

LOAN REPORT RE YATE BOXING CLUB RELOCATION PROJECT

FULL COUNCIL 3 SEPTEMBER 2019

To assist Members in consideration of applying for a loan to fund costs associated with the building of a facility to house Yate Amateur Boxing club (YABC) and associated sports providers, information has been laid out in the report below in relation to:

- a) taking out a loan to fund; or
- b) the use of existing funds in reserves, to underwrite this venture.

In terms of:

1. Background
2. Loans
3. Consultation for Taking a Loan
4. Update on Balances
5. Funding
6. How Do We Plan to Pay it Back
7. Council's Decision

1 BACKGROUND

YABC provides a sports provision which has great value to the community. It serves an area of recognised deprivation and runs classes for three nights a week in the north of Yate at the Yate Outdoor Sports Complex (YOSC) site. It supports youth providing a safe place for vulnerable young people.

YABC is currently housed in a facility (owned by South Gloucestershire Council) at YOSC. YABC undertakes a wonderful job in a very dilapidated building which has been deemed unfit for purpose. It is South Gloucestershire Council's intention to demolish this building in the very near future, however it will not be providing alternative accommodation for the boxing club.

Yate Town Council has been working with the YABC for some 18 months to try to find them a new home, assisting the boxing club in exploring possible alternative venues in Yate, but to no avail. This is mainly due to the type of equipment required for this type of sport and the type of build required to house this equipment, i.e. boxing ring & height, plus weight of punch bags.

The urgency to rehouse the club was exacerbated by the South Gloucestershire Council decision to condemn the current building.

With no alternative venues or options being available, Yate Town Council considered the provision of a building to house the boxing club, a dance group and other sports users, that would use similar equipment/facilities on the YOSC site (owned by Yate Town Council) and undertook consultation at an information evening held at YOSC with a positive outcome in support of the venue.

The relocation of the YABC has been discussed and considered at the following council meetings:

YOSC Project Steering Group:

- 07 November 2018;
- 12 December 2018;
- 14 January 2019;
- 30 January 2019;
- 6 March 2019;
- 10 April 2019;
- 24 April 2019;
- 22 May 2019;
- 25 July 2019.

Full Council:

- 08 January 2019 – min.no. 85(g);
- 26 February 2019 min.no.102(i) and 112/1;
- 14 May 2019 min.no. 30/2 and 32(c);
- 25 June 2019 min.no 55/2(c).

Extraordinary Full Council meeting

- 30 July 2019

A development plan has been created (more information available on the Yate Town Council website under consultations). The business analysis shows the building will be revenue cost neutral to Yate Town Council. Increasing YOSC Ltd income and as a result reducing likely call on Yate Town Council to support YOSC Ltd.

Yate Town Council originally allocated £60,000 of funding to this project and applied for planning permission which has now been granted. However, as a result of employing the consultant architect and going out to tender for this project, it became apparent that the building, to comply with planning and building control, would cost far more than first anticipated.

Yate Town Council went out to tender for this project and three tenders were received well in excess of the £60,000 anticipated costs.

The lowest tender received was being explored with the difference in price between the lowest and the second lowest being approximately £56,000.

An Extraordinary Full Council meeting was called to be held on 30 July 2019 to discuss extra funding. However, immediately prior to this meeting, the lowest tenderer pulled out of the process which resulted in even more extra funding needing to be found.

At this meeting it confidential resolutions were made (confidential due to contract negotiations) which agreed that:

- if required additional funding up to a maximum amount to be met from 2019/2020 Town Council budget and reserves (to be determined by the Responsible Finance Officer) to fund the boxing club relocation project if funding to offset the increased cost cannot be secured elsewhere, with the caveat that Members be aware that major projects will not be able to be funded by Yate Town Council over the next couple of years until reserves have built up;
- The selected contractor be appointed subject to confirmation of the project sum following trial pits being dug to allow for remeasuring, satisfactory references, due diligence and financial checks being received and satisfactory interview being undertaken.

Satisfactory references and financial checks have now been received and the council is now in the process of appointing DR Jones Yeovil Ltd to undertake the Boxing Club Relocation contract.

The total project cost is now estimated at £213,786 (incl. 10% contingency and fees) and funds available to meet the cost of this project now stand at £75,786. This sum includes the £60,000 previously allocated to this project by Yate Town Council, CIL funding and MAF funding.

Alternative funding is now being sought for this project to alleviate the strain on council reserves and it is estimated £198,000 is now required to complete the project over and above the funding raised to date (no including reserve funding).

The town council has had considerable success in securing grant funding towards the other improvements at YOSC as follows:

YOSC Track Project:

SGC S106	407,780
Sports England	75,000
External Donation	<u>50,000</u>
	<u>532,780</u>

YOSC Astro turf Project:

Enovert Trust	50,000
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Ibstock Trust	10,000
SUEZ Funding	50,000
Sport England	<u>19,000</u>
	<u>129,000</u>

Grant money is currently being sought to assist with funding this project and it is hoped there will be some success with this, however members may wish to consider applying for a loan to cover the cost of the shortfall should grant funding not be available; only the amount required need be drawn down from any loan awarded. A loan would also spread the cost of the facility over a longer period

2 LOANS

2.1 Drawdown

The council can apply for and obtain loan approval at any time prior to drawing down the money and does not need to draw down the money until it needs to pay the contractor at the end of the project. By that stage it will be known what grants have been secured, and it will be possible to draw down less than the full sum should grants have been received.

2.2 Loan Application Requirements

In addition to the loan application form, the following information must be provided when applying for a loan;

- Copy of the minutes of the Full Council meeting with the resolution to seek the Secretary of State's approval for the proposed borrowing;
- Copy of the Council's budget for the current year, and the next year if available, showing provision made to meet the loan costs;
- Full report to Council or business case; this should include breakdown of the proposed works, estimated costs, financial planning to fund the loan repayments and the steps/options the council has in place to mitigate the risk of not being able to afford the loan repayments;
- Information on how the council will afford the loan repayments, breakdown of funding resources, amounts to be used from reserves, and any increase in precept to fund the borrowing;
- If the Council's precept is to be increased to cover the loan repayment, to confirm the amount and percentage of the planned increase related to the loan only (if possible, how much increase for house holders at Band D);
- Evidence of public support to increase the precept to cover the loan repayment (e.g. the result of any consultation);
- details of how residents were consulted on the project and associated borrowing even if you are not increasing the precept to fund the loan (e.g. newsletter/website/in the agenda of public meeting).

NB: If an applicant council is successful, processing of the borrowing approval should generally take about fifteen working days from the date of its receipt by the DCLG, therefore

with the consultation process it is anticipated that the whole process from start of consultation to receiving a decision will take approximately two months.

2.3 Loan Costs

Loan costs for £138,000 and £198,000 of borrowing via the Public Work Loan Board (PWLB) have been explored as at 27 August 2019. The final sum required will depend on funding bid outcomes, however, as previously stated, if the full amount was applied for the council only need draw down that which is required from the agreed loan amount available.

The PWLB rates change twice daily and may go up or down. The attached appendices (a & b) are based upon rates as at 27 August 2019 (please note these appendix show longer loan durations than those shown on the table below, however, the longer the term greater the cost).

The following table shows examples of loan repayments if taken out over a ten or fifteen year period:

Annual Repayments - Annuity Loan as at 27.08.19				
Loan Amount	£ 138,000	£ 138,000	£ 198,000	£ 198,000
Period of Loan	10 Years	15 Years	10 Years	15 Years
Interest Rates	1.35%	1.42%	1.35%	1.42%
Annual repayment costs	14,140.60	9,950.38	20,288.68	14,356.64
Total repayment cost at end of term.	148,476.30	154,230.89	213,031.14	221,287.92
Cost to the electorate using 2020/2021 indicative tax base figures showing cost per band D property				
Per annum	1.87	1.32	2.69	1.90
As above but cost shown per month	0.16	0.11	0.22	0.16
Percentage increase per annum per band D property	1.10%	0.80%	1.06%	1.10%

The above percentage increases represent an increase per annum on each band D property, unless the increase is funded from within existing budgets.

It is currently anticipated the budget for 2020/2021 will increase by the RPI as at September 2019 if the above loan sum is not included in the budget.

Due to extra housing planned to be built in the area, there will be an increase in the Band D tax base over the next few years and as a result the cost to each member of the electorate will be reduced over time.

2.4 Existing Loans

Yate Town Council currently has the following loans outstanding as at 31 March 2019:

Lender	Project	Outstanding Loan value to be	Annual Repayment	Repayment Period Left
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		repaid £	£	(years)
PWLB	Heritage Centre	91,909.79	18,124	7
PWLB	Armadillo	327,156.81	37,820	11

3 CONSULTATION FOR TAKING A LOAN

If there is no council tax precept increase survey requirement then general project consultation activities could be undertaken by one of the following:

- Ongoing dedicated website page showing updates to the project and associated borrowing approval application as they both progress;
- Monthly/quarterly newsletters giving updates on the project and the application;
- Monthly/quarterly magazine articles giving updates on the project and the application;
- Local press/media coverage of the project;
- Public open days and presentations to the residents on the project;
- Online surveys for the residents about the project.

All documents, materials produced for this section should be submitted as part of the loan application.

4 UPDATE ON BALANCES

One of the criteria the Secretary of State applies when deciding whether to give borrowing approval is that any unallocated balances (including, where appropriate, capital receipts) beyond those required for the prudent financial management of the council, should be used in the project for which the borrowing is required.

Yate Town Council has balances in the form of earmarked reserves and the general reserve. As at 1 April 2019 the total sum of the earmarked reserves stood at £1,244,111.94 with a general reserve of £371,335. £28,002 of the general reserve fund was identified at budget setting stage to offset the cost of the 2019/2020 budget leaving the sum of £343,333 remaining.

At budget setting stage in January it was agreed that the opening General Reserve required for the 2019/2020 financial year was £343,333.

The majority of the earmarked reserves are allocated for spending in the 2019/2020 financial year with the completion of large projects previously entered into.

If members decide not to apply for a loan or loan funding is not made available to the council, the total £198,000 could be raised via earmarked reserves by delaying existing planned projects and using a balance of funds from project support earmarked reserves. However, this would greatly reduce reserves and council's ability to undertake future planned projects.

5 FUNDING

5.1 Anticipated Strains on Future Budget Setting

YOSC governance is still being discussed. Yate Town Council is not having to grant aid running costs for YOSC and do not anticipate needing to do so, as the income from School use covers the Town Council's bills in running the facility. In the future the CIC running YOSC may seek grant aid, but that will be assessed on its merits at the relevant time.

It is felt that the route of obtaining a loan for this project and retaining the current earmarked reserves is the best route to mitigate risks that could arise should allocated reserves be spent. However, as previously stated it is hoped that funding will be raised to reduce the cost of any loan awarded.

5.2 Summary of Options to Fund the Yate Boxing Club Relocation Project

Funding options to raise the funding required to complete the Boxing Club Relocation project should fundraising efforts not be successful.

To take out a loan for:

- a) £138,000, over a 10 year period at a cost of £14,140.60 per annum (£1.87 p.a. resulting in a 16p p.m. increase per band D household an increase of 1.10%) this would involve subsidising by using £60,000 of the council's reserves;
- b) £138,000, over a 15 year period at a cost of £9,950.38 per annum (£1.32 p.a. resulting in a 11p p.m. increase per band D household an increase of 0.80%) this would involve subsidising by using £60,000 of the council's reserves;
- c) £198,000, over a 10 year period at a cost of £20,288.68 per annum (£2.69 p.a. resulting in a 22p p.m. increase per band D household an increase of 1.06%) no council reserves required;
- d) £198,000, over a 15 year period at a cost of £14,356.64 per annum (£1.90 p.a. resulting in a 16p p.m. increase per band D household an increase of 1.10%) no council reserves required
- e) To use an alternative mix of funding from both reserves and a loan to make up the balance, split to be identified.

Yate Town Council has carried the cost of the YOSC athletics track project at £836k and the YOSC all weather pitch at £235k using grants and balances, and therefore needs the loan for this final phase if we are to remain in a position that we have a contingency to deal with such matters as the periodic building survey

6 HOW DO WE PLAN TO PAY IT BACK

6.1 The Parish Council Precepts and Referendum Principles

To **NOTE** the Guide to Parish and Town Council Borrowing Approval states:

When planning budgets and considering whether to apply for borrowing approval, parish councils should bear in mind the provision of Chapter 4ZA of Part 1 of the Local Government Finance Act 1992 relating to council tax referendums. Each year the Secretary of State will determine 'excessive principles'.

Although not yet applied to parish councils it should be noted that the Secretary of State will:

- **not** exclude increases in parish council tax precepts attributable to a borrowing approval when considering whether to set council tax referendum principles in future years, and
- intends to determine excessiveness principles in parallel with the process for deciding the annual local governance finance settlement for each year.

6.2 Meeting the Cost of a Loan Repayment

Two options have been identified to meet the cost of the loan:

- a) To increase the precept to repay the anticipated loan of £138,000 or £198,000 over 10 years at a cost of £14,133.04 or £20,288.68 respectively per annum; or
- b) To find the loan repayment funding elsewhere from within the budget with the following scenario being a possibility for consideration:

The current three year budget has provided for the Armadillo (50% asset transfer from South Gloucestershire Council) to be fully funded from precept within the next two – three years 2022-2023 (balance of funding required previously met from earmarked reserves). However, by increasing the period over which the transition takes place for this venue, to enable it to be paid for via precept and increasing the transfer from ER to support the Armadillo costs, would free up funds to pay the loan this year and for the following two years by which time the transition value will have reduced.

It is anticipated youth provision funding will be available to assist with this proposal to proceed along with internal loan being repaid to this fund.

It is anticipated that an increase of 330 band D properties to the tax base figure produce this funding. Planned building on a large scale to the north of the town has commenced, which will in time increase the tax base.

7 COUNCIL DECISIONS

Yate Town Council to decide:

- If it wishes to fund the Boxing Club Relocation Project by applying for a loan from the PWLB;
- if the loan option is selected to:
 - resolve to seek the Secretary of State's approval for the proposed borrowing;

- to agree the terms of the loan in respect of:
 - How much to borrow;
 - Over what term the loan should be repaid; and
 - decide how the loan is to be repaid;
- Decide details of consultation required for a period of one month prior to making the loan application, should the loan application route be selected.