



Llywodraeth Cymru
Welsh Government

Caerphilly County Borough Council
Penallta House
Tredomen Park
Ystrad Mynach
Hengoed
CF82 7PG

19 March 2025

Dear Sirs,

We are pleased to offer you, Caerphilly County Borough Council, a loan on the terms and conditions set out below and in the accompanying standard terms.

The key commercial features of the loan are:

- amount (point 1)
- interest (point 5)
- repayment terms (point 7)
- fees (point 9).

The information which we will need before we can provide you with the loan are contained in point 2.

This offer is made under the authority of the Cabinet Secretary for Housing and Local Government, one of the Welsh Ministers. The statutory basis for the offer of funding contained in this letter is section 31 of the Local Government Act 2003, sections 126, 127 and 128 of the Housing Grants, Construction and Regeneration Act 1996 and section 1 of the Welsh Development Agency Act 1975.

1. LOAN

1.1 The amount of the loan is £4,500,000 (*four million, five hundred thousand pounds*).

1.1.1 The loan will be provided at an interest rate of 2.15%. This will result in the provision of a subsidy to you which will be regulated by the Subsidy Control Act 2022 (the "SCA 2022").

1.1.2 The maximum value of the subsidy award under this loan is £1,058,000 (one million and fifty eight thousand pounds). This value has been calculated based on the minimum value required in order to plug the viability gap relating to the interest differentiation between the loan rate offered and market rate and on the basis of a loan term of up to 10 years. In the event that (i) we decide to waive any interest payable under this loan; and/or (ii) we

agree to any amendment to this loan which falls to be treated under section 81(1) of the SCA 2022 as the giving of a new subsidy, a new subsidy award and appropriate cover may need to be reassessed and redetermined accordingly.

- 1.2 The purpose of the loan (“the Purposes”) is to enable you to:
 - (a) Establish a Strategic Acquisitions Fund to facilitate the acquisition of key properties in Bargoed and Blackwood Town Centres.
- 1.3 You propose to match the loan with approximately £900,000 (*nine hundred thousand pounds*) from your own funds towards ‘place shaping’ activity, supporting the delivery of the wider objectives within the Bargoed and Blackwood Placemaking Plans.
- 1.4 The overall objective of the loan and your match funding is to acquire properties (“the Sites”) which will facilitate the delivery of the Bargoed and Blackwood Placemaking Plan (“the Overall Objective”).
- 1.5 The Purposes may be varied or added to, providing that, you obtain our prior written approval and such variation or addition accords with the Overall Objective.
- 1.6 The loan will provide for costs relating to the acquisition of the Sites to include:
 - Valuation Fees
 - Land Cost
 - Professional Fees
 - Legal Fees
 - Land Registry Costs
- 1.7 You must retain adequate records to demonstrate that you have used the loan in relation to the costs and fees listed in point 1.6.
- 1.8 You must ensure that there is no double accounting with any other sources of funding.

2. CONDITIONS

- 2.1 The loan will not be released to you in respect of the Purposes until we have received the following in a form and substance satisfactory to us:

Business and Financial Information

- (a) Written confirmation that there are appropriate management processes in place and the commitment to develop a governance structure which will follow a similar model to the Caerphilly 2035 governance structure.

Administrative

- (c) Written confirmation from your Chief Executive or such other officer with delegated authority that the entering into this letter is approved.
- (d) Drawdown notice in the form attached at Annex A.

Other Documents

- (e) Written confirmation that (i) you will only use the loan in connection with the Purposes; and (ii) in the event that you do not proceed with the Purposes to immediately return the loan together with any interest earned on the loan to us.

3. YOUR OBLIGATIONS

- 3.1 You must work in partnership with the Welsh Government to ensure that the Purposes are delivered and that the agreed milestones and targets are achieved.
- 3.2
 - (a) A project board will be established, consisting of your officials, Welsh Government officials and such other consultants, experts and agents that the parties agree to ("the Project Board");
 - (b) The Project Board will ensure the proper implementation of the Purposes and will discuss and evaluate matters relating to the implementation of the Purposes to ensure that the Overall Objective is achieved;
 - (c) Both your officials and the Welsh Government officials will have equal voting rights on any matters brought to the Project Board for a decision;
 - (d) Should the Project Board disagree on any matters brought for their attention, then your officials and the Welsh Government officials will escalate the matter to an appropriate senior level within their respective organisations for a decision to be made. Should a decision still not be forthcoming then the matter will be forwarded to the relevant Welsh Minister for discussion with your Leader of Council following which a decision will be final and binding on both parties.
- 3.3 The Project Board will agree and produce a risk register prior to the Loan being used for the Purposes. Such risk register will be reviewed and updated by the Project Board on a regular basis.
- 3.4 Not less than every 4 months until the loan has been utilised in full by you, you, acting by your Section 151 Officer, will provide us with a statement confirming what the loan has been utilised for (including specific amounts spent) in respect of such period from the provision of the last statement (other than in respect of the first such statement which shall be from the date of this Agreement). We reserve the right to raise any requisitions that we deem necessary in relation to the amounts spent noted on a statement and to also request such further information as we feel necessary.
- 3.5 You will acquire the Sites either through negotiation with the current owners of the Sites or if necessary and with your Cabinet approval, by way of enforcement through your compulsory purchase powers.
- 3.6 You are required to carry out all necessary site investigations and surveys into the condition of the Sites, to ensure the Sites can be developed.
- 3.7 You will instruct your in-house Housing Services division, Caerphilly Homes, or any other partner, to help in delivery of the Purposes (where appropriate and applicable).

- 3.8 All new homes that are constructed on the Sites must be built in accordance with Part L of the Building Regulations (as amended). All homes are required to meet the general standards set out in the current Welsh Housing Quality Standards 2024 (WHQS 2024), or any equivalent published guidelines. In terms of value for money, regard must be had to our “Acceptable Cost Guidelines”. Any scheme that does not meet either WHQS 2024 or has a Scheme Cost Index above 120% should be discussed with the Welsh Government.
- 3.9 The Welsh Government has a legal duty to reduce carbon emissions in Wales by 80% by 2050 (over 1990 levels). Buildings are a significant contributor to current emission levels and therefore you are required (if applicable) to clearly demonstrate how you have considered the carbon emissions of your proposals and what action you have taken or will take to reduce or minimise them.
- 3.10 You will provide the Welsh Ministers with a restriction over the Sites in the following form:
- “No disposition of the registered estate by the proprietor of the registered estate, or by the proprietor of any registered charge, not being a charge registered before the entry of this restriction, is to be registered without a written consent signed by The Welsh Ministers of Legal Services, Crown Building, Cathays Park, Cardiff, CF10 3NQ or their conveyancer.”
- The above restriction will remain registered against the Sites until such time as the loan is repaid.
- .

4. DRAWDOWN

- 4.1 You may drawdown the loan in one amount by giving a drawdown notice in the attached form (Annex A).
- 4.2 If the loan has not been drawn down by 31 March 2025, we shall have no further obligation to provide the loan.

5. INTEREST

- 5.1 You shall pay simple interest on the loan at the rate specified under point 5.2.
- 5.2 The interest rate referred to under point 5.1 above is 2.15% per annum.
- 5.3 All interest shall accrue on a daily basis.
- 5.4 Annual repayment of interest should be made within 3 months of the due date.
- 5.5 If any money is not paid to us when due under the terms of this letter or any related document, you will pay interest on the outstanding amount of the loan from the date it became due until the date of payment (both before and after judgement) at the Market Rate (as determined in accordance with point 5.8 below) plus 1% per annum. We can compound such interest at our option and at intervals of our choice.
- 5.6 If you do not comply with your obligations under point 10 (Monitoring Information) you will pay interest on the outstanding amount of the loan from the date the default occurs

until the date the default ceases at the default rate in Market Rate (as determined in accordance with point 5.8 below) plus 1% per annum. We can compound such interest at our option and at intervals of our choice.

- 5.7 Should you earn any interest on the loan then such sum earned will be used towards the Overall Objective.
- 5.8 The Market Rate of interest referred to in 5.5 and 5.6 will be determined having regard to the Subsidy Control (Gross Cash Amount and Gross Cash Equivalent) Regulations 2022 (to the extent appropriate) and otherwise to general market conditions and the guidance in the Statutory Guidance for the United Kingdom Subsidy Control Regime (SCA 2022). At the date of this letter, this rate is 5.3%

6. STEP-IN RIGHTS

- 6.1 Should you not be proceeding diligently and expediently with the Purposes then we may step-in and carry out the Purposes.
- 6.2 If we exercise our right in point 6.1 then the loan will be repayable in accordance with point 8.2.

7. REPAYMENT

- 7.1 The Loan shall be available for a term of 10 years from first drawdown ("the Term"). Subject to point 7.3, full repayment of the Loan, including any default interest payable under Section 5, shall have been made by you in one lump sum prior to or on the expiry of the Term.
- 7.2 It is acknowledged that the repayment of the Loan will be via revenue and capital receipts generated through the carrying out of the Purposes.
- 7.3 In the event of the Loan not being fully repaid at the end of the Term you may submit a written request to us for the Term to be extended. Such a decision will be at our absolute discretion, subject to Ministerial approval and dependent on the success of the Overall Objective. Our agreement to extend the Term will not be unreasonably withheld.

8. EARLY REPAYMENT

- 8.1 You may repay the (whole or any part of the) loan at any time provided you have given us at least 2 months' notice in writing.
- 8.2 Within fourteen days of receipt of your notice we will notify you of the early repayment amount. The amount repayable will be calculated on the basis that it is repaid two months after receipt by you of the notice from us.

9. FEES AND EXPENSES

- 9.1 Each party will be responsible for their own costs and expenses (including legal costs) incurred in connection with this letter or any related document.

10. MONITORING INFORMATION

10.1 You must provide us on a quarterly basis, or such other period as may be agreed, a duly completed monitoring return in form and substance satisfactory to us. This will be required until the loan has been repaid.

10.2 Further details will be provided on a separate monitoring return to cover all financial, administrative and operational elements of the loan, but will include, as a minimum, data based on the following performance indicators:-

- (a) hectares of land developed
- (b) number of businesses accommodated

10.3 You acknowledge that we may share any data you provide to us with fraud prevention agencies and third parties for the purposes of preventing and detecting fraud. Any personal data we collect will be managed in accordance with our Privacy Notice which is available to view here <https://gov.wales/about/welsh-government-privacy-notice/?skip=1&lang=en>.

To accept this offer letter, please sign and return the duplicate of this letter.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Leigh Donovan', written in a cursive style.

Leigh Donovan

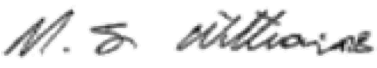
Head of Regeneration South East, Place Division

under the authority of the Cabinet Secretary for Housing and Local Government,
one of the Welsh Ministers


IMPORTANT NOTICE:

As with any legally binding agreement, we recommend that you consult your solicitor or other independent legal adviser before accepting this letter.

Agreed and accepted by Caerphilly County Borough Council

By: 
Director

(Print Name)

By: 
Director

(Print Name)

Date: 20/03/25

STANDARD TERMS

1. Undertakings

1.1 You must:-

- (a) maintain and comply with all necessary licences, consents and laws;
- (b) provide evidence that the loan was used for the Purposes;
- (c) notify us of any change to your application;
- (d) acknowledge the support being made by us in all forms of publicity related to the Purposes. Publicity for these purposes includes announcements, press releases, media interviews, marketing materials and official launches. Such acknowledgment must be in a form approved by us and must comply with the Welsh Government's branding guidelines;
- (e) co-operate with us for publicity and/or case study purposes;
- (f) provide us with all information and documentation as we may reasonably request from time to time; and
- (g) provide access to your business premises to representatives of the Welsh Ministers and/or the Wales Audit Office in order for them to undertake checks for the duration of the loan.

2. Representations and Warranties

You confirm that and for so long as the loan is outstanding:

- (a) all factual information supplied by you to us in connection with the loan was true as at its date and did not omit anything material; no subsequent change has occurred which renders it untrue or misleading and all projections and statements of belief and opinion given by you to us were made in good faith after careful enquiry and remain valid;
- (b) no event contained in point 3 below has occurred and is continuing; and
- (c) your latest financial statements have been prepared in accordance with GAAP or SORP consistently applied and give a true and fair view of your financial position and there has been no material adverse change in your business, assets or financial position since that date.

3. Default

3.1 Each of the following shall be an event of default:-

- (a) you fail to pay when due any sum payable by you under the offer letter;
- (b) you fail to comply with any other provision of the offer letter or these standard terms;
- (c) you fail to carry out the Purposes as set out in your application;
- (d) any confirmation in point 2 above proves to have been untrue or inaccurate in any material respect;
- (e) any part of the offer letter, these standard terms, or any related document is or becomes (or is alleged to be) unlawful or unenforceable in any respect;
- (f) any other circumstance or event occurs which in our reasonable opinion, may have a material adverse effect on you or your ability to perform your obligations under the offer letter, these standard terms, and/or any related document;

3.2 If any of the events listed in point 3.1 above occurs we may at any time:

- (a) cancel any undrawn part of the loan; and/or
- (b) require immediate repayment of the loan and all other sums due under the offer letter.

4. Assignment

- 4.1** You may not assign or transfer any of your rights or obligations under the offer letter, these standard terms, or any related document.
- 4.2** We may assign all or any part of our rights under the offer letter, these standard terms or any related document. We may disclose on a confidential basis to any actual or potential assignee or transferee of any such rights, any information about you we consider appropriate.

5. General

- 5.1** If we fail or delay in exercising any right or remedy under the offer letter or these standard terms this does not mean that we have waived that right or remedy and we may exercise any right or remedy on more than one occasion.
- 5.2** Any notice sent in connection with the offer letter or these standard terms and conditions shall be delivered by hand, first class or registered post and sent:
- (a) in respect of you: to your principal address;
 - (b) in respect of us: to the address(es) provided in the offer letter.
- A notice delivered by hand shall be deemed served at the time of delivery, if sent by first class or registered post, two days after posting.
- 5.3** If any part of the offer letter or these standard terms is not valid or enforceable then that will not affect any other part.
- 5.4** The offer letter and the standard terms shall be governed by and construed according to the laws of England and Wales.

6. Interpretation

- 6.1** Any reference in the offer letter and these standard terms to:
- (a) “you” is to the borrower(s) under the offer letter and where there is more than one borrower, the obligations of each borrower under the offer letter and these standard terms, shall be joint and several;
 - (b) “we” and “us” is to the Welsh Ministers of Crown Buildings, Cathays Park, Cardiff CF10 3NQ;
 - (c) “market housing” and “affordable housing” is to the definitions contained in Technical Advice Note (TAN) 2: Planning and Affordable Housing (2006);
 - (d) related documents is any document entered into by any party under or in accordance with the provisions of the offer letter;
 - (e) control of any company will be interpreted in accordance with Section 840 of the Income and Corporation Taxes Act 1988;
 - (f) any legislation will include all amendments, substitutions and re-enactments in force from time to time.
- 6.2** Any reference to the offer letter and these standard terms or any other document referred to in them will be construed as references to those documents in force from time to time and as amended, supplemented, restated, substituted or novated from time to time.