



Council 23 September 2014

Bridging Loan to the Samaritans

1. Summary and reasons for recommendation(s)

- 1.1 The Samaritans (Bury St Edmunds and West Suffolk branch) have approached this council for a bridging loan, to enable them to move from their existing premises to ones which are more suitable. The current premises are too small, with virtually no disabled access, creating difficulties for both their volunteers and their clients.
- 1.2 The organisation needs the loan in order to allow them to maintain their 24/7 service, by having the new office ready to open on the day the old one closes.
- 1.3 The Samaritans own their current premises and plan to sell it. The council would have first charge against the sale of this asset, which is worth in the region of £220,000. The loan request is for £150,000.
- 1.4 This report sets out how the loan complies with St Edmundsbury Borough Council (SEBC) loan policy, and recommends approval.

2. Recommendation

- 2.1 **That, subject to the appropriate level of due diligence being undertaken by the Chief Finance Officer, a bridging loan of £150,000 be approved to the Bury St Edmunds branch of The Samaritans, for a period of up to six months, at an interest rate of 3% above bank base rate.**

Contact details

Name

Title

Telephone

E-mail

Portfolio holder

David Ray

Resources and Performance

01359 250912

david.ray@stedsbc.gov.uk

Lead officer

Liz Watts

Director

01284 757252

liz.watts@westsuffolk.gov.uk

3. Strategic priorities

- 3.1 The recommendation meets the following strategic priority, as contained within the West Suffolk Strategic Plan 2014 - 2016:

Strategic priority 2: Resilient Families and Communities that are Healthy and Active

4. Key issues

- 4.1 The Samaritans in Bury St Edmunds currently own and operate out of a house in Well Street. The house is too small for their needs, and also has very restricted disabled access, which presents a significant problem for both their volunteers and clients.
- 4.2 The organisation runs on a very tight budget and receives no government funding. All of their funds are raised locally, and they have no paid staff (apart from a cleaner).
- 4.3 They wish to purchase a more suitable property in or on the outskirts of Bury St Edmunds.
- 4.4 The problem the organisation faces is that they cannot close their service for any period of time (they operate 24/7 throughout the year) and therefore need a short period of having two properties, in order to prepare the new property, fit it out with phone lines etc. They do not have the funds to do this.
- 4.5 They have therefore approached the Council for a bridging loan of £150,000, for **up to** six months. Following discussions with their property sub committee, a loan rate of 3% above bank base rate (i.e., currently 3.5%) has been suggested as the maximum amount that the charity could afford.
- 4.6 Since 46 Well Street is owned outright, the Council would have first charge on the property, meaning that the risk of not recovering the loan would be very low. The property has been valued at c. £220,000.
- 4.7 The loan request fits within the guidance set out in the SEBC loan policy (report E102, September 2013), notably:
- a. Applications will only be considered to support projects / initiatives within the St Edmundsbury Borough Council area.
Yes. The project is in Bury St Edmunds.
 - b. There should be an assessment of the degree of correlation of the loan purpose with the Council's corporate priorities.
See 3.1 above.
 - c. The Council should also consider whether it is appropriate to analyse total support given to an organisation or a single project. For example, the Council may determine that it is inappropriate to lend monies where a grant from the Council has been agreed for the same project.
Not applicable. The council has provided no other financial support to the Samaritans.
 - d. The relevant organisation requesting a loan should be able to demonstrate that it has sought funding from other sources and that loans

from such sources are either not available or the terms are materially unfavourable or unaffordable and therefore detrimental to the project / initiative.

The Samaritans contacted a number of local banks, but the lack of a guaranteed income stream, as well as prohibitive set-up costs meant that a bridging loan from a bank would be outwith their financial reach. They then tried a number of private funding sources but were unsuccessful in securing a loan.

- e. The request for a loan should be in relation to capital expenditure projects (i.e. the Council will not consider applications for loans to support revenue expenditure).
It is.
- f. A detailed financial appraisal will be required to be carried out by the Council on receipt of any loan request. This appraisal will also consider the financial standing of the relevant organisation and will provide due diligence over the project's / initiative's business case.
The financial appraisal will be undertaken should the loan be approved, and the loan will only be made upon the completion of satisfactory due diligence.
- g. An assessment of each loan application should be carried out against the accounting code of practice criteria of a soft loan i.e. at lower than market rates loan, including consideration of any financial cost to the Council and consideration against item h) below on state aid implications.
N/A. At 3% above bank base rate interest, this is not considered to be a soft loan.
- h. An assessment of any state aid implications will be required to be carried out by the Council on receipt of any loan request. If a loan application includes the features of state aid then the loan is prohibited unless it is covered by an exemption under state aid rules.
N/A.
- i. An assessment of the Council's overall cash flow position, spending requirements and overall prudential controls will be carried out by the Council on receipt of any loan application. The Council must ensure that the issuing of any loan does not have any negative impact on its own cash flow and spending requirements.
The Chief Finance Officer has confirmed that the loan will not adversely affect the council's cash flow or spending requirements.

5. Other options considered

- 5.1 The Council could decide not to provide a bridging loan to the Samaritans.

6. Community impact

- 6.1 **Crime and disorder impact** *(including Section 17 of the Crime and Disorder Act 1998)*

- 6.1.1 N/A

- 6.2 **Diversity and equality impact** *(including the findings of the Equality Impact Assessment)*

6.2.1 One of the key reasons the Samaritans need to move is due to the extremely poor disabled access to their current building. Volunteers and clients are unable to access most of the building, and need to enter through the back door. The furniture in the back room needs to be moved in order to allow entry. The Samaritans wish to provide a fully accessible building that everyone can access, regardless of their disability.

6.3 **Sustainability impact** *(including completing a Sustainability Impact Assessment)*

6.3.1 N/A

6.4 **Other impact** *(any other impacts affecting this report)*

6.4.1 N/A

7. **Consultation** *(what consultation has been undertaken, and what were the outcomes?)*

7.1 N/A

8. **Financial and resource implications** *(including asset management implications)*

8.1 Included in the main part of this report.

8.2 The Council's Medium Term Financial Strategy sets out the Council's target rate of return. This is 10%. However, this is a target which includes an allowance for replenishing the Council's balances equal to the amount of any investment made, which in this case is not appropriate as the loan value itself will be repaid by the Samaritans. The council has the discretion to waive this target in order to meet our own objectives, which is the case in this instance, as detailed in paragraph 3.1. Each loan should be considered on its own merits and as this is regarded as a bridging loan an appropriate comparison may be the current assumed treasury management investment return of 1.5% for 2014/15.

9. **Risk/opportunity assessment** *(potential hazards or opportunities affecting corporate, service or project objectives)*

Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
The loan is not repaid	Low	The first charge on the sale of the Well Street property exceeds the value of the loan by nearly 1.5:1	Low
The loan is not repaid on time	Medium	The organisation will continue to pay interest (or if they don't the interest will be deducted from the proceeds of the property sale, upon which the council will have first charge)	Low

10. **Legal and policy implications**

10.1 There will need to be a formal loan and charge agreement which will have to be registered against the property.

11. Ward(s) affected

11.1 This is the only branch of The Samaritans in St Edmundsbury, and it serves the whole of the borough.

12. Background papers

12.1 None.

13. Documents attached

13.1 None.

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