

Appendix 3

Silverstone Heritage Experience Loan - Background Information

1 Executive Summary

- 1.1 The Silverstone Museum is an interactive visitor experience located at the Silverstone Circuit. Its development was funded through a range of grants and loans, including a loan of £1m from Buckinghamshire LEP 'Growing Places Fund'.
- 1.2 Following the Covid-19 pandemic the museum had to close and reduction in visitor numbers has resulted in a change to the business and financial plans meaning that it may not now be possible to start repaying the loans from 2021. A rescheduling of the loan repayments and the interest charged on the loan, for a 2-year period, is being requested.

2 Background

- 2.1 On 31st May 2017 Buckinghamshire LEP entered into an agreement with Silverstone Heritage Limited (SHL) to provide loan funding for the development of a museum/visitor experience. A total of £8m was made available by the following parties to the agreement:

Lender	Amount
South Northamptonshire Council (SNC)	£3m
Aylesbury Value District Council (AVDC)	£2m
Buckinghamshire County Council (BCC)	£1m
Buckinghamshire Local Enterprise Partnership	£1m
South East Midlands Local Enterprise Partnership	£1m

NB AVDC and BCC now both form part of the unitary Buckinghamshire Council.

- 2.2 South Northamptonshire Council acts as "agent" in the agreement, which gives the Council the power to determine a course of action if there is no majority agreement.
- 2.3 Payments were made to Silverstone Heritage Limited (SHL) during the course of the construction and fit out of the Silverstone Museum (formally known as Silverstone Experience), as set out in the table below:

Date of Advance	Total (£)	Bucks LEP Share (£)
31/05/2017	750,000	93,750
25/10/2017	750,000	93,750
03/05/2018	1,500,000	187,500
21/06/2018	2,000,000	250,000
26/10/2018	2,000,000	250,000
07/01/2019	1,000,000	125,000
Total	8,000,000	1,000,000

Interest is charged at the rate of 5% from the date of each advance. This rate was set at a level that complies with State Aid regulations.

- 2.4 Repayments are due to be made by SHL in line with the loan agreement, being seven annual instalments of £1,142,857 (£142,857 for Buckinghamshire LEP) plus rolled up interest on each of the anniversary days commencing 31 May 2021 and ending 31 May 2027.
- 2.5 The museum re-opened on the 20th July in time for the school summer holidays. It is currently planned that it will open four days a week from early September to early March. This should help the attraction manage its cost base, especially around zero hours staff, utilities etc.
- 2.6 SHL have revised their forecast visitor numbers over the next few years based on the expected impacts of the pandemic, including social distancing and likely school trips etc. In the longer term it is expected that the original forecasts will be achieved but that this may take a couple of years to achieve in terms of visitor numbers. In 2020 it is now expected that visitor numbers will be less than 100,000 compared to a forecast of over 400,000 in the July 2019 Business Plan. In 2021 it is now expected that visitor numbers will be just over 200,000 compared to a forecast of 500,000. From 2022 it is currently expected that visitor numbers should return to those originally forecast.
- 2.7 The updated financial forecasts prepared by SHL and reported to their Board show a loss in 2020 of £1.66m and a loss in 2021 of £0.76m. On this basis they will not have enough cash in 2021 to make the repayments required under the loan agreement.
- 2.8 In light of these financial forecasts SHL are now forecasting that they will only be able to afford to start repaying lenders from 2022 onwards. Furthermore, without a reduction in the interest rates it will take longer to repay the total loans due to cashflow issues.
- 2.9 Buckinghamshire Council is reporting to Informal Cabinet on 29th July to recommend support for the proposal, to defer the loan repayments by a year at a lower rate of interest for a 2-year period. Any reduction in interest rates would need to be agreed with the other parties to the loan agreement, although if there was no majority for or against then South Northants Council, as “agent”, would make the final decision.

3 Financial and Legal Implications

- 3.1 The rescheduling of loan repayments would impact on the cash held by Bucks LEP. However, given the current very low interest rates received on cash balances, and even if the interest rate on the loan is reduced to 2.5%, the LEP receives a better rate of return from the loan than current rates. The rescheduled loan payments can be managed within existing operational budgets and has no impact on LEP activity.
- 3.2 SHL have requested a reduction in interest rates from 5% to 2.5% from 1st May 2020 for a period of two years in order to rebuild the Experience’s cash position such that it can start to make loan repayments. A reduction in interest rates is recommended in order to assist the financial viability of the company. Any reduction in interest rates would need to be agreed with the other parties to the loan agreement, although if there was no majority for or against then South Northants Council, as “agent”, would make the final decision.
- 3.3 The table below shows the interest payments due, from 1st May 2020 onwards, in each year based on the original schedule and then based on the deferment of the loan repayments by a year coupled with a reduction in the interest rate from 5% to 2.5% for 2-years:

Year	Original Schedule	Proposed Revised Schedule	Difference
2020/21	45,833	22,917	-22,916
2021/22	44,048	25,000	-19,048
2022/23	36,905	41,964	5,060
2023/24	29,762	36,905	7,143
2024/25	22,619	29,762	7,143
2025/26	15,476	22,619	7,143
2026/27	8,333	15,476	7,143
2027/28	1,190	8,333	7,143
2028/29	0	1,190	1,190
TOTAL	204,167	204,167	0

- 3.4 Deferring the loan by a year and reducing the interest rate for 2-years will result in a loss of interest of £22,916 in 2020/21 and £19,048 in 2021/22. However, this will then be recovered over the following years of the loan repayments due to the extra year of interest payments as a result of the deferment.
- 3.5 Any renegotiation of the loan agreement would be subject to the agreement of the other parties to that agreement, as set out above. Any revised interest rate would need to be compliant with EU State Aid regulations, which remain in force during the Brexit transition period. It is also recommended that a review of the business plan takes place after the summer of 2021 to understand the actual visitor numbers and the likely forecasts going forward.
- 3.6 Financial Instructions for loans and guarantees allows the S151 Officer to vary the rate of a loan after having first considered all the information relating to the request.