

Environment & Economy Overview & Scrutiny Committee

Date of Meeting	Tuesday, 16th May 2023
Report Subject	Town Centre Regeneration Loans
Cabinet Member	Cabinet Member for Climate Change and Economy
Report Author	Chief Officer (Planning, Environment and Economy)
Type of Report	Operational

EXECUTIVE SUMMARY

Over the last eight to ten years, alongside traditional non-repayable town centre regeneration grant funding opportunities, Welsh Government has made available repayable capital loan funding to local authorities across Wales. By making repayable loan funding available, Welsh Government's aim is that this will facilitate the delivery of its strategic regeneration policy frameworks which seek to increase footfall and vibrancy, support the growth of the local economy, diversify the use of premises within the town centre, and help breathe new life into land and premises in town centre locations across Wales.

This report provides details of the town centre regeneration repayable loan funding awarded to Flintshire County Council and a proposed criteria to be used to manage and administer the funds to support the delivery of its regeneration work programme across town centres in Flintshire.

RECOMMENDATIONS

1	That the repayable loan funding awarded for town centre regeneration in Flintshire is noted.
2	That Members review and support the proposed criteria and approach to administering and managing the town centre repayable loan funding across Flintshire.

REPORT DETAILS

1.00	<u>BACKGROUND</u>
1.01	<p>There are a number of challenges facing all small towns in the United Kingdom including towns across Flintshire:</p> <ul style="list-style-type: none">• Changing customer behaviours resulting in reduced footfall and towns having more retail units than they can sustain;• Many town centre properties are owned remotely by national or international property finance companies or speculative investors with limited interest in their effective management and no stake beyond their investment in the success of the town centre;• Smaller, more marginal shopping centres are struggling to remain viable with a major collapse of property values and considerable difficulties in attracting tenants;• Vacant retail units and underused space above the ground floor and weak business resilience is believed to mask the true picture which manifests in gradually declining building condition and a lack of investment;• There are a small number of longer-term vacant properties in towns which can have a blighting effect on their locality.
1.02	<p>Since 2014-15, alongside traditional non-repayable regeneration grant funding opportunities, Welsh Government has made available repayable capital funding across Wales. Repayable regeneration funding was initially made available to local authorities to support the regeneration of their towns via the former Vibrant and Viable Places (VVP) regeneration initiative.</p>
	<u>Strategic context</u>
1.03	<p>In 2020, Welsh Government launched its Town Centres First policy to help breathe new life into town centres by locating services and buildings in town centres wherever possible. It has since launched a national £90million Transforming Towns investment package and encouraged the public sector to support towns through delivering regeneration activity which aims to increase footfall and create or sustain vibrancy.</p>
1.04	<p>Since the introduction of its Town Centre First Policy, Welsh Government has increasingly focussed on town centre regeneration, and as part of this, tackling empty town centre properties.</p> <p>As part of its Transforming Towns initiative, funding has been made available through a repayable town centre loans programme (delivered through each local authority) to support regeneration of town centres at a county level. Welsh Government has set out a requirement for local authorities to effectively manage and administer repayable loan funding at a local authority level and report periodically on progress regarding the usage of repayable loan funds.</p>

1.05	<p>Local authorities including Flintshire County Council have been awarded repayable capital funding from Welsh Government to administer as 'Town Centre Regeneration Loan Schemes' at a county level to facilitate:</p> <ul style="list-style-type: none"> i) work with property owners and developers to support investment in their premises, and ii) deliver council-led regeneration projects.
	<u>Flintshire town centre regeneration strategic approach</u>
1.06	<p>Town Centre regeneration priorities are part of the Council Plan 2023-28 and are also supported by key plans and strategies that the Council has already produced (e.g. LDP, Housing Strategy and Action Plan for 2019-2024, Climate Change Strategy 2021-2030, A Well-being Plan for Flintshire 2018-2023). Town centres are also a priority in the North Wales Regional Economic Framework and its delivery programme, which is overseen by the North Wales Economic Ambition Board.</p>
1.07	<p>The strategic approach to town centre regeneration in Flintshire was approved by Cabinet in May 2019 and subsequently refreshed in March 2020, immediately before the pandemic restrictions came into place. In May 2021, a further Cabinet report provided an update on progress against the regeneration priorities and areas of particular focus and identified the need for additional staff resource to deliver the increased scale of the programme and more property-related regeneration.</p>
1.08	<p>In October 2022, an update on progress was provided to Cabinet and the approach to developing Place Making Plans for seven towns across Flintshire (Buckley, Connah's Quay, Flint, Holywell, Mold, Queensferry and Shotton) and criteria and approach for tackling empty properties in town centres was approved.</p>
1.09	<p>Repayable and non-repayable regeneration investment is to be targeted at schemes which support the regeneration of the seven towns across Flintshire approved by Cabinet in October 2022, so to align to local place making priorities identified for each town as part of the Place Making process.</p>
	<u>Repayable Loan Funding awarded to Flintshire</u>
1.10	<p>In total, £2,450,000 repayable loan funding for town centre regeneration has been awarded to the Council from Welsh Government to administer, this includes:</p> <ul style="list-style-type: none"> • £860,000 from the Vibrant and Viable Places initiative repayable by 31/03/2030; • £840,000 Town Centre Loans (for administering to third parties), repayable by 31/03/2036; and • £750,000 Town Centre Loans (for use by the Council to deliver regeneration projects), repayable by 31/03/2036.
1.11	<p>Each of the repayable loan funding awards from Welsh Government has a consistent purpose, to reduce the number of vacant, underutilised and</p>

	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.										
1.12	<p>The funding award letters outline three ways in which loan monies can be used, these are:</p> <ul style="list-style-type: none"> i) by the Council to acquire and unlock sites and premises with the intention of packaging and selling a proposal on the open market within an agreed timeframe; ii) by the council to redevelop or refurbish sites and premises within an agreed timeframe; and iii) to provide loans to third parties for repayment within an agreed timeframe. <p>Where possible, it is encouraged by Welsh Government that the repayable loans are recycled to generate maximum impact over the term that the funding award covers.</p>										
	<u>Administration of the repayable loan funding</u>										
1.13	Within the repayable loan funding award letters received from Welsh Government, details of the criterion for how the loan is to be administered are provided. Details of the criteria received from Welsh Government and the proposed details for the implementation of the scheme in Flintshire is outlined in table 1, below										
1.14	Table 1: Proposed criteria for use in Flintshire										
	<table border="1"> <thead> <tr> <th></th> <th>WG funding criteria – pan Wales</th> <th>FCC criteria to be administered to suit local need/ context.</th> </tr> </thead> <tbody> <tr> <td>Maximum Loan charge</td> <td>A discretionary one-off administration fee of up to 15 per cent.</td> <td> <p>£5,001 to £20,000: 2.5% of loan amount subject to a minimum fee of £ 275.00</p> <p>£20,001 to £50,000: 2.0% of loan amount subject to a minimum fee of £500.00</p> <p>£50,001 to £100,000: 1.5% of loan amount subject to a minimum fee of £1,000.00</p> <p>£100,000 to £250,000: 1.0% of loan amount subject to a minimum fee of £1,500.00</p> <p>This is consistent with other local authorities across north Wales.</p> </td> </tr> <tr> <td>Minimum and maximum Loan value</td> <td>£5,000 up to £1 million</td> <td> <p>Minimum of £5,000 and maximum of £250,000 maximum loan to third parties, per project.</p> <p>No maximum loan amount per project for use of funds awarded for projects being led by FCC – to be</p> </td> </tr> </tbody> </table>			WG funding criteria – pan Wales	FCC criteria to be administered to suit local need/ context.	Maximum Loan charge	A discretionary one-off administration fee of up to 15 per cent.	<p>£5,001 to £20,000: 2.5% of loan amount subject to a minimum fee of £ 275.00</p> <p>£20,001 to £50,000: 2.0% of loan amount subject to a minimum fee of £500.00</p> <p>£50,001 to £100,000: 1.5% of loan amount subject to a minimum fee of £1,000.00</p> <p>£100,000 to £250,000: 1.0% of loan amount subject to a minimum fee of £1,500.00</p> <p>This is consistent with other local authorities across north Wales.</p>	Minimum and maximum Loan value	£5,000 up to £1 million	<p>Minimum of £5,000 and maximum of £250,000 maximum loan to third parties, per project.</p> <p>No maximum loan amount per project for use of funds awarded for projects being led by FCC – to be</p>
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		determined on a case-by-case basis within the available funds awarded to FCC for use on council-led projects.
Improvement or redevelopment required	Works which make a residential property safe, warm and/or secure, or unlock a vacant or stalled site	As per WG criteria.
Loans can be used to improve a property to/for:	<ul style="list-style-type: none"> • Continued ownership • Sell • Rent • Unlock a vacant or stalled site 	As per WG criteria
Loan criteria for private rented sector only	Must be free of category 1 hazards.	As per WG criteria
Interest	Loans must be interest free	0% interest in all cases except when repayment of the loan is late. Late repayment will mean that the interest rate on a pro-rata basis from the commencement of the loan until the date of repayment is 6.00% per annum.
Maximum Loan Period	15 years	Maximum of 7 years in exceptional circumstance – in order to recycle funds for re-investment. Expected 2-5 years for most applicants received.
Repayment terms	Choice of staged repayments or full repayment at end of loan term or on sale of the property or site, if earlier.	As per WG criteria, to be determined per individual application as part of due diligence role/ administration of loan. No charges for early repayment. You can overpay or repay in full at any time.
Eligible applicants	Owners of sub-standard properties e.g. landlords, owner occupiers who pass affordability checks i.e: charities – last 3 years financial accounts, companies/ businesses – evidence of a robust and sustainable business plan.	As per WG criteria
Risk mitigation measures	Two or more of the following: loan to value ratio, second property charges, local land charges, staged repayments.	As per WG criteria
Other funding options	Other funding options must be explained to the applicant and other funding options can be used in conjunction with the loan as long as they are funding separate works.	As per WG criteria

Governance arrangements

1.15	<p>A 7-stage process and suite of loan application documentation has been developed between officers in the Council’s Regeneration Team, Legal team and external legal expertise. The documentation has been informed by best practice from other operational regeneration loan schemes across Wales and all information needed and a full due diligence process designed which is in line with Welsh Government expectations and the repayable funding terms and conditions outlined in the award offer letters received.</p> <p>Details of the proposed 7-stage process for assessing and awarding loans the repayable town centre loan funding is outlined in table 2, below.</p>
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1.16	Table 2: 7-stage process for assessing and awarding loans
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Stage	Action	Responsibility/ Lead
Stage 1:	Enquiry from prospective loan applicant (external) Options appraisal/ feasibility study completed (internal projects).	Applicant
Stage 2:	Meeting held at the property to receive the investment involving the applicant and Regeneration Officer. Applicant to provide full details of the intended use for the loan funding (Completed application form).	FCC Regeneration Team/ Applicant
Stage 3:	For third party loans: Loan Governance Panel held Internal projects only: project considered by Loan Governance panel and the Council’s Programme Asset Board. In addition, approval to proceed to be sought from Chief Officer for Planning, Environment and Economy and Cabinet Member for Climate Change and Economy (delegated authority to do so to be sought from Cabinet at its meeting on 23 May 2023).	FCC Regeneration, Legal and Finance. FCC Regeneration, Legal and Finance. Chief Officer – PEE Cabinet Member
Stage 4:	Complete due diligence - to ensure the applicant can afford the repayments; that the proposal has been thought through and that appropriate security can be offered for the loan.	FCC Regeneration and Legal
Stage 5:	Award funding via offer letter and instruct formal loan agreement via Legal Services. Legal Service to apply a land charge to premises.	FCC Regeneration and Legal

Stage 6:	Complete agreement and transfer loan funds to applicant (external). Draw down funds for internal projects.	FCC Legal and Finance
Stage 7:	Ongoing monitoring of works/ repayments in line with terms outlined in loan agreement. Quarterly reporting to Welsh Government.	Applicant FCC Regeneration
1.17	<p>To inform the town centre regeneration loan governance process in advance of it being proposed for adoption by the Council, two repayable loans have been administered to date to trial the criteria and process outlined above:</p> <ul style="list-style-type: none"> i) £100,000 loan to Holywell Town Council for town centre improvement works – loan repaid in full by applicant; and ii) £139,776 to an owner of a commercial property (private sector) in Queensferry – due diligence completed and loan agreement issued to applicant – currently at stage 5 of the process outlined above. <p>The second of the above loan agreements detailed above was facilitated by an external solicitor procured via the Council’s Legal Service due to limited staff resource to take on the work. This has worked favourably, as the developed loan agreement templates, and legal content/ wording for use in the future have been produced by experts in the legal sector which are able to be used in future as example documents for use by the Council’s Legal Service in the future.</p>	
1.18	<p>The Council’s ‘Places Group’, which is part of Economic Recovery Group governance structure will have oversight of the town centre regeneration loan implementation at an operational level. The loans will be accounted for by the Council’s Finance team (Capital) in line with established borrowing processes, procedures, and financial regulations. Existing meetings between Finance and Regeneration teams to manage and monitor the loan funding available will continue.</p>	

2.00	RESOURCE IMPLICATIONS	
2.01	<p>Financial resource As outlined in this 1.10 of this report, a total of £2,450,000 repayable loan funding for town centre regeneration has been awarded to the Council from Welsh Government to administer, this includes:</p> <ul style="list-style-type: none"> • £860,000 from the Vibrant and Viable Places initiative repayable by 31/03/2030; • £840,000 Town Centre Loans (for administering to third parties), repayable by 31/03/2036; and • £750,000 Town Centre Loans (for use by the Council to deliver regeneration projects), repayable by 31/03/2036. 	

In addition, £510,000 non-repayable revenue grant was secured from Welsh Government in March 2022, for use over the next 2-3 years. This funding will support economic development activity and cover costs of additional regeneration staff recruited in 2022 and place making plan development activity in 2023 and 2024.

In addition to the above, the following Welsh Government funding is available for town centre regeneration from 1 April 2023:

- £2.6 million available across North Wales, with up to £250,000 available per application; and
- £150,000 allocation per annum for the delivery of small-scale property development projects in Flintshire -targeting Buckley and Shotton as a pilot.

A town centre investment programme for Flintshire has also been developed and funding application (stage 1) submitted by the Council's Regeneration Team to seek funding from Flintshire's Shared Prosperity Funding allocation. This application was successful at stage 1 and has been invited to submit a stage 2 application, the outcome of which will likely be known in June 2023.

The funding already secured and sought from live funding applications currently as outlined above, provides good opportunities for regeneration projects in Flintshire. There is, however, an amount of the funding either repayable or requires significant match funding. Without capital funds the Council will not be able to take full advantage of these opportunities to regenerate town centres.

Capacity

The regeneration team has recently recruited an additional 3 staff, with the team now comprising 7 officers in total. This temporary growth in the team is because of Cabinet approving extra staff resource in 2021, and the need for prioritising the development of Place Making Plans between 2022 and 2024.

The additional resource brings a broader range of skills, knowledge and experience to the regeneration team particularly in property-related regeneration work and the delivery of loan investments. This resource is needed to successfully deliver the regeneration priorities detailed in the Regeneration Programme including those outlined in this report and to manage risks to the Council.

Specialist advice and expertise

The management and implementation of the repayable town centre loan funding will place demands upon other teams in the Council to deliver specialist advice and support, for example property, legal services and finance. Colleagues within these services has been involved in developing the way forward for the repayable loan scheme in terms of the process and documentation needed. Their input will continue to be needed to deliver the Regeneration Programme.

3.00 IMPACT ASSESSMENT AND RISK MANAGEMENT

3.01

Identified risk	Action to manage risk
Lack of experience and capacity to deliver programme of work.	Use recently appointed staff resource (which has experience of delivering regeneration loan funding schemes) to deliver repayable loan funding, and continue to work with colleagues in finance, legal and property services for specialist support and expertise.
Lack of specialist advice and support internally within the Council.	Procure advice from external specialists.
Lack of funding to deliver Regeneration work programme.	i) Maintain positive working links with external funding bodies. ii) Ensure future funding requirements/ future regeneration schemes are known to Welsh Government. iii) Consider investing own Council resources into projects that would otherwise not progress/ not deliver benefits. iv) Recycle regeneration loans to maximise impact of funds available. v) Ensure Council funds are used effectively as match contributions.
Failure to meet expectations.	i) Effective monitoring and management of regeneration activity by the Council's Places Group, Scrutiny Committee and Cabinet. ii) Prioritise work in line with local needs and funding opportunities. iii) Place Plans to be developed in a phased approach over 2 years to manage workload and resource. iii) Engage public and partners to inform content of Place Plans to ensure local needs are met. iv) Deliver Regeneration Communications Action Plan.
Loss of funding.	i) Adherence to terms and conditions of external funding secured. ii) Effective budget monitoring and financial management.

4.00	CONSULTATIONS REQUIRED/CARRIED OUT
4.01	<p>The repayable town centre loan funds will be used to invest in projects which align to the Council's regeneration work programme priorities and to deliver emerging priorities which are identified as part of the Place Making Plan development process.</p> <p>In February 2023, a series of public meetings and digital consultations were successfully delivered in relation to Place Making Plans for Buckley, Holywell and Shotton with over 4,400 participants in total.</p> <p>Further consultations are to be carried out as part of the development process for each of the remaining four Place Making Plans for Connah's Quay, Flint, Mold and Queensferry.</p> <p>Information gathered from consultations with residents, businesses, internal and external colleagues will directly inform the content of Flintshire's Place Plans over the next two years. Consultation findings will help to influence how repayable loans and non-repayable grant funding should be invested in the future.</p>

5.00	APPENDICES
5.01	None.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	None.

7.00	CONTACT OFFICER DETAILS
7.01	<p>Contact Officer: Niall Waller (Enterprise and Regeneration Manager) Telephone: 01352 702137 E-mail: niall.waller@flintshire.gov.uk</p>

8.00	GLOSSARY OF TERMS
	<p>Place Making – a multi-faceted approach to designing, developing and managing public spaces across a range of stakeholder which capitalises on local assets and has people's health, happiness and well-being at the forefront of decisions made.</p> <p>Place Making Plan – a document which is developed for a defined settlement which identified local needs which are informed by consultation and engagement with the local stakeholders along with a vision for the settlement area and actions to achieve this.</p>

Places Group – a group of senior officers from across the Council and Lead Member for Climate Change and Economy which is responsible for overseeing the monitoring, management and implementation of Place Making priorities.

Town Centres First – a Welsh Government policy which focuses on town centres being the first consideration for all decisions on the location of workplaces and services.

Transforming Towns – a Welsh Government targeted regeneration investment programme which aims to support the redevelopment and improvement of town centres across Wales.