

Greater Manchester Combined Authority

Date: 22 March 2024

Subject: Long Term Investments into Housing Delivery

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 Greater Manchester Combined Authority's approval for long term investments into housing delivery - as detailed in the recommendation below.

Further details regarding the investments are included in the accompanying Part B report to be considered in the confidential part of the agenda due to the commercially sensitive nature of the information.

Recommendations:

The GMCA is requested to:

1. Approve a £5m loan into a newly created GM Key Worker Fund, to be managed by Places for People's investment arm – Thriving Investments Limited;
2. Use £2m to refinance the GM Housing Investment Fund investment from Hive Homes (Greater Manchester) LLP;
3. Approve a £0.5m equity investment to Step Places for the third phase of the Bolton Moor Lane development; and
4. Delegate authority to the GMCA Treasurer acting in conjunction with the GMCA Monitoring Officer to prepare and effect the necessary legal agreements.

Contact Officers

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Equalities Impact, Carbon and Sustainability Assessment:

Thriving Investments Limited

Impacts Questionnaire		
Impact Indicator	Result	Justification/Mitigation
Equality and Inclusion		
Health		
Resilience and Adaptation		
Housing	G	Providing 239 new homes at affordable rent to key workers in Greater Manchester. All new homes will be developed on brownfield land.
Economy		
Mobility and Connectivity		
Carbon, Nature and Environment		
Consumption and Production		
Contribution to achieving the GM Carbon Neutral 2038 target		
Further Assessment(s):	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.

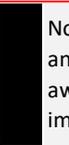
Carbon Assessment		
Overall Score		
Buildings	Result	Justification/Mitigation
New Build residential		
Residential building(s) renovation/maintenance	N/A	
New Build Commercial/Industrial	N/A	New build will meet a minimum EPC rating of B.
Transport		
Active travel and public transport	N/A	
Roads, Parking 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.	

Hive Homes (Greater Manchester) LLP

Impacts Questionnaire

Impact Indicator	Result	Justification/Mitigation
Equality and Inclusion		
Health		
Resilience and Adaptation		
Housing	G	
Economy		
Mobility and Connectivity		
Carbon, Nature and Environment		
Consumption and Production		
Contribution to achieving the GM Carbon Neutral 2038 target		
Further Assessment(s):	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

Buildings	Result	Justification/Mitigation
New Build residential		Hive is seeking to adopt carbon neutral and PassivHaus standard where possible and financially feasible. It is actively discussed at all board meetings.
Residential building(s) renovation/maintenanc	N/A	
New Build Commercial/Industrial	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.

Bolton Moor Lane

Recommendation - Key points for decision-makers

Impacts Questionnaire

Impact Indicator	Result	Justification/Mitigation
Equality and Inclusion		
Health		
Resilience and Adaptation		
Housing	G	Project delivers redevelopment of brownfield site Project delivers 114 new homes for rent
Economy		
Mobility and Connectivity	N/A	
Carbon, Nature and Environment	N/A	
Consumption and Production	N/A	
Contribution to achieving the GM Carbon Neutral 2038 target		
Overall Summary	G Positive impacts overall, whether long or short term.	A Mix of positive and negative impacts. Trade-offs to consider. R Mostly negative, with at least one positive aspect. Trade-offs to consider. RR Negative impacts overall.

Carbon Assessment

Overall Score	#####	
Buildings	Result	Justification/Mitigation
New Build residential	TBC	Development is located in Bolton town centre with very strong access to amenity, transport etc.
Residential building(s) renovation/maintenance	N/A	
New build non-residential (including public) buildings	N/A	
Transport		
Active travel and public transport	TBC	
Roads, Parking and Vehicle Access	TBC	
Access to amenities	TBC	
Vehicle procurement	TBC	
Overall Summary	G No associated carbon impacts expected.	A High standard in terms of practice and awareness on carbon. B Mostly best practice with a good level of awareness on carbon. C Partially meets best practice/ awareness, significant room to improve. D Not best practice and/ or insufficient awareness of carbon impacts.

Risk Management

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

Legal Considerations

Detailed loan and equity agreements will be negotiated and agreed in advance of the GMCA making the investment commitment.

The loan terms and fund structures have been considered in relation to the Subsidy Control Act, including the receipt of an external legal opinion. Subsidy Control will be further considered and finalised as part of the detailed due diligence work, ensuring that the loan, fund structure and GMCA reporting are compliant with Subsidy Control legislation.

Further details on Subsidy Control law in relation to this loan are provided in the Part B report.

Financial Consequences – Revenue

Future interest income and dividend income from equity investments will be applied to Revenue reserves.

Financial Consequences – Capital

Loan repayments and income from the sale of equity shares will be applied to Capital reserves.

Number of attachments to the report:

None

Comments/recommendations from Overview & Scrutiny Committee

N/A

Background Papers

None

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

N/A

Overview and Scrutiny Committee

N/A

1. Thriving Investments Limited

- 1.1. Thriving Investments Limited is a social impact fund manager, owned by the Places for People Group. Places for People Group is a not-for-dividend network of 20 housing providers, that reinvests 100% of generated surpluses into new communities.
- 1.2. Thriving Investments are setting up a GM Key Worker Fund, replicating a successful model in Scotland.
- 1.3. The Fund will develop new affordable homes targeted at Key Workers to rent in Greater Manchester, delivering high quality homes at rents below market rate (20%+ discount).
- 1.1. This will be the 3rd fund set up by Thriving Investments, building on successes and lessons learned from previous funds. Thriving Investments has robust governance and fund management oversight, and has held its Financial Conduct Authority (“FCA”) accreditation since 2017. The management of the assets will be carried out by Touchstone which is a company owned by the Places for People group and therefore profits for that entity also go back to creating new communities. Touchstone has been

managing homes for nearly 30 years and has a wide range of institutional investors as its clients with a total portfolio of over 18,000 homes under management.

- 1.2. In order to fund the acquisition of land, and development of the new build homes in Greater Manchester, the GM Key Worker Fund is seeking debt and equity investment. Developments will be delivered primarily by SME housebuilders and delivery managed by igloo Regeneration, now a subsidiary of Thriving Investments. Igloo has been based in Manchester for over 20 years and has delivered new communities across the UK with a focus on social impact.
- 1.3. It is proposed that GMCA provides the debt investment, which will be secured by way of a first charge over all properties held by the Fund.
- 1.4. GMCA has committed 50% of the required £10m loan from the GM Brownfield Programme, and this paper seeks approval to commit the £5m balance.
- 1.5. £5m additional debt will be matched by £30m equity from social impact investors, for which discussions are at an advanced stage.
- 1.6. This funding package is expected to deliver the first tranche of 239 new homes, after which the Fund will be significantly ramped up to deliver more homes.
- 1.7. This investment will demonstrate a new approach for utilising Affordable Housing Programme funding, that would see repayment over the longer term, rather than an upfront grant. As the Fund and model expand, the intention is to leverage additional debt funding designed in a similar way, to unlock quality new homes at affordable rents.
- 1.8. The debt investment will include a guarantee relating to rent levels, ensuring that they remain at least 20% below prevailing market rents and therefore remain affordable for key workers, in perpetuity.
- 1.9. Loan repayments will be made once the Fund has sufficient surpluses from net rent charged.
- 1.10. Further details regarding the loan and Subsidy Control are included in the accompanying Part B report to be considered in the confidential part of the agenda due to the commercially sensitive nature of the information.

2. Hive Homes Equity Investment

- 2.1. GM Invested £2m of equity in Hive Homes (Greater Manchester) LLP in 2019 from GM Housing Investment Loan Fund (GMHILF). Hive Homes acquires land to develop residential housing. It is a joint venture arrangement with 10 GM Registered Providers with GM investing 20% of the required equity. The agreement was originally set to terminate after 7 years in April 2026, in advance of the expiry of the current GMHILF agreement with DLHUC.
- 2.2. Given delays in bringing forward schemes there is a need to extend the investment to 10 years to enable the pipeline of 500+ market for sale homes to be constructed and sold. The investment is due to return a very positive dividend to GM due to the great success of the partnership, albeit slightly later than anticipated. If the timescale is not extended, over 600 units in Hive Home's pipeline will not be able to delivered.
- 2.3. In the short term, due to the time limitations of the current GMHILF agreement, it is recommended that the initial £2m equity investment is refinanced utilising recycled investment funds.
- 2.4. Further, it is recommended that given the success of the Hive Homes approach, the intention is to remove the time limited nature of the equity investment such that similar type returns can be generated beyond the 10 year period. This will be subject to further diligence and approval by the Treasurer.

3. Bolton Moor Lane

- 3.1. The scheme is a residential development on the site for former Moor Lane bus station and will deliver 218 new homes across three phases led by Step Places, a GM-based SME developer:
 - Construction of 44 townhouses units, of which 22 are being sold to the open-market and 22 are being built for a Registered Provider for affordable housing;
 - A further two buildings containing a total of 60 apartments which are being built for the same Registered Provider for affordable housing;
 - Two buildings containing a total of 114 apartments to go forward for Private Rented Sector use.
- 3.2. A £2.2m Brownfield Housing Fund grant is being provided for delivery of the scheme, with a £3.3m GM Housing Investment Loans Fund loan also being provided to support the delivery of the 22 houses for open market sale. The first and second phase outlined above are currently on site and progressing well, with completion forecast for

August 2024 and December 2024 respectively. Viability constraints mean the delivery of the third phase is currently stalled.

3.3. The scheme is located in the heart of Bolton town centre, which is currently in the process of major regeneration works funded by the Levelling Up Fund allocation alongside the investment in the former Bus Station site. It is proposed that GMCA provide a £500k equity investment in the PRS development, which will help unlock the third and final phase of a transformational housing scheme, in doing so underpinning the commitment already being made by GMCA through the Brownfield Housing Fund and Housing Investment Loans Fund.

4. Recommendations

Recommendations are set out at the front of this report.