

# Cabinet Report



Listening Learning Leading

Report of Head of Finance

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To: CABINET 1 February 2017

To COUNCIL 16 February 2017

## Community Loan – Henley YMCA

### Recommendations

- (a) That Cabinet recommends Council approve the award of a community loan of £169,950 to Henley YMCA.
- (b) To authorise the head of finance and the head of legal and democratic services to agree the conditions of the loan and the loan agreement.
- (c) To approve a supplementary estimate of £169,950 to be added to the approved capital programme.

### Purpose of Report

1. To allow Council to consider an application for a community loan from Henley YMCA.

### Corporate Objectives

2. In approving this loan the council would be helping to 'ensure a good supply of affordable rented homes for those unable to buy'.

### Background

3. The council introduced its community loans scheme in January 2013. Under the scheme the council can make loans to parish councils, charities and sports organisations with CASC (Community Amateur Sports Club) status that meet the conditions of the scheme. The scheme created earmarked funding of £5 million for this purpose. Although the advance of loans under this scheme are capital expenditure no capital budget was created as the number, size and timing of loan requests was not

known. Officers did not want to create a large budget that might not be spent thereby being reported as an underspend at the year end. It is therefore necessary for each community loan approval to be matched by a supplementary estimate request of the same sum.

4. Henley YMCA is planning to purchase the leasehold title of 31 supported housing studio and flats built on its land. In doing so Henley YMCA will transition from managing agent for YMCA England to being a Registered Social Landlord (known as a Registered Provider) in its own right. This will ensure that Henley YMCA can continue its distinctive role in providing housing, support and development opportunities for local young people for generations to come.
5. The council advertises vacancies at Henley YMCA through our choice based letting scheme and we arrange direct referrals of suitable residences to Henley YMCA.
6. Henley YMCA have requested a loan of £169,950 for a period of 15 years. The total cost of the scheme is £570,000. In addition to a loan from the council Henley YMCA has been awarded a grant of £100,000 from Henley Town council. The remaining £300,000 has come from fundraising and its own resources.
7. Officers have evaluated Henley YMCA's business plan for the scheme, its financial projections and its financial standing and have concluded that the scheme and Henley YMCA fulfil the requirements of the council's community loans scheme.

## **Options**

8. The council could decide not to award the loan. However, as the loan meets the criteria for loans as envisaged by the scheme guidance, and reflects the intentions of the scheme, officers recommend that the loan be granted.

## **Financial Implications**

9. The loan will carry an interest rate equivalent to Public Works Loan Board (PWLB) five year equal instalment payment (EIP) fixed rate plus a premium of 0.5 per cent. The loan will be funded from the council's uncommitted reserves.

## **Legal Implications**

10. Henley YMCA has applied to become a registered social landlord (RSL). Although still a charity and eligible to apply for a community loans under the rules of our scheme the council needs to assure itself that RSL status would not result in a loan being deemed to be state aid.
11. The council has received external legal advice which confirms that the Loan which the Council is providing to YMCA Henley, to the extent that it might be found to constitute State aid, is exempted under the SGEI decision (Commission Decision 20 December 2011 – SGEI – notified under document reference C(2011) 9380). The conditions of the SGEI decision are satisfied as YMCA Henley is using the Loan pursuant to its activities as a Registered Provider of Social Housing. The Loan Agreement will contain provisions to ensure compliance with the various other conditions of the SGEI decision, including separate accounting procedures for activities relating to Social Housing and reporting. Further, the Loan Agreement will include a claw-back provision in the event

that the Loan contains unlawful State aid, allowing the Council to claim back this amount and remove the State aid risk.

## **Risks**

12. When approving the community loans scheme the council acknowledged that lending money to organisations that it would not lend under its treasury management strategy could carry greater risk of default. Because of this the scheme rules clearly state *'All debts will be pursued in accordance with the council's corporate debt recovery policy. The policy is rigorous and results in legal action including debtors being taken to court where all other means to secure payment have failed'*,
13. To protect the council's financial investment all advances are secured against property. This loan will be secured against the property for which the leasehold is being acquired.

## **Conclusion**

14. Henley YMCA have requested a community loan of £169,950. All the conditions of the loans scheme have been met and therefore Cabinet is being asked to recommend Council approve the loan advance be made.

## **Background Papers**

- Cabinet recommendation to council - Community Loans Policy -12 April 2012
- Council decision – 26 April 2012