

Executive – 10 June 2010

IVYBRIDGE YOUTH CENTRE – REQUEST FOR FINANCIAL SUPPORT

Strategic Director (Community)

Statutory Powers: Local Government Act 2000: Well Being Powers

Financial Implications: Potential expenditure of up to £27,000 outside the approved budget and therefore a decision to provide funding would require a recommendation to Council.

Purpose

To advise Members of a request for funding and to outline the options available in response to the request.

RECOMMENDATIONS

That the Executive RESOLVES to retain the current loan arrangement and not offer a grant.

Background

1. In 2000 the Council agreed a grant of £25,000 (R95/00) and to lease an area of land at a peppercorn rent (L/R 48/00) to the Trustees of Ivybridge Youth Centre to enable the construction of the current building. The site for the youth centre was at that time a play area located at the front of the Leisure Centre. During the negotiations, it was agreed that the Trustees of the Youth Club would contribute £35,000 to the costs of providing the replacement play area. This arrangement is embodied in the lease. In order to help with the cash flow of the Club, in 2006 the Council agreed a deferred payment plan (E145/05 refers). This arrangement takes the form of an interest bearing loan which the Trustees are paying off in instalments. There is an outstanding balance of approximately £24,500 as at 31 March 2010. The loan is being paid off over a 10 year period at a fixed interest rate of 4.5% with payments made in March and September each year. The first payment was made on 31 March 2007.

The request from the Youth Centre Action Group (YCAG)

2. The Trustees of YCAG have indicated to the Council that the Group are operating on a limited financial budget and a large proportion of the income is used to meet the loan payments to the Council. This limits the range of activities and services which can be provided. The Trustees have requested that the Council consider waiving the remaining loan balance and treat the outstanding sum as a grant towards the funding of the youth facility.
3. Following discussions with officers, where the financial context for consideration of such a request and the lack of availability of grant streams was explained, the Trustees have nevertheless submitted a proposal in writing dated 9 March 2010 which is attached as **Appendix A**.

The Trustees accept that while the initial arrangement was entered into, it was at the time felt to be unreasonable but time pressures partly related to drawing down other external funding forced an early agreement to the conditions.

4. It has been explained to the Trustees that the Council does not have delegated arrangements in place to enable officers to determine the proposal, as it is not a common request to change loans to grants and therefore the matter is submitted for the Executive to consider.

Issues for the Council to consider

5. Officers acknowledge that the Centre provides a much needed facility and understand the potential benefit which would occur if additional funding is provided on improving services currently provided. It is also accepted that the facility continues to operate because of the hard work of the Trustees.
6. The request raises a number of issues for the Council to consider, such as:
 - a) The Council now has limited grant 'pots' following the closure of the Investment in the Community capital funding initiative and the Community Grant Fund. The remaining funding stream for community based projects is the Members Locality Fund; however one off funding could be made from one of the Council's reserves. A potentially appropriate reserve is the Community Well Being Reserve, although members will recall that during the budget the annual contribution was reduced from £24,000 to £12,000. The reserve currently has £35,000 which is uncommitted.
 - b) An ad hoc request to turn a loan into a grant could be perceived by other organisations as a 'back door' grant. The Council currently has 5 other loans, 4 to parish Councils totalling £26,704 with an outstanding balance of just under £17,000 and a loan to a community club of £10,000. Any decision made on this loan, which changes the Council's approach, may lead to requests that the Council treats all outstanding loans in a consistent manner i.e. as grants.
 - c) In general the provision of youth services is a responsibility of a County Council rather than a District Council. However this Council acknowledges the importance of meeting the needs of children and young people as part of its cross-cutting themes, which underpin the corporate priorities.
7. In broad terms the Trustees have requested that the outstanding loan of approximately £27,000 as at 2009 is converted to a grant to enable the Trustees to fund two projects to support local young people. While the two projects, one involving support for the 11 – 13 years age group and the other designed to improve access and skills in IT for disadvantaged young people, appear to be very worthwhile, the Trustees have clarified that the project for year 7 and 8 children is an established programme which has ceased as a result of funding reductions by Devon County Council. As budgets allocated to support the wide range of District Council core services are reduced, Members may find it difficult to find additional money to close gaps in services generally funded by other bodies
8. To fund the two projects the Trustees have requested that ideally the remaining loan is converted to a grant. As a response the options might include:

- retaining the existing loan agreement but offering an ad-hoc grant for either one, or both, of the proposals;
- converting the current interest bearing loan to a grant free loan or making other changes which may help reduce the financial burden, such as extending the repayment period;
- an interest free loan for the outstanding balance would save the Trustees (and therefore cost the Council) approximately £4,000 over the remaining life of the loan; or
- acknowledging the value of the two projects but retaining the existing interest bearing loan arrangement in view of the financial situation.

9. It is concluded that it is a matter for members to judge how to balance the various issues in relation to this case.

Risk Assessment

10. The following are the key risk issues:

Strategic Opportunities	Issues / Obstacles	Benefits
<ul style="list-style-type: none"> • Retain the existing loan arrangements but provide grant for either one or both proposals to support services aimed at children and young people. • Convert the interest bearing loan to an interest free loan (or make other changes to reduce the financial impact e.g. extend the repayment period). • Retain current loan arrangement and ensure a consistent approach for other community based bodies. 	<ul style="list-style-type: none"> • The District Council funding County Council functions, particularly as one of the projects was previously funded by Devon County Council. • As part of recent budget reductions, grant pots, such as the Community Grant Fund, are no longer available. • Financial pressures on funding statutory District Council Services. • Lack of consistent approach regarding loans to other community based bodies. (Interest rates charges depend on Bank of England rate at approval. The rate offered is bank rate plus 1%). • Trustees seeking to retain and develop an important facility and services aimed at children and young people in a difficult financial climate. 	<ul style="list-style-type: none"> • Further supports the Council's cross-cutting theme regarding children and young people, which is in addition to the original grant. Complements other recent programmes to support children and young people, for example capital investment in play areas. • Provides on going support for an existing worthwhile local project.

Conclusion

11. Normally requests for funding of such projects would not be submitted to Members as officers would explain to the project promoters that there is no Council grant scheme available over and above the Members' locality budget. However this request relates to an existing youth facility with an existing financial arrangement, where the Council has an interest as a landowner as well as through its investment in the relocation of the former play area. In the circumstances it is felt appropriate for Members to consider the request and to balance the competing issues. However the conclusion of officers is that having considered all the facts, the current loan arrangement should continue, primarily as a response to the financial pressures that the Council is facing, rather than as a judgment about the value of the Youth Centre's activities and the work of the Trustees.

Alan Robinson
Strategic Director (Community)

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10 June 2010

Background Documents:

Various correspondence dated:

22 April 2010
9 March 2010
19 August 2009
29 April 2009
15 April 2009