

**REQUEST FOR A LOAN TO THE WILDLIFE TRUST FOR BEDFORDSHIRE,
CAMBRIDGESHIRE, NORTHAMPTONSHIRE AND PETERBOROUGH
(Report by the Overview and Scrutiny Panel (Economic Well-Being))**

1. INTRODUCTION

- 1.1 At its meeting on 11th March 2010, the Overview and Scrutiny Panel (Economic Well-Being) considered the report by the Head of Financial Services on a request for a loan, which has been received from the Wildlife Trust for Bedfordshire, Cambridgeshire, Northamptonshire and Peterborough. This report contains a summary of the Panel's discussions.

2. THE PROPOSED LOAN

- 2.1 The Panel has discussed detailed aspects of the proposed loan and the wider implications of it. With regard to the terms of the loan, Members have expressed concerns about the security being offered. While an independent valuation will be obtained from the County Council (at the cost of the Wildlife Trust), it has been pointed out that there have been significant fluctuations in the value of agricultural land in recent years, which could mean that the future value of the land might not match the value of the loan. In addition, the Council should consider whether there is a reasonable chance that, should it be necessary, the sale of the land can be achieved. These points should be taken into account during negotiations on the security provided as part of the loan agreement. Any agreement should comply strictly with the terms of the Council's Treasury Management Strategy.
- 2.2 The Panel has suggested that the Wildlife Trust's funding raising plans should be examined to establish whether they are realistic and achievable. It has also been suggested that the Wildlife Trust's request for a cap on the maximum level interest that is payable should not be granted and that alternatives to the flexible repayment arrangements should be explored.
- 2.3 It has been reported that the level of return the Council will receive in return for the loan will be greater than that which could be achieved through investment through financial institutions. Members recommend that negotiations with the Wildlife Trust should aim to maximise the Council's return on the sum loaned.
- 2.4 On the wider implications of the report, the Panel is divided on whether the Council should approve the principle of the loan. A Member has commented on the rise in the importance attached to food security, particularly as the Great Fen occupies high quality agricultural land, and that the loan should not be used to encourage local farmers to relinquish their farm tenancies. The view has also been expressed that the Council should take into account whether there is a risk that it might suffer damage to its reputation either by being a cause of loss of agricultural land or through the failure of the loan arrangement. In order to reduce this risk, it has been suggested that a condition of the loan should be that the outstanding governance arrangements should be resolved.

- 2.5 Other Members of the Panel have expressed support for the Great Fen Project, pointed out that the loan would further this aim and should be regarded as a financial transaction, which will bring benefit to the Council.
- 2.6 The Panel has discussed whether the Wildlife Trust should sell the land it is offering as security and use the proceeds to purchase the new land. However, if a loan is taken and repaid in the way suggested, the Wildlife Trust will eventually own both areas of land.

3. CONCLUSION

- 3.1 On being put to the vote, the Panel has decided to recommend the Cabinet to approve a loan of up to £1.2M being provided to the Wildlife Trust subject to:
- i) the Director of Commerce and Technology and the Head of Legal and Estates being satisfied that the terms and security are completely robust;
 - ii) the maximum interest rate payable not being capped; and
 - iii) the governance arrangements for the Great Fen Project being approved.
- 3.2 The Cabinet is invited to consider the comments of the Overview and Scrutiny Panel (Economic Well-Being) as part of its deliberations on the report by the Head of Financial Services.

BACKGROUND PAPERS

Report on Request for a Loan to the Wildlife Trust for Bedfordshire, Cambridgeshire, Northamptonshire and Peterborough.

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