



BRAUNSTONE TOWN COUNCIL

www.braunstonetowncouncil.org.uk

Darren Tilley – Executive Officer & Town Clerk

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29th November 2019

Dear Councillor,

You are summoned to attend an extraordinary meeting of the **BRAUNSTONE TOWN COUNCIL** in the **Ravenhurst Room**, Braunstone Civic Centre, Kingsway, Braunstone Town, Leicester, on **Monday 9th December 2019** commencing at **7.15pm** for the transaction of the business set out below.

Yours sincerely,

Executive Officer & Town Clerk

To: The Town Mayor and Members of Braunstone Town Council.

AGENDA

1. **Apologies**
To receive apologies for absence.
2. **Disclosures of Interest**
To receive disclosures of Interest in respect of items on this agenda:
 - a) Disclosable Pecuniary Interests,
 - b) Other Interests (Non-Pecuniary).
3. **Public Session**
Members of the public may make representations, give evidence or answer questions in respect of any item of business included on the agenda. At the discretion of the Chairperson the meeting may be adjourned to give members of the public present an opportunity to raise other matters of public interest.
4. **Shakespeare Park - Improvement & Development**
To consider a resolution required to seek approval from the Secretary of State for Housing, Communities and Local Government to borrow up to £936,936 towards the cost of the Pavilion and Site Improvement Works (including demolition of the existing clubhouse) at Shakespeare Park (**Enclosed**).

Next Scheduled Meeting: 8pm, Thursday 30th January 2020.

*Deadline for submission of Questions on Notice and Motions on Notice:
12noon, Tuesday 21st January 2020.*



NOTE:

CRIME & DISORDER ACT 1998 (SECTION 17) – The Council has an obligation to consider Crime and Disorder implications of all its activities and to do all that it can to prevent Crime and Disorder in its area.

EQUALITIES ACT 2010

Braunstone Town Council has a duty in carrying out its functions to have due regard to:-

- eliminate unlawful discrimination, harassment and victimisation;*
- advance equality of opportunity between different groups; and;*
- foster good relations between different groups*

To ensure that no person receives less favourable treatment on the basis of race, disability, sex, gender re-assignment, sexual orientation, age, religion or belief, marriage or civil partnership, pregnancy or maternity.

BRAUNSTONE TOWN COUNCIL

9th DECEMBER 2019

Item 4 – Shakespeare Park Improvement & Development – Borrowing Application

Purpose

To consider a resolution required to seek approval from the Secretary of State for Housing, Communities and Local Government to borrow up to £936,936 towards the cost of the Pavilion and Site Improvement Works (including demolition of the existing clubhouse) at Shakespeare Park.

Background

On 26th September 2019, Council considered a report which set out a recommendation of Policy & Resources Committee of 22nd August 2019, to seek approval from the Secretary of State for Housing, Communities and Local Government to borrow up to £936,936 towards the cost of the Pavilion and Site Improvement Works (including demolition of the existing clubhouse) at Shakespeare Park (minute 5786).

In the Council report of 26th September 2019, an assessment was given of the cost of borrowing up to £936,936, based on the interest rate at that time of 2.09%. The total repayment was £1,387,132. The annual repayment was £34,678.30, the equivalent of 5.94% on the precept, £7.12 per annum, 14p per week, for a band D property and £5.54 per annum, 11p per week, for a typical band B property. In practice however, with £21,306 already allocated in the budget, a further £13,372 would need to be found, which would increase the overall budget from £604,817 to £618,189, the equivalent of a 2.2% increase on the precept, increasing band D by £2.74 per annum, 5p per week, and a typical band B by £2.13 per annum, 4p per week.

However, on Wednesday 9th October 2019, the Treasury increased the interest rate for the Public Works Loan Board by one percentage point, meaning that the interest rate for borrowing of £936,936, with a repayment period of no more than 40 years, is now 3.23%. The annual repayment is £41,890.88, an increase of £7,212.58 per annum. The annual repayment costs are the equivalent of 7.18% on the precept, £8.60 per annum, 17p per week, for a band D property and £6.69 per annum, 13p per week, for a typical band B property.

During the consultation, which took place between November 2018 and 1st April 2019, the Council consulted on the equivalent increase on Council Tax bills of 17p per week for band D and 13p per week for band B (question 7 of the consultation).

In practice however, with £21,306 already allocated in the budget, a further £20,584.88 would need to be found, which would increase the overall budget from £604,817 to £625,402, the equivalent of a 3.4% increase on the precept, increasing band D by £4.22 per annum, 8p per week, and a typical band B by £3.28 per

annum, 6p per week.

Borrowing Process

Local council borrowing is governed by schedule 1 to the Local Government Act 2003. Parish and town councils in England have to apply and receive approval from the Secretary of State for Housing, Communities and Local Government before taking up any borrowing. Councils can borrow for capital expenditure as defined in section 16 of the Local Government Act 2003.

There is no national limit on the total annual amount of borrowing available to local councils in England. However, the amount that an individual council will be allowed to borrow is normally limited to £500,000 in any one financial year. It is worth noting that the total borrowing of the Town Council is currently £243,563. The annual repayments in 2019/20, including interest, totals £60,796.54, for which provision exists within the Council's Revenue Budget.

The formal decision on each application rests solely with the Secretary of State. If the application is agreed, the Ministry of Housing, Communities and Local Government will send the council a borrowing approval letter. If the application is not agreed, the department will tell the council why.

The Town Council's application and supporting evidence was received by the Ministry of Housing, Communities and Local Government on 16th October 2019 and clarifications have been sought, responses given and additional information submitted. The Ministry of Housing, Communities and Local Government have identified that they wish to receive a resolution worded in accordance with their template and an extraordinary meeting of the Council is required to pass this, which is proposed at Recommendation 3.

The borrowing approval will set out a number of conditions that need to be fulfilled. It will specify how much the council can borrow, and the maximum term of the loan period.

Approvals are valid for 12 months from the date of issue. Councils can ask for this time limit to be extended.

Councils may borrow from any willing lender. In practice, most councils borrow from the Public Works Loan Board (PWLB) or from a bank. The PWLB will need to see the original borrowing approval before processing any application.

Councils must tell the Ministry of Housing, Communities and Local Government if their circumstances change after they have got approval for borrowing, for example if:

- they no longer need to borrow
- they need to delay the borrowing because their project has been delayed

Public Works Loans

Public Works Board lending is offered at a fixed margin above the Government's cost of borrowing, as measured by gilt yields. The Treasury raised the margin over

gilts to 100bps (one percentage point) in 2010, to better reflect the availability of capital finance, and lowered it to 80bps over gilts in 2013. Since then local authorities have substantially increased their use of Public Works Loans as the cost of borrowing has fallen to record lows.

As mentioned above, on 9th October 2019, the treasury increased the margin that applied to new loans from the Public Works Loan Board with immediate effect to 100bps (one percentage point) on top of usual lending terms. The Government have stated that they will monitor the impact of this change and keep rates under review.

As detailed in this report and the Medium Term Priorities and Financial Planning Report, this change will have a significant impact on the repayment costs of new loans. Council on 26th September 2019 approved a request to borrow £936,936 towards the cost of the improvements to the Shakespeare Park Site and Pavilion. As a result of the increased margin, the annual repayment has increased from £34,678.30 by £7,212.58 to £41,890.88, an increase of 20.8%.

Recommendations

1. That the decision of Council on the 26th September 2019 to seek borrowing approval from the Secretary of State for Housing, Communities and Local Government for a loan up to £936,936 (£500,000 in 2019/2020 and up to an additional £436,936 in 2020/2021), over the borrowing term of no more than 40 years, towards the cost of the Pavilion and Site Improvement Works (including demolition of the existing clubhouse) at Shakespeare Park (Minute 5786) be supported and endorsed;
2. that the impact of the interest rate rise for the Public Works Loans as detailed in the report, be noted;
3. that the following resolutions be approved and submitted as part of the application requirements for borrowing approval to the Ministry of Housing, Communities & Local Government:
 - (a) "It was RESOLVED to seek the approval of the Secretary of State for Housing, Communities & Local Government to apply for a PWLB loan of £936,936 over the borrowing term of 40 years for the cost of the Pavilion and Site Improvement Works (including demolition of the existing clubhouse) at Shakespeare Park. The annual loan repayments will come to around £41,891".
 - (b) "It is also intended to increase the council tax precept for the purpose of the loan repayments by 7.18% which is the equivalent of an additional £8.60 a year. This will be subject to a precept increase consultation".
4. that it be noted that the precept for 2020/21 did not need to rise by 7.18% to fund the loan repayments, since in accordance with the Council' Medium Term Priorities and Financial Planning Process provision for £21,306 had already been made within the Council's revenue budget towards meeting the loan repayments (as detailed in the Borrowing report to Council on the 26th September 2019 and in Medium Term Priorities and Financial Planning Process Report to Council on 21st November 2019 (minute 5804)); and therefore, it was proposed that the remaining cost of funding the loan repayments could be met by increasing the Council Tax Precept by 3.4%, which was the equivalent of an additional £4.22 per year on a band D property and £3.28 per year on a typical

- band B property; which had previously been consulted upon;
5. that it be noted that following approval by Council on 21st November 2019 of the annual Medium Term Priorities and Financial Planning Report, that Standing Committees would be considering their budgets for 2020/21 and making recommendations to Council, scheduled for 30th January 2020, which would consider the budget and set the precept for 2020/2021; and
 6. that delegated authority be given to the Executive Officer & Town Clerk to prepare and submit the borrowing application in accordance with the requirements and to apply to the Public Works Loan Board to draw down the funds at the appropriate time in order to meet the costs of the project.

Reasons

1. To enable the Council to fund the project, which had been identified in the Council's Priorities, Financial Strategy and Capital Plan and for which provision had and would be made to finance the borrowing from the Council's Revenue Budget.
2. To recognise that the decision by HM Treasury results in an increase in £7,212.58 in annual loan repayments, the equivalent of an additional 1.2% on the council tax, £1.48 per annum on band D properties and £1.15 on a typical band B property.
3. To enable the application assessment to be progressed and submitted for consideration by the Assessor on behalf of the Secretary of State for Housing, Communities & Local Government.
4. The Council had made provisions to fund the loan through its medium term financial planning process, which included a combination of savings and precept rises. If outstanding grant applications were unsuccessful, the additional element of the borrowing would need to be funded through small rises in the council tax precept. A precept rise consultation had been undertaken between November 2018 and 1st April 2019.
5. To provide a foundation for preparing budget estimates for 2020/2021 and beyond.
6. To enable the detailed supporting evidence to be gathered and submitted with the Council's application without undue delay. To ensure best financial management to meet the Project's costs.