



Cabinet Member for Investment, Regeneration and Tourism

Cabinet – 21 June 2018

FPR 7 - Town Centre Loan Scheme

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| Purpose: | To comply with Financial Procedure Rule No.7 (Capital Programming and Appraisals) - to commit and authorise the inclusion of the Town Loan Scheme within the Capital Programme. |
| Policy Framework: | City Centre Strategic Framework. |
| Consultation: | Access to Services, Finance, Legal & Commercial Services |
| Recommendation(s): | It is recommended that: <ol style="list-style-type: none">1) Cabinet approve the proposed Town Centre Loan Fund scheme and its Financial and Legal Implications and to add the scheme to the capital programme.2) Cabinet approve the launch of the Town Centre Loan Fund and approve proceeding to offer Town Centre Loans. |
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1. Introduction

- 1.1 On the 29th January 2018 the City & County of Swansea was awarded £2,000,000 by the Welsh Government as part of the Town Centre Loan scheme. The application to Welsh Government for this fund originally included four indicative proposals allocated with £500,000 each.
- 1.2 The Repayable Funding is offered for the purpose of reducing the number of vacant, underutilised and redundant sites and premises in town centres and to support the diversification of the town centres by encouraging more sustainable uses for empty sites and premises, such as residential, leisure and for key services. The Repayable Funding can be used:
 1. To acquire and unlock sites and premises with the intention of packaging and selling a proposal on the open market within an agreed timeframe;
 2. To redevelop or refurbish sites and premises within an agreed timeframe; and
 3. To provide loans to third parties for repayment within an agreed timeframe.

2. Background

- 2.1 Under the Town Centre Loans scheme the authority will be permitted to offer an open call for loans ranging between £5,000 and £1,000,000 for a term of up to 5 years. The authority has the flexibility to offer staged repayments or to agree to a one off repayment at the end of the loan term.
- 2.2 For third party loans the authority is able to charge a fee to applicants up to 15% of the loan value to be retained by the authority to contribute to administration costs & operating costs. This will be a one off fee and will cover legal and professional fees incurred by the authority in processing the loans.
- 2.3 The application process will involve two stages, including an expression of interest (EOI) stage and full application stage. A robust due diligence process will be undertaken to ensure that all relevant information on the applicant for credit risk assessment is considered, including the eligibility and viability of the proposal being assessed and presented in a report to the assessment panel. The due diligence process will ensure all requirements outlined in schedule 4 of the award letter are addressed.
- 2.4 An assessment panel will be convened as part of the newly established Regeneration Swansea Partnership which will meet at least quarterly to consider loan applications. Expressions of interest will be scored against a range of indicators.

- 2.5 The responsibility for administering the loan scheme will be held by the Economic Development and External Funding Team within the authority. The application forms and appraisal forms will be designed by the team along with the drafting of reports to the assessment panel.
- 2.6 Given the expected 5-year loan term it is expected that the loans will be recycled three times up to March 2033.

3. Financial Implications

- 3.1 The term of use to the authority of the loan fund is from 01/02/18 to 31/03/33 (15ys). The loan sum of £2m plus any interest accrued at the end of this term is repayable between 01/04/2032 to 31/03/2033 in one instalment within 3 months of receipt of written demand from the Welsh Government. Interest will accrue on any overdue repayment of repayable funding to Welsh Government at 1.5% above BOE base rate daily.
- 3.2 Revenue costs associated with administering the scheme including officer time, legal and professional fees will be financed by a fee of up to 15% of the total loan value charged to loan recipients prior to draw down of the loan. The level of fee chargeable will be determined during the application process and administration of the loan fund will be undertaken by officers within the Economic Development and External Funding Team.
- 3.3 Should any of the £2,000,000 loan fund remain uncommitted by September 2019 then the balance unallocated must be returned to the Welsh Government.
- 3.4 Any interest accrued to the authority from administering the loan fund is to be identified & added to the loan fund for the loan purposes outlined in the Welsh Government offer letter.

4. Legal Implications

- 4.1 The Council will need to comply with the terms and conditions attached to the Welsh Government Loan funding award and ensure that loan recipients also comply with the terms and condition of the funding award as part of a loan agreement.
- 4.2 In cases where a loan recipient defaults on their repayments the Welsh Government will cover 50% of the default sum up to a maximum of 2.5% of the allocated £2m loan. The balance of the default sum would need to be met by the authority.
- 4.3 In order to mitigate any financial loss to the authority as a result of default, a charge will be placed on property or land owned by the applicant equal to the value of the approved loan following verification of equity, prior to draw down of the loan amount.

4.4 The authority will be required to demonstrate compliance with state aid rules.

5. Equality and Engagement Implications

- 5.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
 - Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment process ensures that we have paid due regard to the above.

- 5.2 For the Town Centre Loans scheme the authority will undertake EIA screening on the overall process for loan applications at the time that the application process is being agreed.

Background Papers: None

Appendices:

Appendix A Financial implications