



Report to the Leader

Decision Date:	17 June 2022
Reference number:	L05.22
Title:	Silverstone Heritage Loans
Cabinet Member(s):	Martin Tett, Leader John Chilver, Cabinet Member for Finance, Resources, Property & Assets
Contact officer:	Richard Ambrose, Service Director Corporate Finance & s151 Officer
Ward(s) affected:	None specific

There is a confidential appendix to this report, which is exempt by virtue of paragraph 3 of Schedule 12A of Part 1 of Schedule 12a of the Local Government Act 1972 because it contains information relating to the financial or business affairs of any particular person (including the authority holding that information).

Recommendations:	That the negotiated terms of the repayment of the Council loans to Silverstone Heritage Limited are accepted:
	Term of agreement 18 years (previously 7 years)
	Interest:
	5% from start of loan to 31st May 2020 (no change)
	2.5% 1st June 2020 to 31st December 2022 (no change)
	3.0% for January-December 2023, 2024 & 2025 (was 5%)
	5.0% for January-December 2026-2040 (5% for the extended term)

Reason for decision: The revised terms reflect an affordable repayment schedule for the Silverstone Heritage Limited business plan which was severely impacted by COVID-19 and should reduce the risk of default and hopefully safeguard the repayment of the loans in full to the Council.

1. Content of report

- 1.1 Between June 2017 and January 2019 the legacy councils of Aylesbury Vale DC and Buckinghamshire CC made loans of £2m and £1m respectively to Silverstone Heritage Limited (SHL) towards the costs of the Silverstone Heritage Museum.
- 1.2 Loans were also provided by South Northants Council (now part of West Northamptonshire Council) and the Buckinghamshire and South East Midlands LEPs.
- 1.3 The launch of the museum was severely impacted by COVID-19, which made it impossible for SHL to keep to the originally agreed repayment schedule.
- 1.4 Negotiations have been taking place with SHL to agree repayment terms that allows SHL to launch and operate the museum and enable the repayment of the loans in full.
- 1.5 Due diligence has been undertaken around the SHL finances, including their assumptions and forecast cash-flow and although finances are tight, we believe that their business plan assumptions are realistic and deliverable. The business plan also allows for some future investment to keep the museum 'fresh' which is important for its long-term success.
- 1.6 Whilst the proposed interest rate has reduced slightly over the 2023, 2024 and 2025 period (from 5% to 3%), 3% is still a reasonable return currently from a treasury management perspective and currently a 5% return on the 11-year extension to the repayment period provides a reasonably healthy return to the Council for a longer period of time.
- 1.7 The proposed terms are the same for both the Council and West Northamptonshire Council. Due to the uncertainty surrounding the future of LEPs, the proposed repayment terms for the 2 LEPs (£2m in total) is remaining at the original 7 years, although there will also be a reduction in interest rate from 5% to 3% for the 2023, 2024 and 2025 calendar years.
- 1.8 The attached appendix sets out the revised repayment plan for the Council.

2. Other options considered

- 2.1 Not agreeing to revised repayment terms would significantly increase the risk of default on the Councils loans, with uncertainty surrounding the proportion of the loans that could be recovered.

3. Legal and financial implications

- 3.1 The proposed rescheduling of the loans increases the likelihood of the Council recovering in full, whilst still receiving a reasonable return.
- 3.2 The extension of the loan term by 11 years at an interest rate of 5% compares favourably with the current Government 20-year bond yield of just over 2%.
- 3.3 On a prudent basis, in setting the 2022/23 to 2024/25 revenue budget, no allowance was made for the repayment of interest on the Silverstone Heritage loans, so once agreed, the receipt of these interest repayments can be reflected in the budget. Interest of £116k, £124k and £118k is anticipated in respect of 2022/23, 2023/24 and 2024/25 respectively.

4. Corporate implications

- 4.1 This report relates to the Corporate Plan priority for 'Increasing Prosperity'. There are no other corporate implications resulting from this report.

5. Next steps and review

- 5.1 Confirmation will be given to SHL of the acceptance of the revised terms of the loans.

6. Background papers

- 6.1 None.

7. Your questions and views (for key decisions)

- 7.1 If you have any questions about the matters contained in this report please get in touch with the author of this report. If you have any views that you would like the cabinet member to consider please inform the democratic services team. This can be done by telephone 01296 382343 or email democracy@buckinghamshire.gov.uk