

Date: 27 September 2019

Subject: GM Housing Investment Loans Fund – Investment Approval Recommendations

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

PURPOSE OF REPORT

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

This report also sets the details of a GM Housing Investment Fund loan which was approved during August under the delegation agreed by the Combined Authority at its meeting on 26 July 2019.

RECOMMENDATIONS:

The GMCA is requested to:

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

BORROWER	SCHEME	DISTRICT	LOAN
Wiggett Homes Ltd.	Perseverance Mill	Bolton	£2.126m
Hollins Homes (Lostock) Ltd	Hartley’s Farm	Bolton	£3.121m
Wigan Pier 3 Ltd	Wigan Pier	Wigan	£1.134m

2. Delegate authority to the GMCA Treasurer acting in conjunction with the GMCA Monitoring Officer to prepare and effect the necessary legal agreements; and

3. Note the details of the loans for the following scheme which was approved under delegated authority:

BORROWER	SCHEME	DISTRICT	LOAN
Lawrence Barrie Homes Ltd	Rectory Gardens	Wigan	£0.967m

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BACKGROUND PAPERS:

Housing Investment Fund (report to GMCA, 27 February 2015)

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

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
GM Transport Committee	Overview & Scrutiny Committee

Risk Management – see paragraph 4

Legal Considerations – see paragraph 5

Financial Consequences – Revenue – see paragraph 6

Financial Consequences – Capital – see paragraph 7

1. 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 by the Fund’s Credit Committee.
- 1.2 The Combined Authority is also asked to note the two loans approved under delegation in August detailed in section 3.
- 1.3 The total value of offers of loans from the Fund approved by the Combined Authority to date, including the loan agreed under the delegation in August, is £436.4m, and the total value of equity investments made by the Fund is £2m¹. If the recommendation set out in this report are agreed, the value of loan offers will increase to £442.8m.
- 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. As agreed at the December 2018 meeting of the GMCA, the majority of the surpluses generated from the Fund will be ring fenced to support provision of additional housing affordable to GM residents, supporting the Mayors Town Centre Challenge and tackling issues such as rogue landlords, empty homes and improving standards within the Private Rented Sector.
- 1.5 The GM Housing Vision was approved via the GMCA in January 2019. This sets the context for housing delivery within GM and paved the way for the GM Housing Strategy and a revised GM Housing Investment Loans Fund Investment Strategy that will be brought to the GMCA for approval in the following months. Alongside the launch of the GM Spatial Framework, the agreement to these strategic documents will be a pivotal point in shaping the way housing is brought forward across Greater Manchester and setting the objectives and focus of future investments made from the Fund.

2. NEW LOAN APPROVALS SOUGHT

- 2.1 Wiggett Homes Ltd is seeking a loan of £2.126m from the GM Housing Investment Loans Fund for the construction of 35 houses on the site of the former Perseverance Mill, Westhoughton. The Fund has to date provided three loans to the company, two of which have been repaid, the third scheme currently being on site. Planning permission was granted in October 2018. There is no affordable housing provision within the development, but a minimum Section 106 contribution of £20k is to be made, which can increase subject to a viability appraisal.
- 2.2 Hollins Homes (Lostock) Ltd is seeking a £3.121m loan from the GM Housing Investment Loans Fund to finance the construction of 38 houses and 18 apartments on a site in Westhoughton. Planning permission was granted in September 2018. The loan will support a GM-based SME developer bringing forward the scheme, with 18 of the units to be set aside

¹ These figures exclude loans approved but subsequently withdrawn.

for affordable housing. A Section 106/Community Infrastructure Levy payment of £435k is also to be paid.

- 2.3 Wigan Pier 3 Ltd, which will deliver the development under the “Step Places” brand, is seeking a loan of £1.134m from the GM Housing Investment Loans Fund for the construction of 8 modular-build townhouses on a site at Wigan Pier. Planning permission was granted in July 2019. The loan will support a GM-based SME developer which the Fund has previously provided a loan to bring forward the first element of a wider masterplan for mixed-use development at Wigan Pier, which represents a regeneration priority for the local authority. There is no affordable housing requirement within the scheme, in line with Wigan housing policy to only consider this for schemes of 11 units or more, but a Section 106 contribution of £2,500 for the planting of trees to replace those that will be removed to deliver the development is to be made.
- 2.4 Further details of the schemes and proposed terms of the loans 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. LOANS APPROVED UNDER DELEGATION IN AUGUST

- 3.1 Lawrence Barrie Homes Ltd sought a loan of £0.967m from the GM Housing Investment Loans Fund for the construction of 10 houses on a scheme known as Rectory Gardens, Aspull, Wigan. Planning permission was granted in December 2018 and the loan will support an SME developer to bring forward the redevelopment of a brownfield site. There is no S106 payment or affordable housing requirements relating to the scheme in line with Wigan housing policy to only consider this for schemes of 11 units or more.
- 3.2 Further details of the scheme and approved 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.

4. RISK MANAGEMENT

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

5. LEGAL CONSIDERATIONS

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

6. FINANCIAL CONSEQUENCES – REVENUE

- 6.1 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.

7. FINANCIAL CONSEQUENCES – CAPITAL

- 7.1 The proposed loans will be sourced from the £300m GM Housing Investment Loans Fund, including the recycling of loans repaid to the Fund.

8. RECOMMENDATION

- 8.1 The Combined Authority is recommended to approve the loans in line with the terms set out in the accompanying report, and note the loan approved under delegation during August.

