

CORPORATE SERVICES & ECONOMIC GROWTH OVERVIEW & SCRUTINY COMMITTEE**23 November 2017**

Potential Loan to Haltwhistle Social Welfare Centre

Report of Alison Elsdon Director of Corporate Resources

Cabinet Member: Councillor Nicholas Oliver – Portfolio Holder for Corporate Services**Purpose of Report**

The report provides details of a potential loan facility to Haltwhistle Social Welfare Centre of up to £150,000 for the pool plant refurbishment along with an additional £10,000 to cover remedial work following pool tile survey.

CABINET

12 December 2017

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The report provides details of a potential loan facility to Haltwhistle Social Welfare Centre of up to £150,000 for the pool plant refurbishment along with an additional £10,000 to cover remedial work following pool tile survey.

Recommendation

It is recommended that Cabinet make the following recommendations to County Council:

- Approve a Loan Facility of up to £160,000 to Haltwhistle Social Welfare Centre subject to:
 - The Council's Legal Team finalising a legal agreement with Haltwhistle Social Welfare Centre in advance of any loan drawdown, containing the terms and conditions set out within this report.
 - The Council's Legal Team finalising a legal guarantee with Haltwhistle Town Council in the event of Haltwhistle Social Welfare Centre defaulting on loan repayments, in advance of any loan drawdown.
- Approve the terms and conditions of the loan.

Only once all of these conditions have been met can the loan be drawn down.

Key Issues

1. The Council has been approached for a loan facility of up to £160,000 from Haltwhistle Social Welfare Centre.
2. The annual loan repayment to the Council will be paid quarterly on 31 March, 30 June, 30 September and 31 December in line with the repayment schedule.
3. The proposed loan facility would be subject to the terms and conditions identified within the main body of the report.
4. Haltwhistle Social Welfare Centre would subsequently enter into a separate legal agreement with Haltwhistle Town Council who will act as guarantors of the loan for £160,000.
5. The loan request was considered by Risk Appraisal Panel on 5 October 2017. Members recommended that the Council should offer assistance to the Centre and acknowledged that the loan guarantee provided by Haltwhistle Town Council would mitigate the risk for the Council.

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Links to Corporate Plan

The proposal has very strong linkages with the Council's Places and Environment priority, "to maintain and further improve the quality of our towns, villages and countryside, and make it easier for residents to access services and high quality, affordable homes and to travel using different modes of transport."

In addition the proposal has strong links with the Council's Health and Well Being priority, "to ensure that everyone has the opportunity to lead healthy, independent lives for as long as possible and to safeguard our most vulnerable residents in a way that maintains their dignity and confidence."

Background

Haltwhistle Pool was built in 1974 in response to a series of drownings in the river Tyne which were deemed to be related to the fact that local people did not have access to a swimming pool. The pool opened with funding from Coal Industry Social Welfare Organisation (CISWO) and under the governance of a voluntary management committee made up of local people.

It comprises of three outdoor pools (25m pool, learner pool and toddler pool) which are open for 20 weeks over the summer period.

In 2014, Active Northumberland commissioned a condition survey on the pool which confirmed that the plant was in urgent need of replacement. The centre funded a feasibility report in 2016 by local consultancy firm Screen and Foster which included quotes and recommendations.

The estimated capital cost of the project is £160,000. This covers the pool plant refurbishment plus remedial works. This will be funded via the proposed loan from the Council of up to £160,000, which could be reduced depending on the outcome of other grant and funding applications towards the works. The final loan value will be determined by the final project cost and other approved funding sources. Haltwhistle Social Welfare Centre will need to supply the Council with the final project costs and other approved funding sources before the loan can be drawn down.

Loan Security

The Loan will be guaranteed by Haltwhistle Town Council. This was approved at the Town Council meeting on 30 July 2017. It is proposed that any default loan repayments would be deducted from the Town Council's next precept payment. The schedule of payments will be detailed within the loan agreement. In the event that Haltwhistle Social Welfare Centre ceases operation, Haltwhistle Town Council would assume responsibility for the loan repayments to the Council in line with the agreed

repayment schedule. A legal guarantee between the County Council and Haltwhistle Town Council would be put into place to this effect.

The guarantee from Haltwhistle Town Council would effectively negate the other risks highlighted within this report.

Loan Terms and Conditions

The Haltwhistle Social Welfare Centre has requested financial assistance up to the value of £160,000. As this request for financial assistance did not form part of the Council's Medium Term Financial Plan and the Council faces its own financial challenges the former Chief Executive suggested that a loan of up to £160,000 would be the best option.

The loan will have the following terms and conditions:

1. Haltwhistle Social Welfare Centre can commence drawdown of the loan once Northumberland County Council's legal department are in receipt of the signed legal agreement between the Council and Haltwhistle Social Welfare Centre, the other conditions of the loan agreement are met and final project costs are received by the Council from the Trust.
2. Maximum loan value of up to £160,000.
3. Repayment of principal will be made by Haltwhistle Social Welfare Centre for the period of 10 years from the date of the loan drawdown. The Council will produce to the Borrower a repayment schedule. The Borrower will pay the Council the sum due on the date specified on the repayment schedule. Principal will be paid quarterly on 31 March, 30 June, 30 September and 31 December in line with the repayment schedule.
4. Haltwhistle Social Welfare Centre may repay the Loan in whole or in part at any time prior to the end of the loan term. In doing so they will provide notification in writing to the Council no less than 5 working days' prior to the prepayment. Where necessary a revised payment schedule will be produced by the Council and issued to the Borrower.
5. The interest rate will be the Public Works Loan Board (PWLB) fixed rate prevalent at the time for loans of 10 years (Annuity). Interest will be accrued from the date of the loan drawdown.
6. Interest shall be paid quarterly on 31 March, 30 June, 30 September and 31 December in line with the repayment schedule.
7. The loan is to be guaranteed by Haltwhistle Town Council. The loan can only be drawn down once this guarantee is in place. The maximum value of security required is £160,000 plus outstanding interest.

Should Haltwhistle Social Welfare Centre fail to meet any of the scheduled loan repayments they will be charged a default interest charge of the Bank of England Base Rate plus 4% and Haltwhistle Town Council would become liable for the repayment of the loan.

It has been confirmed by the Council's External Funding Team that Haltwhistle Social Welfare Centre has applied for 80% funding of a £98,700 project to upgrade the plant room from LEADER grant funding. The application is in the early stages, however it has been approved by the Local Action Group, which met on 13 September 2017. The next stage requires the trust to complete and submit a full LEADER grant application by early November. Support will be provided by Active Northumberland. Once received it will be appraised and passed for final decision at the next NULAG meeting in either January or February 2018.

State Aid

The loan offer does not constitute state aid.

Legal Power to Grant the loan

The legal powers which enable the Council to enter into this Agreement and to make the loan available, include, (but are not limited to) the Housing Act 1985, the Local Government Act 1972 and the Local Government Act 2000, the Localism Act 2011, and Paragraph 13 Schedule 13 of the Local Government Act 1972.

IMPLICATIONS

Policy	None
Finance and value for money	Haltwhistle Social Welfare Centre will repay the loan in line with the payment scheduled issued by the Council. Interest on the loan will be charged at the rate of interest of the PWLB annuity rate on the day after completion of each drawdown for loans of 10 years.
Legal	The proposal is subject to a signed legal agreement and a guarantee from Haltwhistle Town Council .
Procurement	None
Human Resources	None
Property	None
Equalities (Impact Assessment attached) Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input checked="" type="checkbox"/>	The loan will allow Haltwhistle Social Welfare Centre to provide leisure facilities for all within the Community.
Risk Assessment	The perceived risks of the project are outlined above. The loan will be secured via a legal agreement with Haltwhistle Social Welfare Centre and guaranteed by Haltwhistle Town Council to ensure that the Council's interests are safeguarded.
Carbon reduction	None
Crime & Disorder	None
Customer Considerations	None
Consultation	Leader of the Council
Wards	Haltwhistle

Report sign off.

Authors must ensure that relevant officers and members have agreed the content of the report:

	initials
Finance Officer	AS
Monitoring Officer/Legal	LH
Human Resources	n/a
Procurement	n/a
I.T.	n/a
Chief Executive	DL
Portfolio Holder(s)	NO

Author and Contact Details

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