



CABINET - 28TH OCTOBER 2015

SUBJECT: RHYMNEY TOWN CENTRE LOANS SCHEME

REPORT BY: INTERIM CHIEF EXECUTIVE

1. PURPOSE OF REPORT

- 1.1 To provide Cabinet with details of repayable funding secured from Welsh Government (WG) towards a long-term town centre loan scheme for Rhymney. The scheme will fund projects that complement the WG Vibrant and Viable Places Tackling Poverty Fund and that seek to reduce the number of empty, underused sites and premises in town centres.
- 1.2 To seek approval for the implementation of this Loans Scheme.

2. SUMMARY

- 2.1 In February 2015 Welsh Government (WG) launched a new initiative offering long term loans to Local Authorities to provide capital funding to towns located within WG's Tackling Poverty Fund areas for key regeneration projects. The loans are available to Local Authorities for a maximum period of 15 years.
- 2.2 In July 2015, Caerphilly Council secured up to £500,000 of repayable funding for a loan finance scheme in Rhymney and this report outlines how the proposed Town Centre Loan scheme will operate.

3. LINKS TO STRATEGY

- 3.1 The Town Centre Loan Scheme for Rhymney would contribute to the priorities and activities set out in the 'People, Business, Places', Caerphilly's Regeneration Framework and Action Plan. It also links directly to the priorities set out in 'Caerphilly Delivers', the Single Integrated Plan for a Prosperous Caerphilly, Greener Caerphilly and Healthier Caerphilly:
 - P1 Improve local employment opportunities including access to opportunities across a wider geographical area.
 - P3 Provide support to enable local people to compete for all employment opportunities
 - G1 Improve local environmental quality.
 - G3 Maximise the use of the environment for health benefits.
 - H5 Ensure people are supported to live in their own communities to lead safe, fulfilled and independent lives

4. THE REPORT

WG Town Centre Loan Scheme:

- 4.1 Welsh Government launched a £5million Town Centre Loans Scheme in February 2015, available to towns located within the Welsh Government's Tackling Poverty Fund areas. In Caerphilly County Borough Council's case the eligible area is restricted to Central Rhymney. A map at appendix 1 shows the area.
- 4.2 The scheme aims to reduce the number of vacant, underutilised and redundant sites and premises in town centres and to encourage more sustainable uses to support the diversification of town centres. The outcomes will focus on supporting job creation and economic growth, tackling poverty, increasing the supply and quality of accommodation on offer, support the vibrancy and viability of town centres and support targeted training and recruitment during construction.
- 4.3 The Welsh Government funding is in the form of a loan for up to 15 years to be spent on key regeneration projects which meet the aims and objectives of the Town Centre Loans Fund. During the 15 years, authorities can recycle and re-invest the funding on different projects that are able to generate a return on investment and ultimately repay the loan in full to Welsh Government at the end of the term.

Award of Funding:

- 4.4 Rhymney is the only area within the borough identified within WG's Tackling Poverty Fund. An application was made for funding under the Town Centre Loans Scheme and in July 2015, £500,000 was secured that can be used:
- a. to acquire and unlock sites and premises with the intention of packaging and selling a proposal on the open market within an agreed timeframe;
 - b. to redevelop or refurbish sites and premises with an agreed timeframe; and
 - c. to provide loans to third parties for repayment within an agreed timeframe.
- 4.5 Consequently, two principal project themes have been developed:
- A Town Centre Owner Loan Scheme
 - Caerphilly Council Asset Improvement and Disposal Programme.

These ideas were formulated following discussion with the Cabinet Member for Regeneration, local members and internal officers.

- 4.6 The Town Centre Owner Loan Scheme will be aimed towards commercial property owners in Rhymney to improve empty and underutilised properties to bring them back into beneficial use. At least six properties within Rhymney could be targeted under this scheme. The Council will work with the property owners to establish uses that will in turn create local jobs. A budget of £300k will be allocated for this loan scheme, with a loan investment to the private sector of between £240 - £300k. The loans will be promoted at an intervention rate of 80% but it may be necessary to offer 100% loans. The loan repayment period to property owners will be five years. Welsh Government's specific criteria for the loaning of funds to third parties are detailed in Appendix 2. Great care will have to be taken in loaning monies since if the recipient defaults, the risk of default will be shared equally between the Local Authority and the Welsh Government. A charge will be secured against the asset which should have sufficient equity to cover the value of the loan. The internal evaluation process will broadly follow the criteria set out in the Welsh Government Houses into Homes Empty Property Initiative currently running.
- 4.7 The Asset Improvement and Disposal Programme will target local authority owned sites and premises to attract investment from the private sector. Works will be undertaken to make sites and premises more attractive to the private sector, reducing the initial

financial burden and risk for developers. Such works will encourage economic growth in Rhymney. Two sites/premises have already been identified for possible improvement under this programme, namely the former Aldi site and the property 38b High Street. This was after extensive discussion with officers from within the Property, Housing and Economic Development section. An allocation of the repayable loan of £200k will be allocated to this programme which, it is envisaged, will be recouped when the properties are sold on. However there is an element of risk that the Council do not recoup their investment and because of this risk, the business case to spend should be signed off at Cabinet level. Appendix 3 sets out the WG conditions which apply to the Council's use and administration of the repayable funding. It must however be noted that the Council can borrow from the Public Works Loan Board on an annuity basis over 5 years at just 1.62%. Hence there are other options available if there was a good invest to save cases

- 4.8 The repayable funding is available to the Council from 1st August 2015 and must be claimed in full by 1st November 2015. The funding must be utilised and repaid before 30th March 2031.

Management of the Loan Scheme:

- 4.9 The Welsh Government will work with Local Authorities over the coming months to discuss how the programme will operate in each area. In the meantime, the authority is preparing the necessary structures and processes to administer the loan scheme.
- 4.10 The Town Centre Owner Loan Scheme will be established using the Council's Building and Commercial Improvement Grant structure which complies with the council's governance arrangements. The Operating Procedures and Terms and Conditions will be updated to reflect that loans are to be offered and will emulate the conditions set out in the similarly approved National Home Improvement Scheme.
- 4.11 Any application, accompanied with an independent property valuation, received under this scheme will be assessed by Urban Renewal officers within Regeneration and Planning and a loan approval report prepared based on the data of the application and legal advice obtained, the Loan Approval Report would then be subject to approval by the Council's Section 151 Officer (or her deputy) and Head of Regeneration and Planning in consultation with the Cabinet Member for Regeneration and Planning. Any decisions on loan award would have to be subject to a risk analysis. A legal charge will need to be secured on each property receiving a loan to protect the Council's position.
- 4.12 The Asset Improvement and Disposal Programme will be principally led by Property Services but overseen by a working party established with officers from Urban Renewal, Private Housing and Property Services. A costed programme of works will be developed by the working party before proceeding with any construction activities. Upon completion of the improvement works, the site will be offered to the private sector in line with the Council's adopted protocol for land and property disposal.

Risks:

- 4.13 There are inherent risks with loan funding from the Welsh Government and also subsequently to the private sector. However these risks will be minimised with secure protocols set up to manage and govern the scheme. It is however worth highlighting some of the risks associated with the scheme.
- 4.14 The risk of default will be shared equally between the Local Authority and the Welsh Government. If an individual loan recipient is unable to repay the loan then the Council will need to bear 50% of the amount defaulted on. A legal charge secured against the property associated with any loan will help protect the council against this risk. Welsh Government have also indicated that the usual level of default is circa 5% on other loan schemes they operate.

- 4.15 Due to the weak commercial property market and economy in the region, the offer of loans to businesses and property owners may not prove attractive. However, the potential to offer loans between 80-100% may entice and attract interest.
- 4.16 The lack of interest from developers and house builders to this geographical location indicates that there is no guarantee of a return against the investment made. Furthermore, the anticipated purchase price of the sites/premises may not be realised, affecting the Council's ability to repay the loan. The loan on the Authority's assets will then need to be funded from the Authority's capital programme, which means less for other schemes/projects.
- 4.17 The risk of potential defaults on repayments will be minimised by operating the scheme under the same terms and conditions of other WG backed loan schemes which run a 5% default rate such as the Houses into Homes Initiative. Furthermore the application process will establish that the loan recipient is able to make the repayments by undertaking a series of financial checks. A legal charge will also be secured upon any property which utilises loan funding.
- 4.18 Members should be aware that the need to operate strict criteria and manage risk may mean that we are unable to allocate all or some of the loan fund. Loans are unlikely to be attractive to Rhymney because most property owners would be unable to meet repayments. Indeed even grant schemes where a property owner has had to make a small contribution have proved problematic in this locality in the past.

5. EQUALITIES IMPLICATIONS

- 5.1 There are no direct equality implications to this report.

6. FINANCIAL IMPLICATIONS

- 6.1 If the scheme is supported, the Authority may be able to support the regeneration of Rhymney, albeit the funding on offer from Welsh Government is loan funding which will have to be repaid in 15 years.
- 6.2 It should be recognised that there are risks associated with the loaning of funds and should the loan funding not be returned through its investment, the Council will need to repay the loan and would need to make these funds available which will reduce spend on other Local Authority schemes.

7. PERSONNEL IMPLICATIONS

- 7.1 There are no direct personnel implications arising from this report.

8. CONSULTATIONS

- 8.1 The report has been sent to the consultees listed below and all comments from consultees have been incorporated into the report.

9. RECOMMENDATIONS

- 9.1 To seek approval for the implementation of a Town Centre Loans Scheme in Rhymney.

10. REASONS FOR THE RECOMMENDATIONS

- 10.1 To enable the Authority to benefit from an interest free loan to eligible property owners within Rhymney and to make authority owned sites more attractive for investment by the private sector.

11. STATUTORY POWER

- 11.1 Sections 70 and 71(1) of the Government of Wales Act 2006 and sections 126-128 of the Housing Grants, Construction and Regeneration Act 1996.

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Consultees; Chris Burns, Chief Executive
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Cllr Gina Bevan – Moriah
Cllr John Bevan – Moriah

Appendices:

- Appendix 1 - Town Centre Loan Scheme Eligible Area (Targeted Area of Investment)
Appendix 2 - Criteria For Loaning Funds To Third Parties
Appendix 3 - Welsh Government Conditions which apply to the Council's Use and Administration of the Repayable Funding