

LOAN TO EAST CAMBS TRADING COMPANY

Committee: Full Council

Date: 21st April 2022

Author: Finance Manager

[W175]

1.0 **ISSUE**

1.1 To respond to East Cambs Trading Company's (ECTC) request for a new loan from the Council.

2.0 **RECOMMENDATIONS**

2.1 Members are requested to:

- (i) approve the new loan facility for East Cambs Trading Company (ECTC) from 1 May 2022 under the following terms, specifically:
 - loan facility value of £7,500,000 (Seven million five hundred thousand pounds);
 - Four year loan facility with the final repayment no later than 31 March 2026;
 - Interest rate of 4.50% per annum;
 - Loan facility to be secured by a debenture detailed in 4.10.
- (ii) approve the sale of the former Paradise Pool site to ECTC for the sum of £539,650;
- (iii) authorise the Finance Manager and Legal Services Manager to complete the necessary documentation to implement 2.1 (i) and (ii) above.

3.0 **BACKGROUND**

3.1 The Council had previously provided loan funding to ECTC both as working capital and specifically for the Ministry of Defence (MoD) site in Ely. The original loans of £5,000,000 and £1,500,000 respectively were repaid in line with the loan agreements on 31st March 2021.

3.2 At the Full Council meeting on the 16th July 2020, the Council approved two further loan facilities to ECTC from the 31st March 2021, these being for £3,600,000 and £1,300,000, with repayment dates of 31st July 2023 and 31st March 2023 respectively. These amounts are currently with ECTC earning the Council interest at 3.5% per annum.

- 3.3 At the ECTC Board meeting on the 7th March 2022, the Board requested that an application be made to the Council for a new loan facility from 1st May 2022, to replace the two current loans and provide funding for the new projects intended to be taken forward by the Company in the coming months / years.
- 3.4 A copy of the Board paper is included as a confidential appendix to this paper, the information in this remains commercially confidential. I have up-dated the financial information in appendices 5 and 6 to the end of March 2022, so that members have the most up-to-date information when making their decision.

4.0 CONSIDERATIONS FOR THE COUNCIL

Reason for the Loan

- 4.1 When the loan facilities were approved in July 2020, it was known that these loan facilities would cover the Company for the period to the end of the work programme it was undertaking at that time, i.e. the completion of work at Haddenham and phase 1 at the MoD site.
- 4.2 ECTC now has the opportunity to progress three further projects:
- Former Paradise Pools Site
 - MoD phase 2
 - MoD phase 3

- 4.3 The further loan facility is therefore required to move forward with these projects, and it is therefore appropriate that ECTC request a further loan facility from the Council at this time.

Affordability for the Council

- 4.4 As at the 31st March 2022, the Council had cash holdings of over £33 million, so there are no concerns in the short-term that funding will not be available for this project from internal borrowing.
- 4.5 The current PWLB interest rate for a four year loan (as at 31st March 2022) is 2.44%, so if the Council was required to borrow to finance the loan at some point in the future, this could be accommodated within the interest rate being offered and still provide the Council with a margin to cover its administrative costs. The 4.5% interest rate has been agreed with ECTC (subject to formal approval) as this is considered to be a “commercial rate”. This rate is 1% higher than the current loan facility between the Council and ECTC and therefore offers the Council an increased margin to support its own MTFS.
- 4.6 If this loan facility is approved, the Council’s treasury management strategy will need to be reviewed and an up-dated position will be reported to Finance and Assets Committee at its November meeting, as part of the half-year up-date report.

Repayment

- 4.7 The loan facility being offered will be due for repayment on 31st March 2026, at a point when the three projects detailed in 4.2 above have been completed.

- 4.8 Clearly if at this point, the Company has other projects that it wishes to move forward with, a further loan facility may be required, but that will be a decision for Council at that time.

Security

- 4.9 As the Cambridgeshire and Peterborough Combined Authority (CPCA) have been, and indeed remain, the main lenders for the two current schemes being taken forward by ECTC, they have held security over these, which has left the Council with no security over its lending. CPCA will not be providing any funding for the new projects and it is expected that their funding of the current projects will all be repaid by 31st March 2023.
- 4.10 It is therefore intended that the Council will take from ECTC a debenture that will give it first ranking security for the debt over all unsecured assets of the Company. Prior to 31st March 2023, this will be ranked behind the CPCA security, but once that is repaid, it will mean that ECTC has top security on all of the Company's assets.

Former Paradise Pool Site

- 4.11 In the event of the above loan facility being approved, ECTC have submitted an offer for the freehold of the former Paradise Pool site at Ely to progress development as soon as possible. The Finance and Assets Committee (ref: 7 June 2021, Exempt Item 14) agreed to dispose of the site to a private developer based on draft heads of terms including a price arising from a competitive tender. (See background papers exempt).
- 4.12 Negotiations with the private developer have not been able to reach a settlement based on the original heads of terms including a commitment to £100k homes within the agreed price. ECTC have confirmed their offer is based on meeting the original heads of terms as agreed by Finance and Assets Committee. It is therefore recommended that the site be sold to ECTC.

5.0 CONCLUSIONS

- 5.1 As your Section 151 Officer, I have reviewed the information on the loan request as detailed in the Board paper (appendix 1 to this report). I have sought further information from the Finance Manager at ECTC to assure myself that based on current assumptions and the sensitivity analysis undertaken, it is my view, that with the loan funding being offered, the Company will be able to complete the projects identified and have the available funding to repay the loan facility by, at the latest, 31st March 2026.
- 5.2 I am therefore happy to recommend to Council that it should move forward and grant the Company the loan facility as detailed in this paper.

6.0 APPENDIX

6.1 Confidential Appendix A – Agenda item 5 from the ECTC Board meeting on the 7th March 2022

Background Documents

Finance & Assets Committee
- 7 June 2021
(Exempt Item 14)

Location

Room 104
The Grange
Ely

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