



**CABINET**

**6<sup>TH</sup> FEBRUARY 2014**

**AGENDA ITEM (8)**

**REQUEST FOR LOAN BY COTSWOLD WATER PARK TRUST**

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| <b>Accountable Member</b>  | Councillor NJW Parsons<br>Deputy Leader of the Council  |
| <b>Accountable Officer</b> | Jenny Poole<br>Head of Finance, Audit and GO Shared Services<br>01285 623313<br>jenny.poole@cotswold.gov.uk |

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| <b>Purpose of Report</b>               | For the Cabinet to determine a request by the Cotswold Water Park Trust for a loan in relation to the Cotswold Water Park Gateway Visitor Centre.   |
| <b>Recommendation(s)</b>               | <p>(a) That the Cabinet decides in principle whether or not to offer a loan to the Cotswold Water Park Trust;</p> <p>(b) that, should an 'in principle offer' be approved, it be subject to:</p> <p>(i) the Council being satisfied there is adequate security for the loan in either the new head lease for the Gateway Centre or some other suitable asset;</p> <p>(ii) the Council being satisfied with the outcome of a refreshed credit search on the Cotswold Water Park Trust;</p> <p>(iii) the final loan details being agreed with the Cotswold Water Park Trust following the completion of the procurement exercise for the treatment plant, and the loan not exceeding £60,000;</p> <p>(c) that the Head of Finance, Audit and GO Shared Services, in consultation with the Head of Legal and Property Services, and the Leader and Deputy Leader of the Council, be authorised to agree the final terms of the loan;</p> <p>(d) that, should an 'in principle' offer be approved, the Council's draft Capital Programme 2014/15 be updated to include provision for the proposed loan, which will be financed from capital receipts.</p> |
| <b>Reason(s) for Recommendation(s)</b> | To support the Cotswold Water Park Trust in its work in the Water Park area whilst minimising the risk to the council tax payers.   |

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| <b>Ward(s) Affected</b> | Water Park; Kempsford-Lechlade; Hampton; Fairford |
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| <b>Key Decision</b>              | No |
| <b>Recommendation to Council</b> | No |

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| <b>Financial Implications</b>                        | It is proposed that the loan to the Cotswold Park Trust will be subject to a fixed interest rate equivalent to the published Public Works Loan Board rate plus 0.5%. At the time of preparing this report, that would be 2.9%. This rate of interest is higher than the current rates of interest achievable through the Council's treasury activity. |
| <b>Legal and Human Rights Implications</b>           | The Localism Act 2011 permits the Council to enter into the proposed transaction. The Council's Financial Rules permit Cabinet to make decisions on new in-year capital expenditure up to £100,000. The loan request is within that limit.  |
| <b>Environmental and Sustainability Implications</b> | The loan will be used to fund the installation of a package treatment plant which will treat the waste from toilets at the Gateway Centre. Consent has been gained from the Environment Agency for the installation of the plan.<br><br>At present, waste from the toilets is transported by road tanker and is emptied three to four times per week. |
| <b>Human Resource Implications</b>                   | None  |
| <b>Key Risks</b>                                     | The key risk is that the Cotswold Water Park Trust defaults on the loan. In this event, the Council will use the security in the Head Lease or other asset to recover the outstanding debt.   |
| <b>Equalities Impact Assessment</b>                  | Not required.   |

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| <b>Related Decisions</b>    | Cabinet - 2 <sup>nd</sup> February 2012 - A New Way Forward for Governance in the Cotswold Water Park |
| <b>Background Documents</b> | None  |
| <b>Appendices</b>           | <b>Appendix 'A'</b> - Letter from Cotswold Water Park Trust   |

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| <b>Performance Management Follow Up</b> | Loan repayments will be monitored and recovery action will be taken if necessary. |
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| <b>Background Information</b> |   |
| 1.                            | The Cotswold Water Park Trust has approached the Council to request a loan of £60,000 to finance the installation of a package treatment plant at the Gateway Centre. A copy of the letter of application is attached at <b>Appendix 'A'</b> . The plant will treat waste from public toilets at the Gateway Centre, saving the Trust around £27,500 per annum. |
| 2.                            | This annual saving will enable the Trust to improve the information on offer at the Gateway Centre.   |

3. A credit search has been carried out on the Trust, which has proved to be satisfactory. Nevertheless, it is proposed that the loan be secured against either the new Head Lease for the Gateway Centre or some other suitable asset.

4. The Cotswold Water Park Trust supports the Council's priority of maintaining and protecting our environment as one of the best places to live, work and visit.

5. The Cabinet considered a report 'A New Way Forward for Governance in the Cotswold Water Park' on 2<sup>nd</sup> February 2012. Following a debate, it was decided that the Council would enter into a Partnership Grant Agreement with the Cotswold Water Park Trust to provide grant aid for one year only (in 2012/13). During the debate, it was stated that the Cotswold Water Park Trust may apply to the Council for financial assistance as projects came forward. The relevant extract from the Minutes of the Meeting is set out below.

*"In response, it was reported that the current funding mechanism was considered to be old-fashioned and that the Trust would be able to apply to the Council for financial assistance as projects came forward."*

6. The cash flow impact for the Trust is set out in the table below:-

|  | Year 0    | Year 1           | Year 2           | Year 3           | Year 4           | Year 5           | Year 6           | Year 7           |
|--|-----------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Loan                                       | (£60,000) |                  |                  |                  |                  |                  |                  |                  |
| Capital Expenditure                        | £60,000   |                  |                  |                  |                  |                  |                  |                  |
| Loan repayment<br>(Principal and Interest) |           | £9,550           | £9,550           | £9,550           | £9,550           | £9,550           | £9,550           | £9,550           |
| Savings from capital<br>investment         |           | (£27,500)        | (£27,500)        | (£27,500)        | (£27,500)        | (£27,500)        | (£27,500)        | (£27,500)        |
| <b>Cash-flow benefit to<br/>Trust</b>      | <b>£0</b> | <b>(£17,950)</b> | <b>(£17,950)</b> | <b>(£17,950)</b> | <b>(£17,950)</b> | <b>(£17,950)</b> | <b>(£17,950)</b> | <b>(£17,950)</b> |

N.B. The loan interest included in the table has been rounded for illustrative purposes.

7. The Cabinet is requested to consider making a loan offer in principle. It is suggested that any offer would be subject to there being adequate security available in either the new Head Lease being offered by the landlord of the Gateway Centre or some other suitable asset (as verified by an independent valuer appointed by the Council, but the cost of such valuer to be met by the Trust), and a satisfactory refreshed credit search. It is proposed that (i) any loan would attract interest at a rate equivalent to the published Public Works Loan Board Fixed Rate + 0.5%; (ii) the final loan details to be agreed in consultation with the Leader and Deputy Leader; (iii) the loan to not exceed £60,000; and (iv) a repayment period of no more than seven years.

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