

Report

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Report to:	Community and Enterprise Resources Committee
Date of Meeting:	22 May 2018
Report by:	Executive Director (Community and Enterprise Resources) Executive Director (Finance and Corporate Resources)

Subject:	Clyde Gateway Urban Regeneration Company – Approval of a Members’ Agreement Reserved Matter to Allow Access to Loan Finance
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ obtain approval from the Committee to allow the Council, as a member of the Clyde Gateway Urban Regeneration Company (URC), to provide the necessary ‘in principle’ approval for the URC to seek loan finance of up to £3.5 million to assist in the delivery of regeneration projects within the URC operating area.

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that ‘in principle’ approval be given for the URC to seek loan finance up to the value of £3.5 million to assist in the delivery of regeneration projects within the URC operating area; and
- (2) that the Executive Director (Community and Enterprise Resources), in consultation with the Executive Director (Finance and Corporate Resources), be authorised to conclude all other relevant matters pertaining to the URC loan finance proposals in the best interests of the Council.

3. Background

- 3.1. South Lanarkshire Council is one of three member organisations that make up the Clyde Gateway URC – the others being Glasgow City Council and Scottish Enterprise. The URC was officially set up early in 2008 and has been implementing a programme of regeneration activity since then within its defined boundaries.
- 3.2. The legal documentation, known as the ‘Members’ Agreement’, governs the operation and activities of Clyde Gateway URC. In certain circumstances, known as ‘reserved matters’, the URC requires to obtain the written consent of the three members before it can enter into certain contracts, engage in specific activities, borrow or grant a security over its assets or make amendments to the URC Articles of Association.
- 3.3. Since its inception in 2008, Clyde Gateway has been successful in securing funding from a wide range of sources, including its stakeholders, the Scottish Government and EU funding streams.

4. 'Reserved Matters' Proposal by Clyde Gateway

- 4.1. Clyde Gateway has, over a number of years, pursued a range of new and/or innovative sources of funds and investment. The URC has recently been successful in obtaining a funding offer worth £2 million from the Scottish Government Regeneration Capital Grant Fund associated with the development of office pavilions at Rutherglen Links Business Park, Farmecross. The total estimated cost of the project is £4 million.
- 4.2. The offer of grant from the Scottish Government is conditional on the balance of funding for this project to be in place. The URC has therefore decided to consider opportunities to raise loan finance from the commercial market to support this and other potential development opportunities that become available.
- 4.3. Any access to commercial finance will require assets held by the URC to be used as collateral to secure any loan. Scottish Government have been consulted on the proposal and are broadly supportive. As some of the assets proposed for use as collateral have been developed using Scottish Government funding, Ministerial approval will be required prior to any loan offer being entered into.
- 4.4. It should be noted that none of the properties identified for use as loan collateral have been the subject of financial support from South Lanarkshire Council. Income streams from the secured properties would be used to service the debt payments.
- 4.5. The URC is currently seeking approval to obtain a secured loan facility of up to £3.5 million to help fund development activity.

5. Employee Implications

- 5.1. There are no employee implications. Ongoing liaison and engagement with the URC can be managed using existing staff resources.

6. Financial and Risk Implications

- 6.1. There are no financial implications for the Council associated with this proposal. The Council's exposure to any loan default situation or financial failure of the URC is limited under the terms of the URC Articles of Association to £1.
- 6.2. The risks associated with any loan finance taken out by the URC primarily relate to the ability to service debt repayments from rental income. The value of assets that will be used as security for the debt will exceed the value of the debt. These risks remain the responsibility of the URC.

7. Other Implications

- 7.1. There are no sustainability issues associated with this report.

8. Equality Impact Assessment and Consultation Arrangements

- 8.1. This report does not introduce a new policy, function or strategy and, therefore, no impact assessment is required.
- 8.2. This report has been prepared in consultation with Finance and Corporate Resources. Liaison with Clyde Gateway URC will continue utilising the Council's existing monitoring arrangements and attendance at URC Stakeholder meetings and Board meetings.

Michael McGlynn
Executive Director (Community and Enterprise Resources)

Paul Manning
Executive Director (Finance and Corporate Resources)

25 April 2018

Link(s) to Council Values/Ambitions/Objectives

- ◆ Work with communities and partners to promote high quality, thriving and sustainable communities
- ◆ Support our communities by tackling disadvantage and deprivation and supporting aspiration

Previous References

- ◆ None

List of Background Papers

- ◆ Clyde Gateway URC Board Meeting Paper CG18(FEB)03 – 26 February 2018

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

Ken Meek, Project Manager, Planning and Economic Development Services

Ext: 5928 Tel (01698 455928)

Email: ken.meek@southlanarkshire.gov.uk