

Individual Decision

Title of Report:	Refurbishment of Holybrook Community Centre		
Report to be considered by:	Cllr Laszlo Zverko	on:	9 December 2005
Forward Plan Ref:	ID1116		

Purpose of Report:

To appraise Members of the details of the loan required by KVCA and of the need for the Council to act as a guarantor for this loan.

Recommended Action:

That WBC agree to act as Guarantor for this loan.

Reason for decision to be taken:

- The cost to refurbish the community centre has exceeded the budget put in place by the KCVA

List of other options considered:

- That the Trustees become personally liable for the guarantee

Key background documentation:

- Nil

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Supporting Information

1. Background

- 1.1 The Kennet Valley Community Association (KVCA) have undertaken to refurbish and redevelop the Holybrook Community Centre in Calcot to make it compliant with the Disability Discrimination Act.
- 1.2 There is a shortfall of £25,000 between the funds raised and the total cost of the project due to a specific price imposed mainly by the planning process after the funds had been put in place.
- 1.3 Initially the KVCA resolved not to include extension to the car park in order for the work to go ahead within budget, however the provision of an extended car park was made a condition of the planning consent. The cost of this work is £20,000, the remaining £5,000 is required for redecoration and the replacement of some older second-hand furniture – a strategy to encourage greater use of the facilities in order to improve sales (see loan repayment details below); The builder is currently on site, in consequence to delay the work to a later time in order to raise further funding would result in a further increase in cost, which in itself would increase the amount of loan funds needed.
- 1.4 In order to meet this additional cost the KVCA approached the Brewery (Greene King) for a 'brewery loan'. No other funding source was available in the time available. West Berks Council owns the Community Centre and the adjacent land and have already contributed £107,000 capital grant funding to the project this financial year.
- 1.5 The Brewery agreed the loan in principle, but it is a requirement that the loan be guaranteed by a third party.
- 1.6 As a registered Charity the members of the KVCA, as trustees, could underwrite the loan, by providing personal liabilities. However, understandably, they have chosen not to go down this route, because it is a 5 year loan and should personal circumstances change in this period the consequences to them or their dependants might be severe. This option therefore has not been pursued further. The KVCA do not have any tangible assets as the building and land are in the ownership of the local authority.
- 1.7 It is important to stress that this loan does not have to be repaid in cash. The loan is actually repaid over the period through continued ordering of beers, wines and spirits from the Brewery.
- 1.8 Actual repayment is based on what is called barrelage and is based on sales history of beer, wines, spirits and soft drinks. The normal purchase price from the brewery is discounted by 20%, however, following the loan the discount will be of the order of 10%, the other 10% used to repay the debt. What this means is that cash is not needed to pay off the debt, unless of course, there is a shortfall in the annual consumption whereby the difference is calculated and charged.
- 1.9 In consequence, the financial risk to any guarantor is that the community who currently support the centre might chose to socialise elsewhere.
- 1.10 On the positive side, the Brewery has deemed the centre to be a growth business and at low risk, especially in view of the revised refurbishment work. Importantly, the previous loan was paid off in four years instead of five.

1.11 The community centre has been managed by the Association for the last 25 years and has been largely self funding. As far as is known, neither the Council, nor the Parish Council have ever been asked to make up any shortfall in annual running costs.

Appendices

Appendix A - Head of legal Services' Advice.

(Note: Only a hard copy of the Appendix is available. Please contact David Cook (Tel: 01635 519475) if you wish to view the Appendix)

Implications

Policy:	None
Financial:	£25,000 risk – diminishing year on year over 5 years.
Personnel:	Nil
Legal:	Nil
Environmental:	Nil
Equalities:	Nil
Partnering:	Nil
Property:	Nil
Risk Management:	Nil
Community Safety:	Nil

Consultation Responses

Members:

Leader of Council:	Cllr Jones
Select Committee Chairmen:	Cllr Lundie
P&L Committee Chairman (where appropriate):	N/A
Ward Members:	Cllr Argyle, Cllr Bedwell, Cllr Gopal
Opposition Spokesperson:	Cllr Gaines
Advisory Members:	N/A
Local Stakeholders:	Holybrook PC
Officers Consulted:	Head of legal Services' Advice. 151 Officer's Advice.
Trade Union:	N/A