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## **Executive Member for City Strategy and Advisory Panel**

8 September 2008

Report of the Director of City Strategy

### **LOAN TO SCIENCE CITY YORK**

#### **Summary**

- 1 To seek approval for a loan of £50,000 to Science City York Company Limited by Guarantee (CLG) to assist with its cash flow whilst drawing down external funding.

#### **Background**

- 2 Science City York has been established as a company limited by guarantee; it is jointly owned by the City of York Council and the University of York. A Board of Directors has been established to take forward the Company, including the Director of City Strategy representing the City of York Council. The CLG is now effectively responsible for delivering contracts for business support from Yorkshire Forward. These currently last until the end of March 2009, although discussions are underway to extend these.
- 3 A cash flow forecast has been put together to support the financing of the company; this has involved close co-operation with finance officers within the City of York Council. As a result of preparing this, the company has now requested a loan of £50,000 from each of the two owners of the company. The purpose of the loan will be to ensure a firm financial position to the establishment of the company and to deal with in particular cash flow issues arising from the delays in payment of grant claims from Yorkshire Forward. The University of York has already agreed their loan to the company.
- 4 A facility agreement has been prepared by officers within the Council's Legal Services for the loan of £50,000 from the City of York Council. A copy of the agreement is appended to this report. In essence, this provides for a loan of £50,000 at an interest rate of 5.25% per annum.

#### **Consultation**

- 5 No specific consultation has been undertaken regarding the subject of this report. Members will be aware that the Future York Group report highlighted in its recommendations the importance of Science City York in contributing to the

prosperity of the City. Substantial consultation was undertaken by the Council following receipt of this report and this confirmed the role that Science City York can play in strengthening a knowledge based economy in York.

### **Options**

- 6 The options are to either approve a loan to the CLG or not to do so. The loan will cover short term cash flow issues for the company caused by the delay in expenditure being covered by the receipt of external grant income. Officers have worked with the CLG to prepare their cash flow forecasts. The option of not approving a loan will create significant risk to the cash flow of the CLG at a time when it is seeking further external funding from European Regional Development Funds and Yorkshire Forward.

### **Corporate Priorities**

- 7 Science City York is a central feature of the economic development strategy for the City, and as such directly contributes to the corporate priority to improve the economic prosperity of the City with a focus on minimising income differentials. It also impacts on corporate priorities relating to increasing people's skills and knowledge to improve future employment prospects and to reduce the environmental impact of council activities and encourage, empower and promote others to do the same.

### **Implications**

#### **Finance**

- 8 The Council is able to make such a loan for policy reasons. The provision of the loan can be funded through existing economic development budgets. The financing of the loan proposal should be cost neutral to the Council provided the loan is re-paid in full. There is a risk of non-repayment, although this is likely to be minimal due to the Council's direct involvement in the company.

#### **Legal**

- 9 The attached facility agreement has been prepared by officers within Legal Services. Under Section 2 of the Local Government Act 2000, the Council has the power to undertake activities to promote the economic, social and environmental well-being of the District.

#### **Human Resources, Equalities, Crime and Disorder, Information Technology and Property**

- 10 There are no specific implications affecting these issues arising directly from this report.

## **Risk Management**

- 11 There is a significant risk to the cash flow of the CLG if a loan is not approved by the Council to the Company. This could impact on the ability of the CLG to trade, with implications for the economic development strategy for the City, and could have a indirect consequence to the reputation of the Council.

## **Recommendations**

- 12 That the Advisory Panel advise the Executive Member to recommend that the Executive approve a loan of £50,000 from the Council to the Science City York Company Limited by guarantee to assist with its cash flow.

Reason – To support the development of Science City York and the contribution it makes to the City and the Council's strategic objectives. The loan will enable the establishment of Science City York as a company limited by guarantee to proceed on a firm financial basis and fulfil contractual requirements to Yorkshire Forward.

## **Contact Details**

**Author:**  
**Roger Ranson**  
**Assistant Director**  
City Strategy  
Tel No.551614

**Chief Officer Responsible for the report:**  
**Bill Woolley**  
**Director of City Strategy**

Report Approved



Date

18 August 2008

### **Specialist Implications Officer(s)**

Financial – Patrick Looker  
Legal – Brian Gray  
Others – Report Author

**Wards Affected:**

All



**For further information please contact the author of the report**

## **Annexes**

Annex 1      Unsecured loan agreement