
**REQUEST FOR AMENDMENT TO CASH FLOW LOAN BY MULL & IONA
COMMUNITY TRUST**

1. EXECUTIVE SUMMARY

- 1.1 This report sets out an amended request received from Mull and Iona Community Trust (MICT) for a cash flow loan in relation to a storage and business unit facility at Ardmore on the outskirts of Tobermory, Mull. The amendment relates to the time period covered by the cash flow loan and repayment of the loan. MICT originally sought the cash flow loan and repayment for the period October 2018 ending March 2019. It has not proven possible to dawn down and fully pay the loan back within this period due to delays in the delivery of the project and the loan has subsequently expired. Members considered and approved the original request at the Policy and Resources Committee on 24 May 2018. The amended request from MICT states that the cash flow loan would be required for 31st January 2019 with the start of the repayment of the loan commencing 30th April 2019, and thereafter being repaid on the last working day of the month until 31st October 2019.
- 1.2 Based on the information submitted by MICT a full funding package is in place for the project.
- 1.3 The granting of this cash flow loan is consistent with members approval of the previous proposed cash flow loan, which has now lapsed, and also loans offered to other third sector organisations and demonstrates the councils continuing partnership working with the third sector and related agencies, secures the provision of improved community facilities and complies with the council's core values. As per the previous request this matter could not be dealt with through the delegated authority to approve and then process cash flow support loans given the amount being sought. This request has been raised as it is for a greater amount than the maximum cash flow support loan allowed to any one group under delegated powers.
- 1.4 It is recommended that the request for a cash flow support loan of £100,000 over the amended timeline be approved by members and then processed through the existing delegated controls.

**REQUEST FOR AMENDMENT TO CASH FLOW LOAN BY MULL AND IONA
COMMUNITY TRUST**

2. INTRODUCTION

- 2.1 This report sets out a request received from Mull and Iona Community Trust (MICT) for a cash flow support loan in relation to a storage and business unit facility at Ardmore on the outskirts of Tobermory, Mull. This request relates to an amendment to a previous cash flow loan sought by MICT for the same project but covering a different time period. The amended request from MICT states that the cash flow loan would now be required for 31st January 2019 with the repayment of the loan commencing 30th April 2019, and thereafter being repaid on the last working day of the month until 31st October 2019.

3. RECOMMENDATIONS

- 3.1 It is recommended that the request for a cash flow support loan of £100,000 over the amended timeline be approved by members and then processed through the existing delegated controls.

4. DETAIL**Background**

- 4.1 Members considered and approved the original request for the cash flow loan at the Policy and Resources Committee on 24 May 2018. The Council has previously reviewed the business plan, cost estimates and grant funding when considering the request for grant funding. Appropriate project management staff and arrangements are in place to manage the project.

Capital Costs

- 4.2 The total contract cost of the project is £1,920,997. A design team has been established and the refurbishment contract is being managed by MICT.

Capital Funding

- 4.3 A funding package of £1,920,997 (plus a contingency) has been secured for the contract costs. This covers the period to March 2019. Appendix 1 sets out details of this funding. In overall terms the capital funding is sufficient to cover the cost of capital works. The Council is contributing (in kind) £62,500 towards the capital funding through Road and Amenity Services as well as the support in managing the RCGF grant monitoring and claims procedure.

Cash Flow

- 4.4 A project cash flow has been prepared by MICT based on the estimates of capital costs and capital funding. A copy of the cash flow is attached as Appendix 2. This request for a cash flow loan is to advance funds to MICT to make payment to the contractors when due and reimburse the Council once grant funding is claimed and received.
- 4.5 The total amount requested and repaid by March 2019 will be £100,000. The period they face cash flow issues is from October 2018 to January 2019. The original timeline for the project had to be put back due to a delay in works starting on site and it was for this reason that the timeline relating to the cash flow loan has to be amended and further request submitted. The loan is expected to be not more than £ 110,000. The maximum amount outstanding will be £100,000 and MICT have requested that this be for no more than 36 week period, Oct – May 2019 (to allow for time to reclaim grants and any possible delays to the expected completion of the project).

Risk

- 4.6 The risks or sensitivities in relation to the project are as follows:
- a. Building costs could increase above initial estimate
 - b. Failing to meet grant condition so a shortfall in funding could arise
 - c. There is a delay in receipt of grant funding
- 4.7 Risk a: If there were to be an increase in building costs due to unforeseen work MICT have a contingency allowed within the cost plan. MICT would need to review the project and funding should any increase create a gap between overall costs and funding. MICT have employed a dedicated Project Officer, whose role is to oversee the project roll out and adjust for any issues that may arise. It would be for MICT to decide how to deal with and resolve this. The Council however, if it has agreed to advance money to meet the cash flow gap would be exposed to a risk of loss – if the overall funding gap could not be closed.
- 4.8 Risk b: MICT has extensive experience of complying with Grant conditions and a long history of delivering large scale projects within budget and on time. The council however would be exposed to a risk of loss should the grant conditions not be met and MICT are unable to repay any loan.
- 4.9 Risk c: A delay in receipt of grant funding would mean a longer period for the Council to fund the cash flow shortfall.
- 4.10 MICT will be required to meet any additional interest on the loan, current interest rates are between 2% and 2.5%.
- 4.11 In reviewing this request for a cash flow support loan the following have been reviewed by staff in Development and Infrastructure Services and Strategic Finance:
- The tender submission by the successful contractor,
 - The letters confirming external funding,
 - The cash flow forecast for the project,
 - The annual accounts of MICT
 - The cash book and bank statements of MICT

- Project management arrangements.

5. CONCLUSION

- 5.1 The report sets out the request from MICT for a cash flow loan to support proposals for the storage and business unit facility. A full funding package is in place.
- 5.2 The granting of this cash flow loan is consistent with loans offered to other third sector organisations and demonstrates the councils continuing partnership working with the third sector and related agencies, secures the provision of improved community facilities and complies with the council's core values.
- 5.3 Management of the repayment of this loan is dealt with through delegated authority to Head of Strategic Finance to process cash flow support loan and manage the repayment schedule.

6. IMPLICATIONS

- | | | |
|-----|--------------------|---|
| 6.1 | Policy – | Provides support to third sector - The proposed request is consistent with the councils commitment to support the third sector and to assist them in the delivery of key community facilities and services. |
| 6.2 | Financial - | Exposure limited by confirmation of costs & grant funding. |
| 6.3 | Legal - | None. |
| 6.4 | HR - | None. |
| 6.5 | Equalities - | None. |
| 6.6 | Risk - | Risk issues are outlined in sections 4.6 – 4.11. |
| 6.7 | Customer Service - | None. |

Executive Director of Development and Infrastructure Pippa Milne
Policy Lead Councillor Aileen Morton

For further information please contact
 Audrey Martin
 Transformation Projects and Regeneration Manager
 Development & Infrastructure Services
audrey.martin@argyll-bute.gov.uk

David Rennie
 Transformation Projects and Regeneration
david.ennie@argyll-bute.gov.uk

Appendix 1 – Funding Position
 Appendix 2 – Cash Flow

Appendix 1

Funding Position

Project Cost - Capital Cost & Initial revenue/development cost

£...

Ph 1 -RCGF (claimed on invoice)	£1,558,497	Confirmed
Ph 1 -HIE (claimed in arrears)	£281,300	Confirmed
Ph 1 -HIE Retention	£8,700	Confirmed
Ph 1 -EB Scotland (Scottish Landfill Communities Fund)	£10,000	Confirmed
Ph 1 - Argyll & Bute Council (50% water connection- in kind funding)	£62,500	Estimate

£1,920,997

**Appendix 2 – Cash Flow
Spread sheet**