

**SURREY COUNTY COUNCIL****CABINET MEMBER - MR DAVID HODGE, LEADER OF  
THE COUNCIL****DATE: 22 JULY 2014****LEAD OFFICER: DIRECTOR OF FINANCE AND DIRECTOR OF LEGAL &  
DEMOCRATIC SERVICES****SUBJECT: FINANCIAL SUPPORT TO VOLUNTARY, COMMUNITY  
AND FAITH BODIES****SUMMARY OF ISSUE:**

A number of voluntary bodies within Surrey are approaching the County Council seeking financial support, especially in the form of loans, to enable them to find a cost effective way of providing services to residents in Surrey. Two recent cases have arisen with Young Epilepsy and the Surrey Community Association both seeking interest free loans from the council.

Young Epilepsy is a national charity that supports children and young people under 25 with epilepsy. It has a strong presence in the County with a campus in Lingfield which provides education for 200 students and prepares them, where possible, for life in independent or assisted living, with employment prospects for those who are capable.

Young Epilepsy has been fundraising to supplement its contribution to construction costs to replace their 50 year old school with a modern Education Resource Centre. However, the costs of construction have risen and they are seeking a short-term interest free loan of £800,000, to be repaid by 2019, to enable them to enter a fixed price contract now.

The Surrey Community Association has recently secured a contract with the European Social Fund to provide grants to voluntary bodies within Surrey. The Surrey Community Association will be reimbursed by the European Social Fund in arrears and is seeking a facility to borrow up to £200,000 for a two year period. This will enable the body to have sufficient working capital to cover the timing difference between paying grants and receipt of funds from the European Social Fund.

It is likely that the council will receive similar requests for such financial assistance from other voluntary, community and faith bodies in the future. To ensure that all voluntary bodies are treated fairly and the council's resources are used in line with its objectives and value for money a standard policy needs to be developed.

### **RECOMMENDATIONS:**

It is recommended that:

1. Surrey County Council provide financial assistance to Young Epilepsy in the form of an interest free loan of £800,000, for a period of up to five years, subject to satisfactory financial and legal due diligence.
2. Surrey County Council provide financial assistance to the Surrey Community Association in the form of an interest free credit facility up to £200,000 for a period of two years, subject to satisfactory financial and legal due diligence.
3. Officers develop a standard approach to agreeing financial assistance to the voluntary, community and faith sector in Surrey to align with existing policies on grants. Officers will report back to the Cabinet in September 2014.

### **REASON FOR RECOMMENDATIONS:**

Voluntary, community and faith organisations provide essential services to Surrey residents that align with the council's objectives.

The loan to Young Epilepsy will enable the charity to fix costs of construction now and enable them to develop the interventions needed to enable proper care plans to be produced to cover medical, educational and social needs for young people with epilepsy. Young epilepsy has signalled an intent to pilot this national work in Surrey schools.

The loan will enable Surrey Community Association to have sufficient resources to make grants to the voluntary, community and faith sector in Surrey funded by the European Social Fund.

To ensure that future requests for financial assistance are considered in a consistent and fair manner, a standard policy will be developed.

### **DETAILS:**

#### **Young Epilepsy**

1. Young Epilepsy is a registered charity which focuses on tackling the issues facing young people with epilepsy to assist the young people affected to reach their full educational potential.
2. The campus in Lingfield has a state-of-the-art medical centre, a school, Further Education College and a farm, as well as residential care. Apart from educating the 200 students in their care they prepare them, where possible, for life in independent or assisted living, with employment prospects for those who are capable. The current school is over 50 years

old and would be replaced by a modern Education Resource Centre from January 2016 (subject to full funding).

3. The campus will support research into educational attainment for those with epilepsy. Researchers will learn what interventions work and how they should be introduced to help children with epilepsy in mainstream education. Young Epilepsy highlight that “with the recent enactment of the Children’s and Families’ legislation where in effect every child with a chronic condition has a right to a care plan, this gives Young Epilepsy a real chance of “changing the world” for young people with epilepsy and associated neurological diseases in mainstream education”.
4. Young Epilepsy is providing £5m from existing reserves and those to be generated over the next two years, and has been working for three years to raise a further £5m from external sources to fund the construction of the new Education Resource Centre. Although this fund raising has been successful, the costs of construction have risen and they now have a shortfall of £800,000. Failure to raise additional funds could delay completion of the Education Resource Centre by up to two years.
5. They are therefore seeking a five year interest free loan of £800,000, which would be repayable in three equal instalments in 2017/18/19. This would enable the Education Resource Centre to open in January 2016.

#### **Surrey Community Association**

6. The Surrey Community Association is a countywide independent charity, which provides a range of services to help voluntary and community. Its aim is to support and strengthen the voluntary, community and faith sectors in Surrey with funding and business advice, advocacy and financial service.
7. The association has been successful in securing funding from the European Social Fund, which they will use to provide support and financial assistance to other voluntary, community and faith organisations in the county.
8. The funding from the European Social Fund is paid in arrears and this presents the Association with a potential cash flow difficulty at certain periods, due to the timing of cash outflows to the VCFS and reimbursement from the Social Fund. The Association are seeking an interest free line of credit from the County Council that they can access if and when required. This facility will be for a period of two years and the maximum amount of loan at any time would be £200,000.
9. The maximum cost to the county council in terms of lost interest would be £3,000 per year. However, as the amount lent will vary and £200,000 is the maximum, it is very unlikely to cost this much.

### **RISK MANAGEMENT AND IMPLICATIONS:**

10. The financial assistance the Council is offering would be limited to providing a loan on advantageous (interest free) terms. The Leader, would therefore, in accordance with his fiduciary duty, no doubt wish to ensure that the Council's money is secure. That means being assured that the Council will get its money back.
11. With the above in mind due diligence ahead of making the loan to Young Epilepsy will be carried out to ensure that:
  - Construction costs are now fixed for the planned project
  - Young Epilepsy can demonstrate a credible plan to repay the loan on the terms offered and the Council has legally secured its loan.
12. Officers have developed a funding agreement with the Surrey Community Association to ensure that the council's resources are secure.

### **Financial and Value for Money Implications**

13. Young Epilepsy is seeking an interest free loan. Based on current interest rates (earned on our investments), the estimated foregone interest on this loan is approximately £12,000 per annum.
14. The Surrey Community Association is seeking a facility to temporarily borrow up to a maximum of £200,000. This facility is for a period of two years. The maximum cost to the county council, based on current interest rates, would be £3,000 per annum.
15. The development of a standard approach to future requests for loans from the voluntary, community and faith sector will ensure fairness in the consideration and assessment and assure the council of achieving value for money in the use of its resources.

### **Section 151 Officer Commentary**

16. The Section 151 Officer (Director of Finance) confirms that the implications of the loan have been set out in this paper and that subject to assurance regarding repayment and security of the loan, all material, financial and business issues and risks have been considered / addressed.

### **Legal Implications – Monitoring Officer**

17. The Council has power under S137 of the Local Government Act 1972 to provide financial assistance to voluntary organisations, this includes the power to give loans on favourable terms, but the Council must require a statement from the voluntary organisation setting out how it has used the funding it receives.

**Equalities and Diversity**

18. The proposed loans to Young Epilepsy and the Surrey Community Association will assist that charity in work supporting a group of young people who have a protected characteristic and will, in particular, contribute towards advancing equality of opportunity between those people who share a relevant protected characteristic and people who do not share it.

**Other Implications:**

19. The potential implications for the following council priorities and policy areas have been considered. Where the impact is potentially significant a summary of the issues is set out in detail below.

Area assessed:	Direct Implications:
Safeguarding responsibilities for vulnerable children and adults	This will support young people with epilepsy in the County

**WHAT HAPPENS NEXT:**

- The council will carry out the due diligence exercise referred to earlier in this report and subject to that proving satisfactory, the council will complete the requisite legal documentation and provide the loan.

**Contact Officer:**

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**Consulted:**

None

**Annexes:**

None

**Sources/background papers:**

None

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