

**EAST CAMBS TRADING COMPANY - LOAN DEADLINE EXTENSION REQUEST**

Committee: Council

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**1.0 ISSUE**

1.1. To respond to East Cambs Trading Company's (ECTC) request for an extension to the loan repayment deadline from March 2026 to March 2027.

**2.0 RECOMMENDATION(S)**

2.1. Members are requested to:

- i. Approve the ECTC request for the loan repayment extension from March 2026 to March 2027, subject to the conditions set out in 4.4 of this report, and
- ii. Authorise the Director Finance and Director Legal to amend the Loan Agreement and Debenture Agreement to implement (i) above.

**3.0 BACKGROUND/OPTIONS**

3.1 On 21<sup>st</sup> April 2022 (Agenda Item 9) Council approved a loan facility to ECTC for £7.5m which is due for repayment in March 2026. One of the purposes of the loan is to progress Phase 3 Arbour Square, Ely (formerly known as MOD, Ely).

3.2 Members may be aware that the land for Phase 3 is a product of a land swap between ECTC and the NHS. This swap has enabled the NHS to progress their plans to deliver a car park as part of the improvement works benefiting the Princess of Wales Hospital. The car park work is progressing and is scheduled for completion later this year.

3.3 As part of the land swap agreement, ECTC agreed to allow the NHS to use the Phase 3 land to provide a temporary parking area whilst the new car park is being built. At the time of the loan request ECTC had factored the land being available in March 2023 with a start on-site in April 2024.

3.4 ECTC has assumed that Phase 3 (subject to planning) will take 24 months to build and sell and as a result ECTC will not be in a position to repay the loan in March 2026. It is important to note that this is a matter of timing and not viability of the scheme.

3.5 On 5<sup>th</sup> December 2023 ECTC instructed the ECTC Finance Manager to write to the Director Finance to formally request an extension to loan from March 2026 to March 2027.

#### **4.0 CONCLUSIONS**

4.1. The Director Finance has considered the request to extend the loan repayment period to March 2027 and has met with the ECTC Finance Manager to review the updated assumptions. If approved, the Council should increase the interest rate from 4.50% to 5.25% for the period of the extension, i.e. between March 2026 and March 2027. This higher rate is more consistent with the rate of return currently being achieved by the Council's cash investments and therefore is considered a commercial rate.

4.2. If approved the Debenture Agreement will need to be updated to reflect the new loan agreement. The Debenture Agreement gives the Council first ranking security over all ECTC's unsecured assets.

4.3. This loan extension is not detailed in the Budget and MTFs and Treasury Management Strategy papers in front of you this evening, but if approved, the Treasury Management Strategy will be reviewed and an update position will be reported to Finance and Assets Committee at its November meeting, as part of half-year report.

4.4. It is recommended that the extension of the loan repayment from March 2026 to March 2027 is approved subject to the following conditions:

- i. An interest rate of 5.25% will be applied between March 2026 and March 2027,
- ii. The current loan agreement will be amended to reflect the new final repayment date and changes to the interest rate (as identified in (i) above), and
- iii. The current debenture agreement will be amended to reflect the changes to the loan agreement.

#### **5.0 FINANCIAL IMPLICATIONS / EQUALITY IMPACT STATEMENT / CARBON IMPACT ASSESSMENT**

5.1. Identified in the main body of the report.

5.2. An Equality Impact Assessment (EIA) is not required.

5.3. A Carbon Impact Assessment (CIA) is not required.

#### **6.0 APPENDICES**

None

#### **Background Documents:**

Council – 21<sup>st</sup> April 2022 (Agenda Item 9)