

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

**Report of Director of Regeneration and Growth**

**To**

**Shareholder Board**

**On**

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

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:

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