

# Greater Norwich Growth Board

## **Local Infrastructure Fund Governance**

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### **Establishment of a Local infrastructure Fund**

Upfront funding for onsite infrastructure can be a barrier to the creation of new jobs and homes. Across Greater Norwich there is planning consent for some 10,000 dwellings (July 2013) where development has not got started.

The City Deal signed in December 2013 gives City Deal partners the ability to borrow £20 million from the Public Works Loan Board at the project rate discount to establish a Local Infrastructure Fund. This fund will provide loans to developers for site specific help to enable development sites to be delivered quickly, and will be managed on a rolling basis. The overall fund has been established from 1 November 2013 to end March 2026.

This fund will be used to support infrastructure required to open up sites for housing or employment development.

### **The Allocation**

As set out in the HMT letter (December 2013) a Local Infrastructure Fund of up to £20 million will be established through borrowing from the Public Works Loan Board (PWLB) by Norfolk County Council on behalf of the Greater Norwich Growth Board. Borrowing will be undertaken to finance individual schemes for specified periods. All schemes will be assessed by the Greater Norwich Growth Board and the organisation named in the Business Case will be required to enter into a legal contract with Norfolk County Council, the Accountable Body for the funding.

The Local Infrastructure Fund is to provide forward funding to pump prime essential public work infrastructure required to unlock developments which have otherwise stalled thereby realising significant sustainable growth in jobs, homes and commercial builds.

All schemes must complete the Business Case template; successful schemes will be allocated funding, up to a maximum of £5 million, which will be subject to interest charges, not less than the PWLB rate at which Norfolk County Council has borrowed at for this scheme. Formal agreements will be required for each scheme. Loan agreements must be secured (Registered Charges), and applicants will be required to confirm the collateral available to underpin the investment including the legal charge over the scheme and the terms of the legal charge. Repayment timelines for each scheme may vary, but loans must be repaid within 5 years.

The Local Infrastructure Fund will be a revolving fund with repayments of loans being reinvested in future schemes; however the total value of all outstanding loans will not exceed £20 million at any point in time.

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## Fund Objectives

The objectives of the Local Infrastructure Fund are:

1. To establish a revolving fund so that funding can be reinvested to unlock further development and leverage private sector investment on developments.
2. To target and bring forward those development sites which require short-term funding support.
3. To support schemes that may not otherwise go ahead because of the requirement for up-front infrastructure investment.
4. To generate economic activity in the short term by addressing immediate infrastructure and site constraints and promote the delivery of jobs, housing and commercial developments.

## Eligibility Criteria

All potential schemes must meet the following criteria:

- Schemes must be for capital investment (not revenue).
- Schemes must contribute to the objectives of the Local Infrastructure Fund.
- Schemes must be within the Greater Norwich Growth Board area.
- Schemes will need to demonstrate that the investment addresses a funding shortfall that cannot be met by other means.
- Schemes will need to demonstrate that there are no barriers or constraints in relation to land ownership, planning and other approvals and that other funding is in place to enable the development to get underway.
- Loans must be repaid within 5 years and loans will be secured.
- Schemes must be State Aid compliant.
- Schemes must demonstrate that the loan will result in unlocking and bringing forward development

## State Aid

For the schemes to not qualify as State Aid they must demonstrate that the infrastructure to be funded is open access infrastructure intended to benefit the whole community (e.g. roads, footpaths, sewers, drains, landscaping etc.) and considered to be open and accessible to all potential users.

## Selection Process (Flowchart Appendix A)

The Greater Norwich Infrastructure Delivery Board will make an initial call for schemes from April 2014. Schemes submitted will need to complete the application proforma which will be subject to an initial evaluation against the eligibility criteria, described above, by the Greater Norwich Infrastructure

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Delivery Board in order to agree a short-list of schemes to take forward for formal evaluation.

Norfolk County Council will request a full Business Case and Norfolk County Council or appointed independent financial appraiser will carry out a detailed assessment and a financial appraisal of the schemes short-listed by the Greater Norwich Infrastructure Delivery Board.

Following this assessment and financial appraisal the Greater Norwich Infrastructure Delivery Board will recommend schemes to the Greater Norwich Growth Board. A consensus will be required on each scheme in order for it to be recommended to the Board.

The Greater Norwich Growth Board will assess all schemes recommended against a formal framework and the results of the financial appraisal which will include:-

- Speed of delivery i.e. has planning consent already been obtained
- Number of jobs being created, including construction phase and follow on permanent jobs
- Number of homes accelerated i.e. delivered early as a result of the loan
- Prospect of additional growth arising from individual scheme
- The individual project within the existing projects being delivered through the Greater Norwich Infrastructure Delivery Board
- The overall funds available within the Local Infrastructure Fund
- The strategic fit of the schemes against the existing projects being delivered by all three boards; Business Growth Programme Operational Board, Employment and Skills Strategy Board and the Greater Norwich Infrastructure Delivery Board to ensure any project agreed contributes to the strategic direction of the wider growth programme.
- Value of the scheme being delivered in relation to the funding required.
- Financial viability of the scheme
- Security of the loan
- Risks around the individual scheme
- Other public or private sector leverage i.e. external funding which is being brought into the geographic area

Any renegotiation of loans will be notified by Norfolk County Council to the Greater Norwich Infrastructure Delivery Board who will propose the appropriate course of action and advise the Greater Norwich Growth Board for a decision. The decision will be communicated to the Borrower by Norfolk County Council as the Accountable Body.

Further calls for schemes will be made if there is any unallocated funding after the initial round has been completed. Schemes that are unsuccessful in the first round may be supported by the Local Infrastructure Fund in the future, once the revolving fund is more established.

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Future calls will be dependent upon the repayment profile of loans which have been issued.

## Timetable

Date	Action
8 April 2014	Initial call for schemes
31 May 2014	Closing date for schemes to be submitted with application proforma
6 June 2014	The Greater Norwich Infrastructure Delivery Board meets to approve schemes to be shortlisted
10 June 2014	Norfolk County Council requests full Business Case for schemes Norfolk County Council OR appointed independent appraiser to carry out due diligence and a financial appraisal of each scheme shortlisted
18 July 2014	The Greater Norwich Infrastructure Delivery Board makes a recommendation of schemes to be considered by the Greater Norwich Growth Board
31 July 2014	The Greater Norwich Growth Board agrees first funding allocations
15 August 2014	The Greater Norwich Infrastructure Delivery Board notifies successful schemes and makes the funding offer

## Formal Agreements & Authorisation (Administered by Norfolk County Council)

Prior to funding being drawn down for each scheme a loan agreement must be signed by:

- Norfolk County Council representing the Greater Norwich Growth Board
- The borrower
- Any parent group/company/companies who own the assets which are being held for security.
- Any existing charge-holders on the securitised assets who have agreed the Local Infrastructure Fund legal charge for the loan

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The agreement will as a minimum include:

- Name and Address of the Borrower
- Name and Address of any parent group/company/companies who own assets which are being held for security
- Name and Address of any existing charge-holders on the securitised assets
- Company registration number
- Purpose of the loan
- Details of how the loan will be secured (a first legal charge over the land and buildings or other assets) as part of the agreement
- The value of the loan
- Term and repayment profile of the loan
- Early repayment terms
- Interest to be applied to the loan
- Arrangement and administration fee
- Financial Covenants
- Conditions Precedent

Borrowers will be required to inform the Greater Norwich Infrastructure Delivery Board via the Programme Manager should they no longer require the loan or if there are any changes which impact on the scheme and the agreed borrowing. The Greater Norwich Infrastructure Delivery Board will inform Norfolk County Council who will then cease work on the loan agreements.

Any renegotiation of existing loans, once agreed by the Greater Norwich Growth Board will be actioned by Norfolk County Council in accordance with the governance of the scheme and the Council's monitoring and reporting processes.

## **Availability of Loans (Administered by Norfolk County Council)**

For each scheme the loan will be available in tranches, with a minimum value of £100,000 each tranche. The Borrower shall provide a minimum of 14 days' written notice to Norfolk County Council when funds are required. The total number of tranches shall not exceed 50, with the maximum loan available being £5 million.

### Tranche Draw Down

1. Each tranche shall be drawn down against certified construction valuations completed by a qualified Quantity Surveyor who will be appointed by the Borrower; however Norfolk County Council reserves the right to have the valuations independently verified at the Borrower's cost.
2. The amount of each drawdown shall be calculated as a proportion of the total value of the Quantity Surveyor certificate, with such proportion calculated to be equal to or less than the relative value of the loan compared to the total construction costs for the individual development.

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## **Interest Rates & period of borrowing from the PWLB (Administered by Norfolk County Council)**

Interest rates payable by Norfolk County Council who are borrowing on behalf of the Greater Norwich Growth Board will be determined by the prevailing rate on the day of borrowing and by the length of loan agreed for the particular scheme being financed.

The interest rate payable by Norfolk County Council will be passed onto the agreed scheme plus X base point. The X base point will cover the administration cost of running the Local Infrastructure Fund.

Interest will be calculated on a daily basis on the balance of the loan at the end of each day.

Repayments will be credited to the account on the day cleared funds are received by Norfolk County Council. Compound interest will be charged by Norfolk County Council if interest remains unpaid after it falls due.

## **Repayments to the Fund (Administered by Norfolk County Council)**

Repayment profiles will be agreed with developers on an individual scheme basis, as part of the loan agreement, to assist the Developer with cashflow and to deliver agreed phases within the development. Repayments will be made to Norfolk County Council.

Early settlement of the loan is permitted. A discount may be permitted depending upon the ability to recycle the Local Infrastructure Fund money and the refinancing of the PWLB debt at the time of early repayment. Early settlement will be as per the loan agreement and terms of the loan.

The Borrower shall be responsible for all reasonable fees, costs and expenses incurred by Norfolk County Council in making the loan available, monitoring or valuing the security, obtaining any other additional information required and recovering all amounts outstanding whether or not the loan is taken.

## **Security (Administered by Norfolk County Council)**

As part of the loan agreement, each scheme will need to confirm what collateral is available to support this investment including a legal charge over property and the terms.

In the case that a first charge is not available collateral warranties will be provided by the borrower and may include a step-in clause.

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## **Financial Covenants for each scheme (Administered by Norfolk County Council)**

### **Loan to Value (LTV):**

The loan shall never exceed of 70% of the total value of the security held by Norfolk County Council.

### **Interest Cover:**

Annual interest costs for the loan will be assessed and specified in the loan agreement.

### **Conditions Precedent:**

1. Satisfactory due diligence carried out by Norfolk County Council on the finances of the Borrower and any parent company/companies.
2. Planning decision notices and any building regulations consents must be granted for the development.
3. Professional valuation of the security instructed by and acceptable to Norfolk County Council.
4. Independent appraisal of the estimated build costs instructed by and acceptable to Norfolk County Council prior to the loan being provided to the Borrower.
5. Norfolk County Council has obtained any related collateral warranties and step in rights.
6. Comprehensive project cashflow to include projected tranche draw down requirements.
7. Norfolk County Council reserves the right to appoint a monitoring surveyor, which will be at the Borrower's cost.

### **Post Completion:**

1. Property Insurance - The new development to be insured to Norfolk County Council's entire satisfaction at all times, with Norfolk County Council being a named interest on the insurance policy. Evidence of payment of the insurance premium and a copy of the insurance certificate to be provided annually to Norfolk County Council for the duration of the loan on both the development and any other assets which Norfolk County Council holds as security for the Loan.
2. There shall be no transfer of ownership of the Borrower (or parent company/companies) or the security held by Norfolk County Council in respect of this loan, nor any changes to the Borrower's (or parent company/companies) corporate structure, without Norfolk County Council's express consent, such consent not to be unreasonably withheld.
3. Audited financial statements for the Borrower (or parent company/companies) will be provided to Norfolk County Council in accordance with the loan agreement.

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## **Monitoring & Reporting**

Norfolk County Council will produce monitoring reports for the Greater Norwich Infrastructure Delivery Board on a monthly basis. The reports will include as a minimum the following for each scheme:

- Details of each scheme
- The total agreed value of the loan
- How much has been drawn down
- How much of the loan is still to be drawn down
- The interest rate for the loan which is to be paid by the Developer
- The PWLB rate which has been agreed for the funding to support the Fund
- The start date & final repayment date
- The length of the loan in months
- The amount outstanding which is still to be repaid by the Borrower (loan outstanding plus interest payable)
- Notification of any risk of default
- Notification of any renegotiation of terms of the current loan

Details of any sum remaining in the Local Infrastructure Fund which is available to lend.

## **Special Meeting of the Greater Norwich Infrastructure Delivery Board**

Norfolk County Council can call a special meeting of the Greater Norwich Infrastructure Delivery Board in the following circumstances:

- Request by a Borrower for a re-negotiation of an existing loan
- Request by a Borrower for early repayment of an existing loan and an application for a discount
- Imminent risk or actual default by a Borrower of an existing loan
- Sufficient surplus funds within the Local Infrastructure Fund to warrant a call for schemes prior to the next meeting of the Greater Norwich Infrastructure Delivery Board

Norfolk County Council must give at least 7 days' notice of the special meeting and the reason(s) why it has been called. The special meeting shall be carried out in accordance with the governance arrangements of the Greater Norwich Infrastructure Delivery Board.

## **Defaults on Loans**

Norfolk County Council will underwrite both the PWLB loans and the Local Infrastructure loans. In the case of default, Norfolk County Council as the accountable body will lodge the relevant claim and pursue the sale of assets on which the charge to secure the loan has been placed (in accordance with the security set out in the loan agreement).



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Appendix A

