

## ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	<b>Meeting:</b>	<b>Cabinet</b>
2.	<b>Date:</b>	<b>8<sup>th</sup> September</b>
3.	<b>Title:</b>	<b>Long Term Capital Loan Finance in support of Rotherham College of Arts and Technology Phase 1 new and refurbished build</b>
4.	<b>Directorate:</b>	<b>Financial Services &amp; Chief Executives</b>

### 5. Summary

To consider a formal request of the Rotherham College of Arts and Technology (RCAT) for a £5m long term capital finance loan from the Council to assist the College in delivering the £8.15m Phase 1 redevelopment of the College's Town Centre Campus.

### 6. Recommendation

**Cabinet is asked to approve the provision of a capital loan facility of £5m to RCAT for the proposed investment in Phase 1 of its redevelopment of the Town Centre Campus subject to the terms and conditions of the loan agreement being to the satisfaction of the Strategic Director of Finance and Assistant Chief Executive (Legal and Democratic) Services .**

## **7. Proposals and Details**

The performance of Rotherham's colleges is strong. They make a significant contribution to the economic and cultural well-being of the Borough.

Rotherham College of Arts and Technology (RCAT) has made great strides forward over recent years and it has a good track record of improving performance. However, it faces significant challenges in providing an improved learning environment for its students.

During 2008/09 the College was unfortunately unsuccessful in its bid for LSC funding for a major new Campus redevelopment. Since that time, the Council has been working with RCAT to assist the College in delivering Phase 1 of its revised property strategy to modernise and rationalise the town centre campus.

Phase 1 involves the provision of a new three storey building to provide teaching and social space and a new college entrance, refurbishment of existing accommodation and the demolition of Floreat House. Further details of the proposed investment are appended to this report (Appendix 1). The estimated cost of the investment is £8.15m. To finance the proposed investment, the College is seeking to utilise £3.15m of its own cash reserves and for the Council to provide access to long term capital loan finance of £5m.

The College has received the necessary consent from the Skills Funding Agency for the first phase re-development.

The Council would provide access to long term finance under its Section 2 Local Government Act 2000 'Well-being' powers. This is consistent with Rotherham's Community Strategy.

Security for the loan provided to RCAT will be in the form of a Legal Charge over existing property assets of the College during the re-development and then the new and refurbished accommodation registered with the Land Registry.

The repayment of loan (principal and interest) including the cost of administration and management will be fully met by the College when it becomes due over 25 years.

A Loan Agreement supporting the financial arrangement has been drafted and is currently being finalised by each parties' legal advisors. The provision of the capital loan facility will be subject to the terms and conditions of the loan agreement being to the satisfaction of the Council's Strategic Director of Finance and Assistant Chief Executive (Legal and Democratic) Services.

## **8. Finance**

The Council will be making a £5m long term loan to RCAT on an Annuity basis. The College will be required to make six monthly payments of principal and interest. The interest rate charged will be determined by the date the loan facility is drawn down by the College but it will reflect the Annuity PWLB rate at that time including relevant Arrangement, Management and Administration fees incurred by the Council. The College is currently anticipating that it will need to draw down the loan funding in the period March 2011 to July 2011.

## **9. Risks and Uncertainties**

There is always the possibility of not recovering the monies if RCAT becomes unable to repay the monies. Reference has been to RCAT's business plan and accounts to establish the level of risk and it is felt that RCAT's financial position is such that the risk of not receiving repayment is low. In addition the Council will secure the loan by requiring the College to enter into a legal charge over some or all of the College's existing property assets during and following the redevelopment phase until such time as the loan is fully repaid.

## **10. Policy and Performance Agenda Implications**

RCAT is a major educational and learning centre within the Town Centre and assumes a critical role for the local community and the wider sub-region.

## **11. Background Papers and Consultation**

Consultation with:

- the Council's Chief Executive and Strategic Directors of Finance and Environment and Development Services and Assistant Chief Executive (Legal and Democratic Services)
- RCAT's Principal and Chief Executive and Finance Director

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