

NORTHUMBERLAND

Northumberland County Council

CORPORATE SERVICES & ECONOMIC GROWTH OVERVIEW & SCRUTINY COMMITTEE

23 November 2017

Potential Loan to Alexa's Animal Charity

Report of Alison Elsdon Director of Corporate Resources

Cabinet Member: Councillor Nicholas Oliver – Portfolio Holder for Corporate Services

Purpose of Report

The report provides details of a potential loan facility to Alexa's Animal Charity of up to £170,000 for the purchase of Patterson Cottage for use as boarding kennels.

The purpose of this report is to request that the Corporate Services and Economic Growth Overview and Scrutiny Committee support the recommendation to the Cabinet for the proposed provision of a loan of up to £170,000 to Alexa's Animal Charity.

CABINET

12 December 2017

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Cabinet Member: Councillor Nicholas Oliver – Portfolio Holder for Corporate Services

Purpose of Report

The report provides details of a potential loan facility to Alexa's Animal Charity of up to £170,000 for the purchase of Patterson Cottage for use as boarding kennels.

Recommendation

It is recommended that Cabinet approve the following:

- Approve a Loan Facility of up to £170,000 to Alexa's Animal Charity subject to:
 - The Council's Legal Team finalising a legal agreement with Alexa's Animal Charity in advance of any loan drawdown, containing the terms and conditions set out within this report.
 - The Council's Legal Team receiving signed letters of confirmation from all donors to confirm the donations highlighted in the report, which are to be used as part funding to purchase the property are non repayable and have no other conditions attached other than for usage towards the purchase of the property.
 - The Council's Legal Team receiving a copy of the valuation report and all local searches that Alexa's Animals commission on the property to confirm the value of the property being purchased and that local search results are satisfactory.
 - The Council's Legal Team place a legal charge on the assets which the Charity purchase using the loan facility in advance of any loan draw down by the Trust.
- Approve the terms and conditions of the loan.

Only once all of these conditions have been met can the loan be drawn down.

Key Issues

1. The Council has been approached for a loan facility of up to £170,000 from Alexa's Animals Charity.
2. The annual loan repayment to the Council will be paid quarterly on 31 March, 30 June, 30 September and 31 December in line with the repayment schedule.
3. The proposed loan facility would be subject to the terms and conditions identified within the main body of the report.
4. The loan request was considered by Risk Appraisal Panel on 2 November 2017. Members supported the charity's proposal to move to a bigger premises and branch out to offer a commercial element to their business. It was agreed the risk to the council was minimal due to the security of the legal charge against the property. Members recommended that the Council should offer assistance to the Charity subject to all of the terms and conditions previously outlined.

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Links to Corporate Plan

The proposal has very strong linkages with the Council's Places and Environment priority, "to maintain and further improve the quality of our towns, villages and countryside, and make it easier for residents to access services and high quality, affordable homes and to travel using different modes of transport."

In addition the proposal has strong links with the Council's Stronger Communities and Families priority, "to ensure that all residents genuinely feel safe, belong, and have a say in how the county is run, and to provide a range of quality community and cultural services and facilities which inspire creativity and participation."

Background

Alexa's Animals is a voluntary service, established and led by local woman Alexa Nisbet MBE in 1991. The service takes into care and finds new homes for dogs in Northumberland and parts of Tyneside. Alexa's Animals works closely with local veterinary practices, Council dog control units, social services and also neighbouring dog welfare organisations. Most of the income is derived from a programme of fundraising activities, at fetes, shopping centres and special events, as well as through occasional legacies, and grants and donations from grateful beneficiaries of the service. Since their inception, they have operated with no paid staff and no dedicated premises of their own. Most of the annual expenditure, typically in the region of £20,000, is on vets' fees and rents paid to commercial kennels. The organisation formally registered as a charity (a Charitable Incorporated Organisation) in 2016, with a board of 4 trustees (including Alexa), and a team of 25 volunteers; who assist by providing temporary accommodation in their own homes, providing exercising and training, undertaking fund-raising, pro-bono health care and assessments, and publicity work.

Over the last 26 years, they have rescued and placed over 1,500 abandoned, unwanted and abused dogs into loving homes. In the last two years (2015 and 2016), they have successfully rehomed 75 and 60 dogs, respectively, but regrettably have had to turn away, or to defer, many more due to a lack of available transitional accommodation for them. Until they acquire their own premises, the service will continue to be limited by the capacity and goodwill of the volunteers using their own homes, and by their ability to pay for boarding in commercial kennels.

Alexa's Animals is therefore looking to purchase premises in the Alnwick area, to further its work for the care and rehoming of vulnerable or unwanted dogs. They have identified Patterson's Cottage, which is currently being utilised as a Dog Kennel business under the name Basey's. The premises will provide kennels, exercise and training facilities and an office base for the charity, with affordable running costs. They have already raised a significant proportion of the purchase price, through numerous events and several legacies, but are seeking a loan in order to complete the funding package.

Loan Security

The loan will be secured by a legal charge against the property which Alexa's Animals will purchase. The value of the loan they are requesting represents around 53 per cent of the actual cost. The charge against the property would effectively negate the other risks highlighted within this report.

Loan Terms and Conditions

Alexa's Animals have requested financial assistance up to a maximum value of £170,000. As this request for financial assistance did not form part of the Council's Medium Term Financial Plan and the Council faces its own financial challenges the Section 151 Officer suggested that a request for a loan of up to £170,000 would be the best option.

The loan will have the following terms and conditions:

1. Alexa's Animals can commence drawdown of the loan once Northumberland County Council's legal department are in receipt of the signed legal agreement between the Council and Alexa's Animals; the other conditions of the loan agreement are met and final project costs are received by the Council from the Charity.
2. Alexa's Animals must provide signed letters of confirmation from all donors to confirm the donations highlighted in the report, which are to be used as part funding to purchase the property are non repayable and have no other conditions attached other than for usage towards the purchase of the property.
3. A copy of the valuation report and all local searches that Alexa's Animals commission on the property must be received by the council to confirm the value of the property being purchased and that local search results are satisfactory.
4. A maximum loan value of up to £170,000.

5. Repayment of principal will be made by Alexa's Animals over a period of 15 years from the date of the loan drawdown. The Council will produce to the Borrower a repayment schedule. The Borrower will pay the Council the sum due on the date specified on the repayment schedule. Principal will be paid quarterly on 31 March, 30 June, 30 September and 31 December in line with the repayment schedule.
6. Alexa's Animals may repay the Loan in whole or in part at any time prior to the end of the loan term. In doing so they will provide notification in writing to the Council no less than 5 working days' prior to the prepayment. Where necessary a revised payment schedule will be produced by the Council and issued to the Borrower.
7. The interest rate will be the Public Works Loan Board (PWLb) fixed rate prevalent at the time for loans of 15 years (Annuity). Interest will be accrued from the date of the loan drawdown.
8. Interest shall be paid quarterly on 31 March, 30 June, 30 September and 31 December in line with the repayment schedule.
9. The loan is to be secured by a charge on the property which is purchased by Alexa's Animals. The loan can only be drawn down once the documentation necessary to register the charge has been executed and is in the possession of the Council. The maximum value of security required is £170,000 plus outstanding interest.

Should Alexa's Animals fail to meet any of the scheduled loan repayments they will be charged a default interest charge of the Bank of England Base Rate plus 4% and the Council could invoke its legal charge on the asset.

State Aid

The loan offer does not constitute state aid.

Legal Power to Grant the loan

The legal powers which enable the Council to enter into this Agreement and to make the loan available, include, (but are not limited to) the Housing Act 1985, the Local Government Act 1972 and the Local Government Act 2000, the Localism Act 2011, and Paragraph 13 Schedule 13 of the Local Government Act 1972.

IMPLICATIONS

Policy	None
Finance and value for money	Alexa's Animals will repay the loan in line with the payment schedule issued by the Council. Interest on the loan will be charged at the rate of interest of the PWLB annuity rate on the day of completion for loans of 15 years.
Legal	The proposal is subject to a signed legal agreement and a legal charge on the asset.
Procurement	None
Human Resources	None
Property	None
Equalities (Impact Assessment attached) Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input checked="" type="checkbox"/>	The loan will allow Alexa's Animals to provide care and rehoming facilities for rescued dogs throughout Northumberland.
Risk Assessment	The perceived risks of the project are outlined in the report. The loan will be secured via a legal charge on the property to ensure that the Council's interests are safeguarded.
Carbon reduction	None
Crime & Disorder	None
Customer Considerations	None
Consultation	Leader of the Council, Councillor Nicholas Oliver – Portfolio Holder for Corporate Services
Wards	Alnwick

Report sign off.

Authors must ensure that relevant officers and members have agreed the content of the report:

	initials
Finance Officer	AS
Monitoring Officer/Legal	LH
Human Resources	n/a
Procurement	n/a
I.T.	n/a
Chief Executive	DL
Portfolio Holder(s)	NO

Author and Contact Details

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