

**AGENDA ITEM 4  
RECOMMENDED ITEM FROM  
EXECUTIVE – 6<sup>TH</sup> SEPTEMBER 2010**

**312. COMMUNITY BRIDGING LOAN**

The Portfolio Holder for Regeneration introduced the report to seek the Executive's agreement to authorise bridging loans to community groups who had applied for LEADER grant funding. Members were advised that although these groups were awarded LEADER funding, all project costs had to be paid for by the applicant community groups in the first instance and claimed back retrospectively. This created a significant cash flow problem for these groups that had previously been able to overcome this problem with a 0% loan provided by Derbyshire County Council. This facility had been withdrawn by Derbyshire County Council on 31<sup>st</sup> March 2010.

It was suggested that Bolsover District Council may be able to extend this facility to community groups in Bolsover. Further details of the terms of the proposed scheme were outlined in the report.

Members raised questions in respect of the security of any loans provided. The Director of Resources advised that loans would only be agreed on production of a signed grant funding agreement, a risk assessment of the project, credit checks and submission of 3 years of the organisation's accounts. The loan would be provided piecemeal on a month by month basis and therefore this was the maximum potential risk to the Council. It was added that the volume of requests for this facility was likely to be very low.

Moved by Councillor A. Tomlinson, seconded by Councillor K. Bowman

**RESOLVED** that (1) delegated authority be given to the Director of Resources, in consultation with the Cabinet Member for Regeneration, for authorisation of bridging loan applications based on reviewing the documentation outlined in the report.

(2) the Standards Committee and Council be recommended to approve the Director of Resources' delegation for inclusion in the Council's Constitution.

**REASON FOR DECISION: To develop vibrant town centres and flourishing rural communities.**

(Director of Resources/Head of Democratic Services)

Committee:	Executive	Agenda Item No.:	10.
Date:	6 <sup>th</sup> September 2010	Status	Open
Category	2. Decision within the functions of Executive		
Subject:	Community Bridge Loan		
Report by:	Head of Regeneration		
Other Officers Involved	Projects Officer Business Growth		
Director	Director of Development		
Relevant Portfolio Holder	Councillor A. Tomlinson, Portfolio Holder for Regeneration		

### **RELEVANT CORPORATE AIMS**

CUSTOMER FOCUSED SERVICES – Providing excellent customer focused services

REGENERATION – Developing healthy, prosperous and sustainable communities by ensuring continued use of town centre premises.

### **TARGETS**

N/A

### **VALUE FOR MONEY**

Enabling valuable community led projects to be delivered by community organisations.

## **1. Background**

We have three community groups in the District who are applying for LEADER grant funding support. If successful, as with all grant funding, the project cost would have to be claimed back retrospective which causes a cash flow barrier to them accessing funding.

This potential barrier had been previously overcome by the use of a 0% bridging loan facility provided by Derbyshire County Council. This loan facility had been promoted to the community groups and the LEADER programme up to September 2009. Unfortunately, this facility has been withdrawn by Derbyshire County Council 31<sup>st</sup> March 2010. This withdrawal has resulted in Bolsover District community organisations going through the full application process (up to 9 months in some cases) and if successful, would be unable to access the grant fund due to the need of paying for the work up front.

Would Bolsover DC be able to provide a similar loan fund facility to community groups in the District? The Derbyshire County Council scheme was secured against an asset and the final loan decision was taken after reviewing the accounts of the applicant. It is proposed that BDC could work in a similar basis and the Director of Resource has received details of the DCC scheme. Details below:

*“The capital and revenue loan fund was established in October 2000 to support voluntary organisations facing cash flow difficulties. At the time there were major funding opportunities available from European Regional Development Fund (ERDF), European Social Fund (ESF) and Single Regeneration Budget (SRB). These funding regimes paid out grant claims in arrears and it was recognised that this caused difficulties for many voluntary and community organisations.*

*Voluntary organisations receiving loans were required to enter into an agreement with the Authority to secure the repayment of the loan. A charge was taken over the voluntary organisation's premises and other assets. It was also necessary for the voluntary organisation to ensure that its constitution/trust allowed it to enter into such arrangements and the county council ensured that the property and other assets charged were adequate security for the loan. It is fair to say that there was considerable work involved in administering the loan scheme often for what were quite small amounts.*

*At the end of 2009/10 financial year it was apparent that the situation had changed. The new European programmes no longer make funding available for social and community projects to the same extent. There had not been one single application to the loan fund for five years. In effect the requirement for the loan fund disappeared with the end of SRB and Objective 2 funding. In terms of defaults one organisation went into liquidation but we were paid out by administrators. One loan for £15,000 is still outstanding and we have been pursuing the organisation concerned but without success.”*

This report requests delegated powers given to one or more senior offices to assess the applications on a case by case basis. The size of the community projects range from £30k to £130k (Over 3 Yrs) but the claims can be made by the applicant on a monthly or quarterly basis which I suggest are reflected in the loan payment terms, limiting any risk.

To further reduce risk it is suggested applicants should provide:

- The signed grant funding agreement
- Risk assessment of the project (This is part of the grant funding application process)
- Credit checks on organisation and directors (BDC to undertake using existing Experian license)
- Three years accounts for the organisation (Part of the grant funding process)

Without the ability for these organisations to access this type of loan funding the projects developed (Heritage trails, Town signage, etc) simply wouldn't be realised. Unlike other funding, very little private sector leverage is involved in the applications as they are all tourism and heritage focused projects and eligible for 100% intervention rate.

The value of the project to the area will be assessed by the grant funding body, the role of BDC would be to assess the credit worthiness of the applicant and managing the associated risks accordingly.

The volume of this type of request is likely to be low. In the two years the LEADER fund has been open we are only aware of four applications of this type, none of which have reached the final decision making stage (Although one is currently being appraised). Similarly, the DCC scheme which has been withdrawn was originally developed for the SRB programme and hasn't processed a loan fund application in the last five years.

### **IMPLICATIONS**

Financial : A budget is to be created using reserves which will be replenished as the grant payments are received by the applicant.

Legal : Development of the loan agreement and security of the loan against an asset if required.

Human Resources : Resource committed to reviewing application for the loan fund.

### **RECOMMENDATIONS that**

- 1) Delegated authority given to the Director of Resources, in consultation with the Cabinet Member for Regeneration, for authorisation of bridging loan applications based on reviewing the documentation outlined in the report.**
- 2) The Standards Committee and Council be recommended to approve the Director of Resources' delegation for inclusion in the Council's Constitution.**

### **REASON FOR DECISION TO BE GIVEN IN ACCORDANCE WITH THE CONSTITUTION**

Develop vibrant town centres and flourishing rural communities.

ATTACHMENTS: None

FILE REFERENCE: None

SOURCE DOCUMENT: None