

SHAREHOLDER CABINET COMMITTEE

MONDAY 27 JANUARY 2020

11.00 AM

Bourges/Viersen - Town Hall

AGENDA

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Committee Members:

Councillors: Wayne Fitzgerald (Chair), Steve Allen, Marco Cereste, David Seaton, Irene Walsh

Further information about this meeting can be obtained from Pippa Turvey on telephone 01733 452460 or by email – philippa.turvey@peterborough.gov.uk

SHAREHOLDER CABINET COMMITTEE	AGENDA ITEM No. 3
27 JANUARY 2020	PUBLIC REPORT

Report of:	Steve Cox - Executive Director Place and Economy		
Cabinet Member(s) responsible:	Cabinet Member for Finance		
Contact Officer(s):	Steve Cox – Executive Director Place and Economy	Tel. 01733	
	Dave Anderson – Interim Development Director	453475	

MEDESHAM HOMES

R E C O M M E N D A T I O N S	
FROM: Steve Cox - Executive Director Place and Economy	Deadline date: N/A
<p>The Shareholder’s Committee is asked to:</p> <ul style="list-style-type: none"> • Note the progress that has been made by Medesham Homes LLP in delivering affordable rented homes in Peterborough; • Note that in the near future it will no longer be possible to finance the development undertaken by Medesham Homes from historic right to buy receipts; • Invite the board of Medesham Homes to discuss how the company can most effectively progress its strategy and objectives and deliver new affordable homes in the city in future; • Consider and agree which of the options for the future operation of the company it wishes to pursue for discussion and agreement with the Council’s JV partner, Cross Keys Homes. 	

1. ORIGIN OF REPORT

- 1.1 This report on the JV partner Medesham Homes is submitted to the Shareholder Cabinet Committee by the Cabinet Member of Finance.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The report is being presented to the Shareholder Cabinet Committee to provide an update on Medesham Homes activities / achievements and provide an overview of the options under consideration for the future of the company’s operations and governance arrangements.
- 2.2 This report is for the Shareholder Cabinet Committee to consider under its Terms of Reference No. 3.3.2. ‘Functions of the Shareholder Cabinet Committee’ (a), *“To monitor performance and financial delivery of the companies, partnerships and charities set out above in line with Cabinet approved business plans by means of monthly performance monitoring and scrutiny.”*

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	N/A
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4. BACKGROUND AND KEY ISSUES

Medesham Homes was set up in 2016 as a 50:50 Joint Venture between the Council and Cross Keys Homes [CKH] with the following objectives:

- Delivering affordable housing;
- Investigating opportunities for starter homes, share equity, market sale, private rented and housing solutions for vulnerable groups;
- Generating economic growth and new employment opportunities;
- Addressing housing needs and requirements, in particular, for older people and overcrowded households;
- Creating through development and regeneration a strong coherent sense of place where people want to live;
- Providing the company members with returns commensurate with their investment to the extent that this is consistent with the company's objectives; and
- Exploring other opportunities to further the company's objectives where these are in accordance with the member's agreement.

The activities outlined in the company's member agreement include:

- Land acquisition and assembly;
- The construction masterplanning and design process;
- The development of both commercial and residential aspects;
- Agreeing terms with existing owners and third-party community land interests;
- Consultation with landowners and other stakeholders;
- Entering into development management and estate management and maintenance contracts;
- Securing finance as necessary including any applicable public sector funding.

Medesham Homes was set up to bring together the skills, resources and expertise of its member organisations and was intended to have only a small core staffing resource enabling it to be nimble and move forward speedily with project opportunities. The company aims to complement the other actions being taken by the Council to promote the supply of affordable housing in Peterborough which include the use of Section 106 planning policy obligations with developers of private housing; the direct purchase of homes through Invest to Save measures and engagement with private landlords to lease homes individually and in bulk at or close to local housing allowance rates so as to alleviate temporary accommodation pressures and reduce the use of B&B accommodation.

Medesham Homes is governed by a Board of 6 Directors including two elected Members and one Council Officer who is currently seconded to the Peterborough Investment Partnership; plus three representatives of Cross Keys Homes.

Cross Keys Homes provides considerable staff input to the appraisal of new housing development opportunities free of charge in addition to contributing to the Company's Strategic and longer term business planning through the Board of Directors. The company engages an experienced qualified surveyor to project manage the delivery of individual sites.

The property management model utilised, which leases units to CKH, provides access to the full range of services provided by a social landlord at a competitive rate. It also allows the tenants to enjoy the same level of tenure security as other CKH residents without the Medesham assets being subject to the right to acquire.

Historically, the company has been funded by the allocation of a combination of £18.3m right to buy receipts and £4.3m of commuted sums from S106 Planning Obligations. Of this, funding which totals £22.7m, the amount allocated to date is £18.17m

It has also had recent success in attracting grant funding support from the Cambridgeshire and Peterborough Combined Authority for schemes currently in development

Table 1 below shows the schemes funded and completed by Medesham Homes or currently in development and due to be completed within the next 12 months.

Development	No of Houses	Sources of funding		Development Status
		Right to Buy	CA Grant	
Midland Road	29	3,990,000	£0	Completed Dec 2018
Eye Green	35	5,324,950	875,000	Phased completion from February to July 2020
Belle Vue Stanground	30	4,165,000	735,000	Phased completion from January to March 2020
Bretton Court	45	4,697,500	1,687,500	Anticipated start of construction March 2020
London Road	Anticipated 70			Site Assembly

Table 1

5. ANTICIPATED OUTCOMES OR IMPACT

OPTION APPRAISAL

Looking at the future operation of Medesham Homes there appear to be 4 main options open to the joint venture partners once right to buy and S106 receipts are fully exhausted.

1. PCC to offer first refusal to CKH for its share of Medesham Homes as per the members' agreement.
2. Continue to finance affordable housing development using debt borrowed against the equity built up in the homes delivered to date from right to buy receipts and grant funding
3. Take on additional finance by injecting debt in the form of loan notes from the two JV partners building on option 2.
4. Build on options 2 and 3 by also pursuing the development of housing for outright sale together with some limited use of housing for rental at market rates using these to use capital to help cross subsidise the affordable rented units.

Option 4 is the option recommended for discussion and agreement with the Council's JV partner Cross Keys Homes.

6. REASON FOR THE RECOMMENDATION

- 6.1 The Council remains committed to the objective of delivering affordable housing in Peterborough. Medesham Homes has demonstrated an ability to do so on sites that would be unattractive to private housebuilders and offers added value to the Council and Cross Keys Homes as a delivery vehicle.

Once London Road has been completed it is estimated that the company will have a vacant possession asset value of between £25m - £30m. This would produce a capital receipt for each partner of between £12.5m - £15m. Tenanted in use valuation would likely be circa £5/7m. In any event, such a sale would likely trigger a default of the CPCA grant funding agreement requiring repayment of around £4m. There may also be a requirement that any receipt may still be subject to ring-fencing for affordable housing. Whilst the Council could use such a receipt to fund non housing projects, or to reduce its debts, the pressures to deliver more affordable housing in the Peterborough are unlikely to recede given the city's forecast population growth in the coming decade. It is therefore argued that, subject to agreement with CKH on future

governance and future financing from each of the JV partners, Medesham Homes should continue to pursue its mission of delivering affordable homes.

7. ALTERNATIVE OPTIONS CONSIDERED

- 7.1 The primary alternative option would be to wind up the company and sell off its assets or for one of the partners to buy out the other. The pursuit of such an option would deny the Council the opportunity to deliver additional affordable homes harnessing the expertise of CKH and the resources that have been brought together through the Medesham Homes joint venture. By continuing to use Medesham as a joint venture delivery vehicle, borrowing against existing assets, attracting grant funding and injecting additional debt finance the Council will be able to play an important role in securing affordable housing delivery, in particular on sites that the private sector may be unwilling or unable to take forward.

8 IMPLICATIONS

Financial Implications

- 8.1 This report is provided for information and to update members on the progress of Medesham Homes in delivering additional affordable homes in Peterborough. As such, there are no new financial implications. If the recommended approach is accepted then officers will return with a report seeking an injection of debt finance to support future development along with any associated recommendations, following discussion with the Council's JV partner, Cross Keys Homes.

Legal Implications

- 8.2 This report provides a progress update, as such there are no legal implications.

Equalities Implications

- 8.3 This report provides a progress update, as such there are no equalities implications.

Carbon Impact Assessment

- 8.4 This report provides a progress update, as such there are no direct carbon impact implications. Medesham Homes aims to develop new affordable homes with a low carbon impact

9. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

- 9.1 NONE

10 APPENDICES

- 10.1 NONE

SHAREHOLDER CABINET COMMITTEE	AGENDA ITEM No. 4
27 JANUARY 2020	PUBLIC REPORT

Report of:	Peter Carpenter, Acting Corporate Director of Resources	
Cabinet Member(s) responsible:	Cabinet Member for Finance	
Contact Officer(s):	Peter Carpenter, Acting Corporate Director of Resources	Tel. 01733 384564

EMPOWER PETERBOROUGH

R E C O M M E N D A T I O N S	
FROM: Peter Carpenter, Acting Corporate Director of Resources	Deadline date: N/A
It is recommended that the Shareholder Cabinet Committee note the contents of this report.	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to the Shareholder Cabinet Committee on the Empower Peterborough project by the Cabinet Member for Finance

2. PURPOSE AND REASON FOR REPORT

- 2.1 The report is being presented to the Shareholder Cabinet Committee to provide an overview of the Empower Peterborough project and an update on the progress of the loan re-financing to a long term funder
- 2.2 This report is for the Shareholder Cabinet Committee to consider under its Terms of Reference No. 3.3.2. 'Functions of the Shareholder Cabinet Committee' (a), *"To monitor performance and financial delivery of the companies, partnerships and charities set out above in line with Cabinet approved business plans by means of monthly performance monitoring and scrutiny."*

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	N/A
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4. BACKGROUND AND KEY ISSUES

4.1 Background

In December 2014 the Council entered into a strategic partnership agreement with Empower Community Management LLP to deliver solar panels on residential properties. As part of this arrangement and subsequent additions to the original scheme, the Council invested capital funds totalling £23m which resulted in over 7,700 rooftop installations which have been providing free electricity for the householder. The Empower Loan is fully secured over the solar rooftop assets of ECS Peterborough 1 and is returning a commercial rate of return to the Council. This return is contributing towards the Budget position of the Council and helping to support the delivery of services. By continuing to finance the loan the Council is receiving

income which is assisting with the alleviation of its Budget pressures.

The Council has received a net return of over £2.6m in the last four years from this loan and currently receives a net return of over £90k per month

4.2 **Refinance Progress**

On 5 June 2019, following evaluation of seven expressions of interest from potential refinancing institutions a decision was made to grant a period of exclusivity with one counterparty Global Tower Solutions (GTS)

GTS is a financial investor in renewable assets whose aims are to acquire, construct and own/operate large scale clean energy generating assets globally.

Under the ownership of GTS the social and financial benefits to tenants and the social landlords will be enhanced. In part, this will be driven by a more technologically advanced and reactive driven stewardship and a maintenance programme which will improve solar yields and electricity generation. GTS will also be offering the opportunity of a retrofit battery system to both landlords and tenants, again improving savings to the tenants and at no further cost to either party. Over time GTS will also be offering further data driven services which, if chosen to be implemented, will add further value to the landlords and tenants

4.3 **Key Issues**

In September Cabinet approved the extension of the Loan Facility to the end of November 2019 to enable the smooth transition of the loan from the Council to Global Tower Solutions. During the period of the extension the Council will continue to receive an income from the interest which will contribute to the Council's MTFS savings targets.

4.4 **Future Progress**

The progress of the refinancing is monitored by the Council by maintaining regular contact with GTS and its advisors and by consulting with its own advisors Pinsent Mason LLP and Deloitte LLP. If any further extension of the Facility is required this will be subject to a separate CMDN

5. **CONSULTATION**

5.1 Consultation on the proposed refinance has been undertaken with the Council's advisors, Pinsent Masons LLP and Deloitte LLP as part of the due diligence process. Long term finance providers have also been consulted

6. **ANTICIPATED OUTCOMES OR IMPACT**

6.1 The expected outcome of the Empower loan refinance is set out in this report

7. **REASON FOR THE RECOMMENDATION**

7.1 The reason for the recommendation is to ensure the Shareholder Cabinet Sub-Committee understand the Empower project and progress on the Empower loan refinance progress

8. **ALTERNATIVE OPTIONS CONSIDERED**

8.1 An alternative option was not to present this report to the Shareholder Cabinet Sub-Committee. This option was not taken forwards as it was important to update the Committee on the Empower partnership and the loan refinance progress

9. **IMPLICATIONS**

Financial Implications

9.1 This report is to give an overview/progress update as such there are no financial implications

Legal Implications

9.2 This report is to give an overview/progress update as such there are no legal implications.

Equalities Implications

9.3 This report is to give an overview/progress update as such there are no equalities implications.

Carbon Impact Assessment

9.5 This report is to give an overview/progress update as such there are no carbon impact implications

10. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

10.1 Cabinet Report SEP19/CAB/43

11. APPENDICES

11.1 None

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Shareholder Cabinet Committee Work Programme 2019/2020

Meeting Date	Item	Comments
24 JULY 2019 <i>Draft Report: 22 May 2019</i> <i>Final Report: 5 June 2019</i>	Shareholder Cabinet Sub-Committee Overview Report To agree to the appointment of co-opted members to the committee for the municipal year 2019/2020. Lead Officer: Peter Carpenter	
16 SEPTEMBER 2019 <i>Draft Report: 19 August 2019</i> <i>Final Report: 29 August 2019</i>	Aragon Direct Services Lead Officer: Steve Cox/James Collingridge	
	NPS Peterborough Limited (including links to the delivery of temporary accommodation) Lead Officer: Steve Cox/Peter Carpenter	
27 JANUARY 2020 <i>Draft Report: 16 December 2019</i> <i>Final Report: 8 January 2020</i> <i>Deadline for Exempt Information Notice: 24 December 2019</i>	Medesham Homes LLP (including links to the delivery of temporary accommodation) Lead Officer: Steve Cox	
	Empower Peterborough Lead Officer: Peter Carpenter	
2 MARCH 2020 <i>Draft Report: 30 January 2020</i> <i>Final Report: 12 February 2010</i> <i>Deadline for Exempt Information Notice: 27 January 2020</i>	Opportunity Peterborough Lead Officer: Steve Cox	
	Peterborough Investment Partnership LLP	

	Lead Officer: Steve Cox/Howard Bright	
	Aragon Direct Services Lead Officer: Steve Cox/James Collingridge	
TBC 2020 <i>Draft Report: TBC</i> <i>Final Report: TBC</i> <i>Deadline for Exempt Information Notice: TBC</i>	Guidance for Member and Officers who Serve on Outside Bodies Lead Officer: Fiona McMillan	
	Vivacity Lead Officer: Adrian Chapman	
	Peterborough Museum and Art Gallery Lead Officer: Adrian Chapman	

Standing Items

- **Guidance for Member and Officers who Serve on Outside Bodies (Lead Officer: Fiona McMillan)**
First Meeting of the Municipal Year