

Report to:	EXECUTIVE
Relevant Officer:	Neil Jack, Chief Executive
Relevant Cabinet Member	Councillor Simon Blackburn, Leader of the Council
Date of Meeting	23 March 2020

PROVISION OF A BUSINESS LOAN TO BLACKPOOL AIRPORT OPERATIONS LIMITED

1.0 Purpose of the report:

- 1.1 To consider a loan from the Council's Business Loans Fund to Blackpool Airport Operations Limited.

2.0 Recommendation(s):

- 2.1 To authorise the provision of a £1m business loan to Blackpool Airport Operations Limited (BAOL) over a 25 year repayment term towards essential capital investment at Blackpool airport.
- 2.2 Provide authority for the Head of Legal Services to prepare legal documentation for the loan facility.
- 2.3. To delegate authority to the Chief Executive and the Business Loans Panel to finalise any legal conditions.

3.0 Reasons for recommendation(s):

- 3.1 In February 2017, Full Council approved a decision to offer a further £90 million of loans in addition to the existing £10 million, through a new Business Loans Fund. The fund has since been increased to £200m. The primary purpose of the scheme is to promote economic development in Blackpool in line with the Council's priorities; and to ensure that any such investment delivers a secure financial return for the Council.

A Business Loans Fund Panel assesses all applications and ensures appropriate due diligence is undertaken in relation to loans of any size. The Panel is chaired by the Chief Executive and includes the Director of Resources, Director of Communications and Regeneration and the Head of Corporate Legal.

In line with existing financial delegations any loan decision of £500,000 or more must be approved by the Executive, having first been appraised and recommended by the Loans Panel. The Loans Panel met on the 21 February 2020 and recommended approval of the loan to the Executive having reviewed all relevant due diligence.

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.2b Is the recommendation in accordance with the Council's approved budget? Yes

3.3 Other alternative options to be considered:

The alternative option would have been for the applicant to seek funding elsewhere for this development. As a wholly owned company they have chosen to apply to the Council's Loan Fund as it meets the criteria for such investment and they have followed all due diligence requests required. The Council could refuse to fund the scheme but it does meet with the Loan Fund's stated objective to promote economic development and to achieve a return on investment.

4.0 Council Priority:

4.1 The relevant Council Priority is: "The economy: Maximising growth and opportunity across Blackpool".

5.0 Background Information

5.1 The airport has a long history of ownership and underinvestment since the Council sold it in 2004 to City Hopper Airports. Blackpool Council re-acquired Blackpool Airport in 2017 to secure the future of the airport and to facilitate the large scale development of the Blackpool Airport Enterprise Zone masterplan.

5.2 Essential investment in capital infrastructure has been necessary to keep the airport functioning in the last year, and other investment will be necessary in future years. Early investment has been necessary to invest in basic infrastructure as well as compliance with air traffic regulations.

5.3 This investment required a £800,000 short term cashflow facility in 2019/20. The proposal is to now convert this into a 25 year loan with the option of an additional £200,000 facility.

5.4 The operating company has now approved a medium term business plan to stabilise and eventually grow the business over the next five years. Importantly this shows the ability of the company to repay a loan over the medium term.

5.5 Does the information submitted include any exempt information? No

5.6 **List of Appendices:**

None.

6.0 **Legal considerations:**

6.1 The Council's Legal Services has used such resources as required to carry out the appropriate level of due diligence in relation to the security for the loan and the purpose for which it is to be used.

7.0 **Human Resources considerations:**

7.1 None.

8.0 **Equalities considerations:**

8.1 None.

9.0 **Financial considerations:**

9.1 Loans panel has set an appropriate interest rate taking into account this is a wholly owned subsidiary.

10.0 **Risk management considerations:**

10.1 The key risk relates to the ability of the applicant to repay the loan and if in default the level of security being sufficient to cover any outstanding debt.

11.0 **Ethical considerations:**

11.1 None.

12.0 **Internal/ External Consultation undertaken:**

12.1 The application has been reviewed internally by the Business Loans Panel and a Due Diligence Sub Group.

13.0 **Background papers:**

13.1 None.

14.0 Key decision information:

14.1 Is this a key decision? Yes

14.2 If so, Forward Plan reference number: 2/2018

14.3 If a key decision, is the decision required in less than five days? No

14.4 If **yes**, please describe the reason for urgency:

15.0 Call-in information:

15.1 Are there any grounds for urgency, which would cause this decision to be exempt from the call-in process? No

15.2 If **yes**, please give reason:

TO BE COMPLETED BY THE HEAD OF DEMOCRATIC GOVERNANCE

16.0 Scrutiny Committee Chairman (where appropriate):

Date informed: 13 March 2020 Date approved:

17.0 Declarations of interest (if applicable):

17.1

18.0 Executive decision:

18.1

18.2 Date of Decision:

19.0 Reason(s) for decision:

19.1 Date Decision published:

20.0 Executive Members in attendance:

20.1

21.0 Call-in:

21.1

22.0 Notes:

22.1