

Date: 26 March 2021

Subject: GM Housing Investment Loans Fund: Update

Report of: Salford City Mayor Paul Dennett, Portfolio Lead Leader for Housing, Homelessness and Infrastructure, Steve Rumbelow, Portfolio Lead Chief Executive for Housing, Homelessness and Infrastructure

PURPOSE OF REPORT

This report sets out an update on the current and forecast commitments of the GM Housing Investment Loans Fund.

RECOMMENDATIONS:

The GMCA is recommended to note the contents of this report.

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BACKGROUND PAPERS:

- Housing Investment Fund (report to GMCA, 27 February 2015)
- GM Housing Investment Loans Fund – Revised Investment Strategy (report to GMCA, 25 October 2019)

TRACKING/PROCESS		
Does this report relate to a major strategic decision, as set out in the GMCA Constitution		YES
EXEMPTION FROM CALL IN		
Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?		NO
TfGMC	Overview & Scrutiny Committee	

1. INTRODUCTION & OVERVIEW

- 1.1 The GM Housing Investment Loans Funds (“GMHILF” or “the Fund”) was launched in 2015 with the target of supporting the delivery of at least 10,000 new homes over its 10-year investment timeframe.
- 1.2 The £300m provided by Government (through the Ministry of Housing, Communities and Local Government, “MHCLG”) for onward investment by the Fund is drawn down by GMCA in annual tranches. Any funds not invested (i.e. drawn down under loans made by GMCA to developers) at the end of the financial year are returned to Government.
- 1.3 In the early years of the Fund, any funds returned to Government at financial year end were available for GMCA to re-draw the following year. However, this arrangement came to an end in March 2020 at which point the value of the Fund drawn was £181.1m. Therefore, the position at March 2020 represents the maximum capacity of the Fund going forward. Based on current projections, the Fund is expected to be fully drawn at £181.1m at 31 March 2021.
- 1.4 Under the terms of the GMHILF loan agreement with MHCLG, GMCA has underwritten the repayment of 80% of the funds received from Government when the Fund comes to an end in 2028. This equates to £60m to absorb losses on the Fund, or cover investments out past the final repayment date. To date there have been no losses on the Fund and the full £60m buffer remains available.

2. CURRENT COMMITMENTS AND PIPELINE

- 2.1 The Combined Authority has approved £507.6m of GMHILF loans to 54 schemes across GM, delivering a total of 6,856 new units (out of a target of 10,000 units), to date. The Combined Authority has also approved £17m of GMHILF equity investments. The distribution of schemes supported by GMHILF lending is shown by local authority area in the graph at appendix 1.
- 2.2 A large proportion of the Fund’s first cycle of investments constituted senior debt for large city centre developments, for which there has been clear demand and which has been key to maximising the funds available from Government.
- 2.3 As well as delivering 5,351 units in support of the Fund’s overall target, lending for those city-centre schemes approved to date is forecast to generate approximately £16.47m of net income to GMCA. In addition to contributing to the Fund’s operation, £1.75m of this income has been used to support the formation of the Delivery Team to further accelerate the supply of new homes and unlock some of GM’s most challenging opportunities for housing growth. In addition to working with local authority partners to progress delivery of priority schemes, the Delivery Team has supported the successful bid for £54m of Getting Building funding across 7 schemes within GM, and the £81m Brownfield Land Fund to deliver over 5,500 new homes over a 5 year period.
- 2.4 In addition to helping create the capacity needed by GM to realise its ambitions for housing

growth, the surplus income generated by GMHILF has also been ringfenced to support wider housing objectives in the following areas:

- Delivery of truly affordable housing;
- Bringing back into use Empty Homes;
- Addressing issues arising from rogue landlords; and
- Creating a fund to buy out landlords operating poor / unfit private rented stock across GM.

2.5 Detailed proposals for the use of GMHILF income to support these objectives are in the course of being brought forward, the first of which is the GM Good Landlord Scheme which is subject of a separate report due to be considered by the Combined Authority at its meeting in March 2021.

2.6 Lending to city centre developments has been key to maximising the drawdown of funds being made available by Government, and has provided the anchor for the Fund's wider activities, including support for SME housebuilders. Of the 54 loans approved to date, 33 have been to SME developers amounting to £61.2m of lending, the vast majority of which has been for schemes outside the city-centre. The Fund has adopted a number of measures to support the SME sector including:

- the creation of a Small Loans Fund for lending of up to £2m, offering a streamlined process and simplified lending requirements specifically designed to support SME housebuilders;
- a loan pricing framework which does not include the commitment and exit fees often charged by mainstream lenders, reducing the costs of finance which can be a constraint on scheme viability for SME housebuilders; and
- an Investment Strategy which allows GMCA to consider flexible lending structures, including higher loan to cost and loan to value lending ratios than are often applied by mainstream lenders, and the recycling of receipts to allow phased completion of schemes, in both cases reducing the amount of funding of their own that SME housebuilders have to provide to deliver schemes.

2.7 The Fund is also continuing to work with local authorities to bring forward projects into which GMHILF can be invested in a more flexible way to help overcome the viability constraints that are evident in the existing Town Centres. GMCA is continuing to work with local authority and private-sector partners to bring forward investment into schemes such as Stockport Interchange which contribute to wider regeneration strategies for their locations through physical renewal and increasing town centre living to support local economic growth.

2.8 The Fund has also made equity investments totalling £15m in three funds – Resonance Limited's Impact Investment Property and Learning Disabilities funds, and Social and Sustainable Housing Limited Partnership's Social and Sustainable Housing Fund – which will work in partnership with Registered Providers and other charities to acquire and refurbish properties across GM to provide accommodation for vulnerable people.

3. CONCLUSIONS

- 3.1 The Fund is expected to be fully drawn at £181.1m at 31 March 2021 and the current pipeline indicates that this will continue to be the case at 31 March 2022.
- 3.2 The Fund will continue to prioritise support for SME developers and enabling marginal developments that bring forward challenging sites and can help establish new residential markets in priority town centres across GM. In line with the GMHILF Investment Strategy, this approach will be blended with investment into city-centre developments in order to maintain the Fund's investment capacity and generate surpluses.

APPENDIX 1: DISTRIBUTION OF GMHILF LOANS BY LOCAL AUTHORITY AREA

