

LOANS TO THIRD PARTY NOT-FOR-PROFIT ORGANISATIONS – ANNUAL REPORT

To: **Commercial and Investment Committee**

Meeting Date: **26 April 2019**

From: **Chief Finance Officer \ Deputy Chief Executive**

Electoral division(s): **All**

Forward Plan ref: **N/a** *Key decision:* **No**

Purpose: **For the Committee to consider funds advanced as lending to third party, not for profit organisations in the year ending 31 March 2019**

Recommendation: **The Committee is invited to note and comment on the report.**

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1. BACKGROUND

- 1.1 During 2018-19, the Council adopted a third party loans policy (as part of the treasury management strategy (within the Business Plan) agreed by Full Council: <http://tiny.cc/Ap6ThirdPartyLoans> see page 439). This Committee considered the policy in draft in October 2018, and stipulated under minute 163 that an annual report be brought back for consideration of loans advanced
- 1.2 Third party loans form part of the capital programme under statute and can be used to fund infrastructure to support delivery of services to residents of Cambridgeshire. The policy sets out that loans will only be advanced to not-for-profit organisations or organisations that provide services that align to the Council's core objectives and priorities (including subsidiary companies of the Council and joint ventures).

2. SCHEDULE OF ACTIVE LENDING

- 2.1 The following loans were advanced before the adoption of the current policy, but now fall within the ambit of that scheme.

Borrower	Start Date	Original Loan	Principal outstanding	Rate	Maturity date	Remarks
Arthur Rank Hospice Charity	16/6/16	£4,000,000	£3,680,000	3.34%	16/6/42	In repayment. Minor rescheduling of repayment agreed 2018.
Wisbech Town Council	10/5/18	£150,000	£150,000	2.88%	9/4/43	Relating to the asset at Wisbech Castle; interest only and repaid on maturity
Estover Playing Field 2015 CIC	8/11/18	£350,000	£332,175	3.15%	2/12/24	In repayment. Relating to infrastructure at Estover Playing Field. Guaranteed by March Town Council

- 2.2 Although the Council does not borrow specifically for each of these loans, and manages borrowing requirements across its total cashflow commitments, the net interest receivable after allowing for equivalent costs of borrowing from these loans in the financial year ending 31 March 2019 is £41,200. Of this £38,100 relates to the Arthur Rank Hospice Charity loan.
- 2.3 Interest rates charged to counterparties reflect costs of borrowing as at the period the loan was advanced, the length of the loan, as well as an assessment of the levels of security and creditworthiness of the organisation (and where applicable state aid reference rates). Going forward the policy also makes standard provision for setup fees for third party loans.
- 2.4 As at the balance sheet date, a loan to Viva (a community arts group based in Soham) had also been approved by GPC but not yet activated. The Council had further lending activity to subsidiary companies, including a cashflow loan to LGSS Law Ltd of £325k and, as the Committee has considered in detail, active loans to This Land Finance Limited totalling £88,512k.

3. ALIGNMENT WITH CORPORATE PRIORITIES

3.1 A good quality of life for everyone

The loans set out in section 2.1 have enabled the improvement of cultural, sporting and healthcare infrastructure available to the residents of the County.

3.2 Thriving places for people to live

The loans set out in section 2.1 have enabled the improvement of cultural, sporting and healthcare infrastructure available to the residents of the County.

3.3 The best start for Cambridgeshire's children

No significant implications.

4. SIGNIFICANT IMPLICATIONS

4.1 Resource Implications

The resource implications are set out in section 2.1 and 2.2 of this report.

4.2 Procurement/Contractual/Council Contract Procedure Rules Implications

Each of the loans advanced is subject to a loan facility agreement binding the borrower and lender to obligations to each other. Supplementary agreements underpin guarantees and mortgage arrangements.

4.3 Statutory, Legal and Risk Implications

The County Council's third party loans policy complies with statute. Collateral or guarantees underpinning loans mitigate the risk to the Council.

4.4 Equality and Diversity Implications

No significant implications

4.5 Engagement and Communications Implications

No significant implications

4.6 Localism and Local Member Involvement

The loans set out in section 2.1 have enabled the improvement of cultural, sporting and healthcare infrastructure available to the residents of the County.

4.7 Public Health Implications

No significant implications

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	T Kelly
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?	Procurement not applicable
Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or LGSS Law?	Advice on Loan Agreements from T Goubou, LGSS Law
Have the equality and diversity implications been cleared by your Service Contact?	Not applicable
Have any engagement and communication implications been cleared by Communications?	Not applicable
Have any localism and Local Member involvement issues been cleared by your Service Contact?	As per individual loan
Have any Public Health implications been cleared by Public Health	Not applicable

Source Documents	Location
<i>Third Party Loans Policy</i>	http://tiny.cc/Ap6ThirdPartyLoans
<i>Treasury Live</i>	c/o Treasury Manager, Milton Keynes Civic
<i>Loan Agreements</i>	c/o Finance Team / LGSS Law Ltd