

## **Loan to Hinton St. George and Locality Rural Community Services Ltd**

*Executive Portfolio Holder: Peter Seib, Finance and Legal Services*  
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### **Purpose of the Report**

That full Council approves a loan of £190,000 to Hinton St George and Locality Rural Community Services Ltd. (HRCS) and is a registered society to replace their mortgage on the Hinton St George shop and Post Office.

### **Public Interest**

SSDC has received a request for a loan from Hinton St George shop and Post Office to replace their current mortgage. The Council has a Loans Policy which supports loans at affordable rates to local community groups.

### **Recommendation**

That Council approve a loan of £190,000 to Hinton St George and Locality Rural Community Services Ltd (HRCS), to be repaid over 20 years, from the available capital balances and under the terms of SSDC's loans policy (with the exception that the loan is for £190,000 over 20 years).

### **Background**

Hinton St George shop and Post Office was purchased by HRCS in 2011 through a commercial loan. It is the only shop in Hinton St George and serves an immediate community of 239 households. The shop employs 3 part-time staff assisted by a team of over 50 volunteers with 100 individuals having provided financial support. The applicants have outlined that when surveyed 99% of residents consider the shop to be important or very important to the community. The Group is seeking to obtain a fixed rate mortgage to mitigate the risk of rising interest rates and the impact that would have on their business plan.

### **Report**

SSDC's Loans Policy was set up to provide affordable loans to local community groups at affordable rates linked to the Public Works Loans Board (i.e. the rate at which SSDC could borrow funds). This policy is aimed at providing small loans to outside bodies where alternative forms of borrowing are not available or at prohibitive costs. The Group has approached SSDC to request a fixed loan of £190,000 over 20 years. This is outside of the loans policy that has been delegated to District Executive which limits the delegation to a maximum loan of £150,000 and loan duration to 10 years and therefore the loan needs full Council approval.

The building is a Grade II listed building in the centre of the village. The property includes a flat and garage that have been let to supplement the income from the shop. A Management Committee of up to twelve members elected by members at each AGM manage the society. The society as at September 2014 held £65,705 in shares. Interest may be paid on the shares of up to 5% above the base rate annually if agreed by the Management Committee. All other income is either retained or can be used for other social, environmental or charitable purposes within the locality.

In reviewing the accounts and business plan the ability to fund the loan from annual income is marginal. The annual profit for 2014 was £4,464. The group have shown that this can be managed within their cash flow given their bank balance of around £40,000. I can concur with the group that rising interest rates would prove a risk to their future sustainability. If the Group had to finance a loan at 6% the annual cost would increase by almost £3,000. Future profits with an SSDC loan would remain around zero with a small loss over one or two years. However, given the value of the property, current bank balances and the support of the community the risk to SSDC of the loss of the £190,000 is minimal.

### **Financial Implications**

The loan of £190,000 will be found from capital resources. There will be no impact on revenue as the interest will be repaid as part of the loan. The capital sum will be returned to capital balances over the 20 year period of the loan. The interest will be payable from the start of the loan and the interest rate fixed at PWLB rates on that date. The likely interest rate will be approximately 2.89% (the same rate as the cost of Public Works Loans Board borrowing for 20 years). The annual payments will be approximately £1,024 per month.

The loan agreement will include a first charge on the property. The value of the property has been assessed at £330,000 and therefore of sufficient value to repay the loan.

### **Implications for Corporate Priorities**

The work of HRCS contributes to Jobs and Health and Communities specifically to “Work with and lobby partners to help communities to develop transport schemes and local solutions to reduce rural isolation and inequalities to meet existing needs of those communities”.

### **Other Implications**

None

### **Background Papers**

Business Plan  
Application Letter

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