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Argyll and Bute Council
Comhairle Earra Ghaidheal agus Bhoid

Customer Services
Executive Director: Douglas Hendry



Kilmory, Lochgilphead, PA31 8RT
Tel: 01546 602127 Fax: 01546 604444
DX 599700 LOCHGILPHEAD
e.mail –douglas.hendry@argyll-bute.gov.uk

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SUPPLEMENTARY PACK

**CHORD PROGRAMME MANAGEMENT BOARD – 7 OCTOBER 2010 AT 1 PM
OR AT THE CONCLUSION OF THE COUNCIL MEETING, WHICHEVER IS THE
LATER**

I enclose herewith item 4 (**CASHFLOW/FINANCE FOR THI/CARS PROJECTS**) which was marked to follow on the above agenda.

Douglas Hendry
Executive Director - Customer Services

TO FOLLOW ITEM

- 4. CASHFLOW/FINANCE FOR THI/CARS PROJECTS**
Report by Head of Strategic Finance (Pages 1 - 2)

CHORD PROGRAMME MANAGEMENT BOARD

Councillor Robert Macintyre
Douglas Hendry
Sandy Mactaggart

Councillor Dick Walsh (Chair)
Sally Loudon
Bruce West

Contact: Fiona McCallum Tel: 01546 604406

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CASHFLOW SUPPORT IN RELATION TO THI / CARS PROJECTS

1 INTRODUCTION

- 1.1 Both Campbeltown and Rothesay CHORD projects have elements of their overall CHORD project related to THI / CARS. These relate to preserving and enhancing the built fabric of the town centres. There may be occasions where owners of buildings require cash flow support to manage the development of a building in their ownership under THI / CARS.

2 RECOMMENDATION

- 2.1 The Programme Board recommends to the Executive that it be given the power to agree cash flow loans to voluntary or community organisations subject to the condition outlined in paragraphs 3.7 and 3.8 for the purpose of securing the built environment of town centres supported by heritage grants.

3 DETAIL

- 3.1 The Council has been successful in attracting grant assistance from heritage schemes which have the aim of preserving and enhancing the built fabric of town centres. These are known as THI / CARS projects and are elements of both Campbeltown and Rothesay CHORD projects.
- 3.2 It is the responsibility of the owners / developers of buildings to ensure they have secured a full funding package for any individual projects, have a sustainable use for a building and meet all of the conditions placed on them by funders.
- 3.3 In order for the improvement of some of the key buildings within the town centres to proceed it may be necessary to offer cash flow support to organisations which are relying on grant funding to carry out the improvement work. This support will be required where organisations are unable to gain access to loan funding for the project without the Council standing as guarantor for the loans.
- 3.4 The cash flow support is required as grant funders will only reimburse expenditure incurred by organisations in arrears after it has been incurred. The cash flow funding is required to allow work to be paid for prior to grants being claimed and received.
- 3.5 The Council is not a bank or provider of loan finance and any project developed by commercial organisations or individuals should be fully financed including the cash flow aspects by the owners / developers.

Furthermore the Council should not provide guarantees in respect of these projects.

- 3.6 However where the refurbishment of a building is being carried out by a community group or voluntary organisation then without a guarantee or cash flow support from the Council the project is unlikely to proceed. In these cases the Council could consider providing cash flow support. Without this form of support there is a risk to the overall success of the THI / CARS elements of the Campbeltown and Rothesay CHORD projects.
- 3.7 Before offering cash flow support to an organisation it would require to meet the following conditions:
- Have a business plan which demonstrated a sustainable future for the building
 - Demonstrate that the project is fully funded
 - Provide a robust estimate of costs
 - Provide a cash flow demonstrating when funding would be required and repaid
 - Have a process for claiming the funding required
 - Provide tendered costs and a revised cash flow before drawing down funding
 - Where possible mandate grant income to the Council
 - If income not mandated then there would require to be an agreement that the Council would be reimbursed when the funding is received
- 3.8 The Council will charge a market rate of interest on a daily basis on any funds advanced under the agreement.
- 3.9 There should be no budgetary implications as the cash flow support should be over a relatively short period and will be repaid. Any lending of money needs to be in accordance with the Investment Strategy and this will need to be amended in due course.

For further information please contact Bruce West, Head of Strategic Finance
01546-604220