

Essex Housing

Five Year

Business Plan

2020/21 – 2024/25

Foreword

Essex County Council is serious about meeting the challenges of housing growth and so in 2016, we established Essex Housing to work with public sector partners throughout Essex to identify and bring forward land and assets for development. We are now four years into that journey and have established a significant and exciting development programme that will deliver great quality, sustainable homes and create fantastic places to live, while reinvesting returns into important public services and improve outcomes for the residents of Essex. We therefore find ourselves in the perfect position, some four years on from the first makings of an idea, to build upon this now established model and grow it to deliver more, better, quicker.

We have a huge challenge across our 12 district, borough and city councils to plan for 144,000 more homes by 2036 to meet housing needs, against the backdrop of ongoing funding pressures. Those pressures are even more acute now, as we write this, in 2020, while the country deals with the unprecedented situation of the Covid-19 pandemic. The public sector has been at the forefront of responding to this, and as we emerge from the crisis, rebuild our economy and support our residents to get back to a new normal, leadership and innovation will be key. We must continue delivering our housing ambitions, our excellent public services and supporting the Essex economy in order to support future growth, create new jobs and provide increased opportunities for companies. We must do so all while balancing the public purse and ensuring we provide value for money for the people of Essex. We believe what we are doing through Essex Housing encapsulates the spirit of this.

We are setting out in this business plan our blueprint to deliver an ambitious development programme, by building upon the work to date of our existing Essex Housing model. We will be establishing a new Limited Liability Partnership (LLP) structure. We want to be proactive and agile to respond to changes and opportunities in the market. We want to be able to pursue new opportunities, such as retaining units for rent and as important as ever we want to increase our ability to invest in the economic growth of our county.

This is just the start of an extensive programme that will deliver housing, not just for private sale, but affordable housing as well as specialist housing to support our most vulnerable residents. By developing with a social conscience, we can enhance important public assets, we can put design, quality and sustainability at the forefront of what we do and make places that Essex can be truly proud of, all while reducing the burden on the taxpayer. That's why we are proud to put our names to this ambitious plan for growth.

Cllr Tony Ball

Cabinet Member for Economic Growth

Cllr Ray Gooding

Cabinet Member for Education and Skills

Chairman of Essex Housing LLP

Our purpose

Essex Housing was launched in 2016 to work across public sector partners in Essex to bring forward surplus land to build private, affordable and specialist homes to help address housing need throughout the County. The purpose of Essex Housing is to bring forward private units to offset the costs of affordable and specialist units. This ensures the model is financially sustainable for ECC. Specialist units such as Independent Living for Older People and People with Learning Disabilities are often developed alongside private units. These units help promote the independence of some of the most vulnerable in the County, improve outcomes and reduce the costs of social care provision.

Essex Housing coordinates the County's role in the Government's One Public Estate Programme (OPE). The OPE helps right size the public estate and free up surplus land. Essex Housing works with partners to support this process and access OPE funding to help meet the costs of bringing sites forward for development.

Essex Housing will now launch an LLP structure to provide even greater benefits and flexibility to Essex, ECC and partner organisations. This structure will enable Essex Housing to offer assured shorthold tenancies to retain units for rent. This will help Essex Housing to continue to provide high quality, sustainable homes to meet housing demand in-line with market fluctuations, drive economic growth, help us recover from the impacts of Covid-19 and provide new revenue streams to continue to invest in Essex.

How we do business

Essex Housing takes commercial approach to identifying and developing sites. Regardless of whether the scheme comprises of private, affordable or specialist units, the team will seek to provide maximum value for money for the taxpayer on every scheme. Sites which provide private sale, rental, affordable or specialist units for people with additional needs will be developed through Essex Housing Development LLP. It is important to note that sites that are brought forward for Independent Living for Older People will remain in Essex County Council's ownership and will not transfer to Essex Housing LLP. As a result, the procurement of housing associations who will develop out the schemes and provide care will remain within Essex County Council.

Regardless of tenure, Essex Housing works to high quality design standards which promote sustainability and ensure that units are adaptable and are built with the future needs of residents in mind. Essex Housing schemes provide good quality external space, foster community cohesion through public art and communal gardens, and sustainability through having energy efficient designs, often incorporating features such as electric car charging points and solar panels. Essex Housing seeks to work in partnership with planning authorities to bring forward high quality schemes that align with planning policy wherever possible.

Essex Housing operates with all partners, including other public sector bodies, on an open-book and transparent basis. When entering into joint ventures with public sector partners bodies, Essex Housing seeks to establish terms which are fair and viable for all partners. This approach maximises the chances of each project being delivered successfully and seeks to

build on Essex Housing's reputation as a trusted development partner and so provide the basis for even more deals in the future.

In addition to being a developer Essex Housing also provides consultancy and development management. Through these services Essex Housing provides County-wide leadership and coordination of the Government's One Public Estate programme in Essex; end to end development management services to all public sector partners; and development management services to ECC's Independent Living programme for Older People.

Market analysis

A lack of viable and developable land for housing is cited as a key reason for housing undersupply. Fragmented land ownership, planning uncertainty, remediation and servicing costs as well as a lack of strategic infrastructure mean that land is still a barrier to increasing home building. Yet only 11% of England is developed. There are 26,000 hectares of brownfield land available, with capacity for 1 million homes. In addition, central and local government owns surplus land with capacity for over 160,000 homes. Land Registry data shows that at least 900,000 hectares (6%) of all freehold land in England and Wales is owned by public sector organisations.

The impact of Covid-19 on the current market should also be considered, which means that short to medium term modelling is far less predictable than in 'normal' conditions. It is understood that Covid-19 has created practical challenges such as viewings, moving and completing transactions, as well as having an impact upon consumer sentiment due to the current uncertainty. This is likely to have an impact upon the number of transactions meaning units may take longer to sell, however this may be offset by some pent-up demand when we return to a more normal way of life. Predictions at the present time without understanding the full economic impact and stimulus package are incredibly challenging, however Savills' recent research using Oxford Economics data has modelled that transactions could be back to 100% of pre-Covid-19 volumes within 12 months and that house prices are likely to increase over a five-year period.

Savills 5 year house price forecast ¹						
	2020	2021	2022	2023	2024	Cumulative
As of November 2019	1.00%	4.50%	3.00%	3.00%	3.00%	15.33%
Scenario 1	-5.00%	5.00%	8.00%	4.00%	3.00%	15.40%
Scenario 2	-10.00%	4.00%	12.00%	6.50%	3.00%	15.00%
Mid-point of scenarios 1 and 2²	-7.50%	4.50%	10.00%	5.25%	3.00%	15.20%

Rental enables us to generate new income streams, provide rented units for specific market segments and enhance the resilience of the Essex Housing model, particularly in the event of a downturn. Should a downturn result in less demand for housing ownership, moving units from sale to rental would provide an income stream and long-term capital growth. The rental market has continued to grow over the past five years and insufficient supply continues to provide an opportunity for a stable investment. Savills in a recent publication (Spotlight: Changing drivers of tenure, 20 April), stated that there is an expectation that

¹ The economic impact of COVID-19 and implications for the UK property market, Savills March 2020

² Mid-point generated by Essex Housing based on Scenarios 1 and 2 developed by Savills

Covid-19 could also leave significant scope for the expansion of Build to Rent (currently 1% of the UK's total rental market). An economic downturn may also create new opportunities for public intervention through acquisition where a long-term rental strategy is appropriate.

Mainstream rental forecast ³						
	2020	2021	2022	2023	2024	5-year compound growth
UK	2.0%	3.0%	3.5%	3.0%	3.0%	15.4%
London	2.0%	4.0%	4.0%	4.0%	3.5%	18.8%
UK (exc. London)	2.0%	2.5%	3.0%	2.5%	2.5%	13.1%
Income growth (UK)	2.6%	3.0%	3.0%	3.0%	3.0%	15.6%

Our progress to date

- We have completed the construction of 64 units with a GDV of £17.2m⁴
- 47 units have been sold realising sales of £11.6m and the remaining 17 units are for sale
- 32% of the units are specialist units for people with learning disabilities which will deliver annual social care revenue savings of £183,000
- Across business cases already approved by ECC, Essex Housing's programme comprises of a further 831 units of which 41% are specialist/affordable
- 194 units have planning permission and a further 163 units are awaiting determination
- The GDV of the current programme is £246.3m⁵ (excluding units already delivered)
- Essex Housing has secured over £2.5m of Government OPE funding to date to reduce costs of new schemes

32 apartments incorporating 9 specialist apartments at Goldlay Square, Chelmsford – developed on the site of the former library headquarters. The specialist apartments provided are for young people with disabilities transitioning to adulthood. The young people will live in the property for two years with a carer on site 24/7 whilst undertaking a planned programme of support including work placements and education to help them to live independently.

14 private homes and 60 independent living apartments at Rocheway, Rochford. A former school that was vacant and surplus to operational requirements.

108 homes at the former Essex County Hospital site, Colchester – a joint venture between Essex Housing and the NHS to manage risk and address market failure to bring this site forward for much needed local housing coupled with NHS operational efficiencies and estate reinvestment.

26 apartments incorporating 8 specialist apartments at Moulsham Lodge, Chelmsford – a heavily constrained site requiring careful ecological management, a reinforced culvert and gas diversions. The scheme also acquired new premises and provided a long-term lease to protect the future of a local community organisation meaning that the previous community use of this site was not lost.



³ Mainstream Rental Forecast, Savills, November 2019

⁴ Including £1m of assets retained by ECC following completion

⁵ Including £4.9m of assets retained by ECC

Strategic aims

In the next five years we will deliver:

- 988 new homes, of which:
 - 495 will be for sale
 - 51 will be retained for rent
 - 439 will be affordable, specialist or for older people
 - Over 18,000 sqft of new community facilities at no cost to the residents of Essex

Total completions (units sold/rented)	Pre 2020/21	From 2020/21 to 2024/25	Cumulative to 2024/25
Units retained by ECC	3	3	6
Community use space	0	18,994 sq ft	18,994 sq ft
Sale	41*	495	536
Rent	0	51	51
Total market	41	546	587
Affordable	0	54	54
Older people	0	360	360
Specialist	20	25	45
Total specialist/affordable	20	439	459
Total units all tenures	64	988	1,052

*17 of these units are currently being marketed for sale

Total planning consents	Pre 2020/21	From 2020/21 to 2024/25	Cumulative to 2024/25
Units retained by ECC	5	4	9
Sale	306	514	820
Rent	60	60	120
Total market	366	574	940
Affordable	25	83	108
Older People	360	120	480
Specialist	36	26	62
Total specialist/affordable	421	229	650
Total units all tenures	792	807	1,599

Our structures

Essex Housing is hosted by ECC on the behalf of all public sector partners. In 2020, Essex County Council will also establish two Limited Liability Partnerships for Essex Housing. These LLPs will undertake the following functions:

- Essex Housing Development LLP – will undertake the development of schemes and provide consultancy and management services to ECC and partners
- Essex Housing Rental LLP – will hold those units which have been retained to rent

The Leader of Essex County Council is the Shareholder Lead for each of the LLPs and the strategic direction of Essex Housing will be set by the Cabinet Member with responsibility for Essex Housing. The Essex Housing Annual Delivery Plan will be submitted for approval by

ECC's Cabinet with subsequent decision making within the business plan delegated to the Essex Housing Board and ECC's Cabinet Member with responsibility for Housing. The operation of Essex Housing is overseen by the Essex Housing Board. The Essex Housing Board is responsible for:

- Owning the Essex Housing Business Plan
- Recommending investment decisions to ECC
- Performance management/monitoring
- Overseeing the operation of the LLPs
- Reporting to the Shareholder Lead and Cabinet Member with responsibility for Housing

The structure of the board is:

- Chairman (and casting vote) – Cllr Ray Gooding, Cabinet Member for Education and Skills nominated by The Leader in consultation with the Cabinet Member with responsibility for Housing
- Director – Stephanie Mitchener, Director of Finance, ECC
- Director – Chris Martin, Director of Strategic Commissioning and Policy, ECC
- Director – Gwyn Owen, Head of Essex Housing, ECC
- Independent Board Member – to be appointed by the Board

ECC and Seax Trading Limited will be invited to the Essex Housing Board meetings and may send representatives to attend on their behalf.