

28 February 2023		ITEM: 5
Planning, Transport, Regeneration Overview and Scrutiny Committee		
Regeneration Programme Update		
Wards and communities affected: All	Key Decision: N/A	
Report of: Kevin Munnelly, Assistant Director, Regeneration and Place Delivery		
Accountable Assistant Director: Kevin Munnelly, Assistant Director, Regeneration and Place Delivery		
Accountable Director: Mark Bradbury, Director of Place.		
This report is Public		

Executive Summary

A key part of Thurrock Council's Improvement and Recovery Plan is a requirement to review regeneration projects that are included in the Council's Capital Programme.

As has been highlighted by the Interim report of Best Value Inspection (BVI) the Council's recent track record of managing major regeneration and infrastructure projects is poor and this is exacerbated by a broader issue around project and programme governance. As has been discussed at a previous Planning, Transport, Regeneration Overview and Scrutiny Committee the quality and detail of reporting to members has also been poor.

We have therefore commenced detailed reviews of major projects and have brought in Inner Circle Consulting (ICC) to support us in challenging current project costings, programmes, funding, procurement, resourcing and delivery approaches and project management to establish whether they are on track to achieve the expected outcomes whilst delivering best value.

The challenges facing the Council are well publicised and this report should be read in that context. Future service activity will need to reflect the intervention the Council finds itself in. Particularly difficult decisions will need to be made on levels of service, methods of service delivery and capital investment in the short term. Future investment will rely on the successful delivery of the Council's Improvement & Recovery Plan and/or external funding.

The purpose of this report is to inform and update members of the detail project review process that is underway. Further reports will follow as the work is completed and options emerge.

1. Recommendation(s)

1.1 That the Planning, Transport and Regeneration Overview and Scrutiny Committee notes and comments on the information provided for consideration as part of the full Regeneration programme review.

2. Introduction and Background

2.1 The Council's current financial position is complex but by working alongside the Thurrock Commissioners (Essex County Council), we have been able to determine the scale of our financial challenges. This means that the Council faces a significant budget gap in 2022/23 and cannot set a balanced budget in 2023/24, without seeking support from the Government. To help unlock this, the Council have issued what is known as a Section 114 Notice. This is a procedural process that gives formal notice of our need to, and now ability to, enter into informed and detailed discussions with Government about a bespoke package of exceptional financial support, as we seek to balance our budget and to make progress towards a more sustainable financial future. However, the issuing of a Section 114 notice requires the Council to implement close monitoring in place to manage our expenditure and limits the Council to only acting on spend deemed essential to the delivery of its prioritized services and delivery of agreed projects.

2.2 This role gives the Commissioners full control of the financial functions of Thurrock Council. The Council has already worked with the Commissioners to create an 'Improvement and Recovery Plan', which was submitted to the government on 3 December 2022. As part of the Improvement and Recovery Plan the Council is required to review all of the major capital delivery projects, including those that make up the Regeneration programme. This is with a view to ensuring delivery capacity and financial control and ensure that robust governance arrangements are in place. This will enable the Council to clarify what aspects of the revised strategic growth plan it is going to enable or facilitate and which major projects the Council will continue to deliver directly, recognising the financial constraints it is operating under and the need to facilitate more and directly deliver less.

3. Programme Updates

Grays Underpass

3.1 Notwithstanding that the Grays Underpass scheme was reviewed as representing good value for money as part of a Southeast Local Enterprise Partnership (SELEP) Accountability Board assessment in May 2022, subsequent project reviews have identified concerns around budget, cost, programme and the affordability of the current scheme.

3.2 Inner Circle Consulting (ICC) have started the strategic review of regeneration priorities in Grays Town centre, undertaking a technical review of the background documentation. Interviews are current taking place with

number of strategic stakeholders, who's input is being sought on defining the strategic priorities. These Stakeholders include Network Rail; c2c; New River Retail; Morrisons; South Essex College, TACC; ASELA; Grays Business Partnership; and key community leaders.

- 3.3 Fundamental to the ICC review will be a consideration of both the scale and programming of major capital projects in the town centre programme. The major projects were conceived in a different economic climate and assessed against a different appetite for risk. In the light of the IRP it will be important to ask whether these capital projects are still the right ones to pursue or could they be either scaled back or delivered in a different form to achieve similar outcomes, whilst reducing further financial exposure to the Council.
- 3.4 In addition to challenging the strategic need for the scheme, the review will need to assess if there are opportunities for coordination of retained projects with other significant developments-primarily New River, including options for:
 - i. Shared project management.
 - ii. Design changes and land assembly to coordinate scheme design/delivery.
 - iii. Programming/phasing a range of schemes where construction phases overlap or clash.
 - iv. Options for shared cost of works (excavations, utilities, highways, reuse of materials locally etc).
- 3.5 In addition, a GRIP4 (Outline Design) scheme design and costings for the current Underpass design is due to be made available by Network Rail by the end of February. Using this data, an internal Gateway Readiness project review of the scheme is also taking place. This readiness review will focus on : Method of construction; Impact of cost price inflation; Utility diversions costs; and the current imbalance in stakeholder funding contributions.
- 3.6 As a forward looking review ICC will also be examining the current organisational structures delivering the Grays regeneration priorities across the Council, assessing this against best practice. The final report will make recommendations on how this could be improved by the adoption of new operating models and structures. Importantly it will offer recommendations on how best to take advantage of future external funding opportunities such as the third Levelling Up funding round.
- 3.7 A draft report of the finding from the ICC review will be prepared by 10th March 2023 and this will be considered with the findings from the internal Gateway Readiness Review to provide a combined update report, the results of which will be shared with Directors Board and the PTROS Committee.

Stanford Le Hope

- 3.8 The delivery of the new Stanford Le Hope station has faced many challenges, the most recent being the need to withdraw from the procurement for a main

contractor, due to post tender budget and programme issues which could not be resolved.

- 3.9 This has led the Council to review the programme in the light of the above financial challenges. The Council has prioritised the completion of the design and planning phase for the interchange element and the provision of a new business case. Whilst, a considerable amount of design work, on a number of options, has already been undertaken on the interchange, until a final design is completed and costed any shortfall in funding cannot be identified.
- 3.10 The Regeneration team have taken over the direct management of the design stage of the interchange works and have appointed Engineering Consultants, Aecom to complete this work. It is proposed to utilise the current design work as a base for the interchange design review work.
- 3.11 The initial stage (6 Weeks) of the design work will provide a preferred design option and a high-level costings by the end of March 23, which will be used to inform a new Business Case, needed to secure the £7.5m SELEP grant. It is proposed that the existing Phase 2 Stakeholder Group and the PTR OS Steering Group will both be used to provide oversight of this design work.
- 3.12 In addition the decision has been made to pause any further design work on Phase 1 - Station Building, until we are in receipt of the final full scheme design and costing information for the interchange. There will be then be an opportunity for all stakeholders involved in the project to review future delivery options with the full financial information and costed risk analysis available.

Purfleet Regeneration

- 3.13 In order for Purfleet Centre Regeneration Limited (PCRL) to fulfil its role as lead developer and deliver the planned programme set out in the Development Agreement (DA) they need access to sufficient levels of funding (equity, debt and grant) to bring the project forward and a well-resourced team able to effectively manage all workstreams. To date progress to deliver the scheme through the current DA arrangement has been disappointing and only a small percentage of the homes have even been started on site.
- 3.14 PCRL has struggled to obtain funding (debt and additional equity) for the project and this has been its main obstacle to unlocking delivery. In 2020 the Council restructured the delivery route for Phase 1 by entering into the Phase 1 Agreement for Leases to accommodate the Housing Infrastructure Fund funding and make it easier for PCRL to secure the funding it needed but it has still not managed to obtain funding. It is important to note that a major shareholder in PCRL, Swan Housing, has faced significant financial challenges in recent years which have impacted on their ability to continue to engage effectively.

- 3.15 PCRL appointed Knight Frank Capital Advisory in August 2021 to source an equity investment partner for the Purfleet regeneration project. The search for equity funding is ongoing. The current DA is not delivering the required outcomes and PCRL have failed to provide the equity needed to take the development programme forward in reasonable timescale. Therefore we are examining a full range alternative delivery options. PTROC Committee Members will be updated when options have been considered.

Grays and Tilbury Town Fund Programmes

- 3.16 Details of the each of the Town Fund project programmes have been subject the of Cabinet approval and reports to the PTR OS Committee.
- 3.17 Business case summaries were submitted to the Department for Levelling Up, Housing and Communities (DLUHC) in August 2022 (Tilbury) and October 2022 (Grays). The Council has been awaiting the formal confirmation that the business cases have been accepted and that the full funding allocation (£22.8m) for Tilbury and (£19.8m) Grays is confirmed. This confirmation has been delayed due for the need for further reassurance and assessment work On governance by the DLUHC and the Commissioners. We are still awaiting this confirmation.
- 3.18 DLUHC have released 5% of the respective funding allocations to allow Town Fund Boards to instruct on the commencement of design work needed to bring forward the projects in both the Grays and Tilbury Town Fund Programmes. For a majority of the individual projects design work has been developed up to RIBA Workstage 2 – (Outline Design) and further design work is dependent upon the DLUHC confirming the full funding allocation.
- 3.19 As indicated in this report it is proposed to reassess the proposal for cultural and leisure facilities within the current Grays Town Programme. This is to ensure that emerging proposals do not expose the Council to any ongoing unmitigated financial liabilities and to consider potential opportunities afforded by a refocussed Creative Estuary offer. The full scheme costs will be contained within the Grant allocation or through agreed match funding agreements. Projects will be subject to internal approval by the Council's Capital Programme Board to ensure that there are no cost overruns that could result in any future financial liabilities to the Council.

4. Reasons for Recommendation

- 4.1 To respond to the Committee request for an update on the Regeneration Programme.

5. Conclusion

- 5.1 The Council has already worked with the Commissioners to create an 'Improvement and Recovery Plan', which was submitted to the government on 3 December 2022. As part of the Improvement and Recovery Plan the Council

is required to review all of the major capital delivery projects, including those that make up the Regeneration programme. This is with a view to ensuring delivery capacity and financial control and ensure that robust governance arrangements are in place. This will enable the Council to clarify what aspects of the revised strategic growth plan it is going to enable or facilitate and which major projects the Council will continue to deliver directly, recognising the financial constraints it is operating under and the need to facilitate more and directly deliver less.

- 5.2 In addition to the IRP the Minister has also directed that a Best Value Inspection be undertaken, which would specifically examine the delivery and management of projects in the Capital Programme. The Best Value Inspection report is due to be send to Minister on 17th February 23 and it is anticipated that that there may be further directions applied to the Council following the Ministerial considerations of the BVI Report. The current project review has been programmed so as to ensure the results of all the internal reviews will be available for consideration alongside any Ministerial direction.

6. Consultation (including Overview and Scrutiny, if applicable)

- 6.1 It is proposed that major stakeholders will be consulted as part of the individual project reviews. The results of the reviews will be presented to this Committee, the respective Town Boards, Directors Board and the Commissioners.

7. Impact on corporate policies, priorities, performance and community impact

- 7.1 The adopted Thurrock Local Plan identifies Grays as a Growth Hub where economic regeneration and housing growth are to be focussed. The Grays Town Centre Framework Refresh was approved by Cabinet in November 2017 and out a vision for Grays town centre along with objectives aimed at regenerating the town centre economy. The new local plan will be one of the Council's key strategy documents and the new town centre strategy will be an integral part of this strategy sitting alongside a new Economic Growth Strategy.

8. Implications

8.1 Financial

Implications verified by: **Mark Terry**
Senior Financial Accountant

As part of the Thurrock Council's Improvement and Recovery Plan 2022, projects that make up the Council Capital Programme will be subject to a Gateway review as part of the objective to achieve long term financial sustainability. These reviews will provide the Council will an accurate position on the current debt borrowing requirements and provide an updated costed

risk register, which will consider future inflationary uncertainty and the current stakeholder funding balance. It is noted that due to the current economic situation the ability of the Council to undertake additional capital borrowing will be severely restricted and this will need to be considered as part of the Gateway review.

The issuing of a Section 114 notice puts further monitoring action in place to manage project expenditure and limits the Council to only acting on spend deemed essential to the delivery of its services and delivery of key projects. Expenditure above £500 will be subject to the additional expenditure controls including the submission of justifying business case.

A number of the projects within the Regeneration Programme have attracted external grant funding, which is tied to the provision of specific outputs. Failure to achieve these outputs could result in the claw back of some or all of these grants. SELEP has allocated £18m of Local Growth Funds to Thurrock projects that have already been applied to the projects.

Grays South and Rail Station Regeneration

The estimated cost of the project is £37.9m.

The Scheme budget is made up as follows

Funder	Amount (£'000)
Network Rail	700
SELEP LGF Grant	10,840
Thurrock Capital Programme	*26,320
Total	37,900

*Capital Programme currently only allocates £21,320k to this scheme.

The £10.8m SELEP LGF funding has already been drawn down by Thurrock Council for the project, this amount has not yet been spent in full. Failure to deliver scheme outputs as set out in the funding agreement will result in all or partial clawback of the SELEP Funds. Up to 31 December 2022, £4.083m has been spent on the project.

Stanford Le Hope

The current cost estimate of £29.09m. The funding sources are set out below.

Funder	Amount (£'000)
Network Rail	700
SELEP LGF Grant	3,050
S106	1,533
c2c	737
DP World Ports	550
Thurrock Capital Programme	15,720
Total	29,090

Total costs and liabilities up to the end of December 2023 are £13,459,181 of which £9,170,845 related to design and associated costs which have been capitalised. The SELEP LGF funding of £7.5m as per the CIPFRA rules has already been applied to the scheme budget and there is a clawback provision in the grant agreement that if the scheme does not deliver the outputs and outcomes set out in the funding agreement the Grant monies would need to be repaid.

8.2 Legal

Implications verified by: **Kevin Molloy**
Principal Lawyer / Manager- Contracts & Procurement Team

There are no new legal implications arising in this report.

8.3 Diversity and Equality

Implications verified by: **Becky Lee**
Team Manager, Community Development & Equalities

There are no direct implications arising specifically from this update report.

8.4 Other implications (where significant) – i.e. Staff, Health Inequalities, Sustainability, Crime and Disorder, and Impact on Looked After Children

- Not applicable.

9. Background papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- None

10. Appendices to the report

- None

Report Author:

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