



Thurrock Council

Blackshots Estate Renewal - Strategic Outline Business Case

March 1, 2024

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Appendix I Sub heading

Report title: Blackshots Estate Renewal – Strategic Outline Business Case

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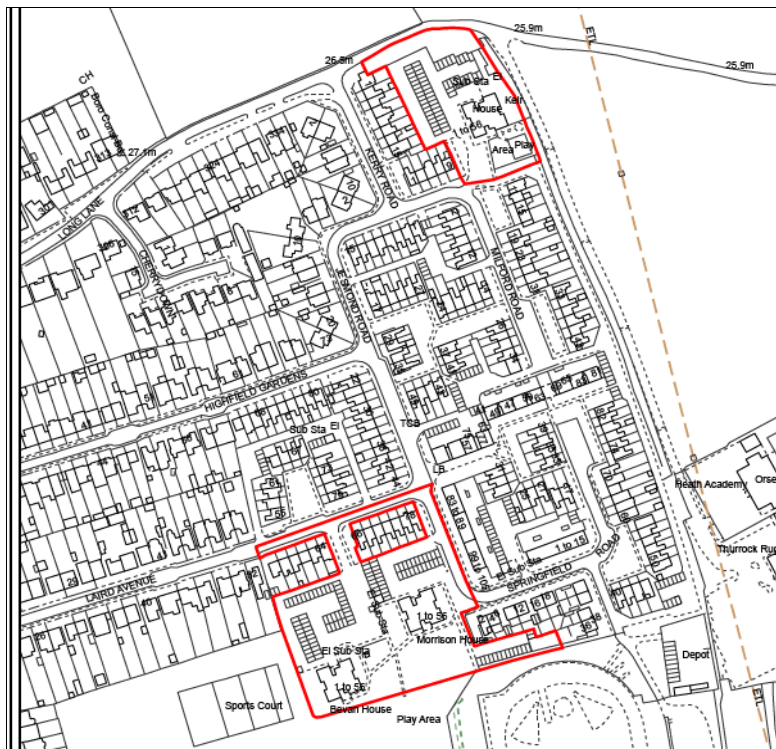
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For and on behalf of Avison Young (UK) Limited

1. Introduction and Context

- 1.1 The subject of this Business Case is the proposed redevelopment of the three Council owned tower blocks which were constructed in the 1960s.
- 1.2 The subject blocks are set out below:
- 1.2.1. Keir Hardy House which is located to the north of the estate and contains 56 homes arranged on 12 storeys. The following flats have been acquired by tenants under the right to buy scheme; numbers 4 (inc garage), 7 (inc garage and shed), 12 (inc garage and shed), 32 (inc parking space), 37, 41, 42. All remaining homes are held within the Council's Housing Revenue Account (HRA).
- 1.2.2. Morrison House & Bevan House are located to the south of the estate and are adjacent to one another. Individually the blocks contain 56 homes arranged over 12 storeys. The following flats have been acquired by tenants under the right to buy scheme; numbers 4 and 11 within Bevan House and numbers 27, 32, 37 (inc garage) within Morrison House. All remaining homes are held within the Council's HRA.
- 1.2.3. Collectively these are 168 homes across the blocks and are referred to as the 'Properties'.



- 1.3 The existing tower blocks have considerable problems with damp and mould with complaints to the Council being the highest across any other tower blocks within their ownership.
- 1.4 Some external works have been undertaken to address the immediate issues in respect of the external cladding systems, ventilation of communal areas and weatherproofing but these works do not deal with ongoing issues over design, layout and inherent defects.

- 1.5 A report was produced in August 2022, by Pelling, on behalf of Thurrock Council to review the existing cladding. Within the report, CHPK Fire Engineering provided a desktop fire risk review of the external wall and ARC Engineers were commissioned to assess the implications of existing rainscreens being removed. The report assessed options for managing and maintaining the tower blocks for a period of up to 5 years through to the end of 2026, particularly in relation to fire and structural safety of the external envelope of the buildings.
- 1.6 The report confirmed that the existing cladding had defects which pose safety hazards and does not comply with current fire regulations. The following ongoing issues have been identified:
 - 1.6.1. The existing external wall system does not conform to current building regulations
 - 1.6.2. Improvements are required to the smoke ventilation systems on individual landings
 - 1.6.3. The roof coverings and windows are reaching the technical end of their life expectancy
- 1.7 Within the March 2023 report to Cabinet the following position was summarised; ‘...these blocks are not fit for purpose and need to be demolished so that good quality accommodation can be provided for the benefit of the Borough’s residents. Refurbishment would produce a sub-standard product at old fashioned design standards, with no firm guarantee that the blocks would last the 30 years of the HRA Business Plan.’
- 1.8 A Cabinet decision in March 2023 resolved to vacate the existing blocks, to make payment to displaced residents and to serve initial demolition notices. Specifically, the following recommendations were approved:
 - 1.8.1. The proposed site area for developing proposals for the future of the Blackshots Estate
 - 1.8.2. Commencement of decanting residents from these properties and the treatment of these residents in line with the Council’s allocations policy.
 - 1.8.3. Payment of home loss and disturbance payments as appropriate
 - 1.8.4. Approval to commence negotiation with leaseholders for the repurchase of properties with approval to complete purchase delegated to the Corporate Director Adults Housing and Health and Chief Financial Officer in consultation with the Director of Place and the Portfolio Holders for Finance, Housing and Growth.
 - 1.8.5. Subject to further Cabinet approval the use of Compulsory Purchase Powers under s226 Town and Country Planning Act 1990 should this become necessary.
 - 1.8.6. In view of the decant and leasehold repurchase decisions, no dwellings within these three blocks shall be re-let.
 - 1.8.7. Service of a demolition notice under Section 138B and Schedule 5A of the Housing Act 1985 which will confirm the Council’s intention to demolish the buildings and suspend the obligation on the Council to complete right to buy applications on the three tower blocks in question.
 - 1.8.8. Approval to negotiate and settle any statutory compensation claims made by residents as a result of the service of the Initial Demolition Notice
 - 1.8.9. Approval to establish a budget of £2.7m to meet the costs of purchase of leasehold interests

- 1.8.10. Agree to receive a report in December 2023 to consider the full Business Case for redevelopment of the site and determine the most appropriate financial option at that time.
- 1.9 This Business Case provides the rationale and basis for the Council to make decisions in respect of the redevelopment of the site once cleared and has regard for how the options available to the Council accord with existing Vision, Policies and Objectives.
- 1.10 This Business Case assumes that the decision to demolish the existing blocks does not require re testing and focuses on the redevelopment options available to the Council post demolition. These include a 'do nothing' option which would see no further action beyond demolition as a baseline and then also tests a number of potential redevelopment options across the two 'sites'.
- 1.11 In the development of this Business Case, we have worked with the Council to refine the project objectives and analyse prospective delivery options and have also undertaken financial analysis to demonstrate the potential implications of delivery solutions on the Housing Revenue Account (HRA).
- 1.12 To inform this Business Case, Avison Young (AY) and architects Levitt Bernstein (Levitts) (collectively the Core Consultants) were appointed by the Council to assist with design, financial modelling and delivery advice. Newman Francis were subsequently appointed as Independent Tenant & Leasehold Advisor and Browne Jacobson were appointed to provide legal advice.
- 1.13 A summary of the Core Consultants' workstreams is set out below:
- 1.13.1. Development of design options to RIBA stage 2 culminating in a preferred option to be taken to pre-app with the Council as Local Planning Authority
- 1.13.2. Resident engagement and events to run alongside the design process
- 1.13.3. Planning strategy advice and support including co-ordination of pre-app meeting
- 1.13.4. Financial viability and cost consultancy advice to help inform design progression and financial modelling to support the Council's analysis of the project
- 1.13.5. Preparation of a business case to inform Cabinet decision-making as to how to structure delivery of the redevelopment of the tower blocks.
- 1.14 This Business Case, is structured in line with the general principles as set out in the green book to provide a structured approach to ensure that the decisions to proceed with the Blackshots redevelopment are made having given due consideration to the implications and outcomes that will result from the design. As such the business case is prepared with the following chapters:
- 1.14.1. **Strategic Case** – Sets out the rationale for intervention.
- 1.14.2. **Delivery Options** – undertakes an options appraisal and the identification of the preferred option.
- 1.14.3. **Commercial Case** - focuses on the deliverability of the preferred delivery approach including the procurement approach and attractiveness to the market.
- 1.14.4. **Management Case** – considers the governance and management arrangements needed to support the successful delivery of the project.

2. Strategic Case

- 2.1 The following section provides a summary of the relevant policy and vision documents that provide the Council with the context for decision making, provides site context in brief and sets out the process through which the Council has set the Objectives for this project.
- 2.2 Whilst Cabinet have already made certain approvals as detailed at Section 1.7 the next stage of this project continues to be set in the context of wider Council strategies and that there is alignment with both existing and emerging policies.
- 2.3 In particular any future decision in respect of the redevelopment of these Properties will need to have regard for:
- 2.3.1. Vision and priorities for Thurrock (adopted January 2018)
 - 2.3.2. Thurrock Council Housing Strategy 2022 – 2027
 - 2.3.3. South Essex Strategic Housing Market Assessment June 2022 (SHMA)
 - 2.3.4. The existing and emerging Local Plan
 - 2.3.5. Thurrock Joint Health and Wellbeing Strategy 2022 - 2026
 - 2.3.6. The HRA Business Plan
 - 2.3.7. Community Equality Impact Assessment
- 2.4 2.4 The relevance of these documents and vision statements is considered in turn below:

Vision and Priorities for Thurrock

- 2.5 The Council's priorities in respect of **'People'** are relevant to this Business Case and in particular creating a borough where people are proud to 'play, live and stay.' Further, the Council is seeking to improve health and wellbeing and to create safer environments for residents.
- 2.6 In respect of **'Place'** the Council is seeking to develop 'roads, houses and public spaces that connect people and places and to create 'clean environments that everyone has a reason to take pride in'.
- 2.7 In respect of **'Prosperity'**, the Council is seeking to deliver opportunities for businesses and skills and job opportunities for all. Although not directly relevant to the case for housing delivery, there may be a number of opportunities for education, training and employment through the construction phase of any development which should not be lost sight of.
- 2.8 We consider that the demolition of the existing poor quality homes and the re-provision of new fit for purpose homes accords with these priorities.

Thurrock Council Housing Strategy 2022 – 2027

- 2.9 The overarching principle of the Housing Strategy is that 'everyone should have access to a safe, stable, secure and suitable home.' This principle reinforces the Council's decision to serve initial demolition notices in respect of the tower blocks owing to concerns over the suitability and safety of these existing properties. It also supports the argument to redevelop housing on the site of these blocks following demolition as this will increase the number of future homes available to help more people access suitable housing.

- 2.10 If the Council does not redevelop housing following demolition, as a minimum this will remove 168 homes from the Borough; of which 156 are of affordable tenure. If the Council is minded to deliver a new scheme in excess of 168 homes then this would help to provide even more housing into the Borough.
- 2.11 The Council is currently 'decanting' its tenants from these existing blocks which is placing increased pressure on its remaining housing stock and placing those other residents in need of housing further down the Housing Waiting List which will likely result in people remaining in temporary housing solutions (which are often unsuitable and brings additional costs to the council) for longer periods of time.
- 2.12 It is also important to note that the Borough has the fifth lowest ratio of council-owned to RP owned dwellings for stock-retaining local authorities in England and as such there is increased pressure on the Council directly to deliver more affordable homes as it is seen as the primary provider of affordable accommodation within the Borough.
- 2.13 Specifically the following elements of the Housing Strategy are relevant to this Business Case:
- 2.14 **To Meet Housing Need** Thurrock Council have developed a strategy called 'To Meet Housing Need' to ensure that the right homes are delivered in Thurrock based on household needs. During the engagement and development of the strategy, residents cited affordability as being one of the most significant barriers to securing suitable accommodation within the Borough. As a response to this, it is expressly stated that the Council 'will deliver and refresh the council's housing development programme in order to identify new opportunities to provide at least 500 new social homes for rent by 2027.'
- 2.15 Estate Regeneration is seen to present an opportunity to address issues of health inequality and also to provide the potential to increase housing provision on site to deliver 'new and better' housing. The document expressly references the stock condition issues with the Blackshots Towers as have already been outlined within this Business Case and makes the following commitments.

What?	How?	Impact?
<p>We will deliver the major regeneration projects at Blackshots, CO1 and Teviot Avenue to provide modern, sustainable homes that are fit for the future</p>	<p>We will progress and deliver the regeneration of Blackshots, Civic Offices 1 and Teviot Avenue, delivering up to 373 new homes</p>	<p>Residents in Blackshots and Teviot Avenue will be supported to move into good quality homes that eliminate the current issues experienced in those locations, with new housing opportunities for residents across the borough at CO1</p>
<p>We will embed resident engagement in estate regeneration in order to deliver projects that meet local needs</p>	<p>We will work closely with our residents to understand their priorities, identify required estate improvements, and progress opportunities for new housing to transform and enhance neighbourhoods</p>	<p>Residents will have direct input, influence and opportunity to shape future council-owned developments and ensure that they meet their needs and priorities</p>
<p>We will target the regeneration approach in order to maximise the value of housing assets</p>	<p>We will undertake full stock appraisals of assets where property archetypes continue to present challenges due to age or build type or where land redevelopment could offer opportunities to improve stock and provide better value for money</p> <p>We will ensure these appraisals consider, need and demand, and social, economic and neighbourhood sustainability factors</p> <p>We will use these appraisals to inform and recommend future programmes of investment or redevelopment to address identified issues</p>	<p>Residents will be assured that new developments offer value for money, are financially viable and can be delivered</p>

- 2.16 Further, it is stated that, ‘remediation works would prove costly and only extend the life of accommodation that had already been identified as falling short of meeting the needs and expectations of tenants and modern day living. In the longer term, the proposals to redevelop these sites (and others in the future) will deliver new homes and neighbourhoods meeting higher quality standards, with modern technology built-in to maximise thermal and energy efficiency. These outcomes will directly benefit the residents that will live in these homes in the future, improving general health and wellbeing and reducing the risk of experiencing fuel poverty.’
- 2.17 This statement creates a clear commitment on the part of the council to bring forward redevelopment on the site of the Properties and not proceeding with this redevelopment project would be contrary to the statements made within the council’s current Housing Strategy.

Thurrock Joint Health and Wellbeing Strategy 2022 - 2026

- 2.18 There is significant overlap between the Health and Wellbeing Strategy and the Housing Strategy with both documents seeking to drive forward positive improvements to the health and wellbeing of Thurrock residents.

- 2.19 Within the Health and Wellbeing Strategy, there is a particular focus on addressing health inequalities across six key themes, one of which is 'housing and the environment', based on the premise that access to 'safe, secure, stable, warm and affordable homes provide people with a solid foundation upon which they can better protect their health and support wellbeing.'
- 2.20 There are a number of goals identified within this document which support this strategic case for redevelopment at Blackshots:
- 2.20.1. Goal 5A - Reduce homelessness and increase the supply of affordable housing in Thurrock
 - 2.20.2. Goal 5B - Facilitate and encourage maintenance of good quality homes in Thurrock to support the health of residents, protecting them from hazards such as cold, damp and mould
 - 2.20.3. Goal 5D. Regeneration and future developments will seek to improve physical and mental health, reduce exposure to air pollution and to build community resilience and reduce antisocial behaviour
- 2.21 We consider that these goals support the case for redevelopment of the subject properties.

Thurrock Local Plan

- 2.22 Thurrock Council is currently preparing a new Local Plan for the borough. The new Local Plan will help create the conditions for places within the borough to change, grow and adapt over the next 15-20 years.
- 2.23 One of the main aims of the new Plan will be to try and ensure that housing needs are met in full – the South Essex Housing Needs Assessment indicated that 23,320 new homes need to be built within the borough by 2040. Over the last few years, the Local Plans Team have been evaluating and assessing potential development sites – this work has indicated that there are not enough developable sites within the built-up area to meet the Borough's needs in full which is why the team have been actively exploring potential sites in the green belt to determine which sites/potential growth areas would deliver the biggest benefits to local communities.
- 2.24 At Full Council on 6th December Councillors agreed a 9-week consultation period for the Initial Proposals document (Regulation 18). The Purpose of the initial proposals document is to enable a more focussed conversation with communities and other stakeholders like local businesses and statutory consultees. This document will set out initial proposals for potential policy directions and growth areas alongside reasonable alternatives.

South Essex Strategic Housing Market Assessment June 2022 (SHMA)

- 2.25 The SHMA provides an assessment of the scale and mix of housing and the range of tenure types which will be required over the duration of the Local Plan period. It reinforces the need for housing delivery of all types. The key findings of the SHMA are:
- 2.25.1. A need to deliver at least 1,181 dwellings per annum throughout Thurrock
 - 2.25.2. This need is split as follows:
 - 1 bed – 13%
 - 2 bed – 26%
 - 3 bed - 41%

4+ beds – 20%

2.25.3. Analysis of Councils' housing registers indicates that 5,629 households in South Essex are currently in need of affordable housing with 676 applications in Thurrock. Further, future need for affordable housing projects a 'new gross need' of 830 affordable homes per annum. Combining these figures provides for a projected annual gross need of 866 affordable homes per annum over the period to 2040.

2.25.4. Within Thurrock, there is a projected supply per annum of 418 affordable homes indicating a shortfall of 448 homes.

2.25.5. Across Thurrock the type of affordable need is split as follows with a clear demand for more 1 and 2 bedroom units:

1 bed – 56%

2 bed – 32%

3 bed – 7%

4+ beds – 5%Dd

2.26 The SHMA reinforces the need for additional homes of all tenure types across the Borough and identifies a significant projected shortfall in affordable housing delivery. Through redeveloping the subject properties to deliver new homes the Council is responding to the findings of the SHMA.

2.27 It will be important that the final mix of units delivered is reflective of the Council's evidenced need at that point, noting that requirements constantly shift.

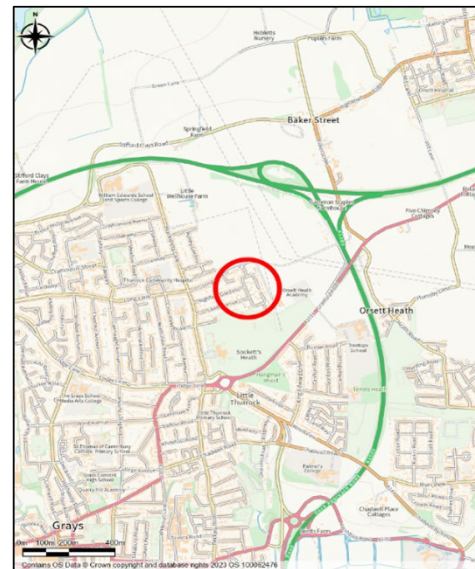
The Subject Properties

2.28 The graphics below note the location and situation of the Blackshots Estate.

2.29 The wider estate is located within the Borough of Thurrock, in South Essex. Thurrock is located to the north bank of the River Thames and lies approximately 20 miles to the east of London.

2.30 The tower blocks which form the subject of this Business Case are located within the wider Blackshots estate which was built by the Council in the 1960s and is largely dominated by two storey semi detached and terraced housing where there have been high levels of Right to Buy penetration. In their current form the 12 storey tower blocks' height is inconsistent with the surrounding housing density.

2.31 In addition to housing there are a range of sports and recreation facilities in the immediate vicinity including Thurrock Rugby Football Club, Blackshots leisure centre and Blackshots Athletics stadium and there are large areas of open space immediately surrounding all three towers.



2.32 The Towers comprise:

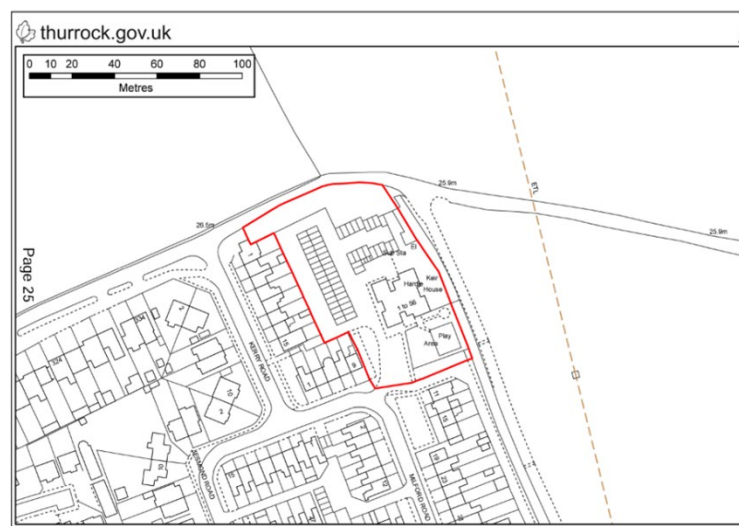
2.32.1. Morrison House, Jesmond Road, Grays, Essex, RM16 2NR;

2.32.2. Bevan House, Laird Avenue, Grays, Essex, RM16 2NS

2.32.3. Keir Hardie House, Milford Road, Grays, Essex, RM16 2QP.

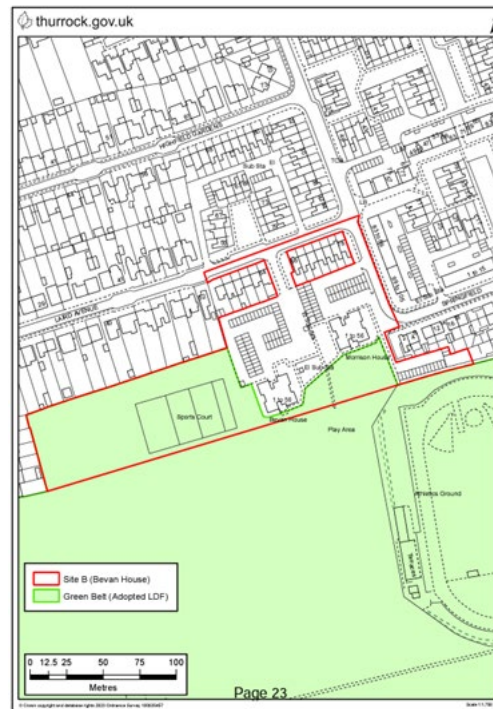
2.33 The Towers are sited on two parcels of land with the northern part comprising Keir Hardie House and the southern part comprising Morrison House and Bevan Houses together with land containing leisure and sports facilities to the north of King George’s field.

2.34 The red line development boundary was approved in March 2023 Cabinet (derived from early scoping works carried out by Savills), and is shown in the figures below:



Northern Site Boundary (Keir Hardy House)

Source: Blackshots Estate – Demolition and Redevelopment Cabinet Report March 2023 Appendix 2



Southern Site Boundary (Bevan & Morrison Houses)

Source: Blackshots Estate – Demolition and Redevelopment Cabinet Report March 2023 Appendix 2

- 2.35 As shown in the diagram above, the Southern boundary includes the use of land currently designated as Green Belt and is subject to the progress and outcome of the green belt review associated with the draft local plan.
- 2.36 Further, King George’s Field benefits from Fields in Trust protection meaning that it is designated for use as green space into perpetuity and any redevelopment of this land would require agreement and suitable reversion of green space. This is considered within greater detail in the Commercial Case Section of this report.

Objective Setting

- 2.37 In the development of Project Objectives we have had regard for:
- 2.37.1. The Council’s Visions and Priorities (2018)
 - 2.37.2. Cabinet Decisions
 - 2.37.3. The outcomes from the Consultation and Engagement events
 - 2.37.4. The Objective Setting Workshop (held with Officers in August 2023)

The Council’s Visions and Priorities (2018)

- 2.38 We outline below the Council’s Vision & Priorities adopted in 2018. This provides an overarching framework for the strategic objectives to align to. It was noted in the Objective Setting Workshop that the corporate objectives are being reviewed and may change in due course, however, they remain the primary framework at the time of writing.

Corporate Priority	
<p><u>People</u> A borough where people of all ages are proud to work and play, live and stay</p>	<ul style="list-style-type: none"> • High quality, consistent, accessible public services • Build on partnerships to improve health and wellbeing • Communities empowered to make choices, be safer, stronger together
<p><u>Place</u> A heritage-rich borough which is ambitious for its future</p>	<ul style="list-style-type: none"> • Roads, houses, public spaces that connect people and places • Clean environments to take pride in • Fewer public buildings with better services
<p><u>Prosperity</u> A borough which enables everyone to achieve their aspirations</p>	<ul style="list-style-type: none"> • Opportunities for businesses/investors to enhance local economy • Vocational & academic education, skills, job opportunities • Commercial, entrepreneurial and connected public services

2.39 It is noted that the development of housing aligns closely with the 'Place' priority which focuses on houses, places and environments in which residents can take pride.

Considerations from Approved Cabinet Papers:

2.40 There have been a number of Cabinet Papers and associated decisions in relation to this project and we consider the below are relevant to setting objectives for the next stages of the project.

2.40.1. Replace at least a similar number of rented properties with an affordable housing product

2.40.2. Create healthier housing and associated space

2.40.3. Commitment to consult with residents and appoint an Independent Tenant Liaison Advisor (ITLA)

Consultation and Engagement Events

2.41 A number of wider considerations have been noted throughout the engagement and consultation period with residents, with a detailed summary of the engagement process and outcomes from this contained within the Commercial Section of this Business Case.

2.42 Collectively these considerations and the outcomes from the workshop feed into the Project Objectives.

Considerations from the Engagement/ Consultation Process:

2.42.1. Deliver homes with better energy efficiency standards

2.42.2. Raise the standard of living and improve the local environment

2.42.3. Mitigate and where possible avoid development of open space and in particular Fields in Trust Land

2.42.4. Increase the quality of available play space and ecological diversity of the local area

2.42.5. Address Anti-social behaviour (ASB) concerns

2.42.6. Mitigate further pressure on the existing car parking provision within the area

Key Aims from the Objective Setting Workshop

2.43 The following key aims were articulated by Officers within the Objective Setting Workshop

2.43.1. To swiftly vacate the existing blocks, providing Council tenants with homes which are fit for purpose

2.43.2. Following vacant possession, to expedite demolition (Project Phase 1) due to health and safety imperative

2.43.3. To agree a delivery solution which secures best value to the Council and lessens the financial impact over the life of the HRA business plan

2.44 Council Officers articulated and agreed upon a set of objectives to achieve these aims. These objectives are noted below. They appear in no particular order of priority due to the difficulty associated with balancing needs.

Key Strategic Objectives

2.44.1. To vacate the current tower blocks which will enable demolition to commence

2.44.2. To rebuild back no less than the 168 existing residential units, providing high-quality healthy housing and associated space that meets the needs of both existing and future residents

2.44.3. To deliver no net loss of affordable housing with an aspiration for these to be retained by the Council

2.44.4. To lessen the financial implications for the Council where possible and deliver value for money for the HRA

2.44.5. To manage risk exposure to the Council

2.44.6. Ensure delivery outcomes reduce health and well-being inequalities and promote health equity

2.44.7. To optimise the use of Council land whilst having regard to the surrounding areas

2.44.8. To create and maintain a long-term social value legacy for the local community

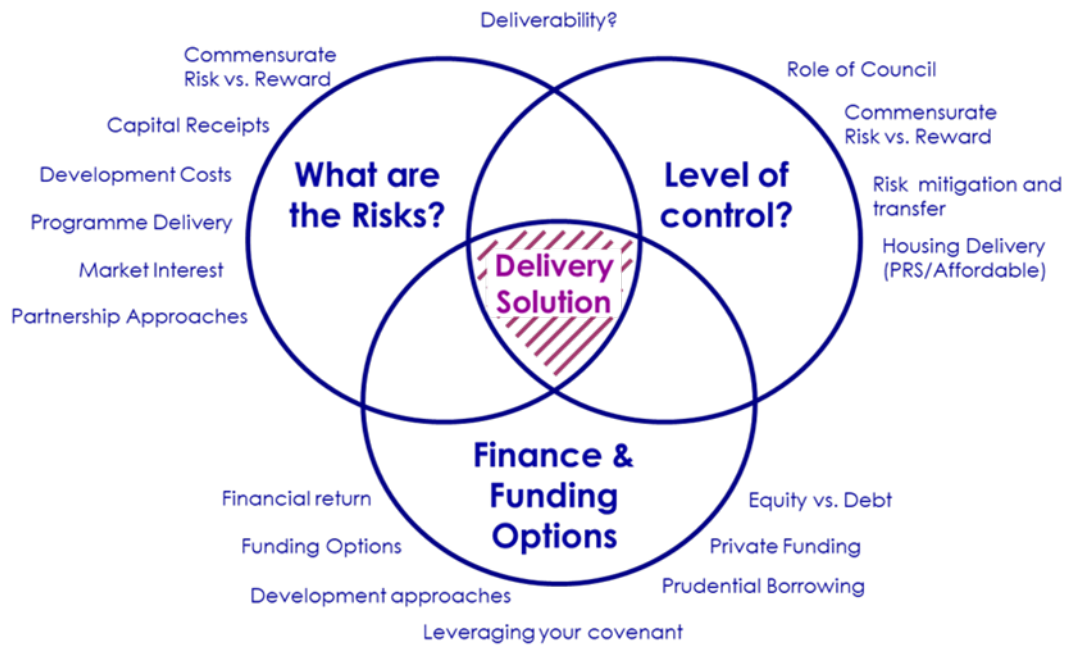
2.45 These Strategic Objectives will be used as a basis against which to test and evaluate delivery options in the Delivery Section of this report.

3. Delivery Options

3.1 The baseline position for the Council would be to simply decant existing tenants to alternative accommodation and demolish the blocks across the two sites. This would deal with the immediate issues around residents living in homes that are suffering from damp and mould issues, do not conform to existing regulations and require significant amounts of capital expenditure. We consider

this option to be the do nothing baseline for the Council. While this would deal with the immediate issues facing the blocks it would not meet the Council's needs around housing provision and delivery of wider strategic objectives in relation to health and well being outcomes, social value and the delivery of new and better homes. Should the business case demonstrate that alternative options are not ones that the Council could afford, then this baseline would be the result.

- 3.2 As such, while this do nothing option exists, we do not consider this to be an option that delivers for the Council against its priorities. Therefore below, we explore the options available to the Council for redevelopment of the sites.
- 3.3 Through discussions with the Council a number of options have been explored as potential routes to deliver the redevelopment of the residential tower blocks at Blackshots Estate (Keir Hardy, Morrison and Bevan Houses). In December 2022 the Council's Cabinet approved the principle of demolishing the blocks and re-providing good quality housing. The development will seek as a minimum to re-provide the existing number of affordable homes across the demolished towers, plus additional homes where these can be delivered in a manner that is affordable and sensitive to the surrounding area while delivering on the Council's aspirations for improved open and play space and appropriate density.
- 3.4 The core options considered to deliver the aspirations of the Council across the blocks are:
 - 3.4.1. Site Disposal
 - 3.4.2. Self-Delivery
 - 3.4.3. Development Agreement
 - 3.4.4. Joint Venture
- 3.5 While there can be slight variations to how each option could operate in practice, those nuances are not material to arriving at a recommendation to proceed with one of the above options. Once a preferred delivery route has been arrived at, a detailed commercial and legal structuring workstream can then be undertaken as appropriate.
- 3.6 To land on a recommended option for the delivery of the Council's residential blocks, it is typically important to find the right balance between risk and reward, desired level of control and the financial parameters that the Council is operating within. The diagram below seeks to provide a more detailed consideration of these characteristics to illustrate how the delivery options need to find the right balance depending on the Council's requirements.



- 3.7 Taking the above, we have worked with the Council to agree a set of parameters by which to assess the delivery routes. As set out in section 2, the Council has established strategic objectives in relation to this Project, and evaluation parameters have been derived to assess how well each of the delivery routes respond to the criteria identified.
- 3.8 Below we have mapped the Council’s corporate priorities and strategic objectives as set out in section 2 against evaluation criteria that has been used to assess the fit of each of the options.

Corporate Priorities	Strategic Objectives	Evaluation Criteria
<ul style="list-style-type: none"> - Roads, houses, public spaces that connects people/places Empowered, safer, stronger communities Clean environments Heath & wellbeing through partnerships 	<ul style="list-style-type: none"> - Provision of high-quality housing that meets the needs of both existing residents who wish to return and other Thurrock residents 	<ul style="list-style-type: none"> - Strategic control over development - Speed of Delivery - Market interest in the project - Governance
<ul style="list-style-type: none"> - Roads, houses, public spaces that connects people/places Quality public services 	<ul style="list-style-type: none"> - No net loss of affordable homes delivered across the towers, with increased densification having regard to the surrounding areas 	
<ul style="list-style-type: none"> - Heath & wellbeing through partnerships Empowered, safer, stronger communities Opportunities to enhance local economy Education, skills, job opportunities Commercial, entrepreneurial, connected public services 	<ul style="list-style-type: none"> - Create and maintain a long-term social value legacy for the local community 	
<ul style="list-style-type: none"> - Clean environments Heath & wellbeing through partnerships 	<ul style="list-style-type: none"> - Expedite delivery and certainty of renewal of the towers 	

Corporate Priorities	Strategic Objectives	Evaluation Criteria
Empowered, safer, stronger communities		
- All of the above, delivered in a financially sustainable manner	- Deliver value for money to the Council's HRA	- Viability of Developments (financial case)
- All of the above, delivered in a financially sustainable manner	- Manage risk exposure to the Council	- Development Risk - Council resource and expertise

3.9 Below we describe each of the delivery options in more detail, providing some of the general advantages and disadvantages of those options.

3.10 We understand that previous appraisals undertaken for market led schemes have not been deemed viable, however it is important for us to revisit this as part of our analysis. Options for a market led approach include Site Disposal, Development Agreements or a Joint Venture approach, while self delivery is assumed to be via the HRA and these are described further below.

Site Disposal

3.11 This option can be seen as the 'do minimum' option where the Council puts forward the ownership and simply sells the residential tower blocks development on the open market (either prior to or after demolition of the blocks). The Council will be required to obtain best consideration so in practice will seek to dispose land at the highest land receipt that can be achieved at the time of marketing.

3.12 Whilst this option has the advantage of being relatively quick and straightforward to undertake, there are a number of disadvantages of this approach. In the main the Council would have very little control over development under this option. There would be limited ability to influence design, quality, density, pace of delivery, tenure mix and affordable rental levels other than what is achievable through statutory planning powers.

3.13 The Council could dispose of sites using planning and development briefs to steer the form of development, though this is only a slight extension of planning policy and once the sites are sold the Council has no further ability to influence other than through pre-application discussions and development control. Furthermore, given the need to decant existing residents, the site disposal cannot happen until that process has been completed (due end of Feb 2025), which would mean that a third party would not be on board and progressing with the site until the end of 2025 at the earliest. The Council's ability to secure the outcomes it wants from development is therefore very limited and it is unlikely that the Council would be able to achieve its strategic aspirations through this delivery route.

3.14 Disposal in this manner is also unlikely to secure the best financial outcomes for the Council. All development risk is being taken by the private sector, and the market will price this accordingly. Given the design work carried to date demonstrates limited additionality of homes, and the level of re-provision of affordable homes that would be required, then a one-off capital receipt may not be of significant value. And, although the Council may receive an upfront payment in the form of land value, it will not participate in any surplus revenue generated from holding the housing stock long term, though may be able to negotiate an overage or planning clawback with the market.

- 3.15 Furthermore, we do not believe this option is likely to suit the delivery of the Council's corporate or strategic objectives. Affordable housing provision is unlikely to meet policy requirements due to the financial constraints of the development. The scheme is likely to be viability tested by a developer and therefore will reduce the amount of affordable housing that will be realised from the redevelopment, which will almost certainly not deliver any additionality of affordable homes and likely to not even re-provide all the existing affordable homes on the site.

Self-Delivery

- 3.16 For the Council to self-deliver the scheme would mean the delivery option with maximum involvement where the Council would act as the developer, securing planning permission and delivering residential units at the two sites.
- 3.17 The advantage of this option is that it provides the Council with ultimate control of the outcomes delivered across the redevelopment of the blocks, ensuring that design responds to the needs of the local community and existing residents and deliver additionality and quality of housing in a manner which is sensitive to the surrounding area. Importantly the Council would have control over the pace of delivery. The towers have significant damp and mould issues and do not meet regulatory standard and speed of delivery, will be critical, whether that be the decant process, planning and design or through the construction stages. The Council would also have complete oversight of all decisions therefore having the ability to promote good governance with clear lines of accountability.
- 3.18 Although there are the above benefits from self-delivery, this delivery route would bring disadvantages. The Council would bear significant element of the risks associated with the delivery of the scheme, which include development, financial and reputational risks, especially prior to entering into a construction contract. While the Council will seek to pass on as much construction cost risk through a JCT design and build contract, the contractor will price this risk into the contract sums. There are likely to be provisional sums that will not be fixed and the Council will retain the cost overrun risk on those items. Relative to other disposal options, the Council will retain cost inflationary risk from project inception until a fixed price contract is agreed and therefore consideration needs to be placed on both the Council's financial capacity within the HRA and the expertise and experience in delivering a project of this nature. However, the self-delivery route does enable the Council to take a more long-term view on the financial viability of the project, which a market led scheme wouldn't do.
- 3.19 In terms of internal capacity and capability to successfully manage and deliver the Blackshots estate, we understand that the Council have some resource that could be deployed to support the management of the project, however this is limited. As such, adopting a self-delivery route will require the Council to adopt a strategy that either employs a suite of external advisors to help drive the project forward through the planning and design stages or seek to procure a contractor with an extended preconstruction services agreement, to take the project through the design and planning processes. Both routes have their respective advantages, which is covered in Section 7.

Development Agreement

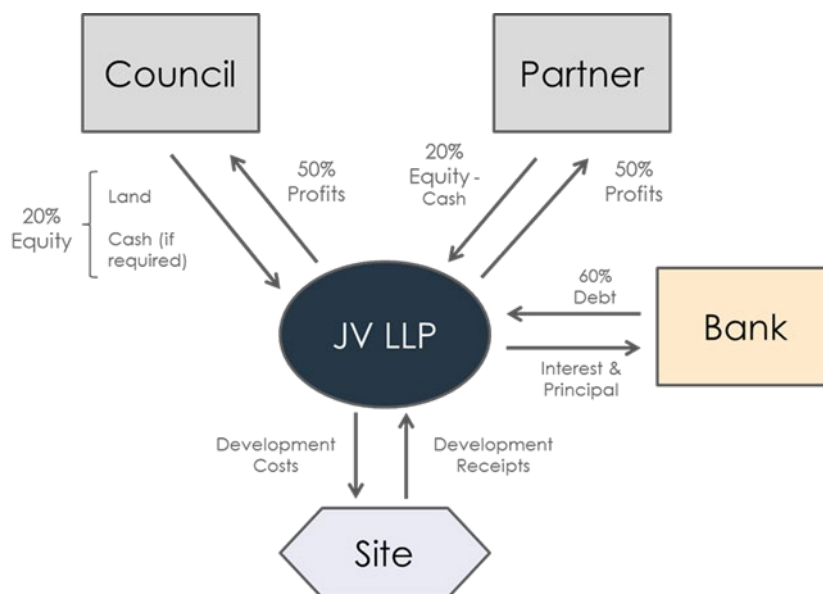
- 3.20 Development Agreements are contracts with a development partner for the delivery of a specific scheme, usually for a defined land receipt. Typically, they include a lot of detail regarding objectives and parameters for the development of a site, either with reference to a planning permission, or (more commonly), with the intention that the partner will secure planning permission in accordance with the defined parameters. The developer will take on all the development and sales risk associated with the project and will price these risks into any land payment paid to the Council.
- 3.21 The contract can be used to set delivery milestones, minimum deliverables and place other restrictions on the operation of the delivery partner, for example with respect to procurement of

supply chains. It can also include wider goals such as those related to sustainability or social value, though these can often be difficult to define and monitor over time.

- 3.22 A Development Agreement across both sites would offer greater control over the form and nature of developments brought forward than a pure site disposal. However, the nature of a Development Agreement is such that once signed, controls tend only to be negative and reactive in nature. Typically, the development partner would wait for Council milestones or submit proposals themselves for approval which could be rejected if not aligned with the parameters set out in the legal agreements, but without scope for involvement in reshaping those proposals. It is also possible for a development to deliver against the objectives as set out, but not in the form that the Council would like.
- 3.23 Given the nature of the contract and the levels of prescription likely to be inserted, the Council would only have planning controls to influence the proposals put forward by the development partner. Once in operation poor performance is disincentivised with the threat of breach of the agreement. This is something of a blunt instrument and as a result generally thresholds for poor performance (e.g. delays, poor sharing of information etc.) are quite high.

Joint Venture

- 3.24 A Joint Venture (JV) is a formal partnership with another party based on joint decision-making and control over development. Partnerships can be contractual or corporate, i.e. formed as a distinct vehicle. Contractual JVs are similar to a Development Agreement but with mechanisms to enable more collaborative decision making. Given the similarities to a development agreement we have not considered as a separate option (contractual JV) and for the purposes of this document, we refer to a JV in the context of a corporate vehicle being established as the means for delivery.
- 3.25 In forming a corporate JV, a separate legal entity would be formed in which the Council and its development partner will be shareholders/members (dependent on the exact legal structure).
- 3.26 The majority of JVs take a '50/50' structure, where the parties have equal membership, decision-making rights and controls, commitments to investment, risk exposure and shares of profits. Some JVs deviate from a pure 50/50 share, however this moves away from having an alignment of interests between both partners which, in turn, starts to create perverse incentives during the operations of the JV.
- 3.27 Under this delivery option the Council would not typically receive a land payment for the sites to be developed; rather the land will be invested into the JV in order that the Council receives its share of profits. If the scheme was viable, the Council's land would be its equity investment. In a 50/50 structure this will be matched by the partner in the form of cash, and the remaining funds required to deliver the development will be met by debt financing. However, it is still possible for the structure to include upfront land receipts from the JV or indeed deferred land receipts.
- 3.28 Under this structure the Council is directly participating in development risk, but sharing this in combination with the partner. Where land is invested as equity with no/a partial up-front payment, returns are only realised in the event the JV is profitable. Returns in the form of profits are issued only after all debt finance is paid off. It is important to note that under a JV, as returns are distributed in the form of profits, they are accounted as revenue to the Council, while land receipts would be treated as capital. Where revenue is generated, this can help to support Council revenue budgets as well as funding capital programmes enabling greater flexibility for the Council on use of receipts.
- 3.29 A detailed illustrative diagram of a JV structure is included below:



- 3.30 In terms of governance, in a 50/50 structure all development decisions are made jointly between the parties. This means the Council has direct control over matters including design, planning submissions, programme and phasing, uses and marketing. That said, the control is fettered slightly given all decisions must be made jointly. If there is no agreement between the parties, this leads to 'deadlock'; in other words each party effectively has a veto over the other. This can ultimately lead to termination. To help prevent this, the JV will have a detailed business plan and clear objectives which the members must act in accordance with. The objectives are set as early as procurement and the conclusion of procurement typically provides a draft business plan that the parties agree in concluding negotiations.
- 3.31 JVs are complex generally and require relatively longer and more expensive procurement processes to establish. They tend to only be attractive at a larger scale, typically for a development pipeline of c500 homes or more. Given the quantum of homes being delivered at Blackshots, this option is unlikely to be overly attractive to the market,
- 3.32 JVs do require resource from the Council once in operation. Officers (or where appropriate elected members) will be required to act as board representatives within the JV, which necessitates not only a time commitment but also that officers have sufficient expertise to make development decisions. Once a board member, officers will have to make decisions in the commercial interests of the JV, and it is important to avoid any conflicts with wider Council functions so far as possible. Despite the JV partner bringing forward its expertise, it is important for the Council to maintain a level of professional advice to protect its interest within the JV, especially given the partner is likely to be wearing different 'hats' within the JV, including development management and construction functions, creating potential conflicts of interest.
- 3.33 Should the Council opt for a joint venture approach then there are a number of advantages against the other approaches that have been considered above. These include:
- 3.33.1. Ability to share in greater returns (commensurate to the added risk taken on)
 - 3.33.2. Greater level of control in decision making and outcomes achieved over the long term
 - 3.33.3. Leveraging private sector expertise to deliver the opportunity in a more commercial manner
 - 3.33.4. Council officers can learn and upskill working alongside a private sector partner

- 3.33.5. Flexibility to alter approach over time as priorities and market conditions change
- 3.33.6. Ability to widen scope of the JV to capture future opportunities as they arise (subject to procurement parameters set)
- 3.34 The disadvantages of approach include:
 - 3.34.1. Council will need to invest alongside its private sector partner, which would likely require the Council to borrow to invest in the JV.
 - 3.34.2. Development risk taken, which means that receipts are not guaranteed (though priority of returns through the repayment waterfall can be managed through the legal agreements e.g. land receipts would typically sit higher up in the waterfall than profits)
 - 3.34.3. Long-term involvement will require dedicated and experienced Council resource to participate and act as an 'intelligent' partner
 - 3.34.4. More complex procurement process than a simple site disposal or development agreement.

Qualitative Analysis of Delivery Options

- 3.35 In order to evaluate each of the delivery options described above, we have agreed with the Council a selection of evaluation criteria against which to assess the options. These were agreed through engagement with a wide group of internal Council stakeholders. We have assigned a score to each criterion between 1-10, with a higher score indicating that the option scores well against the criteria and therefore helps to delivery the Council's strategic objectives. Below we set out the details of each evaluating criteria:
 - 3.35.1. Strategic control of development – Through discussions with Council officers a key ambition that has come across is the ability to control the outcomes of the development. The Council wishes to make sure that the existing poor housing stock is demolished paving way for a new redevelopment programme that will provide much needed improved affordable housing to the area. Delivery of social value, health and wellbeing outcomes and the ability to take an active role in community engagement is also seen as an important factor for the Council. Control over and above the statutory powers on design and quality is an important requirement, balancing the desire to create exemplar standards for future development with the financial viability challenges that the development will face.
 - 3.35.2. Speed of Delivery – A delivery option that allows the Council to deliver the redevelopment in a timely manner and have control of delivery in terms of speed of decision making is important in achieving the overarching objectives for the two sites. The quicker the actual speed of development the more favourable the delivery option. For some options, the speed of procuring a partner onboard needs to be taken into consideration.
 - 3.35.3. Market interest – In relative terms, the likely depth of market for potential delivery agents/partners for each of the approaches, affecting the success of any competitive disposal/procurement process. Market interest also refers to interest in the scheme from contractors or supply chain who will take part in the developments when considering the self delivery option.
 - 3.35.4. Risk– The exposure to and the management of risk is another key factor in the consideration for the right delivery route for the Council. Risk can be seen through multiple different lenses, including development risk, reputational risk and risk associated with delivering the Council's objectives. Each delivery option will respond better or worse to different aspects of risk and this

criterion will look to assess how the delivery options best help the Council in either reducing or managing the risks.

- 3.35.5. Governance – The Council’s governance procedures are currently enhanced in light of the current financial position, with commissioners taking a central role in decision making and approvals required by central government around future expenditure commitments. The delivery options will need to be seen in the light of the governance arrangements that the Council need to operate within, and consideration should be given as to whether the various routes to market can effectively fit within the Council’s procedures.
- 3.35.6. Council resource and expertise – Varying time, cost and resource commitments are required from the Council under each option, both in securing a developer(s)/contractor, and during the construction phase. The complexity of the procurement process to secure a partner/contractor will also differ. The options will be assessed to determine which option requires the least Council resource and minimal procurement complexity.
- 3.35.7. Viability Constraints – We note through early viability assessments at both sites that viability is an issue for the scheme that the Council want to deliver. Any financial viability concerns will need to be factored into the assessment of each delivery option, any market led scheme may more than likely fail in this regard. While we focus in this section on the qualitative assessment of the options against the criteria above, it is likely that the financial case will be a key driver in selecting a delivery route. Delivery options that assess the scheme over a longer period of time will have a greater chance of making a scheme more viable as there is greater period of income to payback the initial investment therefore negating any upfront viability concerns.
- 3.36 As set out above, each of these criteria has been given a score of 1 – 10 for each of the delivery options. This method is not intended to provide a precise mathematical assessment; rather it serves as an illustration of the relative characteristics of each option and a tool to aid in deciding which may be the preferred route. These criteria and our assessment of the qualitative scoring for each are set out below. The quantitative assessment of these options is considered in section 5:

Criteria	Site Disposal	Self-Delivery	DA	JV
<u>Qualitative Scoring</u>				
Strategic Control of Development	1	9	6	8
Speed of Delivery	2	8	5	5
Market Interest	4	7	3	1
Risk	7	4	8	5
Governance	7	8	6	4
Council Resource & Expertise	8	4	6	5
Total	29	40	34	28

Note, Scoring Range: 1 = weakest at delivering against criteria 10 = best delivers against the criteria

- 3.37 Based on the scoring above, Self-Delivery option through the HRA responds best to the Council's requirements. We explore the rationale for the scoring below.

Strategic Control of Development

- 3.38 Site Disposals offer control only through the planning system and any conditions agreed at the point of sale. There is no on-going control over use or quality following disposal and this doesn't enable the Council to control the delivery of its strategic objectives. Development Agreements have the potential to include a wide range of controls over the exact nature of development, e.g. with reference to detailed specifications and briefs. This provides greater influence over the development than Site Disposal, however, ongoing controls tend to be negative in nature, as failing to deliver development of the type described, or within key milestones set in the contracts may be a breach of the agreement and result in penalties.
- 3.39 A JV approach affords the opportunity for full Council participation in development use and quality decisions, allowing positive control and flexibility. In a typical 50/50 deadlock structure however, all decisions are made jointly, and disagreements can stall or slow progress. This can be managed through clarity of scope up-front and clear governance processes however, there will always be the tension between the private sector commercial requirements and the public sectors objectives.
- 3.40 A Self-Delivery approach would provide the Council with the greatest level of strategic control and thereby providing maximum flexibility to the Council in making decisions that best respond to the strategic objectives set out (as long as prudent financial management is adhered to). This option would ensure the Council has full responsibility on design and quality, social value and affordable homes commitments.

Speed of Development

- 3.41 While the Council is able to set out and agree a timetable to dispose of the site, the Council will have little or no control over the speed of the redevelopment of the sites under a straight disposal route. The acquirer of the site would have no obligation to bring forward the site in a timeframe deemed acceptable to the Council and therefore this route would not respond well to this criterion. In reality the Council will not be able to progress with the sale of the site under this route until after vacant possession has been achieved, which is not likely to be before Feb 2025.
- 3.42 A Development Agreement for the sites enables the Council to include milestones and longstop dates within the contract agreements to help provide a level of control over the speed of development. In practice however, developers will seek to agree dates which are far enough in the future to provide themselves with the greatest flexibility to avoid breach. Given they are longstop dates, they don't act as incentives to increase the speed of delivery and therefore all the Council has the ability to control is the worst-case scenario for pace of delivery, which will need to be agreeable to the market. A development agreement approach will also require a procurement process to be undertaken. A typical process will take c10-12 months from start to finish, including the Council's internal governance processes which will prevent the development of plans progressing until after the point a partner is on board.
- 3.43 A Joint venture route would similarly to a Development Agreement require the procurement of a partner, which would take a similar c12-14 month timeframe. Thereafter, the Council as member of the joint venture would have a greater level of influence over the speed of delivery as programme would form part of the business plans that the Council would need to approve. However, given there would need to be consensus between the partners on the programme, there is potential for there to be a misalignment in the Council's desire to bring forward development in an expedient manner and

the development partners commercial interests. The added layers of governance within a joint venture will also increase the timescales for decision making which can impact speed of delivery during the operational phases.

- 3.44 Self-Delivery through the HRA, will likely provide the Council will the most expedient way to progress with the redevelopment of the site. Like the other development routes, the Council will need to undertake a procurement process, but for a main contractor rather than developer. A main contractor procurement is likely to be shorter than a full developer procurement and could be undertaken in a 6-8month period should an existing framework be utilised. The Council could also progress the planning and design process in parallel to that procurement should it wish to do so, which would enable the Council to start on site sooner than the other routes. Alternatively, the Council could procure a main contractor to undertake the planning process through an extended preconstruction services agreement, which while not as expedient as the Council undertaking those activities itself, would still commence sooner than under the other delivery approaches. More generally, the Council will be able to dictate the programme as client, ensuring an appropriate pace is always maintained.

Market Interest

- 3.45 A straightforward disposal of land would generally be of interest to the market given its simplicity and lack of obligations placed on the purchaser. However, given the sites complexities and associated risks, alongside the high level of affordable housing, it may deter potential interest in the site and not be suitable to all parties. On the assumption that there would be an obligation under planning policy to re-provide the existing affordable housing units, this would likely deter housebuilders and developers as there would be limited scope to deliver open market sale units. It may appeal more to registered providers, but the Council is seeking to offer residents the option to return, therefore the pool of potential purchases is therefore limited. Furthermore, the general viability of the development is challenged and therefore it is unlikely that there would be significant levels of interest in this opportunity.
- 3.46 Market interest in a Development Agreement will depend on the extent of commitments and negative controls within it, given this hampers the partner's ability to act as it wishes. The Council would likely put out a detailed specification of what the development needed to deliver, including the re-provision of the affordable homes on site currently alongside the specific design parameters that have been discussed with resident with regards to height, density, open space etc. There would also likely to be very tight milestones for delivery imposed which the market would be seeking to push against. As with the straight disposal, it is difficult to see a significant amount of market interest in the opportunity due to the tenure mix and viability concerns associated with the development.
- 3.47 When considering self-delivery in the context of market interest, we refer to the interest that would likely be received from contractors who the Council would seek to appoint for the construction of the development. As a contracting opportunity under and design and build contract, this is likely to appeal to a wide range of contractors in the market. The current market downturn has meant that the number of opportunities for contractors to secure is limited and therefore the Council launching this redevelopment programme, will likely be competitive and receive relatively greater interest and therefore self delivery will score higher than other options in the evaluation. Previous soft market testing undertaken by the Council demonstrated that there was interest from contractors, and with the further restrictions in development activity, it is likely that interest for contracting opportunities will remain strong.
- 3.48 Market interest in a JV depend on the scale of the opportunity and the extent to which a good strategic and commercial fit can be found between partners. JVs also take time and money to set up

and operate, and the opportunity must therefore justify this. As discussed earlier a JV will take time to procure and bidders will need to expend significant amounts of speculative money participating in a process. Furthermore, the ongoing running costs of a JV can be in the region of £100k - £120k per annum. Therefore, JV opportunities are typically only attractive at a scale of minimum c500 units, with higher quantum of developments preferred as it is only at these levels of development that the returns can be realised to cover the additional costs of operation and establishment. Blackshots does not achieve this level.

- 3.49 Again, as with the other market led options, the mix and viability will be a challenge and this will further erode interest in the opportunity. Furthermore, as would be for the case for the Council, a partner will be seeking to enter into a partnership with a partner? that has a strong covenant strength and is seen as a credible partner. In the Council's current financial position, there is likely to be concern in the development market that the Council may not be able to stand behind its future obligations within a joint venture. This will be a concern for any party seeking to bid for this opportunity. A JV overall is likely to score least well relatively to the other options when considering market interest.

Risk

- 3.50 As set out early, when looking at risk, we are considering development risk (and financial exposure of the Council), alongside reputational risks of not being able to deliver the Council's objectives. From a development risk perspective, the market led routes of site disposal or development agreement, will see a transfer of risk to a development partner. The Council will also set out the objectives they are seeking to achieve and that bidders must respond against. However, as discussed under control, the ultimate form of development, pace of delivery and social value realised will be dictated by the partner with limited ability for the Council to influence outcomes. Indeed, with the viability concerns, there is a high risk that the development either does not come forward as developers seek to stall in the hope of market conditions improving or negotiating through planning the reduction in affordable housing delivery and increasing density of the scheme. From the Council's perspective, there is a political aspiration to deliver a scheme which is height sensitive and not overly dense. This risk will be mitigated more under a development agreement as the Council would seek to set a number of preconditions that need to be achieved before land is drawn down by the developer. Both these disposal options will have a higher reputational risk for the Council that the market fails to deliver on the Council's objectives.
- 3.51 Under a JV arrangement, the Council is directly participating in development risk, albeit this is shared with a development partner. The level of risk will be dictated by the terms of the JV negotiated, however in a standard 50/50 joint venture, the Council would be obligated to share the risk and reward of the development opportunity equally with the development partner. Receipts are distributed following repayment of debt, and profit is contingent upon the success of the scheme, including being exposed to market movement. The Council would usually control this risk through a variety of contractual mechanisms (including applying conditions precedent to the land which need to be satisfied prior to phases/sites being transferred, creating greater certainty). The Council would also have equal say on the business plan for the JV and the ultimate development proposals, thereby reducing the risk of failure to deliver the outcomes that the Council is seeking. There may have to however be compromises where the partner has differing views on the deliverability of outcomes to the Council, though there is relatively less risk of reputational risk through not delivering the Council's objectives than of other market led approaches.
- 3.52 Self-Delivery naturally generates the highest levels of development risk and greatest financial exposure to the Council. The Council will be fully exposed to market conditions with any cost increases falling onto the Council and where open market sales are to be delivered, the sales risk will

also sit solely with the Council. The Council will be able to transfer the majority of the cost risk to a main contractor through a fixed price design and build contract, however until the point where a contractor is able to fix the costs, any inflationary or other costs risks will need to be absorbed by the Council.

- 3.53 Sales risk could be mitigated by the Council seeking to deliver a 100% affordable development (where financially this is sustainable) or by employing sales and marketing agents. While agents will bring a greater level of experience and expertise in selling homes, they will not be able to mitigate the risk of market slowdowns. In terms of reputational risk around the non-delivery of the Council's objectives, the Council will have much greater flexibility in the delivering the outcomes that it wishes to achieve and can control to a greater extent the form of development and delivery of the wider social value and health and well-being outcomes desired. While this level of control helps to manage the risk, in reality, the Council in this scenario will be the sole delivery agent of the project and therefore anything that occurs that is seen in a negative light by stakeholders, will ultimately be the Council's responsibility therefore reputational risk of non delivery of any promises by the Council will be heightened.

Governance

- 3.54 How the Council's internal governance processes and decision-making interface with each delivery route is an important factor. As discussed earlier, the Council is operating under heightened governance processes and greater scrutiny of any investment and financial decisions. Regardless of which route to market is considered, the time taken to get to market and to make ultimate decisions around the outcome of a disposal or selection of a development partner will be elongated. Given that ultimate decisions may need to receive approval not only at Council officer and Member level but also by Commissioners and potentially central government, there is an added layer of uncertainty for the market that participation in any process not only could take a lot longer to completion but that the ultimate decision may not receive approvals at all the necessary levels.
- 3.55 The market participants prefer certainty and political stability when it comes to making decisions around what opportunities to pursue. When looking at a development agreement or joint venture structure, not only is there consideration to be taken around the initial process, there is also the need to factor in how decisions will take place during the operational phase of the development and how governance will either support or hinder the delivery of the development. In a JV structure, the market would prefer the JV to have a level of autonomy to make decisions around the development, with sufficient delegation to the JV board meaning decisions can be made in a timely fashion. Given the Council's current state of play, there is likely going to be the need for much greater decision making to take place at Council level than would ordinarily be the case.
- 3.56 Typically business plan approvals would be the key decisions for each partner, but even the lead in times that would be required for the Council to make the decisions around the approval of those business plans will be much longer than the norm, which would hinder the pace of progress of the JV.
- 3.57 Similarly for a development agreement, the Council would have approval rights of the developer's proposals within the contracts. These approvals will go through the more rigorous governance processes and therefore take longer for to achieve.
- 3.58 Overall, the Council's current governance process is likely to not align with the markets requirements for either a JV or development agreement route. If this was a route that the Council wanted to pursue, alternative arrangements which enable more streamlined decision making would be required.
- 3.59 For site disposals, there is less involvement from the Council, and it would just be initial stage of accepting the offer for land sale which would need to be approved. Even though this would take

longer than would otherwise be the case under the enhanced governance procedures at the Council, this alone would not have a material impact in market interest to participate in a process. More widely however, there may be a greater concern from the market more generally around the Council as planning authority and its capacity to support a smooth and expedient planning application process. While this is unlikely to be a key determinant in a developer securing development opportunities in Thurrock, this will likely slow down approvals and therefore the ultimate timescales for redevelopment.

- 3.60 Given the above, it likely leaves the Self Delivery route, as the one that will best interface with the Council's governance processes as there would be no third party developer involved, or structures that have additional decision making layers on top of the Council's. The Council will be able to best manage the decision making and incorporate the additional timescales into its programme as it would be in full control of the redevelopment rather than being reliant on other stakeholders in supporting that process.

Council Resource and Expertise

- 3.61 For a site disposal, some Council resource and expertise is required to obtain due diligence and run a formal tender marketing exercise, however this resource requirement would be limited with the Council likely to procure a land agent to market the opportunity on its behalf. A Development Agreement or Joint Venture structure would require a much greater level of resource to run a process over a period of 12 months. This might require additional expertise to be brought in to manage the client side activities of the process alongside the need to procure financial, commercial and legal advice given the complexity of the arrangements that will be negotiated. Once established, a development agreement would require monitoring and management, and given the Council will be seeking greater levels of control, this may require the Council to be more hands on than under a typical development agreement structure.
- 3.62 A JV route requires extensive internal resource in order to progress delivery decisions with the partner, including undertaking, reviewing and agreeing planning matters, programmes, cost and pricing exercises etc. in accordance with the business plan. The partner can undertake much of this, but the Council will require the expertise to monitor, review and sign off on activities. A corporate JV will also require Council representatives as board members.
- 3.63 The Self-Delivery option would also need to manage the procurement of goods and services and to manage and monitor the overall programme level activities of the redevelopment. The Council are likely to go down the route of securing a main contractor to design and build the developments and therefore the day-to-day activities will be managed by a third party contractor. However, the Council will need to be fully involved to ensure that the main contractor is working to deliver against the Council's priorities and aspirations. Therefore, a client side lead/team will need to be in place to effectively manage this process. The Council has a development team inhouse which has the capacity, ability and track record to take the scheme forward on this basis alongside the processes to effectively manage the relevant private sector specialist services that will be required. Where there are market sales homes to be delivered, the Council will need to either manage the sales programme itself, or more likely outsource that by procuring and managing market agents to support the sales process. As set out above, we understand that the Council have a team that could be deployed to manage the self delivery of this programme, however this is will need to be considered in the context of the wider set of development activities that the Council may seek to undertaken in future should priorities for resource deployment change.

Conclusion

- 3.64 The qualitative analysis undertaken, demonstrates that the Self-Delivery approach is likely to respond best to the Council's parameters and therefore the preferred option qualitatively that meets the Council's requirements and aspirations for the two development sites. The Self-Delivery option scored the highest in the scoring matrix at 5.35. While the self-delivery route will carry the relatively higher risk, this needs to be considered in the context of the level of market interest, which is likely to be limited for other delivery options, the level of control around the strategic outcomes and speed of delivery the Council wishes to have. Given the absolute need to demolish and redevelop the sites, it is likely that the Council would need to undertake the development itself.

4. Commercial Case

- 4.1 The commercial case focuses on the deliverability of the preferred delivery approach via the Council's HRA. The commercial case considers the attractiveness of the scheme to the supply side, and in practical terms what will be the procurement strategy and contractual arrangements for the Council. It also looks at the current status of the planning discussions and the deliverability of the scheme from a planning perspective.
- 4.2 There are a number of different nuanced approaches to delivering the scheme through the HRA delivery model, though on the whole these are iterations of two main contractual routes:
- 4.2.1. Self Management (Development and Construction Management)
- 4.2.2. Main Contractor Approach (Design and/or build)
- 4.3 We set out the details of each of the routes below, alongside the hybrid options that may be appropriate for the Council to consider adopting.

4.4 Self Management

- 4.5 Under the self management route the Council would seek to undertake the role of development manager and construction manager for the project. To date this is the approach the Council have taken to the early development of the project, procuring a multi disciplinary team of technical commercial, property, finance and design experts to help shape a scheme that can be progressed with. The Council's Housing team has in effect have been undertaking a development management role to date, managing the assembled team and driving the vision of the project, supported by the advice provided by the consultants on board.
- 4.6 Going forward the Council could continue down this path, either with the existing consultant team, supplemented with additional resource required to support the planning application process or should it wish to do so, procure different advisors to take the scheme forward. Council officers would continue taking the role of development manager and managing the design and planning process and ongoing viability assessment. Once planning is achieved, the Council would progress with the detailed designs and eventually procuring each construction package and managing the construction process as a construction manager would do.
- 4.7 It is recognised, that in practice the Council is unlikely to have the inhouse resource, experience and expertise to manage and deliver a project of this nature and therefore it is likely that additional external resources will be required. This could be through the Council recruiting a team of development and construction experts including a project manager and or construction manager, that would take on the responsibilities of co-ordinating and managing the various activities of the project.

- 4.8 This approach would also support capacity building within the Council for future development projects, however, given the Council's financial position it is probably unlikely that the Council will have a significant pipeline of opportunities that will be self-delivered in the short to medium term. As such it may not be appropriate for the Council to undertake recruitment to this extent.
- 4.9 The slight alternative to the recruitment approach would be to procure a third party consultants to act in the project manager/construction manager role. Utilising either internal or external resource, the Council would continue in its capacity as development management route is one where the Council will be overseeing the delivery of the Blackshots development including traditional development management functions as well as the logistics of the construction project itself.
- 4.10 The construction management route will see all the cost risk or cost saving potential remain with the Council throughout the development process. This route to procuring construction packages works well where the developer has an established supply chain that can benefit from economies of scale and drive down costs and generate value. It is unlikely that the Council would be able to secure these benefits and indeed it is more likely that the costs of delivering the scheme would end up being higher for the Council under this route.
- 4.11 From a programme perspective, this route would enable the Council to start working on the next stage of the design development once internal governance approvals have been secured, retaining momentum on the project.
- 4.12 Below, we set out what an indicative timetable could look like for the Council should it wish to pursue the planning application prior to onboarding a main contractor. This timetable assumes that cabinet approval to progress the scheme to planning is secured in March 2024. The timetable is based on statutory requirements and could in practice be extended.

Milestone	Timeframe	Date
Design Progression	8 weeks	April - May 2024
Appointment of Wider Team	1-2 weeks	April 2024
EIA Screening (strategy on timings to be discussed)	3 weeks	April - May 2024
Scheme Freeze	1 day	Start of May 2024
Preparation of Application Pack	3-4 weeks	End of May 2024
Issue of Draft Documents	1 day	End of May 2024
Issue of Final Documents	1 day	June 2024
Application Submission	1 day (plus time to collate application)	June 2024
Validation	1 week (minimum)	June 2024
21-Day Consultation	21 days	June - July 2024
Statutory Determination Period (13 weeks if not EIA)	13 weeks	June - Sep 2024
Planning Committee	1 day	Sep/Oct 2024
Decision	Allow 6 weeks following committee for S106	Oct/Nov 2024

- 4.13 5.12 The estimated time to progress the scheme for the current stages and take through the planning process as set out above is c8 months. This timetable assumes that the Council continue with its existing design and planning team, however, should the Council wish to reprocur their

consultant team then the above timetable would require additional time to be factored in for this procurement process plus a period of familiarisation for the new consultant team to review and understand the Council objectives and aspirations for the scheme. We would estimate that this would potentially add c3-4 months to the timetable. It should be noted that an extension of the existing consultant team would need to evidence compliance with the Council's procurement framework to demonstrate value for money. Given the likely costs for the next stage of works, demonstrating compliance may be problematic if the works are not competitively tendered.

Main Contractor

- 4.14 The alternative to self-management across the entire development and construction process would be for the Council to procure a Main Contractor. A Main Contractor can be procured at different stages of the development cycle to undertake different activities. In the main, the Council's options are:
- 4.14.1. Procure a Main Contractor once planning permission has been secured
 - 4.14.2. Procure a Main Contractor to support the planning process
- 4.15 The first approach would see the Council taking the lead in preparing the planning application. As with the self-management approach, the Council would procure relevant design and technical consultants to progress the scheme that will ultimately form the development proposals submitted for planning. Once the planning permission is secured, the Council would bring on a Main Contractor to lead the detailed design work required to get to start on site. This detailed design stage would ordinarily be done under a pre construction services agreement (PCSA), the end of which would result in a fixed price contract being agreed between the Council and the Main Contractor for the construction works. At that point the construction cost risk (bar any provisional sums set out), would be passed onto the Main Contractor. During the construction period, the Council would monitor the progress of the development, either utilising in house capacity, or more likely by procuring an employers agent to monitor and sign off progress on its behalf. Under this route, the Council could secure the planning permission ahead of procuring a main contractor for the detailed design stage, bringing some time efficiencies to the overall programme.
- 4.16 Under the second approach, the Council procure a main contractor to come in and take the lead in preparing the design and development proposals for the planning submission. The main contractor would employ the design and technical consultants and lead the process in developing the planning application. These services would take place under an extended PCSA, and would be in place until the planning permission has been secured. At that point the Council could in theory, depending on the scope of the original procurement, continue with the contractor through to the detailed design stages and construction phase or the Council could seek to undertake a further procurement process to test the market again for the future stages of the project and potentially appoint a different. main contractor. The latter route would most support the Council in demonstrating value for money has been achieved, however given that there is an incumbent contractor appointed under the PCSA, it may discourage competitive bids from other contractors. It may be prudent therefore to test the market appetite nearer the time before landing on the optimum approach.
- 4.17 The rationale for the Council to seek to procure a main contractor to support the development of the design underpinning the planning application is to help secure cost efficiencies during the build stage. By having a main contractor on board the design proposals, in theory should enable the Council to create more efficient designs and value engineer to make sure that the construction of the homes can be done for the lowest price for the Council. The alternative potentially runs the risk of a design work undertaken which is less cost efficient from a build standpoint and therefore having this early input into the scheme design may help to secure greater value for money. Soft market testing gas

suggested that contractors prefer to have early input into schemes to optimise design proposals. Clearly, the Council will need to ensure that the quality of the scheme and the qualitative objectives of the scheme are not fettered by targeting the lowest cost option.

4.18 Under the first approach the programme of activities would kick off in a similar timeframe to that of self-management. The design evolution and development could commence once internal approvals have been received. Under the second route, there would need to be a pause in the design development, as the Council will need to first procure a Main Contractor.

4.19 Preferred Route

4.20 From discussions with the Council, we understand that the Council's preference is to secure a Main Contractor to lead the development of the design to support the planning permission. This is mainly due to:

4.20.1. Bringing in resource to support the Council and lead and manage the development of the scheme

4.20.2. Enable early contractor input to develop a design that can build in cost efficiencies into the scheme that may not otherwise be captured

4.21 The Council could seek to procure the main contractor for the extended PSCA period, either through an open market process, or through an existing framework. The latter approach may be most efficient and streamlined for the Council and help to reduce the programme.

4.22 The Council's procurement team have undertaken an assessment of the potential procurement process that could be taken forward. The current expectation is that a restricted procedure will be taken forward, with the below indicative timetable expected to be followed:

	Restricted Procurement	Framework Route
Procurement Stage	Indicative date	Indicative date
Publish tender docs	26 th April 2024	N/A
SQ Return	27 th May 2024	N/A
Invite short-listed applicants to tender	7 th June 2024	26 th April 2024
Tender Return	5 th July 2024	24 th May 2024
Notification of Result	26 th July 2024	14 th June 2024
Standstill period	27 th July – 5 th Aug 2024	15 th – 24 th June 2024
Expected award	3 rd September 2024	25 th June 2024
Contract commencement	15 th Oct 2024	30 th July 2024

- 4.23 The procurement process as set out above would take c6 months. Utilising an existing framework would potentially enable the Council to reduce the process to c4 months. Under the restricted route, the Council and the Main Contractor would seek to commence the planning application from Oct 2024 and following the design and planning timetable set out earlier, this would take c8 months, securing planning permission for the Council around June 2025. A framework procurement approach will enable the Council to commence the planning application process from August 2024, with planning permission achieved around March 2025.
- 4.24 The Council will need to consider whether there are appropriate frameworks that have suppliers prequalified that would have the necessary expertise and experience the Council is seeking. There is likely to be sufficient market interest in the opportunity from suppliers, especially in the light of the current market context whereby construction activity has slowed due to developers pausing schemes due to viability challenges. Contractors are currently looking to secure a future pipeline of orders and the Council's procurement process is therefore likely to be timely in securing positive interest from market participants.
- 4.25 It would however be appropriate for the Council to carry out some further informal market testing prior to launching the procurement to test whether a restricted route or framework approach is most suitable. We understand that the Council have carried out some engagement with the market previously, however given the passage of time, it would be worth refreshing this exercise at least in part.

Other Considerations

- 4.26 In pursuing the preferred route, the Council need to consider whether it will seek to retain any of its consultant team for the Main Contractor to work with or whether it will seek for the contractor to bring a new team in to support the design evolution. Should the Council wish to allow the Main Contractor the flexibility to bring in its own design and technical team, then we would recommend the following:
- 4.26.1. Council to issue new/updated employers' requirements
- 4.26.2. Establish and set out a design intent/code document which seeks to lock in quality and design principles that have been developed to date and have underpinned the design evolution and engagement with local residents and businesses
- 4.26.3. Council to consider to retain client side quality monitoring resource to advise on emerging design to ensure that the intended quality and design principles are being retained and delivered against.

Planning and residents' engagement

- 4.27 The development proposals that underpin the scheme assessed within this business case, have been arrived out through engagement and consultation with key stakeholders, including Council officers, members and residents. Previous consultation has been carried out with residents in 2021 resulting in a significant majority in favour of the demolition and redevelopment of the blocks. The latest round of consultation and engagement with residents sought to get feedback on the emerging design proposals and respond to concerns and aspirations expressed by the local community.
- 4.28 An in depth engagement process took place with the residents, community groups and local business between July and October 2023. This was complimented by three online surveys that aligned with the topics of the in person events, allowing residents a number of different opportunities to express their preferences. This engagement with the community has been an iterative one, helping to shape design

decisions. A total of four engagement sessions have taken place, with the most recent iterations being recognised as responding well to the majority of concerns residents had expressed in previous engagement sessions. The main highlights of the feedback received from the final session included:

- 4.28.1. Overall, most liked the look of the street level sketch visuals, but the principal of development on the green belt/Fields in Trust land remains an issue
 - 4.28.2. Environmental and landscape strategies were liked by most. Dealing with sustainability and the climate crisis was at the forefront of most people's thinking.
 - 4.28.3. Importance of the design of streets was raised. Need to be able to control car parking whilst including lots of trees
 - 4.28.4. Concerns raised about negative impacts on current property values due to loss of views and construction disruption
- 4.29 As a culmination of the design process and the engagement sessions, the Council have had a pre app meeting with the local planning authority to test the principles of the proposals that have been developed. The verbal feedback received during the session was broadly positive with support for general approach taken the scheme. Areas that were raised as potential enhancement that could be made to the scheme included considerations around the levels of parking (either sufficiency of or creation of car free zone), and ensuring adequate and quality play space provision, but the biggest concern raised was in relation to the land that is currently within the green belt.
- 4.30 The feedback highlighted that the steps for assessing development in the Green Belt would be through identifying inappropriate development, assessing impact on openness, assessing the land against the five purposes of the Green Belt and weighing up the Very Special Circumstances (VSC). It was noted that VSC would need to be carefully assessed and is a very high bar, with recent big schemes fully within the Green Belt all being taken to committee with a recommendation for refusal, although some have been overturned by members. Housing need and delivery would not be enough by itself to tip the Green Belt assessment.
- 4.31 The Council and its planning and design team have been working to develop the VSC case and this will need to be further enhanced as the scheme proposals develop further. As part of the pre app written feedback, the Council have requested that the planning authority to provide their view on the weight given to the VSC matters within the written pre-app feedback, along with a view on perceived harm. This will form the basis of any enhancement in the case being developed by the Council. The release of land from the green belt remains one of the biggest risks for the Council in relation to the proposals underpinning this business case.

5. Management Case

- 5.1 The management case looks at how the Blackshots development will be delivered and monitored. The project will need to have in place robust governance processes and appropriate oversight, consider how risks and uncertainties will be managed.
- 5.2 The Council is current operating under a section 114 notice and as such its standard governance processes are enhanced by the oversight of commissioners and added approvals required from central government around investment decisions. As such it is extremely important for the Council to maintain a strong project management structure that provides confidence in the approach being taken forward and ensure decisions are made with sufficient evidence underpinning them.

- 5.3 To date the Council have convened a core project team within the Council with the responsibility of driving forward the day to day activities of the Blackshots redevelopment. This core team has been supplemented by technical consultants, with a remit to provide project management services, developing and maintaining project plans, programme of activities and a RAID (risks, actions, issues and decisions) Log.
- 5.4 Regular project management teams have been put in place, with individual workstreams providing updates across design, design, legal, planning and viability. This has enabled the project team to have a clear understanding of the emerging outcomes of each workstream and importantly the interdependencies between them.
- 5.5 The Council have also established a Steering Group, which has attendance from a wider group of Council stakeholders, with the remit to provide challenge and scrutiny over the progress and outcomes of the Blackshots project. The Council's core officer team alongside the appointed consultants provide monthly updates to the Steering Group. Political engagement processes are also in place, ensuring that relevant scrutiny is being provided by elected members on proposal development.
- 5.6 Furthermore, the Council is required to engage with Commissioners, to ensure that the case for investment is being developed in a manner that can be supported and there has been regular engagement on this front.
- 5.7 The key governance milestones that need to be navigated for the Council in the coming months will include:
- 5.7.1. Commissioner and government sign off for the Council to proceed with the further development and investment in the Blackshots project in line with this business case's recommendation to pursue development through the HRA.
 - 5.7.2. Cabinet approval of this Strategic Outline Business Case and recommendation
 - 5.7.3. Cabinet approval to begin the procurement of a Main Contractor to support the design evolution and planning application submission.
- 5.8 Future key governance milestones in will likely also include:
- 5.8.1. Update of the financial viability of the scheme and relevant approvals to proceed with the planning submission.
 - 5.8.2. Approval of the detail of the planning application itself
 - 5.8.3. Approval to engage in a further procurement to enter into a fixed price construction contract or entering into a construction contract with the existing contractor onboard
- 5.9 The above approvals are likely to need to go through both Cabinet and the Commissioners/Central government processes and any future project plans will need to continue to factor in adequate scrutiny and lead in times to adhere to these requirements.
- 5.10 From a day to day perspective, as the project progresses, it is recommended that the Council maintain a similar approach to project governance that it has adopted to date, with a dedicated Council project team and project management function to put in place project plans and monitor progress and manage risks. While the Council is seeking to procure a main contractor to manage to the design process through to planning submission, the Council should consider what employer side resource is required to undertake the project management functions effectively.

- 5.11 While the main contractor will be expected to manage the design and technical team, it is assumed that the Council will still have need to manage the main contractor as employer and ensure that the interface between the main contractor, Council stakeholders and planning consultants is seamless. This may be through dedicated in-house Council resource, or the Council may wish to consider procuring ongoing project management support.
- 5.12 It is also recommended that the Council continue to progress with the Steering Group meetings that have been set up which to date have been an effective way of ensuring wider Council functions are represented in the discussions and progress of the scheme development.
- 5.13 Once the project progresses to the construction phase, the Council will need to ensure that there is robust client-side scrutiny of the contractors performance. This is typically done by procuring an employers agent who will monitor and ratifying construction progress including sign off on value of spend to be invoiced by the main contractor.
- 5.14 To date the Council's governance and management processes have operated effectively in supporting the progression of the scheme, the basis of which should be continued going forward and supplemented as they project requirement change.

Appendix I

Sub heading

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