



Cabinet 1 December 2010

Haverhill Golf Club: Request for Extension of Loan Arrangements (Dec10/17)

1. Summary and Reasons for Recommendations

- 1.1 Haverhill Golf Club occupies a 118 acre site, of which 62 acres are leased from the Council. The Club is looking to upgrade their existing car parking facilities at an estimated cost of £77,000. These improvements are designed to enhance the aesthetics of the Golf Club; provide for improved disabled access and address concerns raised by the Club's insurers regarding the condition of the car park surface.
- 1.2 The Club has approached the Council to provide assistance with financing this project, through either:-
- (a) £50,000 top-up to an existing Council loan to the club; or
 - (b) a loan repayment holiday of 18 months.

2. Recommendations

- 2.1 It is **RECOMMENDED** that, subject to approval by the full Council,:-
- (a) the Council agree to support this request for an extension to the current loan agreement with the Haverhill Golf Club to assistance in financing the upgrading of its car parking and disabled access facilities; and
 - (b) financial assistance should be provided by means of an 18 month loan repayment holiday, as outlined in paragraph 5.2(b) of Report 351.

3. Corporate Objectives

- 3.1 The recommendations contained within this report contribute to the following Corporate Priority, as contained within the Corporate Plan:-

'To improve the safety and well being of the community'.

4. Background

- 4.1 Haverhill Golf Club occupies a 118 acre site, of which 62 acres is leased from the Council. The ground lease commenced in 1993 and expires in 2118. The rent is £7,490 a year, set in 2003, which is currently subject to review.
- 4.2 In June 1994 the Council agreed to loan the club £300,000 in order to fund the purchase of additional land (extending the course from 9 to 18 holes) and to build a new club house. The loan was to be repaid over 15 years. In March 2004 the Council agreed to an extension of this loan to cover further improvements to the Club's facilities (i.e. an extension to the Club building and improved kitchen facilities). This involved a further advance of £150,000 (bringing the total amount outstanding back up to £300,000) with repayments being rescheduled over 15 years to 2019. The current outstanding balance on this loan is £249,271.
- 4.3 The loan is registered as a legal charge on the Club's assets. Under the terms of the current loan agreement, interest is payable at base rate plus ¼%, with a minimum rate of 5%.

5. Request for further extension of loan arrangements

- 5.1 The Club is looking to upgrade their existing car parking facilities at an estimated cost of £77,000. These improvements are designed to enhance the aesthetics of the Golf Club; provide for improved disabled access and address concerns raised by the Club's insurers regarding the condition of the car park surface.
- 5.2 The Club has approached the Council to provide assistance with financing this project, through either:-
- (a) **a further £50,000 top-up of the existing loan.** This would increase the outstanding balance from £249,271 to £299,271 and would be payable over the remaining duration of the current loan. The loan would be made on the basis of the existing loan agreement. At the current rate of interest (5%), this would increase the Club's annual payments by £5,858.
- (b) **a loan payment holiday of 18 months.** Under the terms of the loan agreement, the Club makes repayments every 6 months. At the current rate of interest (5%) the total value of an 18 month payment holiday is £42,999 (£24,865 capital repayment and £18,134 interest). The value of the interest forgone would be added to the outstanding principal at the end of the 18 month. The value of repayments would be increased to ensure recovery of the outstanding balance within the original loan duration. At current rates of interest this would increase the Club's annual payments by £5,716 (i.e. from £28,666 to £34,382). The payment holiday would be effective from the next payment instalment due in January 2011.
- 5.3 The Club has a good record to date in meeting its repayment commitments to the Council. The loan is secured against the Club's assets and the interest rate payable is in excess of what is currently being achieved on the Council's investments. A review of the Club's financial statements indicates that it is currently of sufficient financial stability to support an extension of its loan facility.
- 5.4 Were the Council to support this request, officers consider the payment holiday option to be preferable as it involves the commitment of a lower level of funding to this project.

6. Other Options considered											
6.1	The ' <i>do nothing</i> ' option would perpetuate current issues with poor car parking and disabled access facilities at, what is considered to be, a well-developed and successful Club.										
6.2	The Club could apply for a loan from external sources but this would mean two loans rather than one. The extension of the current loan arrangements with the Council would, therefore, require only one lender with the loan secured on the value of the property. This has been a viable arrangement to date for the Club and for the Council Tax payers and hence the preference for this option.										
7. Community impact <i>(including Section 17 of the Crime and Disorder Act 1998 and diversity issues)</i>											
7.1	<u>General</u>										
7.1.1	The improvements to the facilities are to meet the needs of the members of the Club, which has a current membership in excess of 700.										
7.2	<u>Diversity</u>										
7.2.1	The proposed scheme includes the upgrading of the Club's disabled access facilities, and will help to address other wider health and safety issues, as raised by the Club's insurers.										
8. Consultation											
8.1	Corporate Management Team and Management Team.										
9. Resource implications <i>(including asset management implications)</i>											
9.1	At the current rate of interest payable by the Club on the existing loan (5%) the total value of an 18 month payment holiday is £42,999 (£24,865 capital repayment and £18,134 interest). The value of the interest forgone would be added to the outstanding principal at the end of the 18 month and would become repayable (with interest) over the remaining duration of the loan. As such, over the duration of the loan, there will be no additional cost to the Council arising from this 18 month repayment holiday.										
10. Risk Assessment <i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>											
<table border="1"> <thead> <tr> <th>Risk area</th> <th>Inherent level of Risk (before controls)</th> <th>Controls</th> <th>Residual Risk (after controls)</th> </tr> </thead> <tbody> <tr> <td>The Club default's on its loan repayment commitments.</td> <td>Medium</td> <td>The loan is registered as a legal charge on the Club's assets, the value of which exceeds the outstanding value of the loan.</td> <td>Low</td> </tr> </tbody> </table>				Risk area	Inherent level of Risk (before controls)	Controls	Residual Risk (after controls)	The Club default's on its loan repayment commitments.	Medium	The loan is registered as a legal charge on the Club's assets, the value of which exceeds the outstanding value of the loan.	Low
Risk area	Inherent level of Risk (before controls)	Controls	Residual Risk (after controls)								
The Club default's on its loan repayment commitments.	Medium	The loan is registered as a legal charge on the Club's assets, the value of which exceeds the outstanding value of the loan.	Low								
11. Legal or policy implications											
11.1	Extension of the terms of the Club's loan will require a variation to the existing legal agreement.										

Wards affected	Haverhill East	Portfolio Holder	Resources and Efficiency
Background Papers	U463 Haverhill Golf Club; extension of loan arrangement (3 March 2004)	Subject Area Finance	

Contact Details

Name
Telephone
E-mail

Portfolio Holder

John Griffiths
(01284) 757136
john.griffiths@stedsbc.gov.uk

Lead Officer

Liz Watts
(01284) 757252
liz.watts@stedsbc.gov.uk

W:\Democratic WP Services\Committee\Reports\Cabinet\2010\10.12.01\B352 Haverhill Golf Club - Request for Extension of Loan Arrangements.doc