



CABINET

14TH FEBRUARY 2019

AGENDA ITEM (11)

TEMPORARY LOAN TO FRIENDS OF THE COTSWOLDS

Accountable Member	Councillor AW Berry Leader of the Council
Accountable Officer	Jenny Poole Chief Finance Officer 01285 623313 Jenny.Poole@cotswold.gov.uk

Purpose of Report	To consider temporary lending to the Friends of Cotswolds to provide cash-flow support for the renovation work being carried out at the Old Prison, North Leach.
Recommendation(s)	(a) That the principle of providing a loan of up to £45,000 to the Friends of the Cotswolds at an interest rate of 4.5% for a period of up to 6 months be approved; (b) that delegated authority be given to the Chief Finance Officer, in consultation with the Leader of the Council, to agree the details of the loan, including the amount and loan period, subject to receiving assurance over the grant being payable following the UK's departure from the European Union.
Reason(s) for Recommendation(s)	To enable work on the Old Prison to be completed, in accordance with external grant conditions.

Ward(s) Affected	Northleach
Key Decision	No
Recommendation to Council	No

Financial Implications	The loan will be financed through the Council's cash balances. The interest rate reflects the liquidity of the transaction (funds will be tied up for a fixed period of time) and the risk of the transaction (the usual treasury management criteria cannot be applied to this loan and the loan is not secured by assets).
Legal and Human Rights Implications	The Localism Act 2011 provides the Council with the power to make this advance. A loan agreement will set out the conditions of the loan.
Environmental and Sustainability Implications	Not applicable.

Human Resource Implications	The transaction will be delivered within existing resources.
Key Risks	<p>(i) The key risk is that the Friends of the Cotswolds are unable to repay the loan on the maturity date. The Loan Agreement will contain clauses which deal with this eventuality.</p> <p>(ii) Should the work on the Old Prison not satisfy the grant conditions from the external funders, the Friends of the Cotswolds would need to seek alternative sources of funds in order to repay the loan to this Council. The legal agreement will include conditions which mitigate this risk.</p>
Equalities Analysis	Not applicable to this report.

Related Decisions	<p>Loan of £360,000 advanced to the Friends of the Cotswolds in July 2013, secured upon the Old Prison, Northleach.</p> <p>Cabinet 17th May 2018 - Extension of Loan to Friends of Cotswolds, additional loan of £78,000 secured upon the Old Prison.</p>
Background Documents	None
Appendices	None

Performance Management Follow Up	<p>(i) Implement Cabinet decision(s).</p> <p>(ii) Should the loan be advanced, the loan will be reported within the Council's financial statements for 2018/19 and 2019/20. Any issues with late or non-payment of the loan will be reported to Cabinet.</p>
Options for Joint Working	Not relevant.

Background Information	
<p>1. The Council has previously provided loans to the Friends of the Cotswolds which are secured upon the Old Prison, Northleach. The Friends of the Cotswolds are undertaking renovation of the Old Prison and have secured funded to deliver the project. Some of the grant funding becomes payable upon completion of the project. This leaves the Friends of the Cotswolds with a cash-flow issue during the building works.</p> <p>2. This report seeks Cabinet approval, in principle, to providing a temporary loan of up to £45,000 to the Friends of the Cotswolds for a period of up to six months to bridge the funding gap.</p> <p>3. The Council's Treasury Management Strategy sets out the criteria for temporary, short-term lending to specific counter-parties (e.g. banks and financial institutions, other local authorities etc.). The Friends of the Cotswolds does not fit the criteria to be a treasury counter-party and, therefore, the loan cannot be made under the Council's Treasury Management Strategy. Cabinet is therefore being asked to approve the principle for the advance of this loan.</p>	

(END)