



Meeting: Council

Date: 1 June 2015

Wards Affected: All Wards

Report Title: Loan to Torbay Coast and Countryside Trust

Is the decision a key decision? Yes

When does the decision need to be implemented? June 2015

Executive Lead Contact Details: Mayor Oliver

Supporting Officer Contact Details: Martin Phillips - Chief Financial Officer, 01803 207285, martin.phillips@torbay.gov.uk

1. Purpose and Introduction

1.1 To seek Council approval to provide a loan to Torbay Coast and Countryside Trust.

2. Proposed Decision

2.1 That a long term loan to Torbay Coast and Countryside Trust sum of up to £900,000 be approved.

2.2 That a new guarantee on an overdraft facility to Torbay Coast and Countryside Trust up to £100,000 be approved.

2.3 That it be noted that (2.1) and (2.2) above are dependent on the Council's current guarantee of £975,000 being cancelled and that the total of the loan and new guarantee combined do not exceed £900,000 in total.

2.4 That the negotiation of the final terms of the loan and guarantee be delegated to the Chief Financial Officer and the Assistant Director of Corporate and Business Services.

3. Reason for Decision

3.1 Torbay Coast and Countryside Trust have significant historic debt, however in recent years the Trust is now achieving a break even position. The overall debt - both loan and overdraft - to their current bankers is over £900,000.

3.2 Torbay Council has provided a guarantee to the Trust's bankers to a total value of £975,000 which would be called if the Trust were to be unable to repay their debt.

3.3 The Trust and the Council have a close working relationship in that the Council has leased significant land to the Trust that the Trust maintains. The Council also provides an annual management fee to support the Trust's activities.

- 3.4 A long term loan will enable the Trust to have greater control of its financial situation and will allow the Council's current guarantee to the Trust's bankers for up to £975,000 to be cancelled. There would be a new guarantee for up to £100,000.
- 3.5 As the loan could have a future budgetary impact if not repaid, this decision is considered to be a Council decision.
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Supporting Information

4. Position

- 4.1 Torbay Coast and Countryside Trust are a charity established to look after and improve coast and countryside in Torbay. Torbay Council has leased land to the Trust to maintain on a 50 year peppercorn lease. The Council also provides an annual management fee to the Trust; £183,000 for 2015/16.
- 4.2 In the past the Trust has been in financial difficulties and has a historic debt of over £900,000 - currently a combination of overdraft and loan with their bankers. A current short term interest only loan with their bankers matures in July 2015 and the Council has the opportunity to support the Trust to re-finance on a long term basis to enable the debt to be repaid. In recent years the Trust is now achieving a break even position and the ongoing loan cost will be included in the Trust's financial plans.
- 4.3 The Council has been supportive of the Trust and has historically been given a £800,000 capital grant.
- 4.4 The Council currently provides a guarantee to the Trust's bankers for £975,000 for the Trust's current debt.
- 4.5 The Trust is in discussions with the Council to seek a long term loan from the Council to enable the debt to their bankers to be cleared. The new loan with repayments of both interest and principal will enable the Trust, over the long term, to clear its debts. The Trust has requested, to ensure affordability of repayments, that repayments are lower in the early years of the loan.
- 4.6 If the Council provides a loan it would be on the basis that the current guarantee for £975,000 would be cleared.
- 4.7 The Trust would require a new Council guarantee on an overdraft facility to the Trust's bankers for up to £100,000; however the combined value of the loan and guarantee will not exceed £900,000.
- 4.7 Loan Terms
- 4.8 Negotiations are currently ongoing between the Council and the Trust with the aim of finalising the loan by end of July 2015. It is recommended that the negotiation of the final terms of the loan be delegated to Chief Financial Officer and the Assistant Director of Corporate and Business Services.

4.9 The outline loan terms discussed with Trust representatives are as follows:

Loan Terms	Note
Value	Up to £900,000
Drawdown	One payment
Loan Length	Up to 45 years
Rate	Years 0 to 4 - 2.5% above base, capped at 3% Years 5 to 9 - 2.5% above base, capped at 4% Years 10 and after - 2.5% above base with no cap.
Calculation	Annuity basis
Security	None
Payments	Due at end of each quarter
Payments in Advance	Allowed at no penalty
Guarantee on overdraft	Up to £100,000

4.10 In addition the following clauses will apply:

- that the Council's current guarantee to be cancelled.
- that a clause in the loan agreement is inserted that if any Trust assets (or Council assets leased to the Trust) are sold then 80% of the value of the receipts (after disposal costs) are used to repay any outstanding loan.
- that the combined value of the loan and new guarantee do not exceed £900,000.

4.11 A rate of 2.5% above base is equal to the long term borrowing rates the Council could access for a long term loan. However, the Council will use existing cash resources to finance this loan.

5. Possibilities and Options

5.1 Members could suggest alternative loan terms or Members could not approve the loan therefore the Trust would have to renegotiate with their current bankers or seek other sources of funding.

6. Fair Decision Making

- 6.1 The Mayor and Executive Director and senior staff at the Trust have been consulted. The loan will need to be agreed by the Trust's board.

7. Public Services (Social Value) Act 2012

- 7.1 Not applicable

8. Risks

- 8.1 There is a risk that the Trust will be unable to meet the repayment on the loan. However this risk needs to be set in the context of the Council's existing guarantee to the Trust's bankers.
- 8.2 There is a risk that interest rates in the next ten years could rise above the "capped interest rate".