

## SHEFFIELD CITY COUNCIL

### INDIVIDUAL CABINET MEMBER DECISION RECORD

The following decision was taken on 20 July 2018 by the Cabinet Member for Transport and Development.

Date notified to all members: Monday 23 July 2018

The end of the call-in period is 4:00 pm on Friday 27 July 2018

Unless called-in, the decision can be implemented from Saturday 28 July 2018

1. **TITLE**

Phase 5 Pre-development Loan to Sheffield Housing Company

2. **DECISION TAKEN**

That the Individual Cabinet Member:

Approves the next stage of agreed loan payments to SHC on the following terms:

**Payment Schedule**

Payment 1 - £756,000 in July 2018 or as soon as the loan agreement is in place.

Payment 2 - £924,000 in January 2019 subject to an approved Business Case and confirmation that development finance is available.

**Interest Rate**

5.75% above Bank of England base rate, to be repaid within 5 years of the date of land demise of the first site in Phase 5.

3. **Reasons For Decision**

Providing a loan for pre-development costs for Phase 5 ensures that the sites are developed out and additional housing is built in line with the original vision for the local housing company. This will provide much needed quality housing in the identified areas.

Sheffield City Council (SCC) has provided previous pre-development loans for earlier phases and has existing land values due by way of Loan Notes from previous phases. Funding the continued building programme is seen as the best way to ensure that those monies owed are paid when due.

SCC will also benefit from receipt of the commercial return on the loan and as a shareholder will benefit from dividends declared by the Sheffield Housing Company as a result of any development profits.

4. **Alternatives Considered And Rejected**

**Decline the request for the Phase 5 loan**

Sheffield Housing Company (SHC) have confirmed that pre-development finance is not available from another source, as it has no registered interest in the land until drawdown is complete. Therefore, without the loan, no further work can proceed on the remaining sites in the SHC programme which may prejudice the future viability of SHC and consequently the Council's capital receipt and returns on land investment may not be realised.

**Approach Homes England for investment support**

To sustain the programme the SHC could ask Homes England (HE) to increase its equity which may require surrendering part of the equity as a return for HE. This would require new loan agreements and HE may not be interested in taking up this opportunity. It would also require extensive renegotiation of the current legal agreements surrounding the SHC and may have procurement law implications.

**Defer SHC payments of land receipts**

The Council provides consent to SHC that they can cash flow the pre-development costs from previous phase receipts. This would require the Council to defer the payment of land receipts from previous phases and leave those repayments at risk.

5. **Any Interest Declared or Dispensation Granted**

None

6. **Respective Director Responsible for Implementation**

Executive Director, Place

7. **Relevant Scrutiny Committee If Decision Called In**

Safer and Stronger Communities Scrutiny Committee