes that were discussed between the parties and addressed in the final version. The Business Plan is therefore now compliant in terms of completeness.

- (b) Reasonableness – The Business Plan was reviewed for reasonableness based on 31ten’s understanding of:
- The Council’s role in the LLP;
 - The LLP activities that have taken place since the last Business Plan; and
 - The planned activities over the period that this Business Plan covers.

This review did not highlight any reasonableness issues with the document.

- (c) Viability – The updated viability appraisal submitted by the LLP through the Business Plan was reviewed, as was the supporting model and market intelligence reports on costs and values that underpin it. Based on the information provided, no issues were highlighted.

5.2 Further to the Business Plan, other activities of the LLP to date provide assurance with regards to partnership ethos and compliance with the requirements and principles set out at the inception of the LLP.

6. Other Options

6.1 Not approving the Business Plan would mean that the business plan approved in November 2019 would remain in place until an amended business plan is approved. This would frustrate progress of the Project. The October 2019 business plan does not reflect the next years’ work on the Project.

6.2 The £15m HIF funding from Homes England has a deadline for spend. Not approving the Business Plan will delay the Project as an amended business plan will be required, which could result in non-expenditure by the deadline and therefore a gap in Project funding.

6.3 If the Business Plan is compliant with the Partnership Agreement but is not approved by the Council, there is a risk to the goodwill established between the LLP Partners. This would have a considerably negative impact on the relationship between the LLP Partners.

7. Reasons for Recommendations

7.1 Review of the Business Plan by Council officers and the Council’s procured advisors concludes that the Business Plan provides assurance that the LLP is following the agreed strategic direction and objectives and is delivering its service and financial performance.

7.2 Delegation of agreement of non-material updates to the Business Plan and progression of actions resulting from the Business Plan are recommended in order that the LLP can continue to progress the Project at pace and with the necessary agility to meet funding and programme deadlines.

8. Corporate Implications

8.1 Contribution to the Southend 2050 ambition, outcomes and road map

The delivery of the Project is a specific outcome identified in the Opportunity and Prosperity theme and is reflected in a number of milestones on the roadmap. The first of these has already been met in the signing of the legal agreements. The Project contributes towards the following Southend 2050 outcomes:

- By 2050 Southenders are fiercely proud of, and go out of their way, to champion what our city has to offer. A regenerated Better Queensway at the heart of the City with a high-quality new development with large new parks and clean and inviting streets will achieve this.
- By 2050 we are well on our way to ensuring that everyone has a home that meets their needs. The Project is centred on delivering more and better quality homes. The agreement in principle to deliver a greater percentage of affordable rented homes within the overall scheme while being financially viable further contributes towards this outcome.
- By 2050 Southend-on-Sea is a successful City and we share our prosperity amongst all of our people. Better Queensway will have been delivered and it is an integral part of a thriving town centre providing a mix of affordable and private sale homes, jobs and aspirational places to live and play for all sections of Southend's community.
- By 2050 people can easily get in, out and around our borough and we have a world class digital infrastructure. Better Queensway will have improved connectivity with a new Queensway boulevard that reconnects the town centre to the rest of the town, new cycle and pedestrian routes and a variety of digital improvements.
- By 2050 people in Southend feel safe in all aspects of their lives and are well enough to live fulfilling lives. Better Queensway will have a new green neighbourhood with a variety of homes which have been designed with safety at its heart. It has overlooked streets and active new parks as well as improved connectivity between the town centre and North Eastern Southend.
- By 2050 we will have a thriving, active and involved community that feel invested in our city. The new neighbourhood will have residents at its heart. Swan HA will be running a new community concierge service overseeing and managing active parks and open spaces with a range of activities funded by the Better Queensway community fund.

8.2 Financial and Value for Money Implications

The Cabinet report of February 2019 agreed that an investment of the necessary equity and junior debt facilities up to £15M would be made by the Council to match the level of investment by Swan HA, and that the capital investment programme for 2019/20 to 2023/24 was adjusted to reflect this.

The funding strategy outlined by the LLP is based on the drawing down of the remaining funds in line with this agreement. This is coupled with funding from the Housing Infrastructure Fund for which the Council is the accountable body and SELEP funding. These are outlined in detail within the Business Plan.

The final element of the funding strategy is made up of senior debt secured from either a third party lender or the Council, if it chooses to act in this capacity. The Council will be asked to consider this proposition during this Business Plan

period. The LLP has allowed for the cost of this funding whichever source is utilised.

The Business Plan also sets out the financial appraisal for the updated scheme in line with the Final Proposals approved by the Council in June 2020. This financial appraisal indicates that the scheme is still viable and in compliance with the Partnership Agreement.

8.3 Legal Implications

The following comments have been provided by the Council's specialist legal advisors who have supported the Project through its development and procurement process:

The Council's legal advisers to the procurement of Swan HA and the subsequent incorporation of Porters Place Southend-on-Sea LLP, Sharpe Pritchard LLP, has reviewed "Porters Place Southend-on-Sea LLP – Business Plan" to ensure that it is consistent with the legal documentation agreed at the signing of the Partnership Agreement and wider legal suite of documents. The production of this updated Business Plan is contemplated by and in accordance with the Partnership Agreement.

A fundamental requirement of any business plan adopted by the LLP is that it captures the LLP's Objectives, being Minimum Requirements and the Scheme Objectives (as set out in paragraph 1.3(i) and (ii) of the Business Plan). We can confirm that the Business Plan provided to us when taken together with the legal documentation contains all the JV Objectives. The Business Plan is compliant with the provisions of the Partnership Agreement.

Upon this basis and in the Council's legal service being involved in the preparation of this report there are no further matters of importance that require further mention in this report.

8.4 People Implications

In accordance with the Cabinet report of February 2019 three senior officers were appointed to the LLP Board by the Council's Chief Executive in consultation with the Leader.

While the LLP is responsible for delivery of the Project, the Project continues to be supported by a number of Council officers as technical experts in fulfilling Council responsibilities and in supporting the work of the LLP, and on the Partnership Board which oversees the Council's work with regards to the Project. It may be necessary to consider backfill or additional resource in some teams so as to ensure that other Council priorities are also met and outcomes delivered.

The Council continues to retain and utilise its procured specialist advisors alongside officers.

The property implications are in line with those set out in the February 2019 Cabinet report.

8.5 Consultation and Engagement

Two rounds of public consultation and engagement have been undertaken by the LLP to inform the first Final Proposals. Further consultation is underway and will close on 8th December 2020. Sessions were provided for Councillors and residents ahead of the launch of this consultation on 26th November and this Consultation will allow opportunities for Businesses and the wider public to respond.

8.6 Equality and Diversity Implications

The Council has undertaken an Equalities Analysis with regards to the Project and this will be kept under review in regards to the evolution of the Project.

8.7 Risk Assessment

Section 5 “Assurance” sets out assurances, risks and mitigations.

8.8 Value for Money

The elements of value for money, as identified in the February 2019 Cabinet report, remain as part of this revised Business Plan.

8.9 Community Safety Implications

There are no relevant community safety implications of the Business Plan at this stage, although this will continue to be an important consideration for the Project as a whole.

8.10 Environmental Impact

A development of this scale and nature will have a significant impact on the local environment. This will be considered through the planning process.

9. Background Papers

None

10. Appendices

Appendix 1 – Business Plan (Part 1)

Appendix 2 – Part 2 Report

Appendix 3 – Business Plan (Part 2)