

Date: 14 February 2020

Subject: GM Housing Investment Loans Fund – Investment Approval Recommendation

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

PURPOSE OF REPORT

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

In view of the extended period until the next meeting of the Combined Authority, 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 Portfolio Lead for Planning, Housing & Homelessness to approve projects for funding. Any recommendations that are approved under the delegation will be reported to next available meeting of the Combined Authority.

RECOMMENDATIONS:

The Combined Authority is requested to:

1. 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
Well Built Homes Ltd.	Hebron Street	Oldham	£0.810m

2. Delegate authority to the GMCA Treasurer acting in conjunction with the GMCA Monitoring Officer to prepare and effect the necessary legal agreements in connection with the loan recommended at 1;

3. Delegate authority to the Combined Authority Chief Executive and the Combined Authority Treasurer, in consultation with the Portfolio Lead for Planning, Housing & Homelessness to approve projects for funding in the period 15 February 2020 to 26 March 2020.

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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
GM Transport Committee	Overview & Scrutiny Committee	

Equalities Implications – not applicable

Climate Change Impact Assessment and Mitigation Measures – not applicable

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 loan detailed in section 2, which have been recommended for approval by the Fund’s Credit Committee.
- 1.2 The total value of offers of loans from the Fund approved by the Combined Authority to is £456.4m, and the total value of equity investments made by the Fund is £2m¹. If the recommendations set out in this report are agreed, the value of loan offers will increase to £457.2m.
- 1.3 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 Mayor’s Town Centre Challenge and tackling issues such as rogue landlords, empty homes and improving standards within the Private Rented Sector.
- 1.4 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 revised GM Housing Investment Loans Fund Investment Strategy that were approved by GMCA in October 2019. 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. LOAN APPROVALS SOUGHT

- 2.1 Well Built Homes Ltd is seeking a loan of £0.810m from the GM Housing Investment Loans Fund for the construction of 6 houses on Hebron St, Oldham. Planning permission was granted in Jan 2019. The loan will support a Stockport based SME developer. There is no affordable housing provision.
- 2.2 Further details of the scheme and proposed terms of the loan are included in the accompanying Part B report, to be treated as confidential on account of the commercially sensitive nature of the information.

3. DELEGATED AUTHORITY

- 3.1 Given that the Combined Authority does not meet again until 27 March 2020, a delegation is sought to allow urgent recommendations for funding to be conditionally approved should it be necessary to do so ahead of that meeting. It is proposed that authority be delegated to the Combined Authority Chief Executive and the Combined Authority Treasurer in consultation with the Portfolio Lead for Planning, Housing & Homelessness.

¹ These figures exclude loans approved but subsequently withdrawn.

3.2 The delegation is only to be used where time constraints mean that the recommendation cannot be delayed until the March Combined Authority meeting without prejudicing the developers requesting funding.

3.3 Any recommendations that are approved under the delegation will be subject to the usual due diligence processes and will be reported to the next available meeting of the Combined Authority.

4. RISK MANAGEMENT

4.1 The structure and security package proposed for the loan in order to mitigate risk are given in the accompanying Part B report.

4.2 The loan will be conditional upon a satisfactory outcome of detailed due diligence and ongoing confirmation from a Monitoring Surveyor acting on the Fund's behalf that the scheme is being delivered satisfactorily.

5. LEGAL CONSIDERATIONS

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

6. FINANCIAL CONSEQUENCES – REVENUE

6.1 The borrower 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 loan 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 to approve the delegation proposed for the period 15 February 2020 to 26 March 2020.