

## REPORT TO FULL COUNCIL



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<b>Date</b>	<b>20<sup>th</sup> February 2024</b>
<b>Subject</b>	<b>Rental Property – Capital Funding Requirements</b>

### PURPOSE:

1. To confirm to Members, the details of the loan that will be requested from the PWLB once the planning permission has been approved for the renovation work required at No 2. Abert Road.
2. To provide the opportunity for the Full Council to formerly resolve to seek approval from the DLUHC and to provide the required evidence for loan approval.

### BACKGROUND:

3. In spring 2023, the Town Clerk was given notice that the tenant occupying No. 2 Albert Road, was wanting to terminate their rental agreement with the Town Council due to having to relocate the business.
4. The tenant vacated the property on 12<sup>th</sup> June, and on inspection of the property, it was found that there were a number of issues that would need to be addressed, if the property was to be re-let.
5. The property would require a new shop front, door and casing, and all the windows would need to be replaced. Giving that the rental property is in a Conservation Area, all the window frames and the shop front would have to be made from wood. The property also had poor kitchen facilities, an outdoor toilet, and no adequate heating.
6. Three different companies came to view the property in order to provide a quote for the works, and at the Finance, Employment & Services (FES) Committee meeting on 3<sup>rd</sup> October, it was decided to recommend the quotation labelled 'Company One' at the next Full Council meeting. As the FES Committee were also discussing future budgets at the same meeting, due to the Town Council's increased use of both general and earmarked reserves in the last couple of years, it was also decided that it would be preferable to apply for a loan to cover the cost of the renovations, to prevent further depletion of these funds.
7. The recommendations proposed by the FES Committee, were approved by the Full Council at the meeting held on 17<sup>th</sup> October, although it was decided that the details for the loan, i.e. the amount, type, and term, could be decided at the next FES Committee meeting. (Please see

Appendix 1 for details of the work involved.)

8. With a contingency element added to the renovation project, the amount required to complete the works comes to a total of £60,000. Two options were presented at the FES Committee meeting held on 31<sup>st</sup> October 2023, one to borrow the whole amount from the PWLB, and the other to part fund the project from reserves. Both options were using the predicted rental income payments for the property, to service the required loan repayments. Following a short discussion, to allow for the loan to be paid off more quickly and to reduce the total amount of interest payable, the FES Committee decided that the Council would fund 50% of the project from the Town Hall Earmarked Reserve and would apply for a loan of £30,000 from the PWLB, to be paid over a six-year period. (Please see Appendix 2 for more details.)
9. The amounts required for both the repayment of principle and the interest for this loan, have been provided for in the agreed budgets for 2024/25 – 2026/27 that were approved by Full Council at the meeting held on Tuesday, 23<sup>rd</sup> January 2024.
10. It is common practice for Local Authorities, including Town & Parish Councils to borrow to fund expenditure of a capital nature.
11. Borrowing approval must be sought from the Department for Levelling Up, Housing & Communities, before the HM Treasury will decide to lend.
12. Members should however note that the decision to grant PWLB Loans is not an automatic one, there are multiple criteria to satisfy, and applications may be refused.

#### **FINANCIAL IMPLICATIONS:**

13. Under the provisions of the Public Works Loan Acts of 1965 and 1967, loans from HM Treasury are secured by an automatic charge on the revenues of the Council and not on the Council's property.
14. There are two types of loan available from the PWLB lending facility, Fixed and Variable, and two repayment methods available as follows:
  - a) Annuity – half yearly payments where each payment is of a constant amount inclusive of principal and interest (available on fixed rate loans only) and,
  - b) Equal Instalments of Principal (EIP) – half yearly payments where each payment consists of a constant instalment of principal plus a diminishing amount of interest, calculated on the balance of principal then outstanding.
15. As the budget calculations have been worked out on equal instalments of principal, and this is the method employed for our existing loans, it is proposed that the EIP method of repayment is chosen.
16. Borrowing Rates for PWLB loans frequently change and the actual rate will depend on when formal application is made and approved.

17. Based on the current interest rates, the annual loan repayments plus interest will come to £6,482 on a reducing basis, and the total amount of interest paid on the loan will be £5,023.
18. The PWLB lending facility will charge an arrangement fee for the loan, which is based on 35p for every £1,000 or part of £1,000 on a fixed rate loan. However, due to the amount that we are wanting to borrow being relatively low, the Town Council would have to pay the minimum arrangement fee of £25.

#### **RECOMMENDATION:**

19. To resolve to seek the approval of the Secretary of State for Levelling Up, Housing and Communities to apply for a PWLB loan of £30,000 over the borrowing term of 6 years for the purpose of the works required for the refurbishment of the Town Council's Rental Property at No. 2 Albert Road. The annual loan repayments and interest will come to £6,482 on a reducing basis (inclusive of interest).
20. To confirm that it is not the Town Council's intention to increase the Council tax precept for the purpose of the loan repayments and to agree that the Rental Income received for the renovated property, will be used to service the loan until a time when it has been fully repaid.

#### **REASONS FOR RECOMMENDATION**

21. Colne Town Council need to formerly resolve to take Capital Loans from the PWLB.
22. To comply with the guidance provided by NALC for the evidence required for DLUHC approval.

#### **SUMMARY OF KEY POINTS:**

23. With delegated authority provided by Full Council, the FES Committee decided that the project for the renovation work for the Town Council's rental property, would be part funded from reserves, and that an application would be sent to the County Association for a loan from the PWLB to fund the remaining £30,000.
24. The Town Council need to formerly resolve to seek approval for the loan to fulfil the evidence requirements of the DLUHC.

#### **POLICY IMPLICATIONS:**

25. This reinforces the decision to take responsibility for the Council's Assets and adopt a proactive approach towards future investment.

#### **DETAILS OF CONSULTATION:**

26. Given that it is not the Town Council's intention to increase the tax precept for the purpose of the loan repayments, only a general consultation on the project and the decision to borrow is required.

27. Following formal resolution at this meeting, it is intended to add a news item on to our website landing page, and to send out a short survey via social media. (Paper copies of the survey will be made available in the reception area at the Town Hall and in the Library.) This will be in addition to the public meeting, documents published on the website and the live stream of the meeting.

**SUPPORTING PAPERS:**

- Appendix 1 – Quotation Agreed
- Appendix 2 – Loan Analysis
- Appendix 3 – Current PWLB Interest Rates
- Appendix 4 – PWLB Loan Repayments

FURTHER INFORMATION, PLEASE CONTACT: Gina Langley