**ABSTRACT:**

This report confirms that Carnoustie Golf Links Management Committee Limited (CGLMC Ltd), a new company limited by guarantee, was established with effect from 1 April 2011 and the report proposes that Angus Council agrees to provide possible temporary loan facility arrangements for up to a maximum of £300,000 for the accounting period up to 31 March 2012. At no later than 30 April 2012 any temporary loan facility provided by Angus Council to CGLMC Ltd would require to be fully repaid, including any interest payment accruing.

1. **RECOMMENDATIONS**

   It is recommended that the Council:-

   (i) notes that CGLMC Ltd, a new company limited by guarantee, was established with effect from 1 April 2011;

   (ii) notes the Council representative Directors of the new company;

   (iii) confirm its nominated representative on CGLMC Ltd’s Finance Sub-Committee;

   (iv) notes that the company is progressing project developments which it intends to manage within its own financial resources;

   (v) agrees that in the event that the company, notwithstanding present projections to the contrary, cannot wholly fund the new developments within its own resources over the financial year accounting period ending 31 March 2012, that Angus Council will provide a temporary loan facility to ensure a positive cash flow position within the company is maintained;

   (vi) authorises the Director of Corporate Services, the Head of Finance and Head of Law and Administration to agree the terms of any temporary loan arrangement facility on the strict proviso that it is not financially detrimental to Angus Council and that any loan principal outstanding and accrued interest is fully repaid to the Council by CGLMC Ltd no later than 30 April 2012; and

   (vii) notes that in the event that a temporary loan facility arrangement is triggered, a report informing members of the details will be brought to the next available Council meeting.
2. BACKGROUND

2.1 Report No 513/09 was approved by the Council on 25 June 2009. That Report detailed the final outcome of the negotiations with the then Carnoustie Golf Links Management Committee (CGLMC) and the tenant and operator of Carnoustie Hotel to allow the professional’s shop within the hotel to be transferred to Carnoustie Golf Links Limited (CGL Ltd), a company established by CGLMC to act as its trading arm. At that time CGLMC had indicated their intention as part of their longer term business plan to relocate the professional’s shop to a new purpose built building incorporating changing rooms and starter box facilities. This development was considered to be a crucial factor if the Carnoustie Championship golf course is to be retained on the Open circuit. That Report also highlighted that other Reports would be brought to a full Council meeting once CGLMC had decided whether or not to incorporate a company limited by guarantee to take over the operation and management of the golf courses.

2.2 It took CGLMC longer than anticipated to decide on the incorporation of a company limited by guarantee but in October 2010 they informed the Council that they had agreed to amend their constitution and as outlined in Report No 801/10 presented to Angus Council on 4 November 2010 CGLMC formally sought the agreement of the Council to alter their constitution by adding the following words:-

“To establish such body as is approved by Angus Council and to transfer the assets (with the exception of trophies, medals and other similar awards and prizes) and liabilities of the Committee to such body”.

2.3 For taxation advantage reasons the new company limited by guarantee was not formally established until 1 April 2011. The salient points of the Articles of Association of the new company for the purposes of this Report are:-

- The company is known as CGLMC Limited.
- Each of the six Constituent (Golf) Clubs is entitled to appoint two Directors to the Board with Angus Council having the right to nominate three Directors of the Board. Accordingly there are 15 Directors.
- Angus Council is entitled as of right to nominate one of their Director representatives to sit on the committee which oversees the financial aspects of the company.
- CGLMC need Angus Council’s express authority to have a level of borrowing within the company of more than £200,000.
- No amendment to the Articles can be approved without the express prior written approval of the Council.
- On a return of assets on liquidation or otherwise the assets of the company remaining after the payment of its liabilities shall be distributed to the Council, to the extent that the company is lawfully able to do so.

2.4 The trading company CGL Ltd has been “hived up” into the new company CGLMC Ltd.

2.5 The Council is entitled to appoint three Directors to the Board of the Company. The representatives can be:-

(i) the Leader of the Council or the Convener of Infrastructure Services;
(ii) one of the members representing Carnoustie and District; and
(iii) the Chief Executive or his nominee.

2.6 The present representation is:-

(i) the Leader of the Council, Councillor Bob Myles;
(ii) Councillor Helen Oswald (the local member representation will rotate annually); and
The Council is asked to confirm their representative on the CGLMC Ltd Finance Subcommittee.

3. PROPOSALS

3.1 CGLMC Ltd has been progressing two developments. One, a new Pro Centre incorporating the Professional’s Shop, Changing Rooms and Starter Box facilities, is a major development costing in excess of £2 million. Whilst the other project in respect of a new Tea Bothy, is more nominal in nature.

3.2 From the outset the then CGLMC have planned to deliver these improvement developments, which are designed to enhance the golf courses attraction, by use of cash reserves built up over a period of time and ongoing internal surplus income resources. CGLMC Ltd which came into being on 1 April 2011, have confirmed that this is also their intention.

3.3 The Director of Corporate Services met with the Treasurer and finance officers of CGLMC Ltd and separately with the CGLMC external financial adviser’s Henderson Loggie early in April 2011 to receive a progress statement on the project developments delivery status along with an update on the funding arrangements position.

3.4 From the information provided it is concluded that CGLMC Ltd should be able to manage to pay all cost associated with these two project developments and other recurring expenditure and remain in a positive cash flow position over the imminent short term period up to the end of the present financial year on 31 March 2012. Thereafter unless there are further major project developments or initiatives requiring significant cash investment in the immediate future, it is envisaged that CGLMC Ltd will move forward in an increasingly stronger positive cash flow position based on the future income projections which are forecast to exceed the estimated ongoing recurring expenditure outlays.

3.5 The Director of Corporate Services has worked closely with CGLMC Ltd and its predecessor CGLMC over recent years on financial matters surrounding the growth of golf courses income, reviewing recurring expenditure levels, considering specific projects development expenditure and understanding the overall funding arrangements proposals as part of a short, medium and longer term business and financial outlook. Part of this ongoing dialogue has encompassed discussion around a minimum contingency fund level which should be set aside to allow for a possible emergency situation such as an enforced period of poor trading. For example, as a result of extreme weather conditions or other risk factors which are beyond the direct control of CGLMC Ltd. A figure of £300,000 has been agreed as a prudent set aside sum based on a six weeks or so period of incurring ongoing costs with little income revenue.

3.6 Projections provided by CGLMC Ltd’s financial advisers indicate that a positive cash balance in excess of the £300,000 established contingency level should prevail over financial year 2011/2012. The lowest cash balances occur in February and March 2012 when levels of some £506,000 and £518,000 respectively are projected. These sums are still above the established contingency fund level but highlight that the highest possible risk phase is projected to be towards the year-end accounting period. It is commented that these projections are based on comparatively pessimistic Value Added Tax (VAT) recovery levels and an exercise is underway to discuss a methodology with Her Majesty’s Revenues & Customs (HMRC) which will permit a higher level of VAT recovery on the Pro Centre development. Accordingly an improved cash flow position may be realised.

3.7 Nevertheless CGLMC Ltd are keen to have a formal cash flow funding back up plan in position should the need arise. Such an approach is fully supported by the Director of Corporate Services. This back up cash flow funding plan would only be called upon in the event that the CGLMC’s contingency sum was substantially used up. The back up funding would not be used simply to maintain the contingency level at the £300,000 target.
3.8 The sort of back up funding facility being sought by CGLMC can be achieved through banks or building societies but such facilities need to be formalised and can carry premium fixed arrangement fees which may require to be paid whether or not the service is actually called upon. Further the actual interest rates applied can also carry a premium margin and a minimum loan period may apply.

3.9 An alternative to utilising a potentially expensive and possibly inflexible external funding arrangement is for the Council to provide under the power of well being a temporary loan facility arrangement which is secured against the assets of CGLMC Ltd. Assets which CGLMC Ltd are investing in, managing and operating on behalf of the Council per the Management Agreement for the period until 2033. At that time the Council will take a decision on the management arrangement to apply to the Carnoustie golf courses’ assets.

3.10 The detail of the loan arrangement can be progressed by the Director of Corporate Services in conjunction with the Head of Finance and the Head of Law and Administration on the strict basis that it is legally binding on the part of CGLMC Ltd to repay any monies loaned along with a level of interest which ensures the Council is not detrimentally impacted from a financial perspective. A maximum level of £300,000 is suggested based on the contingency fund level policy applied by CGLMC Ltd to cover a six weeks or so period and the fact that the highest potential risk period is towards the end of the financial year in the six to eight week period covering February to March 2012. Members are also asked to note that CGLMC Ltd require Angus Council’s express authority to have a level of borrowing within the company of more than £200,000. The establishment of an agreement whereby Angus Council facilitates any possible temporary loan arrangement will assist the governance of this condition.

3.11 Members are asked to note that in the event that a temporary loan facility arrangement is required it will most likely be necessary for the arrangements to be progressed on a timeous basis and it is therefore recommended that the decision is delegated to the officers mentioned in para 3.10 above to progress but with the requirement that a report is brought to the immediate following full Council meeting informing members of the detail.

3.12 It is highlighted that in the event that a temporary loan drawn down from the Council is called upon by CGLMC Ltd is it is unlikely that they will have the necessary funds available to repay the debt outstanding on 31 March 2012 because annual fee income will not materialise until April onwards. Accordingly the Report allows a period of time up to 30 April 2012 for the debt to be repaid. Interest will accrue up to the date of settlement.

3.13 The proposed arrangement contained in this Report only covers the accounting period up to 31 March 2012 and in the event that any future and further loan arrangement request is forthcoming from CGLMC Ltd that will be the subject of a separate Report. Also agreement to this Report presently before full Council should not be viewed as a precedent, particularly given the other calls on the Council’s funding into future years.

4. **FINANCIAL IMPLICATIONS**

4.1 There are no direct financial implications associated with this report.

4.2 In the event that a temporary loan facility arrangement to CGLMC Ltd by the Council is put in place the agreement supporting the arrangement will ensure that the arrangement is not financially detrimental to Angus Council. Such a facility would be funded from uncommitted General Fund balances.

5. **HUMAN RIGHTS IMPLICATIONS**

There are no direct human rights implications arising from this report.

6. **EQUALITIES IMPLICATIONS**

This issues dealt with in this report have been the subject of consideration from an equalities perspective (as required by legislation). An equalities impact assessment is not required.
7. **SINGLE OUTCOME AGREEMENT**

The report contributes to the following local outcomes contained within the single outcome agreement for Angus:

- Sustainable business growth is achieved
- Growth and tourism in Angus achieved.

8. **CONSULTATION**

The Chief Executive, Directors of Infrastructure Services and Neighbourhood Services, Head of Law and Administration and Head of Finance have been consulted in the preparation of this report.

9. **CONCLUSION**

The Council will effectively act as a “Lender of last resort” without financial risk to facilitate the provision of new developments in the form of investment at the Carnoustie Golf Courses and thereby enhance the assets which will ultimately return to the ownership of the Council.

**COLIN McMAHON**

DIRECTOR OF CORPORATE SERVICES

**NOTE:** No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information), were relied on to any material extent in preparing this report.

CS/CMcM