

**KEY DECISION NOTICE**

**(RECORDING OF DECISIONS MADE BY INDIVIDUALS)**

**1. Decision Summary:**

<p><b>Decision Maker</b> The Chief Executive and Treasurer of the Combined Authority (in consultation with Paul Dennett, Portfolio Holder for Planning, Housing &amp; Homelessness, and Andy Burnham, the Combined Authority Mayor).</p>	<p><b>Date of Decision</b> <i>11 Sept</i>..... 2018</p>
<p><b>Date Decision Published</b> <i>11 Sept</i>..... 2018</p>	<p><b>Date Decision will come into force</b> <i>18 Sept</i>..... 2018</p>
<p><b>Subject:</b> GM Registered Housing Providers Joint Venture</p>	
<p>A strategic partnership is being proposed between a number of Registered Housing Providers (RHP) based in GM and the GMCA (the JV Partners). The Joint Venture (the RPJV) is seeking an equity investment of £2m from the GM Housing Investment Loans Fund (GMHILF). GMHILF investment amounts to 20% of the equity required for the Joint Venture.</p> <p>Further details and the proposed terms of the investment were included in the Part B report prepared for the Combined Authority meeting on 27 July 2018, to be considered confidential on account of the commercially sensitive nature of the information.</p> <p>It is recommended that the equity investment of £2m by GMHILF be approved.</p>	

<b>Type of Decision:</b>			
<b>Mayoral Decision</b>		<b>Non Mayoral Decision Made by Officers</b>	Yes

**2. Details of the Decision:**

<b>The decision is that:</b>
The equity investment is approved subject to the full business plan being approved by the GMHILF Credit Committee and all normal due diligence being completed satisfactorily.

<b>The reasons for the decision are:</b>
It is concluded the investment is in line with the strategic objectives of the GMCA to increase the supply of housing within the GM area.
The decision is taken under delegated powers granted at the July 2018 Combined Authority meeting.
The decision is required to be taken in August 2018 to align with other equity investors' decision making timetable.
<b>Alternative options considered and rejected when making the decision:</b>
N/A

### 3. Conflict of Interest:

<b>Record of any conflict of interest declared by any Member who is consulted by the member or officer which related to the decision:</b>
None
<b>Dispensation granted by the Head of Paid Service in respect of any conflict of interest declared:</b>
Not applicable

### 4. Register of Key Decisions:


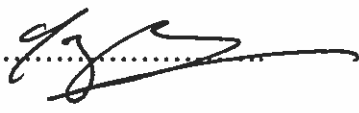
Register of Key Decisions Reference	July
Or if not published in the Register of Key Decisions - Reasons for general or special urgency such that it was not published in the Register of Key Decisions	

### 5. Scrutiny Call In:

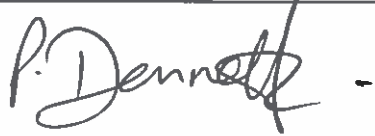

Call-in deadline	4pm on <u>15 SEPT</u> 2018
Or if Exempt from Call-in explain how any delay would seriously prejudice the legal or financial position of the GMCA or the Constituent Councils, or the interests of the residents of Greater Manchester	

Scrutiny Chair  
who agreed the urgency

**6. Signature of Decision Maker/s:**

Signed:  .....   
Date: 11/9/18 .....

**7. For delegated decisions which are to be made in consultation with others please include:**

Name/s of politician/s or Officer/s who must be consulted (if any)	Consultee signature: by signing this decision notice you confirm that you have been consulted on this decision
Paul Dennett, Portfolio Holder for Planning, Housing & Homelessness,  And  Andy Burnham, the Combined Authority Mayor	  

**NOTE:**

Decisions made by the Mayor will also be reported to the GMCA at its next meeting (except where the decision concerned was taken openly by the Mayor while sitting within a formal meeting of the GMCA).

Non Mayoral Decisions made by Officers will be available for public inspection at the GMCA's offices and on the GMCA's website.



**Date:** 9<sup>th</sup> August 2018**Subject:** GM Housing Investment Loans Fund – Investment Approval Recommendation**Report of:** Paul Dennett, Portfolio Holder for Planning, Housing & Homelessness, and Steve Rumbelow, Portfolio Lead Chief Executive for Planning and Housing**PURPOSE OF REPORT**

This report seeks Greater Manchester Combined Authority (“Combined Authority”) approval of the GM Housing Investment Loans Fund loans detailed in the recommendation below.

**RECOMMENDATIONS**

The Greater Manchester Combined Authority is requested to:

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

BORROWER	SCHEME	DISTRICT	LOAN
Paul Cook Developments (Whitehaven) Ltd	The former Radcliffe Times Building, Radcliffe	Bury	£0.792m

- Approve the GM Housing Investment Loans Fund equity investment into the GM Registered Housing Provider Joint Venture, as detailed further in this and the accompanying Part B report;
- 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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## BACKGROUND PAPERS:

- Housing Investment Fund (report to GMCA, 27 February 2015)
- GM Housing Fund – Updated Investment Strategy (report to GMCA, 27 July 2016)

TRACKING/PROCESS		
Does this report relate to a Key Decision, as set out in the GMCA Constitution or in the process agreed by the AGMA Executive Board		Yes / No [Delete as appropriate]
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 AGMA Scrutiny Pool on the grounds of urgency?		[Please state any reasons here]
AGMA Commission	TfGMC	Scrutiny Pool
[Date considered at 1 of the 6 AGMA Commissions; if appropriate]	[Date considered at TfGMC; if appropriate]	[Date considered/or to be considered at Scrutiny Pool; if appropriate]

## 1.0 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 loans and equity investment detailed in section 2, which have been recommended for approval by the Fund's Gateway Panel and Credit Committee.
- 1.2 The total value of offers of loans from the Fund approved by the Combined Authority to date is £431.6m. If the recommendations set out in this report are approved, the total value of offers of loans from the Fund will increase to £432.4m and the total value of equity investments will be £2.0m.
- 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. The income generated from the ongoing investment of the Fund can be utilised to support Local Authorities to meet the wider GMCA objectives. The level of commitment has now exceeded £300m and work is ongoing to revise the Investment Strategy to better align the future investment approach with the GMCA housing objectives.
- 1.4 It is intended that future reports seeking Combined Authority approval to loans will be set in the context of a wider Residential Growth Investment Strategy once this is developed which will provide a strategic framework for supporting housing delivery in Greater Manchester. This will include any new funding from the Housing Infrastructure Fund, the Housing Deal negotiated with Government and any monies available to deliver social housing from the additional £2

billion which the Government has announced. A more detailed report on this will be brought back in due course.

## **2.0 LOAN APPROVAL SOUGHT**

- 2.1 Paul Cook Developments (Whitehaven) Ltd ("PCDW") is seeking a loan from the GM Housing Investment Loans Fund of £0.792m for the construction of 10 apartments at Radcliffe, Bury. The scheme is to be pre-sold and will be designated for affordable rent. Planning permission obtained 3<sup>rd</sup> August 2018.
- 2.2 The loan will be provided to a small Greater Manchester based SME developer supporting GMCAs response to some of the challenges set out in the Housing White Paper.
- 2.3 Further details of the scheme and proposed terms of the loan are included in the accompanying Part B report, to be considered in the confidential part of the agenda on account of the commercially sensitive nature of the information.

## **3.0 EQUITY INVESTMENT SOUGHT**

- 3.1 A strategic partnership is being proposed between a number of Registered Housing Providers (RHP) based in GM and the GMCA (the JV Partners). The Joint Venture is seeking an equity investment of £2m from the GM Housing Investment Loans Fund (GMHILF). GMHILF investment amounts to 20% of the equity required for the Joint Venture.

The Joint Venture vehicle (RPJV) will acquire land, in the first instance, from GM Local Authorities and build market for sale houses. The level of affordable housing provided and any S106 contributions on specific sites will be determined through the planning process by individual districts. An increased level of affordable housing could be provided if either the local authority was willing to accept reduced land value for the site, or some additional subsidy was provided to offset the reduced profitability of the scheme.

The key principles of the RPJV are as follows:

- The approach will accelerate delivery of houses on sites, preventing land banking of sites for future development. This will contribute to GM achieving its housing delivery targets;
- The site value paid to the LAs would be calculated on an open book basis to ensure transparency over achieving best value and will avoid protracted 'chipping' by commercial operators;
- The returns generated by the shareholders will be utilised to support shareholders' underlying objectives i.e. for the RPs this is the provision of affordable housing. As such the proposal will provide for additionality in supply rather than replacing alternative supply.

3.2 It is proposed by the Portfolio Holder that any profit returned from the GMHILF investment over the 7 year operating period is ring fenced specifically to support social / affordable housing objectives of the GMCA. This proposal will be included as part of the overall strategy for the deployment of surplus funds generated by GMHILF, which will be the subject of discussion with Leaders.

3.3 The decision to invest the £2m of equity from the GMHILF is subject to the full business plan being approved by the GMHILF Credit Committee and all normal due diligence being completed satisfactorily.

#### **4.0 RISK MANAGEMENT**

4.1 The structure and security package proposed for each loan and equity investment in order to mitigate lending risks are given in the accompanying Part B report.

4.2 Each loan will be conditional upon a satisfactory outcome of detailed due diligence and ongoing confirmation from Monitoring Surveyors acting on the Fund's behalf that the schemes are being delivered satisfactorily.

4.3 The equity investment into the Joint Venture will be conditional upon the satisfactory outcome of detailed financial and legal due diligence on the structure and governance arrangements for the Joint Venture.

#### **5.0 LEGAL CONSIDERATIONS**

5.1 A detailed loan facility and other associated legal documentation will be completed for each scheme ahead of the first loan payment. Similarly, detailed members' agreements and associated legal documentation will be completed for the equity investment.

#### **6.0 FINANCIAL CONSEQUENCES – REVENUE**

6.1 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 / MCC in addition to the approved Core Investment Team budget.

#### **7.0 FINANCIAL CONSEQUENCES – CAPITAL**

7.1 The proposed loan and equity investment will be sourced from the £300m GM Housing Investment Loans Fund, including the recycling of loans made by the Fund which have now been repaid.

#### **8.0 RECOMMENDATION**



8.1 The Combined Authority is recommended to approve the loan and equity investment in line with the terms set out in the accompanying report.

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