

Forward Plan reference number: FP/089/06/21

Report title: Development Loan to Essex Housing Development LLP to acquire land	
Report to: Cllr Chris Whitbread, Cabinet Member for Finance, Resources and Corporate Affairs	
Report author: Ben Finlayson, Director, Capital Delivery and Investment	
Date: 12 April 2023	For: Decision
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County Divisions affected: Abbey	

Confidential Appendix

This report has a confidential appendix which is not for publication as it includes exempt information falling within paragraphs 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended.

1. Everyone's Essex

- 1.1. Essex Housing is Essex County Council's (ECC) in-house development arm which works with public sector partners across Essex. Essex Housing's purpose is to address housing need throughout the county by building high quality specialist, private and affordable homes. Essex Housing delivers schemes through ECC as well as Essex Housing Development LLP.
- 1.2. Essex Housing supports the strategic aims of Everyone's Essex by delivering more new homes and communities as part of ECC's ambition for 'a strong, inclusive and sustainable economy' and contributes to the commitment towards 'future growth and investment' by maximising the impact of public sector spend within the county by generating surpluses for reinvestment and creating new opportunities to achieve social value through development. Essex Housing:
 - 1.2.1. supports **the economy** by creating new jobs and working with local contractors.
 - 1.2.2. benefits **the environment** by developing in a sensitive way and including sustainable measures on sites such as EV charging, solar panels, heat pumps as well as a scheme of net zero homes.
 - 1.2.3. supports **children and families** by providing good quality housing in an appropriate mix of type and tenure, central to giving children the best start in life.
 - 1.2.4. promotes **health, care and wellbeing** for all residents by providing good quality homes and neighbourhoods. We also promote the wellbeing of

some of our most vulnerable residents by creating homes that enable them to live independently.

- 1.3. This report concerns a decision taken by the Essex Housing Development LLP Board in February 2023 to endorse the external purchase of land for development in Colchester (as described in the Confidential Appendix), subject to securing a development loan from Essex County Council, and to progress design and seek to secure planning for a high-quality residential scheme including positive environment and sustainable transport enhancements to include photovoltaic panels, high levels of thermal insulation, enhancement of the level of trees provided across the site, good quality green amenity space and an option for Independent Living units to support Adults with Learning Disabilities and Autism.
- 1.4. The development will include photovoltaic panels to generate renewable energy, the buildings will feature high levels of thermal insulation and there will be access to electric vehicle charging points. This will support the reduction of residential carbon emissions and support the uptake of more sustainable transport methods as well as creating great places for our residents to live.
- 1.5. Should the recommendations in the report be approved, Housing Development LLP would receive a development loan from Essex County Council to enable the purchase of the site in Colchester, undertake design work to secure planning and prepare for a contractor tender. A further decision will be required to progress the scheme to construction and should this be approved to also agree a development loan (or extension of this loan) for that purpose.

2. Recommendations

- 2.1. Agree to provide Essex Housing Development LLP with a development loan for the sum shown in the Confidential Appendix as part of a development loan facility made by Essex County Council (the Council) to Essex Housing Development LLP.
- 2.2. Agree to increase the capital programme by the amount required for the development loan as stated in the Confidential Appendix.
- 2.3. Agree that the Section 151 Officer may amend the period of the loan agreement and the repayment amounts and dates.
- 2.4. Agree, in its role as Member of Essex Housing Development LLP, that the LLP enters into an agreement with the Council to take out a development loan for the value shown in the confidential appendix

3. Background and Proposal

- 3.1. Essex Housing was established in 2016. Its aim is to provide much-needed homes, shape great places for our residents to live and provide a return to the taxpayer. By developing with a social conscience, Essex Housing, as delivered

by Essex Housing Development LLP, is able to develop much needed high quality, sustainable homes and create fantastic places to live, while reinvesting returns into important public services and improved outcomes for the residents of Essex.

- 3.2. The purchase and development of this site in Colchester is proposed to be delivered by the LLP, which became operational in February 2021 to deliver its ambitious development programme. The LLP was created to bring forward surplus land and assets to build private, affordable and specialist homes to help address housing need throughout the County.
- 3.3. Essex Housing proposes to acquire the land as set out in the confidential appendix and create a scheme which can be taken forward to planning and then subject to a further decision into construction. The proposed scheme will provide up to 42 units consisting of a mixture of private units alongside specialist units (apartments for adults with learning disabilities and autism and an apartment for carers).
- 3.4. Once the requested development loan is in place, Essex Housing will purchase the site, undertake design, due diligence and secure planning. Once planning is secured, a future decision will be sought from the LLP Board and the Council to authorise the construction of the consented scheme and seek a further development loan if required. A further decision will be required from the Cabinet Member before any further loan is advanced from ECC. The loan(s) made to the LLP for this scheme will be repaid to the Council through the proceeds of sales.
- 3.5. The development of the land for development in Colchester strongly supports the delivery of the Council's plan, 'Everyone's Essex', providing a high-quality environment, strong, inclusive and sustainable economy, promoting health, wellbeing and independence for all ages.
- 3.6. Below is an indicative timeline for the project:

Milestone Description	Target Date
Planning Approval	October 2024
Essex Housing LLP Board/CMA Approval for construction phase and further or extended development loan.	November 2024
Contractor Appointed	August 2025
Start Construction	September 2025
Start Sales	July 2026

Request for Project Finance

- 3.7. The LLP requests a development loan from the Council to cover any capital costs involved in the purchase of land and design costs for planning for the land in Colchester. These costs are detailed in the Confidential Appendix. This is an

initial request and when the scheme is ready for construction a further report will be brought forward to request a further loan to fund construction.

ECC as Member of Essex Housing Development LLP

- 3.8. Essex Housing Development LLP is 99% owned by Essex County Council with Seax Trading Limited owning the remaining 1%. The LLP is constituted and governed by an LLP Agreement entered into between Essex County Council, Seax Trading Limited and the LLP dated 29 January 2021. This provides that the LLP shall have a Management Board which shall carry on and conduct the LLP's day-to-day business and that a range of reserved matters are reserved solely to the Council. Where the LLP requires a development loan (in this case for the purchase of land and initial costs for planning), the LLP requires the Council's approval. It is therefore recommended that the Council approves the LLP entering into an agreement for the funding for this land in Colchester as set out in the Confidential Appendix.

4. Links to our Strategic Ambitions

- 4.1. This report links to the following aims in the Essex Vision

- Develop our County sustainably
- Enjoy life long into old age

- 4.2. Approving the recommendations in this report will have the following impact on the Council's ambition to be net carbon neutral by 2030:

- Promote the use of low carbon heating systems in the delivery of housing in Essex.

- 4.3. This report links to the following strategic priorities in the emerging Organisational Strategy 'Everyone's Essex':

- **A strong, inclusive and sustainable economy**
 - **Infrastructure:** we will deliver and maintain high quality infrastructure to improve opportunities for people living in Essex as well as supporting a growing economy and the delivery of new homes and communities by investing in the region of £1bn by the end of this Council.
 - **Future growth and investment:** we will help grow existing businesses and the economic sectors of the future in Essex, including the arts, and secure high levels of new investment by working with partners to promote the County, by creating the conditions for growth and by maximising the impact of public sector spend within the county.
- **A high-quality environment**
 - **Net zero:** we will work across the Council and the County to hit our net zero targets, by ensuring that the Council significantly reduces its

carbon footprint whilst also supporting an acceleration in the progress towards sustainable housing and energy, and active and alternative forms of travel across the county.

- **Transport and built environment:** we will deliver a step change in sustainable travel across the county, by growing passenger transport and active travel and will ensure we support the move towards net zero, climate resilient developments including our new garden communities, by delivering sustainable and healthy neighbourhoods for the future.
- **Health wellbeing and independence for all ages**
 - **Promoting independence:** We will work with key partners and the adult safeguarding board to help individuals to live free from abuse and neglect and will enable residents to live independently by assisting them to access suitable accommodation, supporting access to employment and meaningful activities, and enabling independence at home through reablement, care technology, and market shaping to ensure strong domiciliary support, and investment in housing.

5. Options

- 5.1. Option 1: The Council provide a development loan to purchase the site and undertake design to secure planning and prepare to go to the market for a contractor. **(recommended option)**.
- 5.2. Option 2: The Council do not provide funding, but the purchase still goes ahead. This would require the LLP to go back to the Council as a reserved matter to obtain funding from a third party. This will take additional time in sourcing new funding and purchasing the site, which is likely to cause delays.
- 5.3. Option 3: Do Nothing - the site is not purchased, and the scheme is not progressed.
- 5.4. It is recommended that the site is purchased by the LLP and that the Council provides a loan facility to the LLP. This will permit the site to be progressed through design and planning by the LLP. This is the recommended option, delivers the greatest benefits to local residents and is financially viable. A breakdown of the financial benefits of developing the scheme are set out in the Confidential Appendix.

6. Issues for consideration

6.1. Financial implications

- 6.1.1. The total development loan requested through this decision is detailed in the confidential appendix. Loan amounts will be paid via capital receipts from units anticipated to be sold in 2026/27.

6.1.2. The figures included in the confidential appendix are current estimations of costs and sales. At such an early stage of scheme it is difficult to predict final figures and therefore there is potential for the costs and sales figures to either increase or decrease resulting in a negative or positive impact on the surplus for the scheme.

6.1.3. This scheme is not included in the 2023-24 Essex Housing Annual Delivery Plan or the current Capital Programme. If the Council agrees to provide a loan this will be an increase to the Capital Programme and an increase in the borrowing requirement for the Council. This increase can be addressed via the provisional outturn process.

6.2. Legal implications

6.2.1 The Council has the power to lend to the LLP for this scheme which will see land brought forward to improve housing in Essex. Clearly any acquisition of land involves risk as there is no planning permission for any scheme. That said the LLP has a valuation which shows it is paying a fair price for the land.

6.2.2 The LLP can only borrow with the Council's permission. If ECC does not lend to the LLP or agree that someone else can provide funding then the LLP cannot borrow and it cannot fund this purchase.

7. Equality and Diversity Considerations

7.1. The Public Sector Equality Duty applies to the Council when it makes decisions. The duty requires us to have regard to the need to:

- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act. In summary, the Act makes discrimination etc. on the grounds of a protected characteristic unlawful
- (b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
- (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

7.2. The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, gender, and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).

7.3. The equality impact assessment indicates that the proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic.

8. List of Appendices

- 8.1. Equality Impact Assessment
- 8.2. Confidential Appendix

9. List of Background papers

None

I approve the above recommendations set out above in relation to my portfolio for the reasons set out in the report.	Date
Cllr Chris Whitbread, Cabinet Member for Finance, Resources and Corporate Affairs	17 May 2023

In consultation with:

Role	Date
Councillor Lesley Wagland, Cabinet Member for Economic Renewal, Infrastructure and Planning	24 May 2023
Executive Director, Corporate Services (S151 Officer)	17 April 2023
Nicole Wood	
Director, Legal and Assurance (Monitoring Officer)	19 April 2023
Paul Turner	