

Date: 31 July 2020

Subject: GM Housing Investment Loans Fund – Investment Approval Recommendation

Report of: Salford City Mayor 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 seeks the Greater Manchester Combined Authority’s (“Combined Authority”) approval to GM Housing Investment Loans Fund loan detailed in the recommendation below.

This report also sets out details of an equity investment and an increase in a loan previously approved by the Combined Authority which have been approved under delegation, together with an update on the Community Led Housing initiative.

In view of there being no meeting of the Combined Authority in August, this report also seeks Combined Authority approval to delegate authority to the Combined Authority Chief, in consultation with the Portfolio Lead for Planning, Housing & Homelessness to approve projects for funding in the period 1 August 2020 to 24 September 2020. 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 loan detailed in the table below, as detailed further in this and the accompanying Part B report;

BORROWER	SCHEME	DISTRICT	LOAN
Splash Developments Ltd	Medlock Rd	Oldham	£1.600m

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

3. Note the GM Housing Investment Loans Fund equity investment approved under delegation in March 2020 detailed in the table below, as detailed further in this and the accompanying Part B report.

PARTNERSHIP	FUND	DISTRICT	EQUITY
Social & Sustainable Housing Limited Partnership	Social & Sustainable Housing Fund	GM wide	£5.000m

4. Note the revised GM Housing Investment Loans Fund loan approved under delegation in July 2020 detailed in the table below, as detailed further in this and the accompanying Part B.

BORROWER	SCHEME	DISTRICT	REVISED LOAN
Hollins Homes (Wingates) Ltd	Hartley's Farm	Bolton	£4.381m

5. Note the update set out in this report on the Community Led Housing Initiative.
6. Delegate authority to the Combined Authority Chief Executive, in consultation with the Portfolio Lead for Planning, Housing & Homelessness to approve projects for funding in the period 1 August 2020 to 24 September 2020.

CONTACT OFFICERS:

Bill Enevoldson: bill.enevoldson@greatermanchester-ca.gov.uk

Andrew McIntosh: andrew.mcintosh@greatermanchester-ca.gov.uk

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 6

Legal Considerations – see paragraph 7

Financial Consequences – Revenue – see paragraph 8

Financial Consequences – Capital – see paragraph 9

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 has been recommended for approval by the Fund’s Credit Committee.
- 1.2 Including those approved under delegation as detailed in this report, the total value of offers of loans from the Fund approved by the Combined Authority to date is £442.8m and the total value of equity investments made by the Fund is £17m¹. If the recommendations set out in this report are agreed, the value of loan offers will increase to £444.4m.
- 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 APPROVAL SOUGHT

- 2.1 Splash Developments Ltd is seeking a loan of £1.600m from the GM Housing Investment Loans Fund for the construction of 8 houses on the site known as Medlock Rd, Woodhouses. The scheme, for which planning permission was obtained in May 2018, will deliver 8 homes and support an SME developer within the GM area. There is no Section 106 payment or affordable housing provision due to the small scale of the scheme.

¹ These figures exclude loan offers that have not been taken up and are therefore withdrawn. Those recently withdrawn and not previously reported to GMCA are as follows: Brunswick Living (loan of £2.088m, approved July 2018); HS Property Group (£1m, July 2018); Chapel Square Ltd (£12.931m, March 2019); Hazellock Ltd (£6.010m, March 2019); Mulbury Homes (£2.671m, January 2020).

- 2.2 Further details of the schemes 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. INVESTMENTS APPROVED UNDER DELEGATION

- 3.1 Social and Sustainable Housing Limited Partnership (a FCA regulated social impact fund manager) sought a GMHILF equity investment of £5m in the Social and Sustainable Housing Fund, which will provide 10 year loans to charities that provide housing to vulnerable people in Greater Manchester. The charities will use the loans to acquire and refurbish properties across Greater Manchester in order to provide new homes to vulnerable individuals including those fleeing domestic violence, children leaving care, ex-offenders, asylum seekers, people with complex mental health issues and people with addiction issues. Loan repayments from charities are capped at the Housing Benefit received by the charity, and allow the charities to retain a management fee and service charge to cover their costs. The investments made from the Partnership will directly support the provision of specialist accommodation required within GM in line with the GM Housing Strategy.
- 3.2 Further details of the Social and Sustainable Housing Fund Further and proposed terms of the equity investment are included in the accompanying Part B report, to be treated as confidential on account of the commercially sensitive nature of the information.
- 3.3 In September 2019 GMCA approved a loan from the GM Housing Investment Loans Fund of £3.120m to Hollins Homes (Wingates) Ltd. for the development of 50 homes on a site known as Hartley's Farm, Westhoughton. The loan structure has now changed to fund the first phase of 23 houses, for which the borrower sought a loan of £4.381m (an increase of £1.260m on the loan originally approved). Detailed planning consent was granted in March 2020. The loan will support a GM-based SME developer bringing forward the first phase of development, with the wider scheme delivering a further nine houses for open market sale and 18 apartments for affordable housing. A Section 106/Community Infrastructure Levy payment of £435k is also to be paid. Approval to the increased in loan was sought as a matter of urgency to enable development to start immediately and therefore support economic recovery from the impact of COVID19.
- 3.4 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.

4. DELEGATED AUTHORITY

- 4.1 Given that the Combined Authority does not meet again until 25 September 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 in consultation with the Portfolio Lead 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 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.

5. COMMUNITY LED HOUSING INITIATIVE

- 5.1 In June 2019, the Combined Authority approved the commitment of £1.75m over three years to the establishment of the GM Delivery Team and associated work needed to accelerate housing delivery and strategic housing initiatives across GM. The funding is to be provided from the surpluses generated from the continued investment of the GMHILF. The allocation and approval of funding specific initiatives is delegated to the Portfolio Holder for Housing, Homelessness and Infrastructure, but will be reported to the Combined Authority for information.
- 5.2 A key strand of the GM Housing Strategy is in relation to Community Led Housing (CLH), for which the GMCA is supporting the creation of a Community Led Housing Hub (“CLH Hub”). The CLH Hub is now operational, with an interim director and coordinator helping to support and connect CLH groups with accredited advisers to accelerate the delivery of CLH in GM. The Hub has been successful in its application for start-up funding from Homes England: this funding is for the first year of operation only, and it is forecast that the Hub will take 3 years to become self-sustaining through charging for services provided.
- 5.3 Within the total of £150,000 earmarked for CLH support, £104,000 has been approved to fund the operation of the Hub, matching the Homes England contribution, and in addition to support provided by Irwell Valley Housing Association. The funding will be utilised primarily in years 2 and 3, after which reliance on external funding is expected to fall away. The ambition is that the Hub will become self-financing and fully embedded and accountable to the community-led housing sector, and will help groups across GM along the path toward building communities and providing high quality, safe and affordable homes.
- 5.4 Further details of the Hub, the steering group driving the project, and some of the groups being supported are available from the Hub’s website www.gmclh.org.

6. RISK MANAGEMENT

- 6.1 The structure and security package proposed for the loans / equity investments in order to mitigate risk are given in the accompanying Part B report.
- 6.2 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 scheme is being delivered satisfactorily.

- 6.3 The process through which the Social and Sustainable Housing Fund will take decisions in order to ensure that investments are prudent will be agreed in advance, and GMCA will receive ongoing reporting on the Fund's performance.

7. LEGAL CONSIDERATIONS

- 7.1 A detailed loan facility and other associated legal documentation will be completed ahead of the first loan payments.
- 7.2 A detailed investment agreement will be completed for the Social and Sustainable Housing Fund ahead of the GMHLF investment being injected.

8. FINANCIAL CONSEQUENCES – REVENUE

- 8.1 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.
- 8.2 The operation of the Social and Sustainable Housing Fund will be funded through the investments it makes.

9. FINANCIAL CONSEQUENCES – CAPITAL

- 9.1 The loans / equity investment will be sourced from the £300m GM Housing Investment Loans Fund, including the recycling of loans repaid to the Fund.

10. RECOMMENDATION

- 10.1 The Combined Authority is recommended to approve the loan to Splash Developments Ltd. in line with the terms set out in the accompanying report, and delegate authority to the GMCA Treasurer acting in conjunction with the GMCA Monitoring Officer to prepare and effect the necessary legal agreements.
- 10.2 The Combined Authority is also recommended to note the loan and equity investment approved under delegation, and the update on the Community Led Housing initiative.
- 10.3 The Combined Authority is also recommended to approve the delegation proposed for the period 1 August 2020 to 24 September 2020.