



Combined Authority Board	Agenda Item
31 May 2023 – Ordinary Meeting	7

Title:	Variation to loan to support residential development at Histon Rd, Cambridge
Report of:	Steve Cox, Interim Executive Director of Place and Connectivity
Lead Member:	Cllr Bridget Smith
Public Report:	Yes
Key Decision:	No
Voting Arrangements:	No vote required.

Recommendations:	
A	Note that the Final Repayment Date of the loan has been extended from 7th May 2023 to 30th September 2023 or earlier.
B	Note that a second loan and a second charge is to be registered against the property that serves as CPCA's security.
C	Note that authority has been delegated to the Monitoring Officer or the Head of Legal Services to finalise terms in consultation with the Interim Executive Director of Place and Connectivity and complete the necessary documentation to implement the Deed of Priority with the second Lender.

Strategic Objective(s):	
The proposals within this report fit under the following strategic objective(s):	
A	The proposal will contribute towards achieving good growth as the residential development project qualifies towards completing 900+ homes by 2025

1. Purpose	
1.1	To note the contract variation to the loan facility to support the residential development project at Histon Road, Cambridge. Further, to note the consent to the second legal charge with the second lender.

2. Proposal	
2.1	<p>The Final Repayment Date of the existing loan facility has been extended to 30th September 2023 or earlier.</p> <p>The interest payable from 7th May 2023 to 31 August 2023 shall be 10.25%.</p> <p>The interest rate payable from 31st August to 30th September and a revised default interest rate shall be 15%.</p>

	<p>The existing loan facility shall be varied to prevent any further advances.</p> <p>The Borrower shall be required to meet the cost of appointing the CA's monitoring surveyor throughout the extended period.</p>
2.2	The proposal will contribute towards achieving good growth as the residential development project qualifies towards the objective of completing 900+ homes by 2025

3. Background

3.1	<p>The Combined Authority's Board authorised the grant of a loan to Histon Road Development LLP on 25th March 2020.</p> <p>In August 2020 the Combined Authority's Board authorised a 7-month extension to the loan facility and a 5-month interest free period to mitigate the impacts of Covid 19.</p> <p>The Borrower has asked for the repayment date to be extended as the programme has fallen behind schedule by several months.</p> <p>The circumstances are similar to those of a loan facility that the Combined Authority provided to East Cambridgeshire Trading Company and this facility was repaid on 31st March 2023. That project had also fallen behind schedule, but the developer arranged an alternative facility to repay the loan and interest by the due date.</p> <p>The outstanding balance of the loan on 26th April 2023 was £8,172,292.43 (£8,889,539.63 including interest).</p>
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4. Appendices

4.1	Appendix 1 - ODN 401-2023 Loan Histon Road
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5. Implications

Financial Implications

5.1	Funding committed by the loan will not be required to finance affordable housing programme grant commitments until January 2024. If the funds were required before January 2024 alternative funding should be available from the inter local authority market at an interest rate below 15%.
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Legal Implications

6.1	If the contract was not varied, there was a real risk that the properties would not be completed, or further delays would have occurred. This would have also led to reputational damage and potential litigation, receivership and costs. However, varying the contract prevents further delays and non-completion of the properties and secures the loan repayment. A Deed of Priority will be completed to ensure that the CPCA Legal Charge ranks ahead of the Second Lender.
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Public Health Implications

7.1	N/A
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Environmental & Climate Change Implications

8.1	N/A
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Other Significant Implications

9.1	N/A
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Background Papers

10.1	<p>CA Board 25 Mar 2020</p> <p>CA Board 5 Aug 2020</p>
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DECISION NOTICE - OFFICER/ MAYORAL

To grant a permission or a licence, affect the rights of individuals, to award a contract or incur expenditure over £250k, to amend budgets, or apply a Key Decision over £500k.

DECISION INFORMATION		
1. DECISION TITLE	To authorise a contract variation to a loan facility to support a residential development project at Histon Road, Cambridge.	
2. DECISION No.	401-2023	
3. DECISION DATE	05/05/23	
4. FORM AUTHOR	Nick Sweeney nick.sweeney@cambridgeshirepeterborough-ca.gov.uk	
5. DESCRIPTION OF DECISION	<p>Change the Final Repayment Date of the loan from 7th May 2023 to 30th September 2023 or earlier.</p> <p>Consent to a second loan and a second charge being registered against the property that serves as CPCA's security.</p> <p>Delegate authority to the Monitoring Officer or the Head of Legal Services to agree any final terms in consultation with the Interim Executive Director of Place and Connectivity and complete the necessary documentation to implement the variation.</p>	
6. AUTHORITY FOR DECISION	The Interim Chief Executive hereby exercises powers under Chapter 17, Rule 4.8 - To take any action which is required as a matter of urgency in consultation (where practicable) with the Mayor, the Monitoring Officer and the Chief Finance Officer, and in accordance with the Transparency Rules, Forward Plan and Key Decisions (Chapter 6 - Transparency Rules, Forward Plan and Key Decisions).	
7. DECISION TYPE	Officer	
8. DECISION OWNER	Gordon Mitchell, Interim Chief Executive	
9. KEY DECISION INFORMATION	FORWARD PLAN DATE	N/A
	FORWARD PLAN NUMBER	N/A
	DATE OF DECISION	April 2023
	DATE REPORT PUBLISHED	April 2023
	APPROVAL HYPERLINK	CA Board 25 March 2020 5 August 2020
	IMPLEMENTATION DATE	
	EXEMPT INFO/ ANNEX	

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DECISION OVERVIEW		
10. SUMMARY OF REQUIREMENTS	<p>The outstanding balance of the loan on 26th April 2023 was £8,172,292.43 (£8,889,539.63 including interest).</p> <p>The Final Repayment Date of the existing loan facility is to be extended to 30th September 2023 or earlier.</p> <p>The interest payable from 7th May 2023 to 31 August 2023 shall be 10.25%. The interest rate payable from 31st August to 30th September and a revised default interest rate shall be 15%.</p> <p>The existing loan facility shall be varied to prevent any further advances.</p> <p>The Borrower shall be required to meet the cost of appointing the CA's monitoring surveyor throughout the extended period.</p>	
11. PROJECT BACKGROUND	<p>The Combined Authority's Board authorised the grant of a loan to Histon Road Development LLP on 25th March 2020.</p> <p>In August 2020 the Combined Authority's Board authorised a 7-month extension to the loan facility and a 5-month interest free period to mitigate the impacts of Covid 19.</p> <p>The Borrower has asked for the repayment date to be extended as the programme has fallen behind schedule by several months.</p> <p>The circumstances are similar to those of a loan facility that the Combined Authority provided to East Cambridgeshire Trading Company and this facility was repaid on 31st March 2023. That project had also fallen behind schedule, but the developer arranged an alternative facility to repay the loan and interest by the due date.</p> <p>A detailed briefing note is included in a confidential Annex A.</p>	
12. FINANCE INFORMATION	VALUE OF DECISION	
	BUDGET CODE(S)	
	BUDGET DESCRIPTION(S)	
	FUNDING TYPE	
	FUNDING APPROVAL	<p>The initial loan was approved by CA Board 25th March 2020.</p> <p>A variation was approved by CA Board on 5th August 2020.</p>
	FUNDS AVAILABLE	£


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	OTHER COMMENTS	Funding committed by the loan will not be required to finance affordable housing programme grant commitments until January 2024. If the funds were required before January 2024 alternative funding should be available from the inter local authority market at an interest rate below 15%.
13. PROCUREMENT CONSIDERATIONS	DIRECT AWARD JUSTIFICATION	N/A
	REGULATION RISKS	
	VFM JUSTIFICATION	
14. LEGAL CONSIDERATIONS	LEGAL RISKS	If the contract was not varied, there was a real risk that the properties would not be completed, or further delays would have occurred. This would have also led to reputational damage and potential litigation, receivership and costs. However, varying the contract prevents further delays and non-completion of the properties and secures the loan repayment.
	CONTRACT/ GRANT INFORMATION	
15. CONFLICTS OF INTEREST/ MITIGATION	N/A	
16. SUPPORTING DOCUMENTATION	A detailed briefing note is included in a confidential Annex A.	
17. CONFIDENTIAL INFORMATION	Annex A	
DECISION APPROVAL/ CONSULTATION		
PROCUREMENT	NAME	N/A
	DATE	
	COMMENT	

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FINANCE	NAME	Nick Bell
	DATE	5 th May 2023
	COMMENT	The proposed extension to the repayment date of the loan helps to protect the security of CPCA's loan and is considered to provide best value for CPCA given the circumstances pertaining to the development.
LEGAL	NAME	Edwina Adefehinti
	DATE	5.5.2023
	COMMENT	I am satisfied that this decision has been duly taken in accordance with Chapter 17 , Rule 4.8 of the constitution which authorises the CEO to take any action which is required as a matter of urgency in consultation (where practicable) with the Mayor, the Monitoring Officer and the Chief Finance Officer, and in accordance with the Transparency Rules, Forward Plan and Key Decisions.
CHIEF OFFICER/ DIRECTOR	NAME	Steve Cox, Interim Director of Place and Connectivity
	DATE	05.05.2023
	COMMENT	
OVERALL APPROVAL		
DECISION MAKER	NAME	Gordon Mitchell, Interim Chief Executive
	DATE	05/05/2023
	COMMENT	Approved. 