

COUNCIL

24 MAY 2017

Potential Loan to Alnwick Town Council

Report of the Chief Executive

Cabinet Member: Leader of the County Council

Purpose of Report

The report provides details of a potential loan facility to Alnwick Town Council for £190,000.

The Town Council will subsequently lend £190,000 to Alnwick Town Juniors Football Club for the provision of new club house facilities including, changing rooms, toilets and club room.

Recommendation

It is recommended that Council approve a Loan Facility of up to £190,000 to Alnwick Town Council subject to:

- **The Council receiving;**
 - **Alnwick Town Council's Secretary of State approval to borrow,**
 - **Final project costs, and**
 - **A signed copy of the legal agreement between Alnwick Town Council and Alnwick Town Juniors Football Club.**
- **A signed copy of the new lease agreement between Northumberland Estates and Alnwick Town Juniors Football Club is supplied to the Council prior to any loan draw down.**
- **The Council's Legal Team agree a legal agreement with Alnwick Town Council in advance of any loan draw down by the Town Council, containing the terms and conditions set out within this report.**

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

Link to Corporate Plan

The proposal has very strong links with the Council's Stronger Communities and Families priority, "to ensure that all residents genuinely feel safe, belong, and have a say in how the county is run, and to provide a range of quality community and cultural services and facilities which inspire creativity and participation."

In addition the proposal has strong links 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" and the 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."

Key Issues

1. The Council has been approached for a loan facility of up to £190,000 from Alnwick Town Council to support Alnwick Town Juniors Football Club with a project to provide a full sized all weather floodlit artificial pitch, changing facilities, improved playing pitches and car parking at Greensfield.
2. The annual loan repayment to the Council will be deducted from the Town Council's annual precept amount. The precept is payable by the Council to the Town Council in two instalments in April and September each financial year. There is therefore no risk of repayment default to the Council.
3. The proposed loan facility would be subject to the terms and conditions identified within the main body of the report.
4. Alnwick Town Council would subsequently enter into a separate legal agreement with Alnwick Town Juniors Football Club for the provision of a loan for £190,000. This agreement will not impact on the repayment of the loan between the Council and Alnwick Town Council.
5. The loan request was considered by Risk Appraisal Panel on 30 March 2017. An update from the panel will be given to Cabinet on the day.

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Background

Alnwick Town Juniors Football Club currently has about 175 members (boys and girls) and they run about 18 junior teams. They operate on playing fields at Greensfield, under licence from Northumberland Estates. They currently have no changing facilities. The Club is run by volunteers and is separate from the main Alnwick Town Football Club.

Alnwick Town Juniors Football Club has a draft 25 year lease for the Greensfield site from Northumberland Estates. The Junior Football Club has applied for Charitable Status and once this is obtained the lease is ready for signature. It is important that this lease is signed prior to any loan draw down.

The Alnwick Town Juniors Football Club development plan shows an expected rapid growth over the next few years reaching 32 teams in 5 years time, largely as a result of an increasing interest in girl's football. An improvement in facilities provision is important to ensure that the children of Alnwick can play football in a safe environment for years to come.

Alnwick Town Juniors Football Club are looking to provide a full size floodlit all-weather artificial pitch, changing facilities, improved playing pitches and car parking at Greensfield.

With surrounding developments contributing to improved infrastructure, the new school which is now open, and, the offer now of significant Football Foundation funding, there is hope that a scheme can now be delivered. The facilities will also be available to the school.

Alnwick Town Council originally received the request from Alnwick Town Juniors Football Club for a loan of £190,000. The request was considered by the Town Council's Finance and Policy Committee in December 2016. The Committee agreed to recommend to Full Town Council that the Town Council is in principle, supportive of the project, and will explore the legal requirements and financial consequences, taking external specialist legal advice if appropriate, to safeguard the Town Council's interests, before deciding to enter into a loan agreement with Northumberland County Council.

The Scheme

The total cost of the project is expected to be £960,000. The Council is providing funding of £450,000 through its capital programme and Football Foundation funding of £320,000 has been allocated subject to approval. There is therefore a £190,000 shortfall in project funding.

The cost of the all-weather pitch and car park will be in the region of £630,000. The Council's capital funding of £450,000 will be utilised for this along with £180,000 of Football Foundation money.

The Clubhouse element incorporating changing rooms, toilets and club room will be funded by the £190,000 loan plus £110,000 of the Football Foundation money. The total budget estimate is £300,000 including VAT and this part of the project will be managed by the Alnwick Town Juniors Football Club.

Alnwick Town Council has requested a £190,000 loan facility from the Council to fund the project shortfall. The Town Council would borrow the money from the Council and enter into a loan agreement with the Council. Alnwick Town Council would then enter into a separate legal agreement with Alnwick Town Juniors Football Club for the repayment of the £190,000 loan.

The remaining £30,000 of Football Foundation money is allocated towards the grass pitches.

Town and Parish Council's require the approval of the Secretary of State before they can legally undertake any borrowing. The Town Council are in the process of seeking approval from the Secretary of State to borrow £190,000 for the project.

Alnwick Town Juniors Football Club are required to have all funding approvals for the project confirmed by mid-June to meet the Football Foundation deadlines and secure the Football Foundation funding.

Loan Security

The annual loan repayment will be deducted from the Town Council's annual precept amount. The precept is payable by the Council to the Town Council in two instalments in April and September each financial year. There is therefore no risk of repayment default to the Council.

The risk associated with this proposal rests with Alnwick Town Council if Alnwick Town Juniors Football Club are unable to repay to the Town Council the annual repayment instalments. This is subject to a separate legal agreement between the two parties. Alnwick Town Council has undertaken due diligence of the Alnwick Town Juniors Football Club business case for the project and are satisfied that the football club can meet the annual repayments, but it does represent an element of risk to them. Alnwick Town Council is currently in discussion with the Duke of Northumberland to guarantee half of the loan repayment should Alnwick Juniors Football Club be unable to meet their repayment. However, currently there is no

formal agreement for this in place.

Loan Terms and Conditions

Alnwick Town Council has requested financial assistance to the value of £190,000. 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 Chief Executive suggested that a loan of £190,000 would be the best option.

Terms and Conditions

The loan will have the following terms and conditions:

1. The loan can be drawn down once the Council is in receipt of Alnwick Town Council's Secretary of State approval to borrow, final project costs are supplied, and the legal agreement is signed between Alnwick Town Council and Alnwick Town Juniors Football Club. A copy of the agreement should be supplied to the County Council;
2. A signed copy of the new lease agreement between Northumberland Estates and Alnwick Town Juniors Football Club is supplied to the Council prior to any loan draw down;
3. The maximum loan value is £190,000;
4. The loan will be at zero per cent interest;
5. The loan period will be 15 years;
6. The offer of Football Foundation funding needs to be finalised, and a copy of the approval/offer letter supplied to the Council;
7. Repayment of loan principal will be made at source from Alnwick Town Council's precept figure. 50 per cent of the annual instalment will be taken from the April precept and the remaining 50 per cent from the September precept. The first instalment will be taken in April 2018. The Council will issue to Alnwick Town Council a repayment schedule;
8. Alnwick Town Council 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.

The Council's Legal Team will issue a legal agreement between the Council and Alnwick Town Council in advance of any loan draw down, containing the terms and conditions set out within this report.

State Aid Implications

There are no State Aid implications in the provision of the loan at zero percent interest for the construction of the club house, changing facilities and toilets. Alnwick Town Junior Football Club, who will be the ultimate beneficiary of the loan via the Alnwick Town Council, are not considered to be an economic undertaking and engaged in commercial activity. The project can furthermore be considered to be of a local nature and will not impact on trade between member states.

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 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	Alnwick Town Council will repay the loan in line with the payment scheduled issued by the Council. Repayments will be made at source twice yearly from their precept in April and September
Legal	The proposal is subject to a signed legal agreement and legal charge on the assets.
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 facility at Alnwick Juniors Football Club will be accessible by all and will be used by the school.
Risk Assessment	The perceived risks of the project are outlined above. The loan will be repaid from the Town Council's precept which minimises risk
Carbon reduction	None
Crime & Disorder	None
Customer	None

Consideration	
Consultation	Leader of the Council
Wards	Alnwick

Report sign off.

	initials
Finance Officer	AS
Monitoring Officer/Legal	LH
Human Resources	n/a
Procurement	n/a
I.T.	n/a
Chief Executive	SM
Portfolio Holder(s)	GD

Author and Contact Details

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