

## PART 2 – CONFIDENTIAL FACTS AND ADVICE

**MD1425**

### **Title: Mayor's Care and Support Specialised Housing Fund – additional Funding**

*Information may have to be disclosed in the event of a request under the Freedom of Information Act 2000. In the event of a request for confidential facts and advice, please consult the Information Governance team for advice.*

#### **This information is not for publication until the stated date, because:**

The information contained within this document is commercially sensitive, having been provided to the GLA in confidence as part of a funding application. The information is therefore covered by section 43(2) (commercial interests) of the Freedom of Information Act 2000.

Furthermore, in order to enable the GLA to manage the allocations and further due diligence processes without fetter or impediment it will be beneficial to ensure this information is retained confidentially.

Following the completion of the contracting and due diligence process the GLA will publish selected information on allocations, ensuring that commercial confidentiality is not breached.

**Date** at which Part 2 will cease to be confidential or when confidentiality should be reviewed: 01 April 15

#### **Legal recommendation on the grounds of keeping the information confidential:**

The information in this document is commercially sensitive and, if disclosed, could prejudice the commercial interests of the funding applicants who have supplied the information in confidence to the GLA. The disclosure of such information could impact adversely on the GLA's bargaining position with recipients and its ability to manage the allocations and further due diligence processes as well as the contract negotiation and finalisation process and thereby prejudice the commercial and business interests of the GLA.

For these reasons it is considered that the information below is exempt from publication in reliance upon the exclusions contained in section 43(2) (commercial interests) of the Freedom of Information Act and because the public interest in withholding the information outweighs the public interest in releasing it.

**Legal Adviser** - I make the above recommendations that this information should be considered confidential at this time

**Name:** Gemma Jackson

**Date:** 9 December 2014

*Once this form is fully authorised, it should be circulated with Part 1.*

**Confidential decision and/or advice:**

The proposed allocations for the two organisations that are deemed to have passed the second stage of due diligence are outlined in the table below.

Bidder	Firm Homes 2015-18	Firm Homes 2018-21	TOTAL Firm Homes	Indicative Homes	TOTAL <u>maximum</u> expected homes	Jobs created	Apprenticeships started	TOTAL Jobs Apprenticeships
Big Issue	90	110	200	200	400	50	50	100
Gentoo	500	0	500	1,500	2,000	2,700	300	3,000
<b>TOTALS</b>	<b>590</b>	<b>110</b>	<b>700</b>	<b>1,700</b>	<b>2,400</b>	<b>2,750</b>	<b>350</b>	<b>3,100</b>

Bidder	GLA investment	GLA inv per home (initial)	GLA Inv per home (fund term)	Other finance leveraged in	GLA % of funding contributions	Number of years fund will operate for	Total expected return to GLA at end of fund	Return as % of original Inv
Big Issue	£10,000,000	£50,000	£25,000	£1,500,000	87%	10	£10,000,000	100%
Gentoo	£40,000,000	£80,000	£20,000	£72,500,000	36%	10	£40,000,000	100%
<b>TOTALS</b>	<b>£50,000,000</b>			<b>£74,000,000</b>			<b>£50,000,000</b>	<b>100%</b>

These organisations are subject to further due diligence, described below, and it is proposed that, subject to successful completion of this further due diligence, approval of entry into legal agreements with these organisations is made by the Executive Director of Housing and Land, in consultation with the Deputy Mayor of Housing, Land and Property, with authority to give such approval being delegated by this Mayoral Decision.

### Big Issue Invest: Social Enterprise Investment

The recommendation to allocate funding to Big Issue Invest's proposal is subject to agreement of the contractual terms and further due diligence in relation to the following:

- EU State Aid compliance** – The GLA's external legal advisers, Trowers & Hamlin, have advised that further due diligence is required before the GLA can be satisfied that the proposed funding arrangements from the GLA to Big Issue Invest are compliant with state aid requirements, potentially on the basis that the arrangements qualify as a Service in the General Economic Interest (an 'SGEI') as there is a risk that, due to the innovative proposed structure, it would not qualify as an SGEI.
- Deed of Priority** – the proposed security package requires a Deed of Priority to be negotiated and agreed with the bidder's other lenders. Whilst there remains a risk that the GLA may not be able to agree terms or receive a suitable priority ranking, the bidder has inferred the willingness of other lenders to agree a position.

### Gentoo Genie Ltd: Home Purchase Plan

The recommendation to allocate funding to Gentoo Genie Ltd's proposal is subject to agreement of the contractual terms and satisfaction of the following:

- Robust evidence of deliverability** – Whilst the product is untested, the very low access point (no deposit or mortgage needed) will be attractive to Londoners priced out of home ownership. However, the bidder does not have an established development network in London, and has only previously operated in the North East of England. This represents a risk to identifying and bringing

forward sites to deliver the expected 2,000 homes over 10 years. The GLA will require further discussions with, and evidence from, the bidder that demonstrates that the bidder is building strategic relationships with London Housing Associations, House Builders, and Local Authorities that would enable delivery on this scale;

- ii. **Treatment of Stamp Duty Land Tax (SDLT)** – Home Purchase Plans do not benefit from the same tax relief as shared ownership. As such, 100% of the SDLT is payable at the point of purchase. Previously, the bidder has absorbed this cost into their business plan, as they have only been delivering a small number of homes in the North East of England with low values. However, given the volume of the proposed programme and high London values this approach would not be possible. A solution will need to be found and agreed with the GLA that ensures that SDLT is not passed on to the consumer in a lump sum at point of purchase. If no solution can be found, this will erode the attractiveness of the product by raising the very low access point. The SDLT payment will become akin to a quasi-deposit requirement and the product will no longer be complimentary to the current suite of low cost home ownership products, for example, the SDLT payable on a home valued at £425,000 would be £12,750 (3% of value), a similar requirement to the average shared ownership home deposit.
- iii. **EU State Aid compliance** – Legal advice from Trowers & Hamlins suggests that the funding proposal should be capable of being state aid compliant but this will be subject to a review of the final detailed arrangements.