

Date: 21 April 2020

Subject: GM Housing Investment Loans Fund / City Deal Receipts – 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 requests that the GMCA Chief Executive, acting in consultation with the Portfolio Lead Leader for Housing, Homelessness and Infrastructure, exercise his emergency powers contained in the GMCA Constitution Part 3 Section F paragraph 3.1 to take action which is required as a matter of urgency in the interests of the GMCA and approve the GM Housing Investment Loans Fund loan and investment of City Deal Receipts as detailed in the recommendation below.

If the recommendations are agreed the approval of the loans will be reported to the next available meeting of the Combined Authority.

RECOMMENDATIONS:

The GMCA Chief Executive Authority acting in consultation with the Portfolio Lead Leader for Housing, Homelessness and Infrastructure is recommended to:

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

BORROWER	SCHEME	DISTRICT	LOAN
Heath Farm Lane LLP	Heath Farm Lane, Partington	Trafford	£5.000m

2. Approve the loan detailed in the table below, to be funded with City Deal Receipts, as detailed further in this and the accompanying Part B report;

BORROWER	SCHEME	DISTRICT	LOAN
Specialist Care Developments Ltd	Stephenson Street	Oldham	£0.981m

3. Delegate authority to the GMCA Treasurer acting in conjunction with the GMCA Monitoring Officer to prepare and effect the necessary legal agreements;
4. Approve the above decisions as urgent and the seeking of exemption from call-in by the Overview and Scrutiny Committee.

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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	

Equalities Implications – not applicable

Climate Change Impact Assessment and Mitigation Measures – not applicable

Risk Management – see paragraph 3

Legal Considerations – see paragraph 4

Financial Consequences – Revenue – see paragraph 5

Financial Consequences – Capital – see paragraph 6

1. INTRODUCTION & OVERVIEW

- 1.1 In line with the agreed governance process for the GM Housing Investment Loans Fund (“GMHILF” or “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 total value of offers of loans from the Fund approved by the Combined Authority to date is £457.3m, and the total value of equity investments made by the Fund, including the

investment recently approved under delegation, is £7m. If the recommendations set out in this report are agreed, the value of GMHILF loan offers will increase to £462.3m.

- 1.3 In January 2016, the Combined Authority agreed that receipts from the disposal of Homes England land and property within Greater Manchester, which are available for GM to invest under the terms of the City Deal agreed with government in 2012, would in future be used to make investments in residential schemes alongside lending from the GM Housing Investment Loans Fund. The Funding & Investment Agreement under which Homes England makes City Deal Receipts available for GM to invest was novated to GMCA in March 2020.
- 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 Mayor's 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 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 Heath Farm Lane LLP is seeking a loan from the GM Housing Investment Loans Fund of £5.000m for the construction of 148 new homes at Heath Farm Lane, Partington. The scheme will provide 50% of all units as affordable housing in a key strategic regeneration area for Trafford Council and will involve the remediation of a brownfield site, unlocking future housing development. Planning permission was granted in April 2019 and a Section 106 agreement which will provide for contributions for junction upgrades, new sport facilities, green space and children's play space is to be entered into, with the financial contribution totalling £218,747.
- 2.2 Specialist Care Developments Limited, a Special Purpose Vehicle of Multi Utility UK Ltd, is seeking a loan of £0.981m for the construction of 12 apartments on land at Stephenson Street, Oldham. Planning permission was granted in August 2019. The loan will support an Oldham based SME developer. There is no affordable housing provision. To date, investment of City Deal Receipts has been in the form of lending alongside loans from the GMHILF itself; the risk profile of this scheme is considered suitable for the full amount of the loan to be sourced from City Deal Receipts (but the loan will otherwise be managed as if it were from GMHILF). Homes England has confirmed its approval to this investment of City Deal Receipts.

2.3 Further details of the schemes and proposed terms of the loans are included in the accompanying Part B report, to be treated as confidential on account of the commercially sensitive nature of the information.

3. RISK MANAGEMENT

3.1 The structure and security package proposed for the loans and equity investments in order to mitigate risk are given in the accompanying Part B report.

3.2 The loans 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 schemes are being delivered satisfactorily.

4. LEGAL CONSIDERATIONS

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

5. FINANCIAL CONSEQUENCES – REVENUE

5.1 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.

6. FINANCIAL CONSEQUENCES – CAPITAL

6.1 The proposed loan for the Heath Lane Farm scheme will be sourced from the £300m GM Housing Investment Loans Fund, including the recycling of loans repaid to the Fund.

6.2 The proposed loan for the Stephenson Street scheme will be sourced from the £29.4m City Deal Receipts which Homes England has to date provided to GM for investment.

7. RECOMMENDATION

7.1 The GMCA Chief Executive acting in consultation with the Portfolio Lead Leader for Housing, Homelessness and Infrastructure is recommended to approve the loans set out in this report.