



<b>Committee</b>	Cabinet
<b>Date</b>	09/04/2024
<b>Subject</b>	East Suffolk Property Investments Limited – Revised Business Case
<b>Cabinet Member</b>	Councillor Vince Langdon-Morris, Cabinet Member for Resources Councillor David Beavan, Deputy Leader and Cabinet Member for Housing
<b>Report Author &amp; Director</b>	Andy Jarvis Strategic Director <a href="mailto:andrew.jarvis@eastsoffolk.gov.uk">andrew.jarvis@eastsoffolk.gov.uk</a>

Key Decision?	No
Is the report Open or Exempt?	OPEN

Category of Exempt Information and reason why it is <b>NOT</b> in the public interest to disclose the exempt information.	Not applicable
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## Purpose/Summary

This report outlines a proposal to present a revised business case for East Suffolk Property Investments Limited (ESPIL) and seeks Cabinet's support to progress with its development.

## Recommendation(s)

That Cabinet:

Considers the proposal to produce a revised business case for ESPIL and supports its production on the timetable set out in section 3.4 of this report.

## Strategic plan

How does this proposal support Our Direction 2028?

<b>Environmental Impact</b>	ESPIL will have policies and operating practices that will assist the Council to achieve its Environmental Policy.
<b>Sustainable Housing</b>	The company will ensure that accommodation provided is of good quality, meeting all legislative requirements therefore allowing residents to live in safe, suitable and affordable accommodation.
<b>Tackling Inequalities</b>	There is currently a housing crisis, with more people requiring housing than can access it. The company seeks to provide homes that people can afford to live in.
<b>Thriving Economy</b>	If development of the business case envisaged by this report is supported, in time the company's trading activities will involve the use of local supplies and services and will thereby contribute to a thriving local economy.
<b>Our Foundations / governance of the organisation</b>	The governance arrangements for each of the council's companies are set out within the Shareholder Agreement.

## Justification for recommendations

### 1. Background

- 1.1. East Suffolk Property Investments Limited (ESPIL), a subsidiary of East Suffolk Holdings Limited was incorporated in October 2019. The company sits within a Group structure and is one of the five Local Authority Trading Companies (LATCos) owned by East Suffolk Council.
- 1.2. In December 2022, Cabinet approved a business case for the company which was to progressively perform the following primary functions:
  - Purchase of residential properties
  - Renting of properties at market and sub-market rates.
  - Provision of property management services, including collection of rents
  - Provision of property maintenance services.
- 1.3. This business case was a requirement for ESPIL to be able to trade / operate.
- 1.4. However, despite having an approved business plan, development of ESPIL has not been pursued much further for two reasons. First, the company was to have been involved in the national Local Authority Housing Fund initiative. This would have seen the company use Government funding to acquire properties to help provide homes for displaced families from Ukraine and Afghanistan. Unfortunately, the conditions and restrictions within the scheme were such that participation was determined to be unviable locally and work on the scheme ceased. Second, the project work required to deliver the Council's primary LATCo East Suffolk Services Ltd (ESSL) on time was greater than originally envisaged and had to be made a priority given the ending of the then existing Joint Venture arrangement.
- 1.5. The above notwithstanding the Council's new strategic plan Our Direction 2028 provides a renewed focus on Sustainable Housing and the need for quality housing that people can afford to live in. ESPIL can contribute to this priority.

### 2. Introduction

- 2.1. Sustainable Housing is one of the four priorities of the Council's Strategic Plan 'Our Direction 2028', and as such provides a greater focus and a new impetus to find innovative ways to provide more quality homes that people in East Suffolk can afford to live in. As a LATCo, 100% owned by the Council and under its full control, ESPIL is one approach that can contribute significantly to the delivery of this priority. However, to give the best chance of success and in view of the time that has elapsed since the original ESPIL business case was approved, it is considered appropriate that a revised and up to date business case is required. If this is agreed, the business case will propose a steady start, with low fixed costs, capable of providing 'proof of concept' via an early review.

### 3. Proposal

- 3.1. It is proposed that ESPIL, funded by the Council initially to the tune of up to £5m (subject to approval of a business case) to enable it to set itself up, will purchase some five residential properties within the district, which it will then rent at open market rent for a financial return. The company will be designed to operate with minimal fixed costs and will be evaluated at the end of the first year. If operating successfully and demonstrating proof of concept, the intention would then be to provide further finance to enable the company to purchase additional properties on the same basis.
- 3.2. ESPIL will focus on delivering good quality accommodation initially for open market rent, and as it becomes established and builds an operating surplus it will work closely, but not exclusively, with the council on its temporary accommodation needs, potentially including furthering a local lettings initiative. In time, it is envisaged that the company will also be able to offer some properties at between Intermediate and open-market rent, so further helping to deliver the ambitions of Our Direction 2028.
- 3.3. The company will have high ethical standards. As it establishes itself within the local residential letting market as an exemplar lettings agency it will deliver high levels of all-round compliance and attention to resident safety. For example, it will regularly carry out Housing, Health and Safety Ratings (HHSRS) inspections on all its properties. This is something which is not currently a legal requirement.
- 3.4. Should Cabinet support the proposal to develop a revised business case for East Suffolk Property Investments Limited (ESPIL) along the lines set out above, this would be produced over the coming weeks and brought forward for the required approvals as set out in the timetable below.

Meeting	Date of Meeting	Deadline for receipt of report by Democratic Services	Detail
Cabinet	09 April 2024	25 March 2024	High level report outlining the intention, gain Cabinet support to progress
Shareholder Reference Group	04 June 2024	21 May 2024	Approval for the investment and business plan for ESPIL. These meetings are held on a quarterly basis, this is the earliest opportunity to take a report to the SRG.
Audit and Governance	08 July 2024	25 June 2024	Approval for the investment and business plan for ESPIL following the SRG approval. This is the next available meeting following the June SRG.
Cabinet	03 September 2024	20 August 2024	Approval of full business plan and investment

			including SRG approval and include A&G comments. There is a Cabinet meeting 09 July 2024, a) this does not allow for the inclusion of A&G comments and b) there is no Full Council Meeting in August.
Full Council	25 September 2024	12 September 2024	Approval to add the investment into the Capital Programme. The investment is a growth to the budget and due to the value will require Full Council approval.

#### **4. Financial Implications**

- 4.1. There will be financial implications for the Council to support the delivery of the revised business case for ESPIL.
- 4.2. There will be a requirement for the Council to fund the start-up of EPSIL and an expectation that the Council may need to provide support services to the company. The initial consideration is for the Council to provide up to £5m of funding to ESPIL.
- 4.3. The Council's external treasury advisors will be consulted on financing options for the Council to EPSIL, on completion of the business case.
- 4.4. Once financing options and associated implications for the Council have been identified a report will be brought back to Cabinet later in the year, with the required governance reporting also to the Audit & Governance Committee and the Shareholder Reference Group.
- 4.5. As per the outline proposal in Section 3 above, the initial approach is to start small and to evaluate performance before looking to expand ESPIL's operation further. This provides a financially cautious and less complex approach which enables a simpler exit strategy if the revised business case concept is not delivering as expected.

#### **5. Legal Implications**

- 5.1. Considerable legal advice was sought prior and during the setup of the Council's LATCo Group. This included the process that resulted in the incorporation of ESPIL. There are no legal implications arising from this report, but legal advice will be sought on the new business case as it is developed.

## **6. Risk Implications**

- 6.1. The risks associated with the company and the purpose for which it has been set up will be set out within the revised business case.
- 6.2. Risks associated with any individual property purchase will be reviewed at the time.

## **7. Options**

- 7.1. Do nothing – this would mean that ESPIL would remain inactive and would not be able to contribute to the Council’s Sustainable Housing priority.

## **8. Recommendations**

- 8.1. That Cabinet considers the proposal to produce a revised business case for ESPIL and supports its production on the timetable set out in section 3.4 of this report.

## **9. Reasons for Recommendations**

- 9.1. ESPIL could contribute significantly to the Council’s strategic housing aspirations. A measured targeted start would allow the early evaluation of performance and delivery of a proof of concept before looking to expand ESPIL’s operation further. This provides a financially cautious and less complex approach which enables a simpler exit strategy if the revised business case concept is not delivering as expected.

## **10. Conclusions/Next Steps**

- 10.1. A small Programme Team will be created to manage the delivery of the project and ensure the company develops in line with the business case.

## Areas of consideration comments

### Section 151 Officer comments:

To note as per Section 4 of the report, that there will be financial implications for the Council in terms of financing the start-up of ESPIL to deliver the revised business case. Financing options for the Council to EPSIL will need to be considered in the best interest of the Council and the Council's Treasury advisors will be consulted.

Proposed financing options will be brought back to Cabinet later in the year, with the required governance reporting to the Audit & Governance Committee and the Shareholder Reference Group.

The initial approach to start small and to evaluate performance before looking to expand ESPIL's operation further, provides for simpler exit strategy operationally and financially if the revised business case concept is not delivering as expected.

### Monitoring Officer comments:

ESPIL was incorporated on 26 November 2019. ESC is the owner/shareholder of ESPIL. The Shareholder Reference Group (SRG) (a committee of Cabinet) will perform the Council's role as shareholder/owner of its group of companies and exercise the Council's rights under the Articles of each company and under the Shareholder Agreement, except for any rights reserved to Cabinet or Full Council. The decisions of the Shareholder Reference Group are subject to 'call in' by the Overview and Scrutiny Committee. Members of ESC may attend meetings of the SRG and may ask questions with the permission of the person presiding. The Shareholder Representative will be the Chair of the SRG. They will act as a two-way channel of communication between the Directors of the company and the SRG. The day-to-day operation of ESPIL will be the responsibility of the Directors of the company.

### Equality, Diversity and Inclusion/EQIA:

An EQIA will be produced as part of a future business case report.

### Safeguarding:

Not applicable at this stage

### Crime and Disorder:

Not applicable.

### Corporate Services implications:

*(i.e., Legal, Finance, Procurement, Human Resources, Digital, Customer Services, Asset Management)*

The company will require support from several corporate services. Service Level Agreements will be put in place to enable this.

### Residents and Businesses consultation/consideration:

Not applicable.

**Appendices:**

None

**Background reference papers:**

<b>Date</b>	<b>Type</b>	<b>Available From</b>
November 2022	ESPIL Business Case	CMIS