

Individual Executive Decision Notice

Report title	Loan to WV Living April 2024	
Decision designation	GREEN	
Cabinet member with lead responsibility	Councillor Louise Miles Cabinet Member for Resources	
Wards affected	All Wards	
Accountable Director	James Howse, Interim Director of Finance	
Originating service	Strategic Finance	
Accountable employee	Jo McCoy	Finance Business Partner
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Report to be/has been considered by	Not Applicable	

Summary

To approve a loan to WV Living in line with the Loan Facility Agreement. Cabinet approval was given on 27 April 2023 to delegate authority to the Cabinet member for Resources and Digital City in consultation with the Chief Operating Officer and The Director of Finance to approve detailed loan agreements, amendments to any loan agreements and the execution of any loan agreements or other financial instruments between the council and WV Living.

Recommendation(s) for decision:

That the Cabinet Member for Resources, in consultation with the Chief Operating Officer and the Director of Finance.

- 1 Approve the terms of a loan to WV Living, including a return on investment chargeable quarterly.
- 2 Approve the issue of the loan to WV Living in April 2024.
- 3 Authorises the Chief Legal Officer or other authorised officers to execute legal documentation to act as security on the site.

1.0 Background

- 1.1 At the Cabinet meeting of 27 April 2023, the updated Business Plan for WV Living 2023-2028 was approved. In addition, Cabinet delegated authority to the Cabinet Member for Resources and Digital City in consultation with the Chief Operating Officer and the Director of Finance to approve detailed loan agreements and the execution of any loan agreements or other financial instruments between the Council and WV Living.
- 1.2 Cabinet receives an update of the WV Living Business plan at least annually with performance updates reported to quarterly to the Shareholder Board.
- 1.3 In April 2024 the Council received a Claim Form from WV Living requesting a loan of £2,000,000 for a period of 12 months as financing for the Hampton Park development site. This is the second loan request for the Hampton Park development site. This development is approved by the council under the WV Living Business Plan.

2.0 Loan Request.

- 2.1 The council has one loan outstanding with WV Living, for £1,960,000 which was paid to the company in November 2023. This new loan will increase the total of loans outstanding to £3,960,000, all for financing the Hampton Park development. This is in line with the facility agreement. Previous loans all been repaid in line with the terms of the loan agreements.
- 2.2 The loan will be within the rules relating to public sector subsidy, will be offered on a commercial basis and will generate a return to the council. The loan will enable WV Living to finance its development activity and contribute to the Wolverhampton Pound and the Council's corporate plan principle of good Homes in well connected neighbourhoods by providing homes in Wolverhampton.
- 2.3 The commercial interest rate has been calculated with regards to commercial forward looking rates and the interest rate offered to WV Living for this loan is 8.19%.

3.0 Evaluation of alternative options

- 3.1 This report covers activity undertaken in line with the previous Cabinet approvals with regard to the establishment and offer of loans to WV Living. As the company is wholly owned by the council, set up to assist in the delivery of the Council's housing development and regeneration priorities, not offering the loan may impact on the ability of WV Living to meet these priorities.
- 3.2 WV Living could give consideration to borrowing from the financial sector, however the council would not generate a return from the interest rate charged.

4.0 Reasons for decisions

- 4.1 In accordance with the terms of the Loan Facility Agreement as approved in August 2017, it is recommended that a loan to WV Living is approved for £2,000,000 million at a commercial interest of 8.19% for a 12 month term to be issued in April 2024.

5.0 Financial implications

- 5.1 The capital programme includes £6.0 million to allocate as loans to WV Living in 2024-2025.
- 5.2 As a result of providing a loan of £2,000,000 million to WV Living, at a commercial interest rate of 8.19% over a period of 12 months with a 1% arrangement fee, it is anticipated that a return on investment in the region of £76,000 will be generated by the Council as the company will repay the loan at a commercial rate enabling the council to secure a premium.

[JM/10042024/M]

6.0 Legal implications

- 6.1 The Council has power to lend money to WV Living under section 1 of the Localism Act 2011 in accordance with its general power of competence. The Council has taken into account the principles of subsidy control, the prevailing interest rates and loan to value ratio when the loan is made which will be in accordance with commercial rates (and other loan terms) as detailed in and arising from the Loan Facility Agreement.
- 6.2 The Council's loan will be protected by a fixed legal charge to be granted by WV Living over the site to act as security for repayment of the outstanding loan and reflects market practice.
- 6.3 The loan is on terms that reflect the market and as such the approach is compliant with the rules on public sector subsidy.

[TC/10042024/A]]

7.0 Equalities implications

- 7.1 There are no equalities implications from this report.

8.0 All other Implications

- 8.1 There are no other implications arising from the recommendations in this report.

9.0 Schedule of background papers

- 9.1 WV Living Business Plan 2023-2028 Cabinet 27 April 2023