

EXECUTIVE BOARD – 20 November 2018

Subject:	Loan to Nottingham City Homes Registered Provider for Affordable Housing Acquisition
Corporate Director(s)/Director(s):	Chris Henning, Corporate Director for Development and Growth.
Portfolio Holder(s):	Councillor Linda Woodings, Portfolio Holder for Planning and Housing. Councillor Graham Chapman, Portfolio Holder for Finance, Resources and Commercial Services.
Report author and contact details:	Fran Cropper, Regeneration Team Leader, fran.cropper@nottinghamcity.gov.uk , 0115 8763956
Subject to call-in:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Key Decision:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Criteria for Key Decision:	
(a) <input checked="" type="checkbox"/> Expenditure <input type="checkbox"/> Income <input type="checkbox"/> Savings of £1,000,000 or more taking account of the overall impact of the decision	
and/or	
(b) Significant impact on communities living or working in two or more wards in the City <input type="checkbox"/> Yes <input type="checkbox"/> No	
Type of expenditure:	<input type="checkbox"/> Revenue <input checked="" type="checkbox"/> Capital
Total value of the decision: See exempt appendix.	
Wards affected: Wollaton West	
Date of consultation with Portfolio Holder(s): 10 May 2018	
Relevant Council Plan Key Theme:	
Strategic Regeneration and Development	<input checked="" type="checkbox"/>
Schools	<input type="checkbox"/>
Planning and Housing	<input checked="" type="checkbox"/>
Community Services	<input type="checkbox"/>
Energy, Sustainability and Customer	<input type="checkbox"/>
Jobs, Growth and Transport	<input type="checkbox"/>
Adults, Health and Community Sector	<input type="checkbox"/>
Children, Early Intervention and Early Years	<input type="checkbox"/>
Leisure and Culture	<input type="checkbox"/>
Resources and Neighbourhood Regeneration	<input checked="" type="checkbox"/>
Summary of issues (including benefits to citizens/service users):	
<p>It has been agreed that Nottingham City Homes Registered Provider (NCH RP) will acquire the 14 affordable housing units which are being provided under a Section 106 agreement at Radford Bridge Allotments. This approval is to arrange the loan facility to NCH RP from Nottingham City Council to acquire the properties.</p> <p>These homes will be let out, by NCH RP, for social or affordable rents, and via the Homelink housing waiting list system.</p>	
Exempt information: State 'None' or complete the following	
<p>An appendix to the report is exempt from publication under paragraph 3 of Schedule 12A to the Local Government Act 1972 because it contains information relating to commercially sensitive information and, having regard to all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information. It is not in the public interest to disclose this information because it may prejudice commercially sensitive negotiations in future when bidding for Section 106 affordable housing units.</p>	
Recommendation(s):	
<p>1 To delegate authority to the Director of Finance to approve loan drawdowns subject to due diligence as detailed in the exempt finance comments.</p>	
<p>2 To ensure that the loan facility is adequate to repay the 10% deposit which was paid to the</p>	

1 REASONS FOR RECOMMENDATIONS

- 1.1 To support Nottingham City Homes Registered Provider by providing a loan for the purchase of the 14 affordable housing units at Radford Bridge Allotments, subject to Chief Finance Officer approval following receipt of a satisfactory business case demonstrating the ability to repay the loan, supporting documentation and loan security.

2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)

- 2.1 Nottingham City Homes is an Arm's Length Management Organisation (ALMO) responsible for management and maintenance of the Council's housing stock. In October 2017 a subsidiary company of NCH was established as a Registered Provider of affordable housing (NCH RP). In order to finance the development and purchase costs of housing stock for the new RP, NCH will need to have access to a borrowing facility.
- 2.2 The Council will need to ensure that the interest rate for the subject loan is State Aid compliant and this will be fixed by the Chief Financial Officer at the time of the transaction.
- 2.3 The loan request will have an individual loan agreement and will include a legal charge over the assets as security for the borrowing.
- 2.4 Radford Bridge Allotments is a residential development by Avant Homes providing 89 new homes. As part of the planning permission granted a Section 106 agreement requires affordable houses to be provided, of which 10 are to be social rent, and four are affordable rent.
- 2.5 A phased handover from the developer to NCH RP is expected between July 2019 and August 2020.
- 2.6 The developer invited RPs, including the Council, to submit bids for the affordable housing. The Council was the successful bidder, and the contract with the developer allows for the Council to nominate the ALMO RP subsidiary as the purchaser.
- 2.7 At the point of exchange, the City Council paid a 10% deposit to the developer. The amount of the loan will need to be adequate to repay this deposit, as well as pay the remaining 90% balance upon practical completion.

3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

- 3.1 The Council could have purchased the affordable housing at Radford Bridge Allotments, however this is an opportunity for NCH RP to increase their stock and asset base.

4 FINANCE COLLEAGUE COMMENTS (INCLUDING IMPLICATIONS AND VALUE FOR MONEY/VAT)

- 4.1 Please refer to appendix 2 for exempt finance comments.
Tom Straw – Senior Accountant (Capital Programmes), 19th September 2018

5 LEGAL AND PROCUREMENT COLLEAGUE COMMENTS (INCLUDING RISK MANAGEMENT ISSUES, AND LEGAL, CRIME AND DISORDER ACT AND PROCUREMENT IMPLICATIONS)

- 5.1 The City Council must ensure that a loan to NCH RP is not unlawful state aid. Providing a loan to NCH RP at an interest rate lower than the rate which NCH RP could obtain in the market from a comparable lender would be prima facie unlawful state aid. However it is likely that providing funding by the way of a loan for the purchase and provision of affordable housing supports the delivery of a public service or 'service of general economic interest' ('SGEI') on behalf of the City Council and is therefore not unlawful state aid. The City Council must entrust NCH RP with this SGEI obligation and the amount of the loan should be no more than is necessary to cover costs and a reasonable level of profit. The entrustment of the obligation can be included in the loan agreement. Andrew James - Team Leader, Commercial, Employment and Education, 24th September 2018.

6 STRATEGIC ASSETS & PROPERTY COLLEAGUE COMMENTS (FOR DECISIONS RELATING TO ALL PROPERTY ASSETS AND ASSOCIATED INFRASTRUCTURE)

- 6.1 Not applicable.

7 SOCIAL VALUE CONSIDERATIONS

- 7.1 Not applicable.

8 REGARD TO THE NHS CONSTITUTION

- 8.1 Not applicable.

9 EQUALITY IMPACT ASSESSMENT (EIA)

- 9.1 Has the equality impact of the proposals in this report been assessed?

No



An EIA is not required because:

This report is deemed outside of the scope for an EIA.

Yes



Attached as Appendix x, and due regard will be given to any implications identified in it.

10 LIST OF BACKGROUND PAPERS RELIED UPON IN WRITING THIS REPORT (NOT INCLUDING PUBLISHED DOCUMENTS OR CONFIDENTIAL OR EXEMPT INFORMATION)

- 10.1 None.

11 PUBLISHED DOCUMENTS REFERRED TO IN THIS REPORT

- 11.1 Delegated Approval ref 3039, December 2017: Affordable Housing Acquisition, Radford Bridge Allotments, Wollaton.