

TONBRIDGE & MALLING BOROUGH COUNCIL

FINANCE and PROPERTY ADVISORY BOARD

10 May 2006

Report of the Director of Finance

Part 1- Public

Matters for Recommendation to Cabinet - Council Decision

1 WATERINGBURY VILLAGE HALL

This reports seeks confirmation of action taken in extending a short-term loan facility to Wateringbury Millennium Village Hall.

1.1 Background

- 1.1.1 Members may recall that Wateringbury Millennium Village Hall was awarded a grant of £42,500 in 2004/05 towards the cost of providing a new village hall. Construction has progressed well and the Management Committee expects to open the hall for business in May.
- 1.1.2 However, a recent cash flow forecast produced by the Management Committee has identified a potential problem which could arise over the next few months pending receipt of a grant from the Hanson Environment Fund. To tide the Committee over this period, an increase in the amount of grant from the Borough Council was requested.
- 1.1.3 As the £42,500 grant was a maximum grant under this scheme, it was thought that meeting this request would set an undesirable precedent. However, on an exceptional basis, the Chief Executive, in consultation with the Leader of the Council, sounded out the Management Committee as to the acceptability of an interest free loan.
- 1.1.4 The Borough Council does not make a practice of offering loans to voluntary organisations and procedures have not been set up to enable this to happen. Accordingly, the making of loans is administratively cumbersome and expensive in officer time. This offer was made as an exceptional gesture of goodwill, on the basis that the new village hall is an important local project which is faced by a potential short term financial difficulty.
- 1.1.5 In response to this offer, the Management Committee has requested a temporary loan facility of £25,000 which it could draw upon if necessary. The Management Committee's bankers indicated that it is not their policy to grant overdraft facilities to charities and a commercial solution was not available. The Management

Committee indicated that it would only draw down any monies necessary to prevent it from going overdrawn and would be in a position to repay any borrowed monies by July 2006.

1.2 Action taken

1.2.1 In consultation with the Leader of the Council, the leaders of the Liberal Democrat and Labour groups and the Cabinet Member for Resources and Capital Projects I offered a loan facility to Wateringbury Millennium Village Hall Management Committee, subject to the following conditions:

- 1) The amount of the loan facility not to exceed £25,000.
- 2) Any sums borrowed under this facility to be repaid on or before 30th September 2006.
- 3) The interest rate applying to monies repaid on or before 30th September 2006 to be 0.00% per annum.
- 4) The interest rate applying to any monies repaid after 30th September 2006 to be at an annual rate of 2.0% above the base rate (as specified by Tonbridge and Malling Borough Council's bankers) applying at the date of repayment. The interest to apply from the date of the draw down(s).
- 5) Wateringbury Millennium Village Hall Management Committee to be responsible for ensuring that the loan arrangement complies with charity and other law.

1.2.2 At the time of writing this report there has been no response to this offer from Wateringbury Millennium Village Hall Management Committee.

1.2.3 Wateringbury Millennium Village Hall Committee (WMVHC) was not on the Borough Council's list of approved borrowers and in consultation with the Leader of the Council, the leaders of the Liberal Democrat and Labour groups and the Cabinet Member for Resources and Capital Projects I have added WMVHC to the list of approved borrowers subject to only this one-off loan facility being offered and the removal of WMVHC from the list as soon as any loan is repaid. Although WMVHC does not have a credit rating and adding it to the list of approved borrowers is in breach of the Borough Council's Treasury Management Policy, I do not believe that granting a loan facility would represent an unacceptable risk.

1.3 Legal Implications

1.3.1 None.

1.4 Financial and Value for Money Considerations

1.4.1 In addition to the cost of administration, there is a loss of interest to the Borough Council on any monies advanced to Wateringbury Village Hall.

1.5 Risk Assessment

1.5.1 Given the need to respond quickly to this request for short-term support, it has not been possible to seek security for the loan facility. The Borough Council will, therefore, not be protected in the event of default by the Management Committee. Based on past dealings with the Management Committee, I consider this risk to be minimal.

1.6 Recommendations

1.6.1 It is **RECOMMENDED** that action taken to offer, in consultation with the Leader of the Council, the leaders of the Liberal Democrat and Labour groups and the Cabinet Member for Resources and Capital Projects, a temporary loan facility to Wateringbury Millennium Village Hall Management Committee in accordance with the conditions noted in paragraph 1.2.1 , and to include Wateringbury Millennium Village Hall Management Committee on the list of approved borrowers, be confirmed by Cabinet and Council.

Background papers:

contact: Phil Hobbs

Village hall grants papers held in Financial Services.

Sharon Shelton
Director of Finance