

North Essex Section 1 Local Plan Examination

Statement on State aid and Lending by Mr Gareth Blacker of Homes England

NEGC response to EXD/079

As I described during the Matter 5 hearing sessions at the reconvened Examination in Public (EIP), paragraph 2 of the statement on State aid and Lending by Mr Gareth Blacker of Homes England sets out the basis that it has historically provided approximately £2.5bn infrastructure loan finance for large scale projects across the country. NEGC has been working jointly with Homes England to explore and establish with pension funds how financial support can be provided for the future large scale Garden Community projects across the country including North Essex. Initial responses received from these initial discussions have been positive.

As I stated during the Matter 5 hearing sessions, it is important to remember that no developer, whether it be from the public or private sector, will have determined or made detailed financial arrangements (i.e. term sheets) at this stage of the project. Indeed, EXD/079 explains the process which the previous projects listed went through to establish the detailed arrangements for the infrastructure loans provided by Homes England. Although the State aid compliance routes set out below are clear and well practised in large regeneration and housing schemes, the detailed financial analysis necessary to establish the optimum approach is not possible at this stage.

As explained at the EIP and in the first paragraph of this note, NEGC and Homes England have been jointly exploring a range of options for financial support in addition to the use of infrastructure loans either for a Locally Led New Towns Development Corporation (LLNTDC) vehicle or a Public Private Joint Venture vehicle similar to those that already exist. Indeed, NEGC recognised in its Further Hearing (02 December 2019) and its responses to Further Hearing statements (16 December 2019) that as it continues to develop financial support for these vehicles, it will continue to obtain and adopt advice in finance and transacting land/house disposals at State aid compliant market costs/values.

As also explained at the EIP, there are a variety of recognised routes to achieve compliance which have been adopted over the leading examples of major regeneration and housing schemes over the years. These include the "Market Economy Investor" Principles for funding and "Market Economy Operator Principle" (MEOP). However, it is important to note again that such compliance routes do not always require a "commercial" rate of return. For example, to the extent that public sector funding will be directed towards the provision of open access infrastructure that complies with certain conditions this would not be State aid. Further, the General Block Exemption contains over 40 separate State aid exemptions, each of which has its own specific rules. These include investment aid for local infrastructure and/or social housing. As mentioned above, this is the same approach that has been adopted in multiple other public/private partnerships across the country where State aid compliant mechanisms have been designed and implemented. It is also consistent with the principles adopted by the previous projects listed in EXD/079 in transacting State aid compliant infrastructure loans.

In summary, the evidence provided by Mr Gareth Blacker in EXD/079 and by NEGC at the EIP demonstrates that there is nothing unusual or exceptional about State aid in the context of large development projects. Indeed, State aid has been addressed through compliant mechanisms in the past numerous times before and the advice that NEGC has and will continue to receive will enable this to be the case for the delivery of the three proposed North Essex Garden Communities.

NEGC stands behind the evidence that it has given both in writing and at the EIP that the delivery vehicles for the proposed Garden Communities including an LLNTDC or if necessary a Public Private Joint Venture are capable of being implemented (i.e. capable of delivery) in a State aid compliant manner.

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