

**Date:** 27 July 2018

**Subject:** GM Housing Investment Loans Fund – Investment Approval Recommendations

**Report of:** Paul Dennett, Portfolio Holder for Planning, Housing & Homelessness, and Steve Rumbelow, Portfolio Lead Chief Executive for Planning and Housing

**PURPOSE OF REPORT**

This report seeks Greater Manchester Combined Authority (“Combined Authority”) approval of the GM Housing Investment Loans Fund loans detailed in the recommendation below.

This report also seeks Combined Authority approval to delegate authority to the Combined Authority Chief Executive and the Combined Authority Treasurer, in consultation with the Combined Authority Mayor and the Portfolio Holder for Planning, Housing & Homelessness to approve projects for funding in the absence of a Combined Authority meeting in August. Any recommendations that are approved under the delegation will be reported to the September meeting of the Combined Authority.

**RECOMMENDATIONS**

The Greater Manchester Combined Authority is requested to:

- Approve the GM Housing Investment Loans Fund loans in the table below, as detailed further in this and the accompanying Part B report;

BORROWER	SCHEME	DISTRICT	LOAN
Bowdon Homes Ltd	Carrhill, Mossley	Tameside	£5.410m
Brunswick Living Limited	Brunswick Street, Manchester	Manchester	£2.088m
Slateacre Partnership Limited	Slateacre Road	Tameside	£1.916m
HS Property Group	HSPG	GM region	£1.000m
RP Joint Venture	Various	GM region	£2.000m

- Delegate authority to the GMCA Treasurer acting in conjunction with the GMCA Monitoring Officer to prepare and effect the necessary legal agreements.
- give delegated authority for the period 30 July 2018 to 27 September 2018 to the Combined Authority Chief Executive and the Combined Authority Treasurer, in consultation with the Combined Authority Mayor and the Portfolio Holder for Planning, Housing & Homelessness to approve funding requests for projects in the absence of a Combined Authority meeting in August and approve any urgent variations on amounts and terms for already approved loans. Note that recommendations approved under the delegation will be subject to the usual due diligence processes and will be reported to the Combined Authority at the next available meeting.

**CONTACT OFFICERS:**

Bill Enevoldson ([bill.enevoldson@greatermanchester-ca.gov.uk](mailto:bill.enevoldson@greatermanchester-ca.gov.uk))

Andrew McIntosh ([andrew.mcintosh@greatermanchester-ca.gov.uk](mailto:andrew.mcintosh@greatermanchester-ca.gov.uk), 0161 778 7011)

**BACKGROUND PAPERS:**

- Housing Investment Fund (report to GMCA, 27 February 2015)
- GM Housing Fund – Updated Investment Strategy (report to GMCA, 27 July 2016)

<b>TRACKING/PROCESS</b>	
Does this report relate to a Key Decision, as set out in the GMCA Constitution or in the process agreed by the AGMA Executive Board	Yes
<b>EXEMPTION FROM CALL IN</b>	
Are there any aspects in this report which means it should be considered to be exempt from call in by the AGMA Scrutiny Pool on the grounds of urgency?	No

## **1.0 INTRODUCTION & OVERVIEW**

- 1.1 In line with the agreed governance process for the GM Housing Investment Loans Fund, (“the Fund”), the Combined Authority is asked to approve the loans detailed in section 2, which have been recommended for approval through the normal governance process.
- 1.2 GMCA has now been granted the necessary borrowing powers, and the loans detailed in this report will therefore be made by GMCA once the Fund has been novated to the GMCA.
- 1.3 The total value of offers of loans from the Fund approved by the Combined Authority to date is £421.2m. If the recommendations set out in this report are approved, the total value of offers of loans from the Fund will increase to £433.6m.
- 1.4 Affordable housing and section 106 agreements are dealt with at a local level in line with local policies, national planning legislation and the government’s National Planning Policy Framework. The income generated from the ongoing investment of the Fund can be utilised to support Local Authorities to meet the wider GMCA objectives. The level of commitment has now exceeded £300m and work is ongoing to revise the Investment Strategy to better align the future investment approach with the GMCA housing objectives.
- 1.5 It is intended that future reports seeking Combined Authority approval to loans will be set in the context of a wider Residential Growth Investment Strategy once this is developed which will provide a strategic framework for supporting housing delivery in Greater Manchester. This will include any new funding from the Housing Infrastructure Fund, the Housing Deal negotiated with Government and any monies available to deliver social housing from the additional £2 billion which the Government has announced. A more detailed report on this will be brought back in due course.

## **2.0 LOAN APPROVAL SOUGHT**

- 2.1 Bowdon Homes Limited is seeking a loan from the GM Housing Investment Loans Fund of £5.410m for the construction of 34 houses at Carrhill, Mossley. Planning permission was granted May 2017. The loan will support an SME developer bring forward the site in a single phase, accelerating delivery of family housing. The scheme includes a £90k S106 payment which will be used to deliver green spaces and education.
- 2.2 Brunswick Living Limited is seeking a loan from the GM Housing Investment Loans Fund of £2.088m for the construction of 16 apartments at Brunswick Street, Ardwick in Manchester. Planning permission was granted July 2017. The loan will support an SME developer bring forward a scheme that will support the continued regeneration of the area.

- 2.3 Slateacre Partnership Limited is seeking a loan from the GM Housing Investment Loans Fund of £1.916m. The loan will support an SME developer to bring forward the construction of 10 houses in Gee Cross, Hyde. Planning permission was granted in June 2018, and includes for a S106 contribution to be used for improvement of local amenity.
- 2.4 HS Property Group is seeking a loan from the GM Housing Investment Loans Fund of £1.0m as a revolving credit facility. The loan will support a real estate investment and development company to purchase and convert derelict and vacant properties into high quality accommodation for asylum seekers, under the Home Office Compass contract, or providing temporary accommodation for homeless families, leased and controlled by the Local Authorities, in the Greater Manchester region.
- 2.5 Further details of the schemes and the proposed terms of the loan are included in the accompanying Part B report, to be considered in the confidential part of the agenda on account of the commercially sensitive nature of the information.

### **3.0 Registered Providers Joint Venture**

- 3.1 A strategic partnership is being proposed between a number of Registered Housing Providers (RHP) based in GM and the GMCA (the JV Partners). The Joint Venture is seeking an equity investment of £2m from the GM Housing Investment Loans Fund (GMHILF). GMHILF investment amounts to 20% of the equity required for the Joint Venture.

The Joint Venture vehicle (RPJV) will acquire land, in the first instance, from GM Local Authorities and build market for sale houses. The level of affordable housing provided and any S106 contributions on specific sites will be determined through the planning process by individual districts. An increased level of affordable housing could be provided if either the local authority was willing to accept reduced land value for the site, or some additional subsidy was provided to offset the reduced profitability of the scheme.

The key principles of the RPJV are as follows:

- The approach will accelerate delivery of houses on sites, preventing land banking of sites for future development. This will contribute to GM achieving its housing delivery targets;
- The site value paid to the LAs would be calculated on an open book basis to ensure transparency over achieving best value and will avoid protracted 'chipping' by commercial operators;
- The returns generated by the shareholders will be utilised to support shareholders' underlying objectives i.e. for the RPs this is the provision of affordable housing. As such the proposal will provide for additionality in supply rather than replacing alternative supply.

- 3.2 It is proposed by the Portfolio Holder that any profit returned from the GMHILF investment over the 8 year operating period is ring fenced specifically to support social / affordable housing objectives of the GMCA.
- 3.3 The decision to invest the £2m of equity from the GMHILF is subject to the full business plan being approved by the GMHILF Credit Committee and all normal due diligence being completed satisfactorily.

#### **4.0 DELEGATED AUTHORITY**

- 4.1 A delegation is sought to allow urgent recommendations for funding to be conditionally approved in the absence of a Combined Authority meeting in August. It is proposed that authority be delegated to the Combined Authority Chief Executive and the Combined Authority Treasurer in consultation with the Combined Authority Mayor and Portfolio Holder for Planning, Housing & Homelessness.
- 4.2 The delegation is only to be used where time constraints mean that the recommendation cannot be delayed until the September Combined Authority meeting without prejudicing the developers requesting funding.
- 4.3 All funding will be subject to the usual due diligence processes and any recommendations that are approved under the delegation will be reported to the next available meeting of the Combined Authority.

#### **5.0 RISK MANAGEMENT**

- 5.1 The structure and security package proposed for the loans in order to mitigate lending risks are given in the accompanying Part B report.
- 5.2 The loans will be conditional upon a satisfactory outcome to detailed due diligence and ongoing confirmation from the Monitoring Surveyors acting on the Fund's behalf that the schemes are being delivered satisfactorily.

#### **6.0 LEGAL CONSIDERATIONS**

- 6.1 A detailed loan facility and other associated legal documentation will be completed for each scheme ahead of the first loan payments.

#### **7.0 FINANCIAL CONSEQUENCES – REVENUE**

- 7.1 The borrowers will be required to meet the Fund's legal, due diligence and monitoring costs and there is no requirement for additional revenue expenditure by GMCA in addition to the approved Core Investment Team budget.

#### **8.0 FINANCIAL CONSEQUENCES – CAPITAL**

8.1 The proposed loans will be sourced from the £300m GM Housing Investment Loans Fund.

**9.0 RECOMMENDATION**

9.1 The Combined Authority is recommended to approve the loans in line with the terms set out in the accompanying report.