

## Appendix A

### Innovative Housing Programme (IHP) – 2020-21 Financial Transaction Capital (FTC) Loan

#### Outline scheme guidance

##### General guidance

1. The Modern Methods of Construction (MMC) Financial Transaction Capital (FTC) loan fund scheme provides loan funding to Residential Social Landlords (RSLs) to support MMC housing delivery. Modern Methods of Construction are defined as technological step change and as per the MMC [‘definitions framework’](#).
2. The scheme will help promote uptake of MMC solutions to increase the scale and pace of social housing in Wales through loan support for capital expenditure, in the form of a ‘private finance swap out’. This is in line with Welsh Government’s [MMC strategy](#) for social homes.
3. The loan scheme is only open to RSL as per UK Government Treasury guidelines with loans made directly to the RSL or lead RSL partner.
4. The loan must only be used for:
  - a. social/affordable homes as per [Tan 2 guidance](#) - ‘market homes’ will not be applicable.
  - b. social housing developments constructed as defined as per the MMC [‘definitions framework’](#). Traditional construction methods will not be eligible.
  - c. Substituting sources of private finance to support MMC developments.

##### Loan mechanism

5. The Welsh Government will be the loan fund manager and cannot guarantee that every application will be funded or that applications will be funded in full.
6. This is a capital loan fund only and is not provided with guarantees of any other Welsh Government capital or revenue funding.

7. Consideration will be given of payment of FTC loans into 'escrow' accounts pending the completion of predetermined conditions. This will entail loans being placed in applicant's solicitors 'escrow' accounts and held under agreement until predetermined conditions are met and Welsh Government agree for the loan to be released from the 'escrow' account to the loan applicant. Applicants will need to demonstrate a requirement for arrangement and requests will be reviewed as part of the IHP application clarification interview process. In any case, draw down of funds must commence from the 'escrow' no later than 31 October 2021 unless written agreement is provided by Welsh Government.
  
8. The subsequent release of the loan fund from the 'escrow' account will be only on satisfactory completion of certain triggers or payment. Full details of the payment triggers will be included in the legal loan agreement, these are not limited to, but could include:
  - a) Company Secretary's certificate or a resolution of RSL management approving entry into loan acceptance
  
  - b) Certified copy of RSL Board Minutes confirming approval to accept loan
  
  - c) an undertaking from RSL's solicitors confirming they will i) hold the moneys pending completion, ii) only use the loan in connection with the project and iii) return moneys should the project not commence by a specified date, unless a written extension has been granted by Welsh Government
  
  - d) Details of the property acquisition/heads of terms for lease/capital expenditure (as applicable)
  
  - e) Details of the preferred MMC and confirmed order with a MMC producer.
  
  - f) Confirmation of any other sources of private funds (e.g. directors loans, hire purchase agreements, commercial lending facilities) **and/or** public funding **including other WG sources**
  
  - g) Undertaking from RSL's solicitors to register legal charge in the Welsh Ministers favour
  
  - h) Consent of RSL's lender to RSL granting a legal charge over the producer's assets in respect of the loan.
  
9. Further documentation that will be required at a later date could include:
  - a) Independent valuation on land/assets,
  - b) Legal Charge over the land and assets
  - c) Certificate of Title

d) Up to date Official Copy of Registered Title and Title Plan

### Loan terms

10. The maximum length of loan term is 20 years and at the discretion of Welsh Government.
11. A 0% (zero) interest rate will apply and loans are compatible with State Aid under the [SGEI mechanism](#).
12. Loans are provided for the delivery of social homes only as per Tan 2 definition. Market housing will not be eligible under the terms of the loan.
13. Should there be a loan repayment default Welsh Government has mechanisms in place to retrieve this money from the lead RSL partner. Welsh Government may enforce its security in the event of any default.
14. Loans will be secured against the land and assets it is provided for under the scheme. Welsh Government will require 1<sup>st</sup> charge on assets to which the loan relates. No other RSL assets will be used as security for the loan which should assist with securitisation capacity.
15. If the RSL enters into administration, recovery procedures will apply from the RSL who will have the ability to repay the loan back to Welsh Government on the original terms and conditions of the loan. In such an event the lead RSL can request that assets paid for out of the loan can be repurposed to achieve Welsh Government future housing/regeneration policy aims. This repurposing requires explicit written consent by Welsh Government in an event of administration.
16. The entire loan must be repaid by BACS transfer in payments as per the agreed payment profile outlined in the legal loan agreement between Welsh Government and the RSL applicant, **but** in any event no later than the 20th anniversary of the commencement of the project.
17. Applicants who would like to repay the loan in full **before** final repayment becomes due, may do so, but only upon written agreement of the Welsh Government.
18. The terms of loan agreement are between the RSL lead partner and Welsh Government. **The lead RSL partner is responsible for undertaking the full and continual due diligence of any other RSL or private sector partners.**