

## 6. CANTERBURY MUSIC THEATRE – SETTLEMENT OF LOAN ARRANGEMENT

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The purpose of this report is to obtain approval for acceptance of an agreed amount from this organisation in settlement of an outstanding community loan.

### BACKGROUND

In 1995 a loan of \$25,000 was made to the Canterbury Music Theatre (formerly Gilbert and Sullivan and Light Opera Society) in response to an urgent request for financial assistance. Without this loan the organisation would not have been able to keep functioning.

The loan has been restructured twice since 1995 including the capitalisation of three instalments and a moratorium on interest for one year and principal for two years. The loan is currently (at 30 June 2002) \$14,837.55 and this includes unpaid instalments of \$2,500 which are in arrears.

The Canterbury Music Theatre advise that their membership has now dwindled and that the present committee feel that they cannot really continue at this stage. However, they wish the organisation to continue in recess with the possibility of revival at a later stage.

### REQUEST FOR REPAYMENT OF REDUCED AMOUNT

A letter has been received from Cuningham Taylor, on behalf of the Canterbury Music Centre, requesting that the Council accept repayment of \$10,000 in full settlement of this loan. They note that this would leave the Society with “a nest egg for the Society to explore other opportunities or a merger or some similar satisfactory outcome”.

The letter from Cuningham Taylor states that if the Council does not agree to settle the loan, it will need to incur additional costs to call meetings to wind up the Society.

### DISCUSSION

This loan was advanced from the Community Loans fund which is a revolving fund which is used to advance funds to similar community organisations. There is limited flexibility within the fund and any write off of a loan reduces the funds available to other community organisations.

The Society currently had cash assets at 1 June 2002 of \$12,473.

If the Council was to accept the proposal to settle the loan for \$10,000 there would be a need to write off the outstanding \$4,837. While this amount is relatively small for the Council it does not seem appropriate that the Society should be left with a “nest egg” to do other things when the shortfall will result in fewer funds being available for other community loans. On the other hand if the Society defaulted on the loan and was forced to wind up, this could be costly and mean that the Council could receive less and at a much later stage.

After consideration of the funds which the Canterbury Music Centre currently has available, the amount outstanding and the amount offered, I consider that it would be a reasonable compromise for both parties for a full settlement to be agreed at \$12,000.

The staff report recommended that the Council agree to accept \$12,000 in full and final settlement of the community loan to Canterbury Music Theatre.

The majority of the Committee did not support the staff recommendation and considered that, to encourage the revival of the organisation, the Canterbury Music Theatre should be left with a small “nest egg” as requested in their solicitor’s letter.

**Recommendation:** That the Council agree to accept \$10,000 in full and final settlement of the community loan to Canterbury Music Theatre.