

## **Report Statement**

### **Report Purpose:**

15. South Park Pavilion

### **Author:**

Town Clerk

## **Background**

The South Park Pavilion design is complete and with CEC planning where a decision is expected imminently.

The Current budget is £1,186,000.

The funding plan is as follows:

- Seek to put in grants for capital buildings where appropriate – namely a lottery reaching communities bid.
- Sponsorship- A sponsorship event was held in March 23, and was very well attended. Some businesses are interested in sponsoring and the Town Clerk is following this up.
- Public Works Loan

Steve Parkinson, a VAT expert has been engaged, as this was stipulated necessary by the internal auditor. Steve Parkinson works with many Town and Parish Councils and worked with CHALC and NALC.

## **Public Works Loan**

The Public Works Loan Board (PWLB) lending facility is operated by the UK Debt Management Office (DMO) on behalf of HM Treasury. The facility provides loans to local authorities, and other specified bodies, from the National Loans Fund, operating within a policy framework set by HM Treasury. This borrowing is mainly for capital projects.

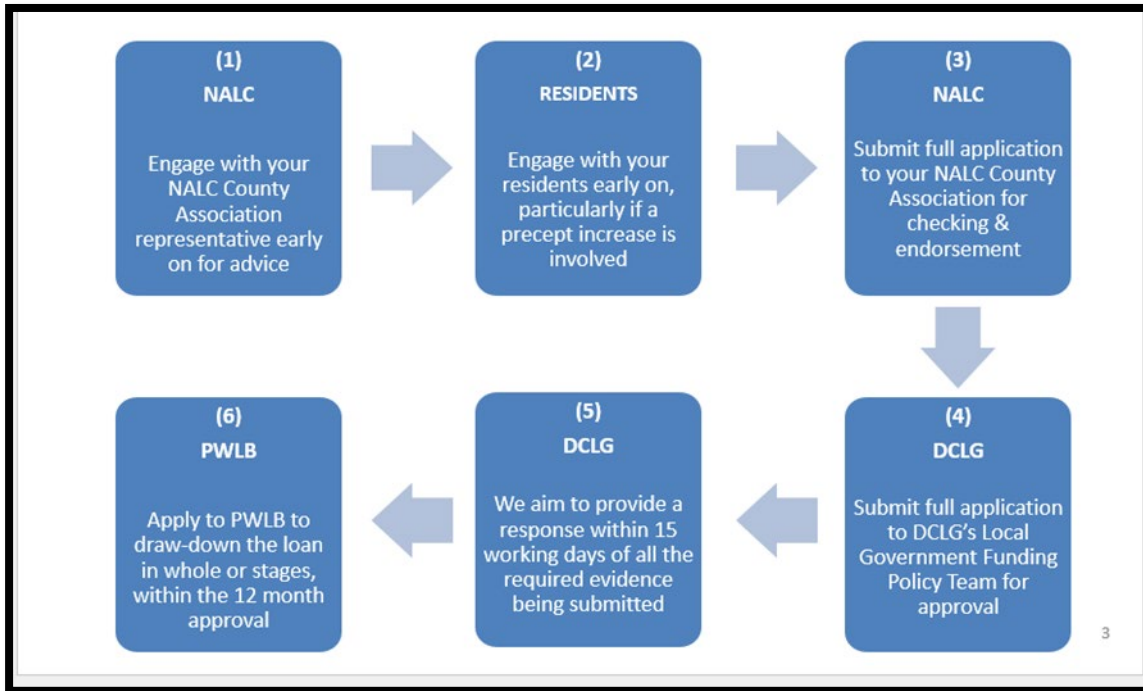
Town councils (in England) may borrow from the PWLB. English town and parish councils need a borrowing approval from the Department for Levelling Up, Housing & Communities (DLUHC) formerly the Ministry of Housing, Communities and Local Government (MHCLG) in order to borrow. For all these borrower categories, the approvals must be in place before loan applications can be made.

By statutory provision, loans to local authorities are automatically secured on the revenues of the authority rather than by reference to specific revenues, assets or collateral. Moneys are, as provided by Act of Parliament, drawn from the National Loans Fund. The Accounts of the PWLB lending facility are audited by the Comptroller and Auditor General whose reports on them are laid before Parliament.

The guidance states that there is a limit of £500,000 however upon investigation it is possible to borrow more than the £500,000 but loans of higher value will receive greater scrutiny in the assessment and approval process before being signed off.

## Process

This is the process:



The Town Council will need a borrowing approval from the Department for Levelling Up, Housing & Communities (DLUHC) - for which we need to approach CHALC.

The following is the evidence necessary to supply for approval:

### 1. Resolution to borrow

- a. To evidence that council members are sighted on the project and application.
- b. You will need to provide a set of draft minutes, signed by Clerk and Chair.

### 2. Budget

- a. To understand the loan repayment provision within the context of the council's broader finance.
- b. An existing budget table and a draft for next year, if available

### 3. Report to Council / business case

- a. To support why you require the funds.
- b. This can vary from a short summary report to multiple documents, depending on the amount you wish to apply for.

### 4. Affordability

- a. To evidence how you will repay the loan during the term; a cash flow forecast table would be very useful to show your thinking.
- b. In addition to seeing the loan repayment provision in your budget, you should also highlight your reserves, any grants / income that will contribute towards loan repayments, and any existing loans

### 5. Precept increase

- a. The details of any precept increase must be included on the application form,

if applicable.

b. A precept increase for the repayment of the loan must detail the percentage and monetary figures for the year.

6. Precept increase survey / public support

a. Could be through an online survey, on paper and/or following public presentations

b. Must be clear and transparent, and demonstrate support for the project and how it will be funded

7. General project consultation

a. There must be public support for the project or at the very least opportunities given to residents for their views / opinions / feedback on the project.

b. The consultation materials produced either on paper or online; public presentations, etc.

Once approval is obtained the following documentation should be sent to the DMO (Debt Management Office).

- LC1 or DB1 application form
- Scanned copy of a blank cancelled cheque or an original bank statement

Applications should be sent to the DMO at least two weeks prior to the intended advance date. The DMO will advise via email once all checks are completed and will provide the authority with the PWLB electronic template to arrange the terms of the loan (borrowing approval is only valid for one year from the date of issue). Once the terms are agreed the funds (minus the applicable fee) will be advanced to the authority five working days later.

### Repayment examples

The following are estimated repayment costs of borrowing £700,000 over 20, 30 and 40 years. This table displays the repayments for fixed rate loans repayable by the annuity and EIP (equal instalments of principal) methods based on the rates currently in force.

#### Annuity Method

Period	Rate %	½ Yearly Cost	Annual Cost	Approx Annual Cost per household per year
20 years	5.27	£28,128.47	£56,256.94	£3.99
30 years	5.51	£23,824.95	£47,649.90	£2.55
40 years	5.54	£21,770.66	£43,541.32	£2.32
49 years	5.49	£20,587.57	£41,175.14	£2.21

**EIP (equal instalments of principal) methods**

Period	Rate %	Initial ½ Yearly Cost	Initial Annual Cost	Amount of reduction in payment for year	Average Annual Cost per household over life of loan
20 years	5.21	£35,308.17	£70,616.34	£444.76	£2.85
30 years	5.51	£30,445.41	£60,890.82	£310.98	£2.26
40 years	5.54	£27,996.98	£55,993.96	£238.95	£1.97
49 years	5.49	£26,390.00	£52,780.00	£193.90	£1.81

**Proposal:**

To agree to the principal of a Public Works Loan to build the pavilion in South Park, and to the gathering of the evidence. A detailed proposal will be put to Full Council, with the amount requested to be borrowed, plus the evidence needed for approval before an application is made.