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<b>Report title:</b> Getting Building Fund (GBF) High Risk Projects Update Report	
<b>Report to:</b> Accountability Board	
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<b>Meeting date:</b> 16 June 2023	<b>For:</b> Decision
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<b>SELEP Partner Authority affected:</b> Essex/Kent/Southend	

## 1. Purpose of Report

- 1.1 The purpose of this report is for the Accountability Board (the Board) to consider the position on the following Getting Building Fund (GBF) projects which are currently ranked as High Risk: Better Queensway, Extension of the full-fibre broadband rollout in Essex to reach rural and hard to reach areas, No Use Empty South Essex and Techfort Phase 2.

## 2. Recommendations

- 2.1 The Board is asked to:
- 2.1.1 **Note** the update on the Better Queensway project.
  - 2.1.2 **Agree** that a further update on the Better Queensway project which provides information on the outcome of Sanctuary Housing Association's review of the business plan for the wider project, the outcome of Southend-on-Sea City Council governance processes and contains the required assurances regarding the ongoing delivery of the wider project should be provided at the September 2023 Board meeting. Submission of the required assurances is dependent upon Sanctuary Housing Association completing their review of the business plan and the completion of the required governance processes within Southend-on-Sea City Council.
  - 2.1.3 **Note** the updates on the Extension of the full-fibre broadband rollout in Essex to reach rural and hard to reach areas, No Use Empty South Essex and Techfort Phase 2 projects.
  - 2.1.4 **Note** that the status of the Extension of the full-fibre broadband rollout in Essex to reach rural and hard to reach areas, No Use Empty South Essex and Techfort Phase 2 projects will be confirmed at the September 2023 Board Meeting.

## 3. Better Queensway

### Summary Position

- 3.1 The project is an estate and town centre renewal project which aims to transform a 5.2 hectare site to the north of Southend town centre. The project includes phased demolition

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of existing residential and commercial units and redevelopment to deliver up to 1,669 new homes and 7,945 sqm of new flexible commercial space.

- 3.2 The Board approved the award of £4.2m of GBF funding to support delivery of the project in November 2020 and full spend of the GBF funding allocation has been evidenced to Southend-on-Sea City Council by Swan Housing. This reported spend is currently being verified by Sanctuary Housing Association.
- 3.3 Since late 2021, there have been concerns relating to the involvement of Swan Housing as Joint Venture Partner with Southend-on-Sea City Council. The Regulator for Social Housing took the decision in late 2021 to downgrade Swan Housing's viability and governance grades, leading to Swan Housing seeking opportunities for a merger with another housing association.
- 3.4 On 8 February 2023, a merger between Sanctuary Housing Association and Swan Housing was finalised, with Swan Housing becoming a subsidiary of Sanctuary. Following this acquisition, Sanctuary commenced due diligence, including a review of the business plan for the wider Better Queensway project, and advised Southend-on-Sea City Council that a new business plan would be provided by the end of March 2023. Sanctuary has not been able to meet this target as a result of the extensive work involved, so this deadline has slipped and the business plan has not yet been completed or submitted for review.
- 3.5 Once submitted to Southend-on-Sea City Council, the business plan will be subject to the Council's internal governance processes with a final delivery programme expected to be confirmed by the end of September 2023.
- 3.6 Following the merger between Sanctuary Housing Association and Swan Housing, the main existing project risk relates to the Sanctuary response to the due diligence exercise including the business plan review, leading to an inability or unwillingness to facilitate the wider project fully. If Sanctuary do not commit to continuing as a Joint Venture partner in the project, there could be a need for Southend-on-Sea City Council to return the GBF funding allocated to the project if an alternative approach to delivery cannot be progressed and this possibility puts the project as a High Risk at this time.
- 3.7 The Board previously agreed that the GBF funding could be retained against the project to 31 March 2023. At the last meeting, the Board were advised that the full GBF funding allocation continued to be held by Southend-on-Sea City Council and that it would not be possible for the funding to be transferred to Sanctuary until they had completed their due diligence. As a result, the Board agreed that the funding could be retained against the project for a further 3 months to 30 June 2023.




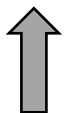
### **Project Update**

- 3.8 Following completion of the merger between Swan Housing and Sanctuary Housing Association, Sanctuary is now continuing due diligence including a review of the GBF funding agreement and wider business plan and is not in a position to accept the GBF funding until the due diligence has been completed.

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- 3.9 The revised business plan was originally due for submission by the end of March 2023, however this has been delayed and is now not expected to be fully finalised until September 2023.
- 3.10 Swan Housing has previously submitted claims for the full GBF funding allocation. Following completion of the merger, Southend-on-Sea City Council has provided Sanctuary Housing Association with a breakdown of the GBF claims submitted by Swan Housing to allow them to conduct a review to ensure that they are satisfied that all expenditure claimed is eligible prior to the funding being released by Southend. The funding is currently expected to be issued to Sanctuary before the 30 June 2023 deadline.
- 3.11 As Southend-on-Sea City Council currently holds the full GBF funding allocation, it is all forecast to be spent during Q1 2023/24 should Sanctuary Housing Association confirm their intention to accept. This presently poses a risk that the GBF funding will not be spent by 30 June 2023.
- 3.12 While the merger was taking place, the wider project has seen delays and slippage, however, delivery of the GBF funded enabling works has continued. In particular, to mitigate the delay, the GBF funding has been used to support delivery of highways enabling works which were originally expected to be funded through the Housing Infrastructure Fund (HIF). There is a need for Southend-on-Sea City Council to renegotiate the terms of their HIF funding agreement, largely concerning time-related revision of project milestones in light of the overall project delays, however Homes England remain positive about the project.
- 3.13 There is an outstanding requirement for Southend-on-Sea City Council to provide assurances regarding the ongoing delivery of the wider project following the completion of the merger between Swan Housing and Sanctuary Housing Association. As detailed at the last Board meeting, Southend-on-Sea City Council are unable to provide assurances regarding delivery of the wider project until the business plan has been fully reviewed by Sanctuary and has been through the Council's internal governance processes. To date, this review is still on-going. It is likely that the full review and required governance processes will be completed by the end of September 2023 at the latest, at which point assurances could be provided. It is therefore recommended that the Board receive a further update at the next meeting in September 2023.

## Risk RAG Rating Table

Risk	RAG rating (April 2023)	Change since last Board meeting	Current RAG rating (June 2023)	Progress & Actions
Deliverability - Project activity may be revised following the merger, leading to increased risk of delays in overall project progress.	Amber		Amber	Milestones for the wider Better Queensway project will now be reset following completion of the Swan Housing/Sanctuary Housing Association merger and required due diligence. A new business plan for the project will be finalised (all governance completed) by the end of September 2023.
Deliverability/Financial - Difficulties and/or delays in renegotiation of the HIF Funding Agreement with Homes England, leading to inability to amend timescales and milestones following the delays to the project.	Amber		Amber	The grant determination agreement (GDA) with Homes England included project milestones indicating full HIF spent by 31 March 2023 which was not realised. Milestones need to be changed, agreed and reflected in a variation to the GDA. The renegotiation is largely time related as a consequence of the merger and should be completed by the end of September 2023.
Financial - Planned expenditure may not be fully realised or may be delayed as a result of the due diligence process.	Amber		Amber	The wider Better Queensway project has already slipped whilst the merger and required due diligence have been finalised. While expenditure has been incurred on enabling works (for the full value of the £4.2m GBF allocation), funds were not transferred to the LLP as Sanctuary wanted to complete due diligence of the GBF funding agreement. Financial viability and cashflow of the wider project will be part of the revised business plan.
Reputational - Potential risk stemming from the project delays which could lead to associated procurement and cost issues.	Green		Amber	Supply chain issues and cost inflation remain the key risks to the wider project. Working with the Procurement Team to ensure competitive quotes and strong contract management to avoid price increases. While the merger has been completed there will need to be a revised business plan for the project which will be available by the end of September 2023.

### SELEP Key Risks

- 3.14 If Sanctuary Housing Association do not commit to continuing as a Joint Venture partner in the wider project and/or the proposed business plan revision is not viable, this would prevent the project from continuing in its present form. Southend-on-Sea City Council have identified that there are alternative routes through which delivery could be achieved, however, adoption of any of these options would likely result in a significant delay to delivery. Should Sanctuary not commit to continuing as a Joint Venture partner, and an alternative approach to delivery cannot be identified, Southend-on-Sea City Council would need to return the GBF funding for the project. This would also be the case if the business plan is considered to no longer be viable and delivery of the project is terminated. The reallocation of GBF funding would need to be considered in this eventuality.
- 3.15 The full GBF funding is still being held by Southend-on-Sea City Council and there is a risk that the required due diligence by Sanctuary will not be completed in time for the funding to be released before 30 June 2023.

### Project Milestones

	<b>Milestone Completion Date (April 2023)</b>	<b>Milestone Completion Date (June 2023)</b>	<b>Change in milestone date (RAG rating)</b>	<b>Commentary</b> (To include: % of milestone achieved to date)
Completion of revised business plan	June 2023	September 2023	Amber	Delayed while Sanctuary Housing Association complete due diligence.
Southend-on-Sea City Council Internal Governance Process completed	June 2023	September 2023	Amber	Delayed while Sanctuary Housing Association complete review of the business plan.
Provision of Assurances to the Board	June 2023	September 2023	Amber	Delayed while Sanctuary Housing Association complete due diligence.

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Delivery of highways infrastructure investment	2023 to 2025	2023 to 2025	Green	Detailed planning and tender achieved. To be funded through HIF funding and therefore subject to conclusion of discussions with Homes England regarding the timeline for delivery.
Demolition of four existing residential blocks	2025 onwards	2025 onwards	Green	On the first block requiring demolition for the first residential phase decant and acquisitions are underway. Decant is 50% complete and CPO in principle in place to facilitate vacant possession.
Construction of housing, commercial space and public realm	2024 to 2033	2024 to 2033	Green	Detailed planning application for the first residential phase is with the Local Planning Authority but on pause pending completion of Sanctuary Housing Association due diligence.
Completion of the wider Better Queensway project	2033	2033	Green	Remains the same until new business plan approved.

### **Next Steps**

- 3.16 Sanctuary Housing Association to complete the review of the breakdown of GBF claims supplied by Swan Housing to clarify eligibility of expenditure and cost implications. Subject to acceptance by Sanctuary, Southend-on-Sea City Council will then need to transfer funds to Porters Place LLP.
  - 3.17 Sanctuary is to continue the review of the business plan for the wider Better Queensway project, re-evaluating project viability and resetting milestones and expenditure forecasts, in light of the Swan Housing and Sanctuary Housing Association merger. A new business plan will then be prepared for the project and provided to Southend-on-Sea City Council - this is expected by the end of September 2023.
  - 3.18 Southend-on-Sea City Council to subject the business plan to the Council's internal governance processes and sign-off accordingly.
  - 3.19 Southend-on-Sea City Council to seek revision of the GDA with Homes England with regard to the HIF element of the wider project.
  - 3.20 Following agreement of the revised business plan, Southend-on-Sea City Council should provide assurances to the Board that the project will continue with Sanctuary Housing Association's involvement and provide a further update on the wider project, to include the latest position with regard to delivery timescales, project benefits and the total project cost. This update will be presented to the Board in September 2023 subject to completion of the required review and governance processes.
- 4. Extension of the full-fibre broadband rollout in Essex to reach rural and hard to reach areas**

### **Summary Position**

- 4.1 Superfast Essex is a broadband improvement programme which is run by Essex County Council and aims to make superfast and ultrafast broadband available to as many homes and businesses across Essex as possible. The GBF funding was awarded to extend the Superfast Essex rollout programme to reach additional rural areas, with a focus on upgrading business premises.
- 4.2 The Board approved the award of £1.82m GBF to support delivery of the Extension of the full-fibre broadband rollout in Essex to reach rural and hard to reach premises project in October 2020. An additional £477,256 was awarded in November 2022 (£359,074) and January 2023 (£118,182) to support delivery of the approved Business Case.
- 4.3 In November 2021, the Board agreed that the GBF funding allocation could be retained against the project beyond March 2022 for a maximum period of 12 months, to 31 March 2023. This extension was granted due to project delivery being delayed as a result of the actions of a Government department (Broadband Delivery UK), rather than being due to a delivery issue.
- 4.4 In April 2023, the Board agreed to a further extension allowing the GBF funding allocation for the project to be retained for a further maximum period of 3 months (to 30 June 2023) to allow time for Essex County Council to complete the required governance processes associated with the additional funding awarded in January 2023.

## GBF High Risk Project Update Report

- 4.5 In April 2023, the funding forecast anticipated that only the additional GBF funding of £118,182 awarded to the project in January 2023 would remain unspent by the end of March 2023, however, the latest reporting shows slippage in GBF spend with a greater proportion of the funding now expected to be spent in Q1 2023/24.
- 4.6 The project is considered to be High Risk due to GBF spend slippage with only £1,784,600 of the £2,179,074 transferred to date having been issued to the delivery partner by Essex County Council at the end of March 2022/23. This leaves a balance of £394,474, c. 18% of the funding transferred to date, which needs to be released to the delivery partner by the end of Quarter 1 2023/24. The release of the funding will be subject to receipt and processing of eligible invoices.
- 4.7 In addition, Essex County Council, as Accountable Body for SELEP, continues to hold £118,182 GBF (as awarded to the project in January 2023). This funding will not be transferred to Essex County Council (as responsible Upper Tier Local Authority) until required governance processes have been completed by the County Council. There is a risk that this funding will not be transferred prior to 30 June 2023.

### **Project Update**

- 4.8 The works being delivered through the wider project have been divided into phases with funding released to the delivery partner only upon successful completion of all works within each phase. This measure is in place to ensure the Utilities companies meet all their requirements in full prior to sign-off and payment.
- 4.9 The delivery phase of the project was completed before the end of 2022/23, however with one outstanding invoice to be received and defrayed, which has been actioned during April-June 2023. This resulted in a delay in Essex County Council releasing the funding, but it is still expected that the GBF funding will be spent in full by 30 June 2023 including both the £394,474 carry over from 2022/23 and the £118,182 still to be transferred for 2023/24.
- 4.10 The expected spend in Quarter 1 2023/24 is greater than previously forecast at £512,656 (£394,474 and £118,182 combined). Essex County Council is closely governing the project to monitor this expenditure, particularly with regard to the additional £118,182 awarded in January 2023. Required governance processes are expected to complete in early June 2023, allowing for payment of claims throughout June 2023, alongside transfer of the remaining £118,182 by Essex County Council, as Accountable Body for SELEP, with ultimate aim for transfer and spend of the full GBF funding by 30 June 2023. However, there is still a significant risk that the administration for transfer of the £118,182 may take longer than anticipated, leading to the possibility of the 30 June 2023 deadline being missed.
- 4.11 In the eventuality that GBF funding is not spent by 30 June 2023, the project would be operating outside the scope of the decisions previously taken by the Board, resulting in GBF funding being at risk. There would be a requirement for the Board to agree retention of the funding at the September 2023 Board meeting and if an extension was not agreed, any expenditure otherwise than in accordance with the decisions of the Board would need to be returned to Essex County Council, as Accountable Body for SELEP, for reallocation to alternative projects.



## GBF High Risk Project Update Report

**Risk RAG Rating Table**

Risk	RAG rating (April 2023)	Change since last Board meeting	Current RAG rating (June 2023)	Progress & Actions
Delays in completion of required governance processes	Amber	→	Amber	Essex County Council governance is due to complete in early June 2023, providing the opportunity for a grant agreement variation to be completed and the claim and payment of the remaining funding referred to below in 4.12.
Potential issues with regard to payment of Utility providers	Amber	→	Amber	There are no current issues with utility or broadband providers. The project has been delivered and the payment concerns only relate to outstanding invoices being processed.
GBF funding not fully spent by revised date	Red	↓	Amber	The full GBF budget is expected to be claimed by the 30 June 2023 extension deadline agreed by the Board, provided the £118,182 still to be transferred can be actioned expeditiously.

**SELEP Key Risks**

- 4.12 SELEP is still holding GBF funding to the value of £118,182 for the project in addition to the £394,474 that has already been released to Essex County Council but remained unspent at the end of March 2023. There is a risk that these values will not be transferred and/or spent before 30 June 2023, in which case, subject to the outcome of a further decision by the Board in September 2023, reallocation of GBF funding would need to be considered.

## GBF High Risk Project Update Report

### Project Milestones

	<b>Milestone Completion Date (April 2023)</b>	<b>Milestone Completion Date (June 2023)</b>	<b>Change in milestone date (RAG rating)</b>	<b>Commentary</b> (To include: % of milestone achieved to date)
Commence Works	April 2022	January 2022	Green	100% complete ahead of original schedule.
Complete Works	June 2023	June 2023	Green	100% works completed but not all the contractor invoices have been received as yet. All funding is expected to be claimed by 30 June 2023.

## **Next Steps**

- 4.13 The project is expected to progress throughout the next two months and compensate for the recent delays. While all works have been completed, this has not yet been invoiced and paid, so the process is due for completion by 30 June 2023, resulting in full GBF spend and transfer to delivery partners by the end of the quarter. The £118,182 of GBF funding currently still held by SELEP is expected to be transferred to Essex County Council to facilitate full payment to delivery partners, however the potential for delays in this process put the project at high risk.

## **5. No Use Empty South Essex**



### **Summary Position**

- 5.1. This project aims to provide short-term secured loans to property owners to allow for the return of long-term empty commercial properties back into effective use for residential, alternative commercial or mixed-use purposes. The project focuses on secondary retail and other commercial premises which have been significantly impacted by changing consumer demand, the impact of the pandemic and which may have been impacted by larger regeneration schemes.
- 5.2. The Board approved the award of £1.2m of GBF funding to support delivery of the project in November 2020.
- 5.3. The launch of the No Use Empty South Essex scheme was initially delayed as a consequence of the COVID-19 restrictions. The restrictions prevented meetings with property owners and developers as well as site visits to see potential properties.
- 5.4. The No Use Empty South Essex scheme was officially launched in April 2022, however, the required loan assessment and approval process took longer than initially anticipated which resulted in a delay in issuing the GBF funding to property owners. These factors resulted in the Board agreeing in November 2021, that GBF funding could be retained against the project for a maximum period of 12 months, to 31 March 2023.
- 5.5. The full £1.2m GBF funding award has now been allocated to No Use Empty loans but there were difficulties in completing all loans prior to 31 March 2023. Southend-on-Sea City Council previously envisaged that finalisation of only one loan (£223,000) would not be completed by the end of March 2023 as due diligence checks and legal paperwork were being carried out. As a result, at the last meeting, the Board granted a request to extend GBF funding against the project beyond March 2023, for a maximum period of 3 months to 30 June 2023 to allow sufficient time to process and finalise the remaining loan.
- 5.6. The No Use Empty South Essex is considered to be a High Risk as the original GBF spend forecast for 2022/23 was £977,000, however the project has seen significant slippage with only £407,089 spent to date. This leaves a balance of £792,911 c. 66% of the total GBF funding, to spend by the end of Quarter 1 2023/24.
- 5.7. A further related risk exists with regards to the final loan which is subject to more complicated legal processes as it wasn't possible for Southend-on-Sea City Council to put a first charge on the property which is subject to the loan. Work is underway to place a charge against another building owned by the same people.

## **Project Update**

- 5.8. There has been slippage as completion of 4 of the 6 remaining loans extended into Quarter 1 2023/24 instead of completing in the preceding quarter as previously reported. 2 of these loans with a combined value of £300,000 have been completed during May 2023.
- 5.9. It is expected that Southend-on-Sea City Council will complete the required due diligence checks and legal paperwork during June 2023 for a further loan as the final documentation has been received and is awaiting final process and completion.
- 5.10. The fourth and final remaining loan relates to a major and very complex development in Leigh on Sea which is being secured on a separate property, adding further work to the due diligence and legal processes required. Within the project, all loans are secured against a property, as a legal charge on the asset. There are restrictive covenants in place on both the property for development in Leigh and on the property being used as security for the loan. Similarly, the building cannot be secured against because the developers have a purchase loan and a bridging loan, both as charges, and an No Use Empty rule prohibits a third charge. These issues have led to the delays thus far with this loan, however the developers are still very much committed to the application and completion of the loan remains a project priority. The timeframe for completion of this work and release of the funding is still scheduled for the end of June 2023.
- 5.11. There is limited scope in the programme should there be any further delays in completing the required checks and paperwork and therefore there is a risk that spend of the GBF funding may extend beyond June 2023. This risk will be closely monitored and an update on GBF spend will be provided to the Board at the next meeting.
- 5.12. In the eventuality that GBF spend is not completed by 30 June 2023, the project would be operating outside the scope of the decisions previously taken by the Board, resulting in GBF funding being at risk. There would be a requirement for the Board to agree retention of the funding at the September 2023 Board meeting and if an extension was not agreed, any expenditure other than in accordance with the decisions of the Board would need to be returned to Essex County Council, as Accountable Body for SELEP, for reallocation to alternative projects.

**Risk RAG Rating Table**

Risk	RAG rating (April 2023)	Change since last Board meeting	Current RAG rating (June 2023)	Progress & Actions
There is one outstanding loan of £250,000 which is still in progress. If not completed by 30 June 2023, the funding may need to be returned.	Amber		Amber	All company checks and financial due diligence has been completed. The applicant is an experienced development company and has taken on a large project in Leigh on Sea. The loan is important to their business, and they are committed to their NUE application. Due to complications with restrictive covenants and multiple titles the legal process is complex, which is taking longer than normal to work through. However, there is no reason for this loan to fail, it's just a case of working through each aspect and putting in place the required indemnities etc. Confidence in completion is high, confidence in completion before 30 June 2023 is high/medium.
Four loans being carried forward into the last quarter	Red		Amber	Work undertaken to progress two key loans, now completed, with work continuing to complete the two remaining loans. All loans are expected to complete by 30 June 2023.

**SELEP Key Risks**

- 5.13 The original GBF spend forecast for 2022/23 was £977,000, however the project has seen significant slippage with only £407,089 reported as spent. This leaves a balance of £792,911 to spend by the end of Quarter 1 2023/24. Whilst 3 loans have either now completed or are nearing completion, given the complexities surrounding the final loan, there is a risk that the GBF funding will not be spent in full before 30 June 2023, in which case, subject to the outcome of a further decision taken by the Board in September 2023, reallocation will need to be considered.

**Project Milestones**

	<b>Milestone Completion Date (April 2023)</b>	<b>Milestone Completion Date (June 2023)</b>	<b>Change in milestone date (RAG rating)</b>	<b>Commentary</b> (To include: % of milestone achieved to date)
Financial due diligence	March 2023	May 2023	Amber	Financial due diligence completed on all schemes. 100%
Establish legitimacy of planned legal charges	April 2023	30 June 2023	Amber	Legal charges in place on 5 schemes – last of 6 is in progress. 83%
Legal checks and completion of loan agreement (specifics listed below in Loans 1-6)	May 2023	30 June 2023	Amber	Loan agreements in place on 5 schemes. Outstanding for Loan 6 but expected by the end of June 2023. 83%
Completion of Loan 1 – Rochford (£175k)	08 December 2022	08 December 2022	Green	Loan completed and paid.
Completion of Loan 2 - Southend (£168k)	31 January 2023	31 January 2023	Green	Loan completed and paid.
Completion of Loan 3 - Brentwood (£250k)	March 2023	28 April 2023	Amber	Loan completed and paid.

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Completion of Loan 4 – Hadleigh (£50k)	March 2023	10 May 2023	Amber	Loan completed and paid.
Completion of Loan 5 - Canvey Island (£200k)	March 2023	June 2023	Amber	Final checks being undertaken prior to completion of the loan.
Completion of Loan 6 - Leigh on Sea (£223k)	June 2023	30 June 2023	Green	Loan Process is 75% of the way complete. Legal aspects (IE charge on second property owned) is in progress and will take most of early/mid-June to complete.
Release of all loan funds complete	June 2023	30 June 2023	Green	With only two loans to go, there is a major push towards final completion and full spend of the NUE fund by 30 June 2023.



## **Next Steps**

- 5.14 Southend-on-Sea City Council is to complete the remaining checks and legal implications with a view to closing all loans by the end of June 2023. An update on the status of the project will be presented to the Board in September 2023.

## **6. Techfort Phase 2**

### **Summary Position**

- 6.1. The Techfort Phase 2 project aims to bring the Casemates at The Dover Citadel, a significant heritage asset, into beneficial economic use, helping to stabilise the ancient monument and create jobs in Dover. This phase of the project seeks to build on Techfort Phase 1 and maintain and upgrade two additional Casemates; 53 and 54 while creating 757 sqm of space for small businesses, craft workshops, retail, food and entertainment uses.
- 6.2. The Board approved the award of £850,000 GBF for Phase 2 of the project in January 2023 to expand on the developments already undertaken in the first phase.
- 6.3. Given the timing of the funding award, the Board agreed that GBF funding could be retained against the Techfort - Phase 2 project to 30 June 2023 to allow sufficient time for the works to be completed and for the GBF funding awarded to be spent in full.
- 6.4. The project is considered High Risk due to overall GBF spend slippage and a risk remains that not all GBF spend will be achieved within timelines previously agreed by the Board. The entire, original forecast spend has moved from Quarter 4 2022/23 with the full spend allocation of £850,000 now expected in Quarter 1 2023/24.

### **Project Update**

- 6.5. The refurbishment of The Citadel experienced unexpected issues following the discovery of damp which needed to be resolved before delivery could commence. These issues have now been resolved and delivery of the project is underway. However, this has resulted in expenditure slippage with spend shifting from Quarter 4 2022/23 into Quarter 1 2023/24.
- 6.6. The same contractor has been procured to deliver both Phase 1 and Phase 2 of the project, so this has ensured smooth transition into the delivery of Phase 2 and construction has continued at pace as a result, reducing significant delivery risk.
- 6.7. Kent County Council has received and processed an initial claim in relation to the project and therefore £349,330 of GBF funding has already been released.
- 6.8. Practical completion of the project is still on target for the end of June 2023, so it is expected that the project will complete and the GBF funding will be spent in full prior to the end of June 2023.
- 6.9. In the eventuality that GBF spend is not completed by 30 June 2023, the project would be operating outside the scope of the decisions previously taken by the Board, resulting in GBF funding being at risk. There would be a requirement for the Board to agree retention of the funding at the September 2023 Board meeting and if an extension was

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not agreed, any expenditure other than in accordance with the decisions of the Board would need to be returned to Essex County Council, as Accountable Body for SELEP, for reallocation to alternative projects.

**Risk RAG Rating Table**

<b>Risk</b>	<b>RAG rating (April 2023)</b>	<b>Change since last Board meeting</b>	<b>Current RAG rating (June 2023)</b>	<b>Progress &amp; Actions</b>
Damp issue arising from underground structure	N/A	New risk identified after April 2023 Board Meeting	Amber	Replacement gulley surface due by 2 June to address damp ingress.
Bats found in Ancillary Block C's WCs	N/A	New risk identified after April 2023 Board Meeting	Amber	Bat condition resolved and works to the WCs are underway.
Significant works required to complete the project by June 2023	N/A	New risk identified after April 2023 Board Meeting	Amber	Contractor has accelerated works where possible, snagging meeting scheduled for 5 June to assess remaining works.

**SELEP Key Risks**

- 6.10 There is a risk that not all GBF spend will be achieved within the timeframe previously agreed by the Board. The full allocation of £850,000 is now expected to be spent by the end of Quarter 1 2023/24, however, if this is not realised, subject to the outcome of a further decision by the Board in September 2023, then reallocation will need to be considered.

## Project Milestones

	<b>Milestone Completion Date (April 2023)</b>	<b>Milestone Completion Date (June 2023)</b>	<b>Change in milestone date (RAG rating)</b>	<b>Commentary</b> (To include: % of milestone achieved to date)
Start of Works	28 January 2023	28 January 2023	Green	Works started in line with agreed programme.
Construction	30 June 2023	30 June 2023	Green	Construction continues at pace.
Project Completion Date	30 June 2023	30 June 2023	Green	Snagging meeting scheduled for 5 June 2023 to assess remaining works.

## **Next Steps**

- 6.11 Construction is to continue throughout the next few months with practical completion scheduled for the end of June 2023. Thereafter, initial engagement with potential tenants will follow in due course.

## **7. Financial Implications (Accountable Body comments)**

- 7.1 There continue to be a number of challenges to completion of the projects in this report, particularly with respect to ensuring spend of the GBF by 30<sup>th</sup> June 2023; this presents risks on assuring delivery of the expected outcomes.
- 7.2 In addition to the specific challenges outlined in this report, the Board should be aware of wider risks in 2023/24 and beyond which may impact costs and delivery of outcomes due to difficulties experienced by projects as a result of Brexit, COVID-19, economic uncertainty, inflation and overall delay in implementation.
- 7.3 To mitigate these risks, the Board is advised to keep under review the delivery progress of these projects and to take this into account with regard to any further funding decisions made.
- 7.4 Essex County Council, as the Accountable Body, is responsible for ensuring that the GBF funding is utilised in accordance with the conditions set out by Government for use of the Grant.
- 7.5 All GBF in respect of the projects considered has been transferred to Southend-on-Sea City Council and Kent County Council respectively, as the Project Lead Authorities; the funding has been transferred, under the terms of a Service Level Agreement (SLA) which makes clear that funding can only be used in line with the agreed terms.
- 7.6 The Agreements also set out the circumstances under which funding may have to be repaid should it not be utilised in line with the conditions of the grant or in accordance with the Decisions of the Board.

## **8. Legal Implications (Accountable Body comments)**

- 8.1 The grant funding will be administered in accordance with the terms of the Grant Determination Letter between the Accountable Body and Central Government and required to be used in accordance with the terms of the Service Level Agreements between the Accountable Body and Partner Authorities. If a project fails to proceed in line with the conditions of the SLA or grant conditions from Central Government, the Accountable Body may clawback funding for reallocation by SELEP Ltd. This report asks the Board to note the current position, so there are no significant legal implications arising from the proposals set out in this report.

## **9. Equality and Diversity Implications**

- 9.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when a public sector body makes decisions it must have regard to the need to:

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- 9.1.1 Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act.
- 9.1.2 Advance equality of opportunity between people who share a protected characteristic and those who do not.
- 9.1.3 Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 9.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.
- 9.3 In the course of the development of the project Business Case, the delivery of the Project and the ongoing commitment to equality and diversity, the promoting local authority will ensure that any equality implications are considered as part of their decision making process and where possible identify mitigating factors where an impact against any of the protected characteristics has been identified.

## 10. List of Appendices

- 10.1 Appendix A - Better Queensway - Project Background Information
- 10.2 Appendix B - Extension of the full-fibre broadband rollout in Essex to reach rural and hard to reach areas - Project Background Information
- 10.3 Appendix C – No Use Empty South Essex - Project Background Information
- 10.4 Appendix D – Techfort Phase 2 - Project Background Information

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

Role	Date
<b>Accountable Body sign off</b>  Michael Neumann  (on behalf of Nicole Wood, S151 Officer, Essex County Council)	  07/06/2023