

# CABINET

## Galgate Community Rooms 22<sup>nd</sup> January 2008

### Report of Head of Economic Development & Tourism

#### PURPOSE OF REPORT

Ellel Parish Council have requested short term, repayable financial assistance pending receipt of Pathfinder in Practice funding towards the development of Community Rooms in Galgate. The report outlines the background to the request, notes the potential joint arrangement with Lancashire Economic Partnership and raises the implications of funding such requests.

Key Decision

X

Non-Key Decision

Referral from Cabinet  
Member

Date Included in Forward Plan

December 2007

This report is public.

#### RECOMMENDATIONS OF COUNCILLOR A JOHNSON

- (1) That Members consider the request from Ellel Parish Council and determine whether they wish the City Council to provide the required advance of up to £80,000, subject to Lancashire Economic Partnership providing an equivalent sum.
- (2) That, in the event of a positive decision, Members:
  - determine whether interest should be charged on the finance provided
  - agree the conditions to be applied to the offer as set out in the report

#### 1.0 Introduction

- 1.1 Galgate Community Rooms is a project by Ellel Parish Council to replace an old sports pavilion with a new modular building which would also be used for a range of sports, social and educational/training activities. The need for the development was evidenced in the Ellel Parish Plan 2005 with 93% of respondents to a questionnaire supporting the need for a new building and this was endorsed by the Village Plan. As a separate, but complementary, project, it is also intended to build a new village hall adjacent to the Community Rooms once future funding has been secured.

- 1.2 The total costs of the initial Community Rooms project are £180,145. The Parish Council is contributing £5,000 towards this and a further £5,800 will be provided through volunteer time and donations from the community. The bulk of the funding, £169,345, will be provided through Pathfinder in Practice (PiP) funding, an offer for this amount having been made by Lancashire Economic Partnership/Northwest Development Agency. However, PiP funding is only paid in arrears once work has been completed and against evidence of costs defrayed and whilst it is understood that LEP have agreed monthly PiP payments, the Parish Council does not have sufficient funds to enable up front payments to the contractor and to bridge the periods between paying the contractor and receiving grant payments. Consequently, City Council and LEP support has been requested by Ellel Parish Council (copy letter appended) to provide short term finance to enable the project to proceed and substantial external funding to be drawn down.
- 1.3 Whilst the City Council does not currently have any direct involvement in the project, a letter of support has been provided for the PiP application by Neighbourhood Management. Neighbourhood Management are supportive as the project complements the current Neighbourhood Management Rural Pilot in Ellel ward, with one of the stated reasons for its selection being the quality of the Parish Plan and its clarity in laying out priorities for action and the role of the new accommodation in enabling services for the community generally and young people in particular. Also, Cultural Services has been involved in advising on the funding application and acknowledge the benefits arising from a new community facility which would provide a rural based facility for Cultural Services to offer a range of services.

## **2.0 Proposal Details**

- 2.1 The request from the Parish Council proposes that the City Council and Lancashire Economic Partnership each make payments to the Parish Council against contractor invoices of 50% of the value of each invoice. Against the anticipated scheduled payments to the contractor, financial advances would need to be made in the period from February to May 2008 with a maximum requirement of £80,000 from the City Council assuming LEP meet 50% of the finance required. It is estimated that the level of finance requested would, if retained by the City Council, attract interest of approx £900-1000 over the period of the loan. Consequently, provision of the finance requested would result in this interest being lost unless it is charged to the Parish Council.
- 2.2 If Cabinet Members are minded to support the request, consideration needs to be given to the impact this could have in terms of setting a precedent for other similar requests from rural or urban community-based organisations looking to implement major projects where external funding is paid in arrears and cash flow problems arise as a consequence. At present there appear to be few approaches for such support and it may be sufficient to consider each case on its merits as it arises, with any requests being submitted in writing to the Chief Executive. If the number of requests should increase then it may be necessary to consider whether criteria should be set, and processes put in place, to administer such requests. However, for the time being, Members need to consider if they wish to support the Galgate Community Rooms project on its individual merits.

2.3 Members may also wish to note that there are few direct precedents which might inform a decision. It is understood that a protocol for advance payments was established a number of years ago but this related to situations in which the City Council was in control of the grant funding programmes. More recently, in 2006 short term finance was provided to Hornby Village Institute to support cash flow pending payment of Pathfinder in Practice funding for work related to the Hornby Community Resource Centre. However, the finance required in that instance could be met from funding in the City Council's capital programme which had already been approved for the project's contingencies but which had not been fully taken up.

2.4 If Members choose to support the request it is proposed that the following conditions be applied:

- i) that Ellel Parish Council confirm in writing that they are unable to secure the required finance from other sources, including their bank, on suitable terms
- ii) that LEP confirm their contribution of 50% of the finance required (copy confirmation letter appended)
- iii) that LEP confirm the eligibility for PiP funding of the invoiced works which will be the subject of claims
- iv) that the Parish Council provides the City Council with a copy of the invoices for PiP-funded building works
- v) that the Parish Council provides the City Council with a copy of its claims for PiP funding
- vi) that reimbursement of the funding is made to the City Council in full at the earliest opportunity and not later than the end of June 2008 – in this respect, the Parish Council should provide its permission in writing for reimbursement to be made direct to the City Council from LEP
- vii) That the Parish Council must repay any funding on demand by the City Council in the event of any of the following:-
  - a) that any part of the funding has been used for a purpose other than PiP-eligible expenditure
  - b) that PiP funding is refused for any reason
  - c) that PiP funding is delayed for any reason, except where the causes of the delay are notified in writing to, and accepted by, the City Council

### 3.0 Details of Consultation

3.1 No consultation has been conducted regarding the request for short term finance.

### 4.0 Options and Options Analysis (including risk assessment)

4.1 Options are set out in the table below.

Option	Advantages	Disadvantages	Risks
1. Refuse the request to provide short term finance	Avoids setting precedent for similar requests	Substantial external funding for community project not taken up  City Council perceived as unsupportive	No financial risk to the City Council  Project potentially put at risk as unable to bridge period pending receipt of PiP funding

<p>2. Provide short term repayable funding, jointly with LEP, against contractor invoices and charge interest of approx £900-1000</p>	<p>Project able to proceed as planned.</p> <p>City Council perceived as supportive of rural community projects</p> <p>No financial loss to the City Council when loan repaid in full</p>	<p>Increases overall project costs to the Parish Council</p> <p>Depending on LEP approach, there may be a mismatch in the handling of interest on the loan</p>	<p>Whilst the offer of PiP funding has been secured, payment will be subject to the project meeting the terms and conditions set by the funder. It is conceivable that payment of PiP grant could be withheld and repayment to the City Council delayed.</p> <p>Risk of setting precedent</p>
<p>3. Provide short term repayable funding, jointly with LEP, against contractor invoices and forego interest of approx £900-1000</p>	<p>Project able to proceed as planned</p> <p>City Council perceived as supportive of rural community projects</p>	<p>Loss of interest on the funding provided</p>	<p>Whilst the offer of PiP funding has been secured, payment will be subject to the project meeting the terms and conditions set by the funder. It is conceivable that payment of PiP grant could be withheld and repayment to the City Council delayed.</p> <p>Risk of setting precedent</p>
<p>4. Approach Lancashire County Council with a view to the required finance being met equally with LEP and the City Council</p>	<p>Potential to reduce the commitment of resources and risk for the City Council</p>	<p>LEP initially approached the County Council which indicated that it would not be able to provide support from the Rural Development Budget (the most appropriate budget) in the current financial year. The timescale required for any further approaches and consideration by the County Council probably dictates against this option being taken forward.</p>	<p>Risk of delay in confirming the availability of short term funding on a tripartite basis</p>

## **5.0 Officer Preferred Option (and comments)**

5.1 If Members wish to support the request for short term finance, it should be noted that Lancashire Economic Partnership do not generally charge interest on the finance provided. If this is LEP's confirmed approach in this instance, Members may wish to adopt a consistent approach ie Option 3.

## **6.0 Conclusion**

6.1 It is proposed that Members consider the request from Ellel Parish Council in the light of this report.

### **RELATIONSHIP TO POLICY FRAMEWORK**

The Galgate Community Rooms project links to the City Council's Cabinet Priorities 2007/08 – Secondary Priorities 3.3 'Clarify the Council's role in the provision of facilities for children and young people and community development'.

It also, as noted in the report, links to the Ellel Neighbourhood Management Rural Pilot.

### **CONCLUSION OF IMPACT ASSESSMENT**

**(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)**

The full project application for Pathfinder in Practice funding includes detailed information on how the project contributes to the sustainable use of resources (eg energy efficient building), and to the protection and enhancement of the environment (eg replacement of a dilapidated timber structure) and how it will address the underlying causes of ill health (eg enhanced opportunities for healthy exercise and recreation). The project will also benefit a significant rural population in and around Ellel ward.

### **FINANCIAL IMPLICATIONS**

The relevant power, under which the City Council would be able to make the advance, is contained in the Local Government Act 2000, Section 2 Promotion of well-being.

If the advance is made free of interest then there will be a loss of income to the Council of between £900 and £1000.

In terms of the principal sum involved, the Council's cash flow remains relatively strong and can incorporate the advance.

The most significant potential implication is indirect in that the granting of this request might be seen to set a precedent and lead to a number of further such requests. In this context it is important to be clear that any approval should not be seen as a precedent.

In the context of potential future requests, arrangements are underway to ensure that if Council services are involved in advising on funding bids, that either they cover the cashflow implications or seek early advice from Financial Services.

**SECTION 151 OFFICER'S COMMENTS**

The Section 151 Officer has been consulted and has no further comments to add.

**LEGAL IMPLICATIONS**

Legal Services have been consulted and there are no legal implications.

**MONITORING OFFICER'S COMMENTS**

The Monitoring Officer advises that if the funding is provided as requested, a legal agreement must be entered into to ensure that the Council will be repaid in the event that PiP funding is not available. However, even with such an agreement in place, there would be some risk to the Council that the parish council would be unable to repay the sum immediately in these circumstances.

**BACKGROUND PAPERS**

Ellel Parish Council letter dated 14th December 2007.

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