

## Greater Manchester Combined Authority

Date: 29 September 2023

Subject: Greater Manchester City Deal Receipts – Investment Approval Recommendations

Report of: Councillor Ged Cooney, Portfolio Lead for Housing, and Steve Rumbelow, Portfolio Lead Chief Executive for Housing, Homelessness and Infrastructure

### Purpose of Report

This report seeks the Combined Authority’s approval to the investment of City Deal Receipts (“CDR”) as detailed in the recommendation below.

### Recommendations:

The Combined Authority is requested to:

1. Approve the following investments of City Deal Receipts in two Social Impact Funds as detailed further in this report;

FUND	DISTRICT	CDR INVESTMENT
National Homelessness Property Fund 2	GM wide	£6.5m
Resonance Supported Homes Fund	GM wide	£2.5m

2. Approve the City Deal Receipts which form part of the £119.8m GMCA is lending to Renaker’s Bankside and Trinity D2 developments being increased from £20m to £21m, with the GM Housing Investment Loans Fund (“GMHILF”) element of the loan reduced accordingly, as detailed further in this report.
3. Delegate authority to the Combined Authority Treasurer and Combined Authority Solicitor & Monitoring Officer to review the due diligence information in respect of the above loan, and, subject to their satisfactory review and agreement of the due diligence information and the overall detailed commercial terms of the loan, to sign off any outstanding conditions, issue final approvals and complete any necessary related documentation in respect of the loan noted above.

## **Contact Officers**

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## **Equalities Impact, Carbon and Sustainability Assessment:**

The Equalities Impact and Carbon & Sustainability Assessment for the two Social Impact Funds, and Renaker's Bankside & Trinity D2 scheme, are given below:

*National Homelessness Property Fund 2*

## Impacts Questionnaire

Impact Indicator	Result	Justification/Mitigation
Equality and Inclusion		
Health	G	Providing new stable homes to those in acute need of housing.
Resilience and Adaptation		
Housing	G	Providing new homes for those at risk of homelessness and rough sleepers.
Economy		
Mobility and Connectivity		
Carbon, Nature and Environment		
Consumption and Production		
Contribution to achieving the GM Carbon Neutral 2038 target		
 Positive impacts overall, whether long or short term.	 Mix of positive and negative impacts. Trade-offs to consider.	 Mostly negative, with at least one positive aspect. Trade-offs to consider.
		 Negative impacts overall.

## Carbon Assessment

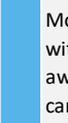
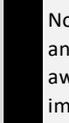
Buildings	Result	Justification/Mitigation
New Build residential	N/A	
Residential building(s) renovation/maintenance		Refurbishment works will meet a minimum EPC rating of C.
New Build Commercial/Industrial	N/A	
<b>Transport</b>		
Active travel and public transport	N/A	
Roads, Parking and Vehicle Access	N/A	
Access to amenities	N/A	
Vehicle procurement	N/A	
<b>Land Use</b>		
No associated carbon impacts expected.	 High standard in terms of practice and awareness on carbon.	 Mostly best practice with a good level of awareness on carbon.
		 Partially meets best practice/ awareness, significant room to improve.
		 Not best practice and/ or insufficient awareness of carbon impacts.

Resonance Supported Homes Fund

## Impacts Questionnaire

Impact Indicator	Result	Justification/Mitigation
Equality and Inclusion		
Health	G	Providing new homes for those with learning disabilities, autism and/or mental health challenges.
Resilience and Adaptation		
Housing	G	Providing new homes for those with learning disabilities, autism and/or mental health challenges.
Economy		
Mobility and Connectivity		
Carbon, Nature and Environment		
Consumption and Production		
Contribution to achieving the GM Carbon Neutral 2038 target		
<b>Further Assessment(s):</b>	Equalities Impact Assessment and Carbon Assessment	
 Positive impacts overall, whether long or short term.	 Mix of positive and negative impacts. Trade-offs to consider.	 Mostly negative, with at least one positive aspect. Trade-offs to consider.
		 Negative impacts overall.

## Carbon Assessment

<b>Overall Score</b>			
<b>Buildings</b>	<b>Result</b>	<b>Justification/Mitigation</b>	
New Build residential	N/A		
Residential building(s) renovation/maintenance		Refurbishment works will meet a minimum EPC rating of C.	
New Build Commercial/Industrial	N/A		
<b>Transport</b>			
Active travel and public transport	N/A		
Roads, Parking and Vehicle Access	N/A		
Access to amenities	N/A		
Vehicle procurement	N/A		
<b>Land Use</b>			
Land use	N/A		
No associated carbon impacts expected.	 High standard in terms of practice and awareness on carbon.	 Mostly best practice with a good level of awareness on carbon.	 Partially meets best practice/ awareness, significant room to improve.
			 Not best practice and/ or insufficient awareness of carbon impacts.

**BANKSIDE**

**Recommendation - Key points for decision-makers**

The results of the Decision Tool identify that the development which GMCA lending will support the delivery of will have positive impacts on housing and the local economy, and incorporates a number of measures to reduce carbon impacts.

**Impacts Questionnaire**

Impact Indicator	Result	Justification/Mitigation
Equality and Inclusion		
Health		
Resilience and Adaptation		
Housing	<b>G</b>	The development will bring back into residential use a brownfield site previously occupied by vacant or underused light industrial/commercial premises and surface car-parking. The development involves the new-build construction of 42-storey building incorporating 444 apartments.
Economy	<b>G</b>	The development is expected to have an average of 500 construction operatives on site at any point in time, with around 80% of the companies in the contractor's supply chain being GM-based. The development provides opportunities for the companies carrying out the construction to offer apprenticeships in a range of construction skills.
Mobility and Connectivity		
Carbon, Nature and Environment		
Consumption and Production		
Contribution to achieving the GM Carbon Neutral 2038 target		

**Further Assessment(s):**

Carbon Assessment

<b>G</b>	Positive impacts overall, whether long or short term.	<b>A</b>	Mix of positive and negative impacts. Trade-offs to consider.	<b>R</b>	Mostly negative, with at least one positive aspect. Trade-offs to consider.	<b>RR</b>	Negative impacts overall.
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## Carbon Assessment

Overall Score  

Buildings	Result	Justification/Mitigation
New Build residential		<p>Approx. 90% of the apartments are expected to achieve an EPC rating of 'B+', with the remainder achieving a 'C' rating.</p> <p>The proposed building fabric achieves a 5% betterment against the energy efficiency standards required by Building Regulations Part L.</p> <p>An assessment using the Building Research Establishment's "Housing Quality Mark" framework, which includes analysis of procurement strategies, has been carried out and identifies that the development will achieve a 4 Star "Excellent" rating.</p> <p>Not known</p> <p>A biodiversity impact assessment has been completed and measures to achieve a net biodiversity gain of at least 10% are incorporated in the development.</p> <p>The development is located in a sustainable city centre location in close proximity and with good connectivity to retail, transport and other amenities.</p> <p>Communal areas within the building will be heated using Air Source Heat Pumps.</p>

Residential building(s) renovation/maintenance N/A

New build non-residential (including public) buildings N/A

### Transport

Active travel and public transport N/A

Roads, Parking and Vehicle Access N/A

Access to amenities N/A

Vehicle procurement N/A

### Land Use

Land use N/A

No associated carbon impacts expected.		High standard in terms of practice and awareness on carbon.		Mostly best practice with a good level of awareness on carbon.		Partially meets best practice/ awareness, significant room to improve.		Not best practice and/ or insufficient awareness of carbon impacts.
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TRINITY TOWER D2

**Recommendation - Key points for decision-makers**

The results of the Decision Tool identify that the development which GMCA lending will support the delivery of will have positive impacts on housing and the local economy, and incorporates a number of measures to reduce carbon impacts.

**Impacts Questionnaire**

Impact Indicator	Result	Justification/Mitigation
Equality and Inclusion		
Health		
Resilience and Adaptation		
Housing	<b>G</b>	The development will bring back into residential use a brownfield site previously used as surface car-parking. The development involves the new-build construction of 55-storey building incorporating 483 apartments.
Economy	<b>G</b>	The development is expected to have an average of 500 construction operatives on site at any point in time, with around 80% of the companies in the contractor's supply chain being GM-based. The development provides opportunities for the companies carrying out the construction to offer apprenticeships in a range of construction skills.
Mobility and Connectivity		
Carbon, Nature and Environment		
Consumption and Production		
Contribution to achieving the GM Carbon Neutral 2038 target		

**Further Assessment(s):**

Carbon Assessment

<b>G</b>	Positive impacts overall, whether long or short term.	<b>A</b>	Mix of positive and negative impacts. Trade-offs to consider.	<b>R</b>	Mostly negative, with at least one positive aspect. Trade-offs to consider.	<b>RR</b>	Negative impacts overall.
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## Carbon Assessment

Overall Score  

Buildings	Result	Justification/Mitigation
New Build residential	<span style="background-color: #008000; color: white; padding: 2px 5px;"> </span>	<p>Approx. 90% of the apartments are expected to achieve an EPC rating of 'B+', with the remainder achieving a 'C' rating.</p> <p>The proposed building fabric achieves a 5% betterment against the energy efficiency standards required by Building Regulations Part L.</p> <p>An assessment using the Building Research Establishment's "Housing Quality Mark" framework, which includes analysis of procurement strategies, has been carried out and identifies that the development will achieve a 4 Star "Excellent" rating.</p> <p>Not known</p> <p>A biodiversity impact assessment has been completed and measures to achieve a net biodiversity gain of at least 10% are incorporated in the development.</p> <p>The development is located in a sustainable city centre location in close proximity and with good connectivity to retail, transport and other amenities.</p> <p>Communal areas within the building will be heated using Air Source Heat Pumps.</p>

Residential building(s) renovation/maintenance N/A

New build non-residential (including public) buildings N/A

### Transport

Active travel and public transport N/A

Roads, Parking and Vehicle Access N/A

Access to amenities N/A

Vehicle procurement N/A

### Land Use

Land use N/A

No associated carbon impacts expected.		High standard in terms of practice and awareness on carbon.		Mostly best practice with a good level of awareness on carbon.		Partially meets best practice/ awareness, significant room to improve.		Not best practice and/ or insufficient awareness of carbon impacts.
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## **Risk Management**

Both NHPF2 and RSHF have an investment strategy which establishes the detailed risk management protocols. GMCA will receive ongoing performance reporting from the fund managers.

The structure and security package for the Renaker loans remains as per the proposals originally approved by the Combined Authority.

## **Legal Considerations**

A detailed partner subscription agreement will be entered into ahead of the additional investment in NHPF2 being committed. The substitution of an element of GMCA's existing investments in NHPF2 and RSHF does not require any change to existing legal agreements.

Similarly, a loan agreement with Renaker for the Bankside and Trinity D2 schemes is already in place, and does not require any change as a result of the amended mix of the lending between GMHILF and CDR.

## **Financial Consequences – Revenue**

There is no requirement for additional revenue expenditure by GMCA in addition to the approved Core Investment Team budget.

## **Financial Consequences – Capital**

The investments will be funded from the CDR which GMCA has received from Homes England for onward investment. GMCA does not bear any financial liability for these investments.

## **Number of attachments to the report: None**

## **Comments/recommendations from Overview & Scrutiny Committee**

None.

## **Background Papers**

GM City Deal – Homes and Communities Agency (*report to Combined Authority, 28 March 2014*)

GM City Deal – Homes and Communities Agency: Update (*report to Combined Authority, 26 September 2014*)

GM City Deal Receipts – Investment Approval Recommendations (*report to Combined Authority, 27 January 2023*)

GM Housing Investment Loans Fund / GM City Deal Receipts - Investment Approval Recommendations (*report to Combined Authority, 27 January 2023*)

## **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

## **1. Introduction**

- 1.1 In line with commitments set out in the GM City Deal agreed with government in 2012, Homes England has agreed to make receipts from the disposal of its land and property in Greater Manchester in the period up to March 2022 available for GMCA to reinvest in schemes which support the objectives of the GM City Deal agreed with Government in 2012. Under the arrangements, GMCA has received £30.1m of 'City Deal Receipts' to invest.
- 1.2 CDR can only be invested in 'Viable Projects', i.e. those which a reasoned assessment confirms will, in all likelihood, be able repay the investment. If an investment is not recovered, the amount to be repaid to Homes England is reduced accordingly. Equally, Homes England approval is required to all CDR investments.
- 1.3 In 2016, GMCA agreed that it would ringfence CDR for investment in residential schemes with the intention that the funds would complement the investment capacity available through the GM Housing Investment Loans Fund. CDR are managed within the GMCA Core Investment Team, with oversight from the GMHILF Credit Committee.
- 1.4 The arrangements were originally intended to come to an end in March 2022, at which point GMCA would have repaid the funds it has received to Homes England together with the returns it had made on the investments made (typically, fees and interest on loans funded with CDR). By agreement with Homes England, the repayment has been rescheduled for 30 September 2023, with GMCA having until then to bring forward proposals for further investments. The balance of any CDR funds which have

not been approved for investment by 30 September 2023 would be returned to Homes England.

- 1.5 GMCA and Homes England have approved the following investments of CDR:
- £2.5m in each of the National Homelessness Property Fund 2 and the Resonance Supported Homes Fund.
  - £20m as part of the £120m loan for Renaker's Bankside and Trinity D2 developments.
- 1.6 This reports set out proposals around the investment of the balance of the CDR which GMCA has received. Homes England approval to the investments has been sought, but has yet to be received.

## **2. Investment approvals sought – Social Impact Funds**

- 2.1 The National Homelessness Property Fund 2 ("NHPF2") acquires and refurbishes property, then leases it to Registered Providers. NHPF2 is seeking an additional investment of up to £4m to provide additional homes to rough sleepers and those at risk of homelessness. The GMCA has committed to £9.1m to date, to NHPF2, which has resulted in 155 properties in Greater Manchester and is forecast to deliver a further 65 with existing funds. The fund delivers a return on capital to investors over time, in addition to the repayment of capital at the end of the fund life.
- 2.2 A £2.5m CDR investment into the NHPF2 fund was approved in February 2023. This proposal therefore seeks approval to increase this figure by £1.5m, to bring the total new commitment to up to £4m. A £4m investment is expected to deliver at least 30 more properties in Greater Manchester. The NHPF2 fund has raised 5+ times the GMCA's total commitment from other social impact investors.
- 2.3 The Resonance Supported Homes Fund ("RSHF") acquires and refits properties to meet the specific needs of the individual, then leases the property to Charity Partners. GMCA has committed £5m to date, of which half has been committed to new properties.
- 2.4 Opportunities for further GMCA investment into Social Impact Funds are currently being explored with various fund managers, and the remaining CDR funds available to GMCA could form part of this. However, detailed investment proposals investment proposals will not be sufficiently worked up to put them forward to Homes England for approval of CDR investment in the near term.
- 2.4 It is therefore proposed that alongside the £4m increase in the investment in NHPF2, a further £5m of CDR are used to part-refinance the GMHILF investment in NHPF2

and RSHF. This will release capacity back into GMHILF which could be used to make new commitments to Social Impact Funds when these are ready to be brought forward, and meets Homes England’s requirement that the amount of CDR investment in any fund is no greater than the amount of other GMCA investment in that fund.

2.5 The table below shows the impact of the proposals on the mix of GMCA investment in the two funds, with GMCA still maintaining significant commitments to both funds.

<i>FUND</i>	<i>GMCA</i>	<i>CDR additional investment</i>	<i>CDR refinance investment</i>	<i>Total CDR investment</i>
NHPF2	£6.6m (previously £9.1m)	£4m	£2.5m	£6.5m
RSHF	£2.5m (previously £5m)	-	£2.5m	£2.5m
Total	£9.1m	£4m	£5m	£9m

### **3.0 Investment approvals sought – Bankside & Trinity D2**

3.1 In January 2023, the Combined Authority approved the following GM Housing Investment Loans Fund (“GMHILF”) loans to Renaker:

- £54.143m for its development known as Bankside, the second of four towers proposed in a masterplan for the Greengate area of Salford involving 444 apartments;
- £65.646m for the development of 483 apartments on part of the site known as Trinity Island, being the first of four towers on the site which will together deliver 1,950 new homes.

3.2 The lending was agreed by the Combined Authority on the basis that approval would be sought from Homes England to substitute up to £20m of the GMHILF lending for the two schemes with City Deal Receipts. This was approved by Homes England in March 2023.

3.3 It is proposed to invest the £1m balance of City Deal Receipts by way of substituting them for £1m of the GMHILF lending. The total amount of the lending for the Bankside and Trinity D2 schemes remains unchanged; the proposal only amends the mix within the lending between GMHILF and City Deal Receipts which would now be as follows:

	<i>GMHILF</i>	<i>CDR</i>	<i>TOTAL LOAN</i>
Bankside	£44.668m	£9.475m	£54.143m
Trinity D2	£54.157m	£11.488m	£65.645m
TOTAL	£98.825m	£20.963m	£119.788m