

# Public Document Pack

## Southend-on-Sea City Council

### Legal & Democratic Services

Executive Director: John Williams

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17 March 2022

Dear Councillor

### **PLACE SCRUTINY COMMITTEE - TUESDAY, 22ND MARCH, 2022 SUPPLEMENTARY PACK – PORTERS PLACE LLP**

Please find enclosed, for consideration at the next meeting of the Place Scrutiny Committee taking place on Tuesday, 22nd March, 2022, the following report(s) that were unavailable when the agenda was printed.

#### **Agenda No    Item**

4.        **LLP Budget/Reserved Matters Application Extension Request and LLP Financial Statements Year End March 2021 (Pages 1 - 34)**  
Report of Executive Director (Growth and Housing)

**Tim Row**

Principal Democratic Services Officer

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# **Southend-on-Sea City Council**

**Report of Director of Regeneration and Growth  
To**

**Shareholder Board**

**On  
21<sup>st</sup> March 2022**

**4**

Report prepared by: Andy Grant, Better Queensway Programme Manager  
On behalf of the Better Queensway Partnership Board

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**Porters Place Southend-on-Sea LLP: Update  
Place Scrutiny Committee  
Cabinet Members – Councillors Ian Gilbert & Ron Woodley**

**A Part 1 Public Agenda item**

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## **1. Purpose of Report**

- 1.1 This report seeks a time extension to the current Porters Place Southend-on-Sea LLP ("the LLP") Budget which was previously extended following a report to the Shareholder Board on the 6<sup>th</sup> December 2021.
- 1.2 This report seeks to approve a request from the LLP to continue with the Reserved Matters Application Phase 1a (RMA) beyond 31<sup>st</sup> March 2022 to keep the Project on target.
- 1.3 This report seeks approval of the LLP's Annual Report and Financial Statements 2020/2021, in order that they can be filed by the LLP at Companies House by 31<sup>st</sup> March 2022 subject to no material adjustments at the final audit sign off.
- 1.4 This report seeks to approve the signing of the South East Local Enterprise Partnership (SELEP) back-to-back agreement, between the Council and the LLP to enable funds to be drawn from this funding stream. This will hold the LLP accountable for funds drawn against the Getting Building Fund (GBF).
- 1.5 This report also provides an update on progress of the Better Queensway project including assurances relating to recent announcements by the Council's partner, Swan Housing Association.

## **2. Recommendations**

- 2.1 **That approval is given for Porters Place Southend on Sea LLP (the LLP) to extend its budget period until the revised Business Plan, budget and**

**viability assessment is approved, or 31<sup>st</sup> December 2022, whichever is the earlier.**

- 2.2 That approval is given to the LLP to continue working with the Local Planning Authority on the Reserved Matters Application Phase 1a, until determination and thereafter until the revised Business Plan and updated viability assessment is approved on or before 31<sup>st</sup> December 2022, whichever is the earlier.**
- 2.3 That the Shareholder Board note the Annual Report and Financial Statements and auditors report for the LLP, year ending 31<sup>st</sup> March 2021 and agree they be submitted to Companies House subject to no material changes being raised at the final audit sign off.**
- 2.4 That the Executive Director of Finance & Resources be authorised to complete the South East Local Enterprise Partnership (SELEP) back-to-back agreement with the LLP and authorise funds to be drawn from that grant to fund works in line with the current Business Plan.**
- 2.5 That the Shareholder Board note the project update.**

### **3. Background**

#### **3.1 Economic Context**

- 3.1.1** When the Shareholder Board recommended to Cabinet the previous extension to the budget in December 2021, it was with confidence that the revised Business Plan, budget and viability assessment would be ready by March 2022. However, across the world many larger infrastructure projects which were put on hold during the pandemic were finally given the green light during 2021. This has had a direct impact on all construction projects, including the Better Queensway project (“the Project”) as economic recovery fuelled the demand for raw materials which has resulted in constrained supplies as diminished inventories struggle to compete with strong demand elsewhere in the world.
- 3.1.2** Construction projects both nationally and globally, continue to face uncertainty, not just in materials but also in skilled labour. The fuel crisis towards the end of last year demonstrated the lack of skilled labour in certain sectors. There has also been a sharp increase in energy costs which are a major contributor to the overall cost of the manufacture of construction materials. Across the wider market inflation remains stubbornly high and is currently almost four times the government’s long-term target. In addition to the above challenges, commitments made during the UN Climate Change Conference of the Parties (COP26) in Glasgow last November means schemes have to be designed to ever higher standards to meet the new sustainability targets.
- 3.1.3** As a result of these fast-moving dynamics, continued work is still required on the financial appraisals to support the revised Business Plan. This is taking longer than expected due to the number of complex moving parts which is further compounded by the recent outbreak of war in Ukraine.

### 3.2 The Final Proposals process and background to the RMA

- 3.2.1 The Final Proposals process is a contractual requirement and safeguard that provides the Council as shareholder the ability to approve a summary of the LLP's planning application prior to it being submitted to the Local Planning Authority (LPA).
- 3.2.2 The Shareholder Board report of December 2021 recommended that the Council approved the LLP submission of the first RMA, this was conditional upon a viability assessment accompanying the revised Business Plan being presented to the Council as Shareholder for approval by March 2022.

Minute 520 of Cabinet and 526 of Place Scrutiny resolved that;

*“That Cabinet be recommended to approve the Final Proposals (Phase 1A Reserved Matters Application) submitted by the LLP, subject to the submission of a budget and viability assessment, which will accompany the revised Business Plan and budget for approval by the Council as Shareholder by March 2022. Should the new appraisal prove not to be viable, the LLP will be required to cease work on this RMA whether it has been granted planning consent or not.”*

- 3.2.3 The Shareholder Board report of December 2021 provided a summary of works to be carried out in Phase 1A which is copied below and consists of the following:
- 3.2.4 The accommodation and unit mix to be delivered at blocks C, D and G of Phase 1A will provide 218 homes (detailed breakdown in slide 5 of appendix 1). The exact unit mix of units for this phase is fixed via the submission of the RMA, this is demonstrated below:

Unit Mix				
	1 Bed	2 Bed	3 Bed	Total
C	64	26	8	98
D	36	26	7	69
G	29	10	12	51
<b>Total</b>	<b>129</b>	<b>62</b>	<b>27</b>	<b>218</b>

- 3.2.5 The exact massing of this phase is also fixed via the submission of the RMA and is demonstrated in Appendix 1 Final Proposals drawings and images on slide 2.
- 3.2.6 Once the blocks are built, they will enable the decant of the residents of the first tower, Quantock.
- 3.2.7 The Community Concierge office and Café are all located in Block G, adjacent to the park and at the heart of the development which is why these elements

are being built at the beginning of the Project. It is important that these community amenities are established early to give access to services and thus help enhance the community aspect of this major regeneration project.

- 3.2.8 The new Porters Park will provide outdoor play, recreational spaces and exercise facilities for residents on site and the wider community to enjoy.
- 3.2.9 Progression of the Project assists with delivering the housing needs in Southend and not impinging on a greenfield site.

### **3.3 Background information on extending the LLP Budget**

- 3.3.1 Following a formal resolution by the LLP Board, the Council, in its capacity as Shareholder, has received a request from the LLP to extend the current budget period from the 31<sup>st</sup> March 2022 until a date no later than the 31<sup>st</sup> December 2022.
- 3.3.2 This extension is to allow the current work activities as detailed in the current Business Plan to continue. This is primarily:
  - Phase 1 design and planning activities
  - Detailed design, procurement and delivery of the enabling works programme, which consists of the removal of the footbridge across the Queensway and preparatory work on the utilities diversions.
  - Detailed design and procurement of the section 278 infrastructure works. Primarily the highways works.
  - It is also to continue work on the funding and finance workstream and the management of the risks of the project.
- 3.3.3 This work will draw upon the already approved funding streams (Junior Loan, Housing Infrastructure Fund ("HIF") and SELEP) to continue, making use of the current, authorised budget sum, while the revised Business Plan, budget and viability assessment are being finalised in anticipation of presentation to the Council and Swan as Shareholders for sign off no later than 31<sup>st</sup> December 2022.
- 3.3.4 For the avoidance of doubt this is not a request for any additional Council funds as the current LLP budget still has approximately 50% of its previously approved budget available, and therefore is an extension of time only. This is not a request for new money.
- 3.3.5 Since the approval given in December 2021 to extend the budget to the end of March 2022 in anticipation of the revised Business Plan containing the financial viability assessment, a considerable amount of work has been undertaken into recalibrating the project including managing the on-costs of the LLP. Due to the complexities noted above in section 3.1 there is still work to be done to arrive at a fully revised Business Plan supported by a new budget and viability assessment.

### **3.4 Background information for SELEP back-to-back agreement**

- 3.4.1 The Council entered into a grant funding agreement with Essex County Council as accountable body for SELEP in February 2021. The Council is set to receive £4.2m to be used for the purposes set out in that agreement which includes utilities, diversions and enabling works, to serve the Better Queensway scheme.
- 3.4.2 As it will be the LLP that will incur these costs, it has been agreed that the Council will enter into a back-to-back agreement with the LLP under the terms of which the Council will grant the monies to the LLP on the same terms that the Council receives the funds from SELEP i.e. the terms of the grant are flowed down to the LLP. The impact of this flow down means the obligations that were placed on the Council under the grant funding agreement with Essex County Council as accountable body for SELEP will become those of the LLP and, in the unlikely event that a claim is made against the Council, the Council can make a flow down claim against the LLP.
- 3.4.3 This flow down arrangement is entirely standard for funding of this nature where delivery is undertaken by a vehicle separate to the recipient of the grant funding. This is the same as has been done in relation to the HIF.
- 3.4.4 For the avoidance of doubt it should be noted that if the full £4.2M is to be drawn from the SELEP and the scheme did not progress the Council (as a 50% shareholder in the LLP) will be liable for repayment of £2.1M.

### **3.5 Progress Update**

#### **3.5.1 Swan Housing Association Update**

- 3.5.2 On 10<sup>th</sup> December 2021 the following announcement was shared with us by our partner Swan Housing Association:

“We have been notified that the Social Housing Regulator has reviewed its previously published assessment of our governance and financial viability from G2/V2 and downgraded this to G3/V3.

We accept the Regulator's decision. We will continue to proactively work with the Regulator to address its findings and have in place a series of mitigations which will allow us to respond appropriately.

The Board of Swan Housing Association Limited (including Swan Housing Capital plc) has entered discussions with the Board of Orbit Group Limited (including Orbit Capital plc), to form a mutually beneficial partnership. It is expected that the transaction will be completed late 2022.

We will keep investors updated with any further developments.”

3.5.3 On the 9<sup>th</sup> March 2022 the Council were provided with the following statement:

“As our Joint Venture partner in Porters Place Southend On Sea LLP, Swan Housing Association (“Swan”) has confirmed that on 2 March 2022, the Boards of Swan Housing Association, and the Orbit Group (“Orbit”) agreed at separate Board meetings to continue discussions which, if progressed, will see Swan become a subsidiary of Orbit Group. Swan and Orbit are now both consulting with their customers until Tuesday 19 April on the partnership proposal. [*Customer in this sense is referring to Swan Housing Association Residents.*]

Swan and Orbit believe that the geographical fit (they work in different areas so together will strengthen their coverage) and similar ways of working, will ensure that they can continue their vital work in serving their customers. Following the six-week consultation period, the feedback received from both Swan and Orbit customers will be collated and shared with the Boards of both housing associations before a decision is made by the Boards whether to proceed. Customers and stakeholders will be updated on the proposals later in spring 2022.”

- 3.5.4 Ongoing conversations are being held between the Council and Swan Housing Association and we are consistently advised that Orbit Housing Group (Orbit) fully support the Better Queensway Scheme. Meetings are due to be held later this month with Orbit directly and the Council. It should be noted that Orbit is significantly larger with greater financial stability and it is envisaged that the new arrangements will be of benefit to the LLP partnership.
- 3.5.5 The Local Planning Authority confirmed a submission date of 23<sup>rd</sup> December 2021 and the application was validated in early January 2022. A significant amount of work has been done by the LPA, the Council client side and the LLP and its advisors to date. There is still work to do in preparation for a Development Control Committee which will be scheduled as soon as both sides are in agreement that the case is ready to present.
- 3.5.6 The LLP’s Highways and Infrastructure workstream have advanced the design for the infrastructure works from the Royal Institute of British Architects (RIBA) Stage 3 stage to the more technical RIBA 4 stage in preparation of the procurement.
- 3.5.7 Tender packs for this piece of work, the actual Highways and Infrastructure work itself, are anticipated to be issued in April 2022 with recommendations to the LLP board for contract award anticipated in the summer of 2022. This will provide cost certainty over these integral elements of the project which are challenging for quantity surveyors to accurately price given the bespoke nature of the works. It should be noted here that the LLP are unable to award this contract (and then carry out these works), subject to a successful procurement process, until the revised Business Plan, budget and viability assessment are all approved by each shareholder. This limits the risk to the Council of exposure



to contracts which cannot be fulfilled in the unlikely event that the project does not progress.

- 3.5.8 The LLP are progressing preparations for utilities diversions and have received responses to an invitation to tender for the demolition of the Queensway Footbridge with recommendations to the LLP board anticipated imminently. It is planned to draw on the SELEP grant to fund this work.
- 3.5.9 Applications have been made to the Department for Transport to stop-up elements of the highways in order to enable works to proceed. Three objections were received from utilities providers. All of these were anticipated and two have since been removed. One outstanding objection remains and the LLP is making good progress on satisfying the objector on their conditions for removing the objection. The order remains on hold whilst the LLP continue to engage with the objector and the LLP have been advised by the Department for Transport (DfT) that there will be no requirement for a public inquiry. It is anticipated that the stopping up orders will come into effect in April 2022.
- 3.5.10 In the meantime, the Council is progressing with the Temporary Traffic Regulation Order (TTRO) to close the access to the footbridge, in preparation for the ensuing works on the development which is scheduled to begin in April and conclude in May 2022. Pedestrians are to be directed towards the level street crossing at Short Street. Temporary work is underway to explore how to make the pedestrian underpass more attractive and increase its use while the development progresses until its removal in due time.
- 3.5.11 Good progress has been made in respect of pre-commencement planning conditions for the hybrid planning consent. All pre-commencement conditions in respect of the detailed element of the application have now been satisfied and the LLP is clear to commence works in line with the consent and usual Council processes.
- 3.5.12 The LLP has incurred expected on-costs in relation to the works which have to date been funded by junior debt but can be counter charged in a claim to draw down SELEP funding once the back-to-back agreement is signed. This will significantly reduce the Council's exposure in the short term to the LLP and facilitate selected enabling works to continue via the SELEP funding stream in order to keep the overall project timetable on track whilst further work is undertaken to update the Business Plan.

### **3.6 LLP Year End Accounts – 31 March 2021**

- 3.6.1 The LLP's Annual Report and Financial Statements (appendix 1) for noting.
- 3.6.2 The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including:
- Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102');

- Companies Act 2006 as applied by LLPs;
- the Statement of Recommended Practice (SORP);
- Accounting by Limited Liability Partnerships, issued in July 2014.

- 3.6.3 In preparing these financial statements, the Members (each shareholder) are required to:
- select suitable accounting policies and then apply them consistently;
  - make judgements and accounting estimates that are reasonable and prudent;
  - state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
  - prepare the financial statements on the going concern basis unless it is inappropriate to presume that the LLP will continue in business.
- 3.6.4 The financial statements of the LLP were audited by Grant Thornton UK LLP for the period ended 31 March 2021. They conducted their audit in accordance with International Standards on Auditing (UK) and applicable law. Grant Thornton UK LLP are expected to provide their opinion and sign the financial statements before the Companies House approved extended submission deadline.

### **3.7 Assurance**

#### **3.7.1 Advisors Assurances**

##### **31ten Consulting**

- 3.7.2 31ten Consulting (31ten) is the Council's financial advisor for the Better Queensway project, and as such have reviewed the request for the budget period extension along with the reasons articulated in this paper.
- 3.7.3 The characterisation of the challenges in the development market over the period since December 2021 correlate with 31ten's experience. On a number of projects 31ten have seen similar issues around continued increases in construction costs as a result of a distressed materials market and ongoing labour shortages, as well as escalating energy costs that have had a compounding effect on the viability challenges that many schemes have faced. Whilst there has been some offsetting trends in residential values during this period, these are not anticipated to continue in the medium term, whereas the cost pressures are likely to have more longevity. (See also section 3.1)
- 3.7.4 The rationale for the LLP requesting more time to consider these elements and study their impact on the long term viability for the scheme, therefore appears reasonable at this time.
- 3.7.5 The three other key considerations that 31ten would raise at this point are as follows:

- **Headroom within the Budget** – it is 31ten’s understanding that the request from the LLP is for an extension until the revised Business Plan and updated viability plan is approved or the 31 December 2022, whichever is the earlier, but that no new budget funds are requested. It is also 31ten’s understanding that the expenditure incurred by the LLP within the business plan period to date, is well within the agreed budget level, and as such there are sufficient funds remaining to cover the period extension. It should be noted that the total budget costs should not be extended based on the information reviewed;
- **Activities** – The Council approved a set of activities to be delivered across the Business Plan period. Again, it is 31ten’s understanding that the LLP has not requested that any new activities should be approved at this stage, simply that an extended period of time is agreed to deliver the existing activities; and
- **Funding** – The activities within the business plan are financially covered through the budget that has been approved. This budget is funded principally through the drawdown of junior loans from the 2 Members, the Council and Swan BQ, and grant from Homes England and SELEP. As articulated within this paper, Swan HA has recently encountered financial challenges, as raised by the regulator, and is therefore in the process of examining potential structural changes to the organisation, including a potential merger with Orbit.

3.7.6 In advance of this potential merger Swan HA, through Swan BQ, has ongoing financial responsibilities in terms of funding its share of activities through the drawdown of the junior loan. The Council has had no indication that the junior loan will not continue to be enabled to be drawn down from Swan BQ, and indeed in February 2022 the drawdown occurred as normal after assurance was provided that Swan had evidence of their 50% payment being made. The Council has had verbal assurances that these payments will continue to be made across the budget extension period, however it has also put in place measures by which the Council does not enable the draw down of its junior loan until Swan has enabled its junior loan draw down. Performance against this should be kept under constant review.

### **Sharpe Pritchard LLP**

- 3.7.7 Sharpe Pritchard LLP is the Council’s retained legal adviser for the Better Queensway project and has considered this request for a budget period extension in the context of the legal arrangements in place between the Council, the LLP and Swan Housing Association.
- 3.7.8 The legal implications section below provides detail on the legal risk attached to not agreeing this request for a budget period extension. Subject to those comments, the extension request does not give rise to any material legal concerns. However, we would also highlight the point made by 31ten above in relation to funding during the extension period. At present, it is not clear what

financial support is being provided by Orbit ahead of its proposed merger with Swan and on what terms that support has been made. This is relevant as Swan HA stands as effective surety for the loans drawn down from the junior loan facility granted by Swan BQ. That said, we are not aware of any specific reason (legal or otherwise) why funding will not continue for the period of the proposed budget extension.

### **3.8 Scheme Viability LLP update**

- 3.8.1 See previous Shareholder Report of 6<sup>th</sup> December 2021 at section 7.
- 3.8.2 The LLP have informed the Council that “The scheme viability model is showing a viable position based on the approved parameters of the LLP Agreement and the most recent cost and value advice from the LLP’s professional advisors. However, concerns over rapid increases to build cost inflation over the past 12 months, as set out in 3.1, have led the LLP to seek further assurance that the provisions within the model remain sufficient over the medium and long-term.”
- 3.8.3 The outcome of tender evaluations for enabling works scheduled over the next quarter will help to further inform cost assumptions for infrastructure and the LLP has commissioned an update to the Masterplan cost plan (which forms the data to produce the viability assessment). This will also include modelling various scenarios to take account of sensitivities around costs of goods, labour supply, general inflation, and house values. As is also usual at this stage of a project value optimisation (seeking the best construction methods and built form), are also part of the review of the finances of the project.

## **4 Other Options**

- 4.1 If the Council decides not to continue with the Reserved Matters Application until the revised Business Plan is approved on or before 31<sup>st</sup> December 2022, then all work on the RMA will halt on the 31<sup>st</sup> March 2022, this will have the effect of delaying a planning decision on the first phase of housing. This will also limit the ability of the LLP to operate within the existing business plan and raise some of the risks described in the legal implications section below. It will also impact on the required timescales set out in the grant funding agreements described in paragraph 4.3 below.
- 4.2 If the Council decides not to extend the LLP budget period from the 31<sup>st</sup> March 2022 until the revised Business Plan is approved on or before 31<sup>st</sup> December 2022, this will cause significant delay to the project and presents serious challenge to viability due to ever turbulent market conditions and funding deadlines.
- 4.3 If the Council decided not to agree to the recommendations in this report, specifically those at 2.1, 2.2 and 2.4, this would jeopardise the £15m HIF funding from Homes England which has a spend deadline of March 2023. Therefore, delays resulting from not approving the extension to the LLP budget would result in non-expenditure by the deadline and therefore a gap in project funding. Not approving the LLP Budget extension will jeopardise the £4.2m

SELEP funding which has an absolute deadline for spend by the end of September 2022.

## **5 Reasons for Recommendations**

### **5.1 Supporting continuation of budget extension.**

- 5.1.1 The extension of the budget allows for the work in the current Business Plan to be carried out, and therefore reduce any unnecessary stoppage time costs and keep the project moving at the pace required to make full use of both the HIF and SELEP grant funding agreements.
- 5.1.2 It also allows for the continued comprehensive review of the current Business Plan in anticipation of its presentation to its Shareholders by 31<sup>st</sup> December 2022 or sooner, for further scrutiny. If this Business Plan is then approved it will consent to the start of the delivery of the infrastructure works and the first phase of housing from the LLP's perspective. This is all subject to the usual phase viability tests and conditions that need to be undertaken before any land can be drawn down or money spent.
- 5.1.3 Supporting the continuation of this budget extension, as per the previous budget extension, is simply an extension of time and not a request for any additional funds.
- 5.1.4 Allowing the current business plan to continue will give the opportunity for work to continue, including early preparatory works as detailed in the current Business Plan, which can be funded via either the HIF or the SELEP grants, which protects against loss of these grants.
- 5.1.5 It confirms to our partner Swan Housing Association and the Orbit Group that the council is committed to the Project.

### **5.2 Supporting continuation of the RMA;**

- 5.2.1 The RMA for phase 1a has been submitted to the LPA and is a considerable way through the process however there is still a significant amount of work that needs to be done and funded. This will aid in the continued pace of the development, working towards the earliest possible Development Control Committee.
- 5.2.2 There are significant benefits to be derived through the expeditious progression of this RMA; as, subject to approval, it allows for development of housing, park, public realm and community space.
- 5.2.3 This will enable the decant of Quantock, the first tower, which will significantly benefit the residents on site who are wishing to remain on the new development. It will enable the new park and public realm to be started and start to set the tone for the new City centre regeneration project.

### **5.3 Supporting the noting of the Annual Report and Financial Statements**

- 5.3.1 As one of the partners in the LLP, Southend-on-Sea City Council's Shareholder Board approves the Annual Report and Financial Statements of the LLP, before they are submitted to Companies House. The LLP's Annual Report and Financial Statements for the period ending 31<sup>st</sup> March 2021 were due to be submitted to Companies house by 31<sup>st</sup> December 2021. Companies House approved the LLP request to extend the filing deadline to 31<sup>st</sup> March 2022 as they were not ready for filing at that stage.
- 5.3.2 The Council has been in contact with Swan Housing regarding the timing of the signing of the Annual Report and Financial Statements of Porters Place Southend-on-Sea LLP for the period ended 31<sup>st</sup> March 2021. The Council has been assured that every effort is being made to submit the signed and audited Financial Statements to Companies House by 31<sup>st</sup> March 2022.

### **5.4 Supporting the signing of the SELEP Back to Back agreement**

- 5.4.1 The project is dependant on both HIF and SELEP funding. There is currently a back to back agreement in place between the Council and the LLP passing down the funds in return with compliance with the obligations set out in the grant funding agreement to allow the project to progress. The Council is seeking agreement to sign a similar agreement between the Council and the LLP to allow drawn down of funds to be spent on enabling works (including the footbridge removal).
- 5.4.2 The grant is for £4.2M and needs to be spent by the end of September 2022. It is the LLP's intention to draw a significant amount of money from this funding stream to progress with work.
- 5.4.3 It should be noted that if the money is spent on SELEP funding stream and the project does not progress, SELEP via its accountability board have the right to claw back all money drawn from this funding stream. For the avoidance of doubt it should be noted that if the full £4.2M is to be drawn from the SELEP and the scheme did not progress the Council (as a 50% shareholder in the LLP) will be liable for repayment of £2.1M. In the unlikely event that SELEP funds have been spent and the project does not go ahead it is within the grant funding agreement that SELEP may seek to claw back all or part of the monies drawn from that funding scheme. If this was to happen the Council would seek to mitigate and minimise any exposure through discussion and negotiations.

## **6 Corporate Implications**

### **6.1 Contribution to the Southend 2050 roadmap and outcomes:**

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

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

## 6.2 Financial Implications

- 6.2.1 At this stage of the process the current Business Plan remains live until a new Business Plan is agreed. This will include a new budget and financial appraisal that consider these activities and demonstrate a viable scheme. Given the global and national economic uncertainties that currently exist there will need to be extensive oversight and due diligence undertaken by the LLP and its advisers, the Council's advisers and Council officers to ensure a robust, deliverable and viable Business Plan is produced for Members consideration and sign off.
- 6.2.2 The budget extension beyond the 31st March 2022 and potentially up to 31st December 2022 is not an additional financial ask by the LLP and therefore has no additional cost implications for the Council.

- 6.2.3 Continuing the project without a signed off Budget in place the Council is at risk of grant clawback in respect of the various external funding streams of SELEP (Get Building Fund) and HIF. The LLP are ensuring this is mitigated by continuing with the delivery of the current Business Plan, however Members should be aware of the potential risk exposure to the Council if the scheme does not proceed, please see section 5.4. In addition both partners (the Council and Swan) will have also spent an element of their £15M Junior Loan fund contribution.
- 6.2.4 The LLP have requested and granted an extension to the submission of their 2020/21 accounts, and it is important that the LLP display appropriate governance with their best endeavours to lodge their final audited and signed off accounts to Companies House by 31/3/22

### **6.3 Legal Implications**

- 6.3.1 The LLP legal suite of documents sets out the process for agreeing and extending business plans. Business plans are required to be updated on an annual basis and the approval of both Swan BQ and the Council, following LLP Board approval, is required to adopt an updated business plan. If either Swan BQ or the Council do not approve an updated business plan, or if for any reason an updated business plan cannot be approved (such as is the case here) the LLP are contractually bound to ensure that the management board of the LLP continues to operate the business of the LLP in accordance with the existing business plan.
- 6.3.2 An updated business plan is not being presented for approval at this stage for the reasons cited in this report. This means that the previously agreed business plan – for which the budget extension is being requested – remains in place. If the Council was to not approve the budget extension, this places the Council in a difficult position as it will effectively be restricting the LLP's activities unilaterally while an existing business plan is in place, which conflicts with its obligation to ensure that when an updated business plan cannot be agreed, the LLP continues to operate the existing business plan. The Council is awaiting the formal resolution from the LLP meeting on the 8<sup>th</sup> March 2022 wherein all six members of the LLP management board (three from each Shareholder) agreed that an extension is necessary. Both shareholders will need to agree to this resolution.
- 6.3.3 The legal risk here is that by not approving this extension to the budget period, the Council may find itself in breach of a provision in the LLP legal suite of document, which may have legal, financial and reputation consequences for the Council.

### **6.4 People Implications**

- 6.4.1 As detailed in the December 2021 report, in accordance with the Cabinet report of February 2019 three senior officers have been appointed to the LLP board.



6.4.2 While the LLP is responsible for delivery of the Project, the Project continues to be appropriately supported by a number of Council officers as technical experts in fulfilling Council responsibilities and in supporting the work of the LLP, and on the Partnership Board which oversees the Council's work in regard to the Project. Following Cabinet approval in September 2020 the budget has been approved and additional resource in some teams has been agreed to ensure that other Council priorities are also met, and outcomes delivered.

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

## **6.5 Property Implications**

6.5.1 As detailed in the December 2021 report and are unchanged.

## **6.6 Consultation**

6.6.1 As detailed in the December 2021 report and are unchanged.

## **6.7 Equalities and Diversity Implications**

6.7.1 As detailed in the December 2021 report and are unchanged.

6.7.2 As detailed in the December 2021 report and are unchanged.

## **6.8 Risk Assessment**

6.8.1 Section 3.6 "Assurance" sets out assurances, risks and mitigations where appropriate.

## **6.9 Value for Money**

6.9.1 The LLP are procuring the contracts for the delivery of the Scheme. They are applying a similar process of procurement to Swan Housing which has been reviewed by our procurement department and found to be appropriate for this scheme. LLP Board members and project team see a summary of each procurement before any contract is let to ensure value for money.

## **6.10 Community Safety Implications**

6.10.1 As detailed in the December 2021 report and are unchanged.

## **6.11 Environmental Impact**

6.11.1 As detailed in the December 2021 report and are unchanged.

## **7 Background papers**

[\(Public Pack\)Supplementary Pack - Porters Place LLP Final RMA Proposals Agenda Supplement for Place Scrutiny Committee, 06/12/2021 18:30 \(moderngov.co.uk\)](#)

[\(Public Pack\)Supplementary Pack - Minutes of the meeting of the Shareholder Board Agenda Supplement for Place Scrutiny Committee, 06/12/2021 18:30 \(moderngov.co.uk\)](#)

## **8 Appendices**

Appendix 1 - The LLP's Annual Report and Financial Statements

Limited Liability Partnership Registration No: OC427026



# Porters Place Southend-on-Sea LLP

Annual Report and Financial Statements

Year ended 31 March 2021

Porters Place Southend-on-Sea LLP  
Year ended 31 March 2021

## Contents of the Annual Report

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## Legal and Administrative Details

Designated Members	Southend on Sea Borough Council Swan BQ Limited
Registered office	Pilgrim House High Street Billericay Essex CM12 9XY
External Auditor	Grant Thornton UK LLP 30 Finsbury Square London EC2A 1AG
Solicitors	Devonshires Solicitors LLP 30 Finsbury Circus London EC2M 7DT
Bankers	Royal Bank of Scotland plc 29 East Walk Basildon Essex SS14 1HD
Limited Liability Partnership Registration No	OC427026

Porters Place Southend-on-Sea LLP  
Year ended 31 March 2021

## Members' Report

The Members present their audited report on Porters Place Southend-on-Sea LLP (the "Partnership") for the year ended 31 March 2021.

The Partnership is a joint venture whose Designated Members are Swan BQ Limited and Southend on Sea Borough Council. The relevant percentages of each Member's interest are 50% respectively. Control is exercised pursuant to a Limited Liability Partnership Agreement dated 24 April 2019. The Partnership is for a fixed 30-year term.

### Principal Activity

The principal activity of the Partnership is that of property development and the provision of new neighbourhood facilities at a development formerly known as the Queensway estate, Southend, Essex. The development known as Better Queensway will comprise of up to 1760 homes, a realigned Queensway road, improved public realm and commercial uses.

The site is being developed in 4 phases. Phase 1 is due to complete in 2026, with a total of 415 residential units. An outline planning application was approved in March 2021, and a reserved matters application for Phase 1 is due to be submitted in November 2021.

### Results

The Partnership has recorded a profit of £1,401,000 (2020 restated: £605,000 profit) in the year. The profit relates to the fair valuing of drawn Junior Loan Facilities offset by administration fees incurred by the Partnership in the year.

### Key Performance Indicators

During the year the Partnership incurred costs relating to the masterplan of the scheme and preparation for planning permission, and as such all associated costs were capitalised against the development.

KPI	2020/21	2019/20
Work in progress	£4,557,000	£1,836,000
Junior Loan Facilities – balance drawn	£4,500,000	£1,500,000

### Going Concern

On the basis of their assessment of the Partnership's funding arrangements, trading prospects and other aspects of its financial position, the Members have a reasonable expectation that the Partnership will be able to continue in operational existence for the foreseeable future, being a period of not less than 12 months from the date of approval of these financial statements and therefore has adopted the going concern basis of preparation in these financial statements. The ongoing recovery from Covid19 has been modelled and mitigations developed as part of the projects approach to risk management. The Partnership has sufficient funding through existing facilities to achieve detailed planning permission for Phase 1 and will seek further external funding once full planning permission is granted. The Partnership will utilise the remainder of the Junior Loan Facilities across the next 24 months.

### Risk Management

The Partnership has developed a risk register. It is reviewed and updated by the Board of Members on a quarterly basis. The principal risks affecting the Partnership at the current stage of its business are general economic slowdown leading to a forecast drop in property sales, recruiting and retaining key personnel and employment of contractors and planning /development risk related to the development of site.

The ongoing recovery from Covid-19 and trade in a post Brexit operating environment continues to be monitored by the Directors but is not currently expected to materially impact the Company's future prospects and opportunities.

Approved by the Board of Members and signed on their behalf by:

Jeremy Vickers  
For Swan BQ Limited  
Designated Member  
(insert date)

Porters Place Southend-on-Sea LLP  
Year ended 31 March 2021

## Members' Responsibilities Statement

The Members are responsible for preparing the financial statements in accordance with applicable law and regulations.

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the 2008 Regulations) require the Members to prepare financial statements for each financial year. Under that law the Members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting' Standard applicable in the UK and Republic of Ireland). The financial statements are required by law to give a true and fair view of the state of affairs of the LLP and of the profit or loss of the LLP for that period.

In preparing these financial statements, the Members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the LLP will continue in business.

The members are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that the financial statements comply with the 2008 Regulations. They are also responsible for safeguarding the assets of the LLP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The members confirm that:

- so far as each member is aware, there is no relevant audit information of which the LLP's auditor is unaware; and
- the members have taken all the steps that they ought to have taken as members in order to make themselves aware of any relevant audit information and to establish that the LLP's auditor is aware of that information.

The members are responsible for the maintenance and integrity of the corporate and financial information included on the LLP's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdiction.

Approved by the Board of Members and signed on their behalf by:

Jeremy Vickers  
For Swan BQ Limited  
Designated Member  
(insert date)

# Independent auditor's report to the members of Porters Place Southend-on-Sea LLP

## Opinion

We have audited the financial statements of Porters Place Southend-on-Sea LLP (the 'limited liability partnership') for the year ended 31 March 2021, which comprise the Statement of Comprehensive Income, the Reconciliation of Members' Interests, the Statement of Financial Position, the statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 March 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the limited liability partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the limited liability partnership's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the limited liability partnership to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the limited liability partnership's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the limited liability partnership's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the limited liability partnership's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

## Other information

The members are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



# Independent auditor's report to the members of Porters Place Southend-on-Sea LLP (cont)

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 as applied to limited liability partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

## Responsibilities of members for the financial statements

As explained more fully in the members' responsibilities statement, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members are responsible for assessing the limited liability partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the limited liability partnership or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the limited liability partnership and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting framework FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and Companies Act 2006.
- We assessed the susceptibility of the limited liability partnership's financial statements to material misstatement, including how fraud might occur and the risk of management override of controls. Audit procedures performed by the engagement team included:
  - Identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
  - Challenge assumptions and judgements made by management in its significant accounting estimates;
  - Identifying and testing journal entries; and
  - Identifying and testing related party transactions.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation.

## Independent auditor's report to the members of Porters Place Southend-on-Sea LLP (cont)

- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the limited liability partnership's operations, including the nature of its income sources and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
  - the limited liability partnership's control environment, including management's knowledge of relevant laws and regulations and how the company is complying with those laws and regulations, the adequacy of procedures for authorisation of transactions, and procedures to ensure that possible breaches of law and regulations are appropriately resolved.
- We enquired of management and the Board of Directors about the company's policies and procedures relating to the identification, evaluation and compliance with laws and regulations and the detection and response to the risks of fraud and the establishment of internal controls to mitigate risks related to fraud or noncompliance with laws and regulations.
- We enquired of management and the Board of Directors, whether they were aware of any instances or noncompliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations.

### Use of our report

This report is made solely to the limited liability partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as applied to limited liability partnerships. Our audit work has been undertaken so that we might state to the limited liability partnership's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

Joanne Love LLB FCA  
 Senior Statutory Auditor  
 for and on behalf of Grant Thornton UK LLP  
 Statutory Auditor, Chartered Accountants  
 London  
 Date

Porters Place Southend-on-Sea LLP  
Year ended 31 March 2021

## Statement of Comprehensive Income

	Notes	Year ended 31 March 2021	23 April 2019 to 31 March 2020 Restated (see note 18)
		£'000	£'000
Administrative expenses		(15)	(9)
<b>Operating loss</b>	7	<b>(15)</b>	<b>(9)</b>
Interest receivable and similar gains	8	524	325
<b>Profit on ordinary activities before members' remuneration and profit shares</b>		<b>509</b>	<b>316</b>
Members' remuneration charged as an expense		-	-
<b>Profit for the financial year being total comprehensive expense for the year</b>		<b>509</b>	<b>316</b>

All of the Partnership's operations are classified as continuing. There were no gains or losses in either year other than those included in the Statement of Comprehensive Income above.

The notes on pages 10 to 15 form part of these financial statements.

## Reconciliation of Members' Interests

	Members' capital (classified as equity)	Other reserves	Total	Members' capital (classified as debt)	Other amounts	Total	Total Members' Interests
Profit for the financial year Restated		316	316		-	-	316
Introduced by members Restated				588	-	588	588
<b>Balance at 31 March 2020 Restated</b>		316	316	588	-	588	904
Profit for the financial year		509	509	-	-	-	509
Introduced by members				1,238	-	1,238	1,238
<b>Balance at 31 March 2021</b>		825	825	1,826	-	2,651	2,651

Porters Place Southend-on-Sea LLP  
Year ended 31 March 2021

## Statement of Financial Position

	Notes	2021 £'000	2020 £'000 Restated (see note 18)
<b>Current assets</b>			
Work in progress	9	4,557	1,835
Debtors: amounts receivable in less than one year	10	94	148
Cash at bank and in hand		87	54
		<hr/> 4,738	<hr/> 2,037
<b>Creditors: amounts falling due within one year</b>	11	<hr/> (262)	<hr/> (546)
<b>Net current assets attributable to members</b>		4,476	1,491
<b>Creditors: amounts due after more than one year</b>	12	<hr/> (1,826)	<hr/> (588)
<b>Net assets</b>		<hr/> 2,651	<hr/> 904
<b>Represented by:</b>			
<b>Loans and other debts due to members after more than one year</b>			
Members' capital classified as debt	13	1,826	588
<b>Members' other interests</b>			
Other reserves		825	316
		<hr/> 2,651	<hr/> 904
<b>Total Members' interests</b>			
Loans and other debts due to members		1,826	588
Members' other interests		825	316
		<hr/> 2,651	<hr/> 904

The notes on pages 10 to 15 form part of these financial statements.

These financial statements were approved and authorised for issue by the Members on (insert date) and were signed on its behalf by:

Jeremy Vickers  
For Swan BQ Limited  
Designated member

Limited Liability Partnership Registration Number: OC427026

Porters Place Southend-on-Sea LLP  
Year ended 31 March 2021

## Statement of Cash Flows

	Note	2021 £'000	2020 £'000 Restated
Net cash outflow from operating activities	A	(2,967)	(1,446)
Net cash inflow from financing activities	B	3,000	1,500
<b>Net change in cash</b>		<b>33</b>	<b>54</b>
Cash at beginning of the year		54	-
<b>Cash at end of the year</b>		<b>87</b>	<b>54</b>

### A. Reconciliation of loss to net cash outflow from operating activities

	2021 £'000	2020 £'000 Restated
Profit for the financial year	509	316
<i>Add back:</i>		
(Increase) in work in progress	(2,722)	(1,835)
Movement in fair value of financial instruments	(524)	(325)
Decrease / (increase) in debtors	54	(148)
(Decrease) / increase in creditors	(284)	546
<b>Net cash outflow from operating activities</b>	<b>(2,967)</b>	<b>(1,446)</b>

### B. Net cash inflow from financing activities

	2021 £'000	2020 £'000
Increase in Junior Loan Facilities – Southend BC	1,500	750
Increase in Junior Loan Facilities – Swan Housing Association	1,500	750
<b>Net cash inflow from financing activities</b>	<b>3,000</b>	<b>1,500</b>

The notes on pages 10 to 15 form part of these financial statements

## Notes to the Financial Statements

### 1. Partnership Information

The financial statements for Porters Place Southend-on-Sea LLP for the year ended 31 March 2021 were authorised for issue by the Board of Members on (insert date). Porters Place Southend-on-Sea LLP is incorporated and domiciled in England and Wales. The Partnership's registered office is Pilgrim House, High Street, Billericay, Essex, CM12 9XY. The average number of members in the year was two.

### 2. Basis of Preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), Companies Act 2006 as applied by LLPs and the Statement of Recommended Practice (SORP), Accounting by Limited Liability Partnerships, December 2018. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below. The financial statements have been prepared on an historical cost basis.

#### Going concern

On the basis of their assessment of the Partnership's funding arrangements, trading prospects and other aspects of its financial position, the Members have a reasonable expectation that the Partnership will be able to continue in operational existence for the foreseeable future, being a period of not less than 12 months from the date of approval of these financial statements and therefore has adopted the going concern basis of preparation in these financial statements. The ongoing recovery from Covid19 has been modelled and mitigations developed as part of the projects approach to risk management. The Partnership has sufficient funding through existing facilities to achieve detailed planning permission for Phase 1 and will seek further external funding once full planning permission is granted. The Partnership will utilise the remainder of the Junior Loan Facilities across the next 24 months.

### 3. Significant judgements and estimates

The preparation of the Partnership's financial statements in conformity with FRS 102 requires the Members to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the year end and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following are considered significant judgements or key sources of estimation uncertainty:

- The assessment that work in progress is carried at the lower of cost or net realisable value. Management assesses the net realisable value of schemes using publicly available information and forecasts an overall profit for the scheme after allowing for all further costs of completion and subsequent disposal of the housing properties.
- A judgement regarding financial instrument classification. The Partnership's loans are required to be classified as either basic or non-basic financial instruments in accordance with the conditions set out under FRS102 section 11.9. Management have assessed the loans to be basic. Refer to note 4, 12 and 13 for further details.

### 4. Principal Accounting Policies

#### Expenditure

Net operating expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms.

#### Capitalisation of interest costs

Interest on borrowings is capitalised in respect of work in progress relating to regeneration schemes under construction up to the date of completion of each phase. The interest capitalised is either on borrowings specifically financing a scheme or on net borrowings to the extent that they are deemed to be financing a scheme. This treatment applies irrespective of the original purpose for which the loan was raised.

#### VAT

The Partnership is registered for VAT and consequently its expenditure on taxable activities is shown exclusive of VAT.

## Notes to the Financial Statements (cont)

### Work in progress

Work in progress consists of costs incurred on the regeneration project. This is held at the lower of cost or estimated selling price less costs to complete and sell. Assessing net realisable value requires use of estimation techniques. In making this assessment, management considers publicly available information and internal forecasts on future sales activity. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

### Trade creditors

Trade creditors on normal terms are not interest bearing and are stated at amortised cost.

### Financial Instruments

Financial instruments are required to be classified as either basic or non-basic in accordance with FRS102 section 11.9.

Members have concluded that the Junior Loan Facilities should be reported as non-basic. On inception of the loan, the interest rate charged by the Members to the Partnership was below market rate. The interest charged by Members to the Partnership is reset on the anniversary of the initial loan drawdown and this has also been assessed to be below market rate. Management have assessed what a reasonable market rate would have been at inception and each subsequent interest notification event and have applied this market rate to fair value the drawn Junior Loan Facilities. At each year end date, the carry value of the loans has been recalculated, with any gain or loss recognised in the Statement of Comprehensive Income.

### Members' drawings

It is the Members' intention over the lifetime of the joint venture established through the LLP that they shall share in the Net Profits generated by the joint venture equally. Drawings are treated as payments on account of profit allocation and are only repayable to the LLP in so far as there are insufficient profits to allocate against such drawings. Any drawings in excess of total profits allocated would be included within 'amounts due from members' within debtors.

A meeting of the Management Board shall take place not later than three months before the end of each Financial Year End to consider and thereafter authorise an interim distribution of the Net Profit (if any) for that Financial Year to the JV partners in equal proportions before the end the Financial Year.

### Members' contribution

Aside from initial capital contributions, Members' contribution is via debt funding on a pari passu basis.

### Taxation

Tax to be paid on the profits arising in the LLP are a personal tax liability of the members of the LLP and therefore are not included as a tax charge or provision within these financial statements. Tax as presented within these financial statements represents tax arising from other group undertakings.

## 5. Members' remuneration

None of the Members received any remuneration (2020: nil) or other benefits for their qualifying services to the Partnership. The Partnership did not provide a retirement benefits scheme for its Members in the current year.

## 6. Staff numbers and costs

The Partnership had no employees during the year (2020: nil).

Porters Place Southend-on-Sea LLP  
Year ended 31 March 2021

## Notes to the Financial Statements (cont)

### 7. Operating profit

	Year ended 31 March 2021 £'000	23 April 2019 to 31 March 2020 £'000
Operating loss is stated after charging:		
Auditor's remuneration for the audit of the financial statements of the Partnership	3	3
	<u>3</u>	<u>3</u>

### 8. Interest payable and similar charges

	2021 £'000	2020 £'000 Restated
On Junior Loan Facilities	(72)	(5)
Movement in fair value of financial instruments	524	325
	<u>452</u>	<u>320</u>
Less: interest capitalised on work in progress	72	5
	<u>524</u>	<u>325</u>

### 9. Work in progress

	2021 £'000	2020 £'000
Project development costs	4,480	1,830
Capitalised interest	77	5
	<u>4,557</u>	<u>1,835</u>

### 10. Debtors

	2021 £'000	2020 £'000
VAT receivable	70	130
Other debtors	-	17
Prepayments	24	1
	<u>94</u>	<u>148</u>



**Notes to the Financial Statements (cont)****11. Creditors: amounts falling due within one year**

	<b>2021 £'000</b>	<b>2020 £'000</b>
Trade creditors	153	521
Accruals	109	25
	<u>262</u>	<u>546</u>

**12. Creditors: amounts falling due after one year**

	<b>2021 £'000</b>	<b>2020 £'000 Restated</b>
Junior Loan Facility at fair value from:		
- Swan Housing Association Limited	1,826	588
	<u>1,826</u>	<u>588</u>

The Junior Loan Facility is for £14,999,999 with accrued interest paid quarterly, from Swan Housing Association Limited, being the ultimate parent undertaking of Swan BQ Limited, a designated member of the Partnership. Maturity of the facility is the earlier of 12 months following the completion of the sale of the final residential unit; or 31 December 2034. The purpose of this facility and the Junior Loan Facility from Southend on Sea Borough Council (see note 13) is to fund the development at Better Queensway through the planning phase.

In relation to the Junior Loan Facility described above, the rate of interest was 2.40% per annum up to 22 January 2021. The interest rate is revised on the anniversary dates of the first loan drawdown, and was reduced to 1.72% on 23 January 2021.

This Junior Loan Facility is ranked equally with a similar facility from Southend on Sea Borough Council (see note 13) and in the event of a winding up liquidation will be ranked above all other creditors.

**13. Members' capital classified as debt**

	<b>2021 £'000</b>	<b>2020 £'000 Restated</b>
Junior Loan Facility at fair value from:		
- Southend on Sea Borough Council	1,826	588
	<u>1,826</u>	<u>588</u>

The Junior Loan Facility is for £14,999,999 with accrued interest paid quarterly, from Southend on Sea Borough Council, a designated member of the Partnership. Maturity of the facility is the earlier of 12 months following the completion of the sale of the final residential unit; or 31 December 2034. The purpose of this facility and the Junior Loan Facility from Swan Housing Association Limited (see note 12) is to fund the development at Better Queensway through the planning phase.

In relation to the Junior Loan Facility described above, the rate of interest was 2.40% per annum up to 22 January 2021. The interest rate is revised on the anniversary dates of the first loan drawdown, and was reduced to 1.72% on 23 January 2021.

This Junior Loan Facility is ranked equally with a similar facility from Swan Housing Association Limited (see note 12) and in the event of a winding up liquidation will be ranked above all other creditors.

**Notes to the Financial Statements (cont)****14. Analysis of changes in net debt**

	At 1 April 2020 Restated	Cash flows	Fair value adjustment	At 31 March 2021
	£'000	£'000	£'000	£'000
<b>Cash and cash equivalents</b>				
Cash at bank and in hand	54	33	-	87
	54	33	-	87
<b>Borrowings</b>				
Debt due after one year	(1,500)	(3,000)	-	(4,500)
Fair value adjustment	325	-	524	849
	(1,121)	(2,967)	524	(3,564)

**15. Members' transactions**

Transactions with the controlling parties during the year were as follows

	<b>Professional Fees</b>		<b>Interest Paid</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	£'000	£'000	£'000	£'000
Southend on Sea Borough Council	50	50	36	2
Swan BQ Limited	-	-	-	-
	50	50	36	2

**16. Control**

In the opinion of the members there is no ultimate controlling party, as the Members' interest of both Southend on Sea Borough Council and Swan BQ Limited is equal.

**17. Related parties**

Swan New Homes Limited is considered to be a related part by virtue of being under the same common control as Swan BQ Limited. During the year the LLP was charged £589,759 (2020: £540,612) from Swan New Homes Limited relating to project development costs. At the 31 March 2021 there was £58,976 (2020: £117,952) due to Swan New Homes Limited.

## Notes to the Financial Statements (cont)

### 18. Prior Year Adjustments - Reconciliation of previous reported figures

The Junior Loan Facilities from Swan Housing Association and Southend on Sea Borough Council had been classified as basic financial instruments in the FY2020 financial statements and as such recognised at their drawn value of £750,000 each. These two loans have since been reclassified as non-basic, with a market interest rate of 6.5% applied, based on the fair valuation exercise done by Centrus on what would be the market rate loan for the Partnership.

Fair valuing the FY2020 loans with an interest rate of 6.5% has reduced the carrying value of the loans by a total of £325,000 with a corresponding recognition of this amount in the Statement of Comprehensive Income.

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