

**Football And Community Facility – Principle of Seeking Borrowing Approval
Council 5 January 2015**

RECOMMENDED

- (i) that the principle of seeking borrowing approval for the football and community facility is agreed and
- (ii) that work is undertaken to provide all the information that is required to accompany an application for borrowing approval
- (iii) that the Town Clerk is given delegated authority following consultation with the Mayor, The Chair of the Open Spaces Committee and the Chair of the Resources Committee to compile and implement a consultation and communication strategy regarding an application for borrowing approval
- (iv) that when completed, the documentation from (ii) above is presented to Council so that a detailed decision regarding seeking borrowing approval can be considered.

Contextual Information

1. The Football Club are seeking grant funding from various bodies for the construction of the Football and Community Facility. The estimated cost of the build has increased since the original costings were prepared so that the requirements of various bodies could be incorporated into the plan e.g. increased parking, enhancements to the community area.
2. It is possible that the grant funding secured will not meet the total build and fit-out cost.
3. The tables below show the current funding position

3.1 Total Costs and Funding			
		Funding Body	£'000
	SSDC Capital: -	District Executive	50
	Other Sources: - e.g. - Grants	Ilminster Town Council	11.2
		Ilminster Senior football teams	5
		Ilminster Junior football teams	5
		S106 funding	113.8
		External Funds (detailed in 2.3)	336.3
		Potential shortfall	63.9
Total Capital Cost		585.2	

3.2 Breakdown of main areas of Capital cost (net)			
			2015/16 £'000
	Topographical survey		2.2
	Pavilion/Function Room Substructure		52.6
	Pavilion/Function Room superstructures		224
	48 Space Car Park External works		78.5
	Provisional Sums*		
	Preliminaries		99.3
	Professional Fees including project management		69.9
			8
	Floodlight/other Groundworks		17.9
	Contingency 5% of gross capital costs		32.8
	Totals		585.2
*Includes provisional costs for items such as ground investigation, mechanical installation, plumbing, furniture, incoming services and site abnormals			
3.3 External funds to be received			
		Secured ? Y/N	2015/16 £'000
	Gooch Trust	Y	40
	Clarks Foundation	Y	20
	Football Foundation	N	200
	Sport England	N	75
	Other	N	1.3
	Totals		336.3

Note: these tables have been prepared, using the Football Club Business plan, by Officers at South Somerset District Council and are consistent with those being used at SSDC for consideration of capital funding.

4. Potential funders will wish to know what plans have been made to address any funding shortfall so whilst the Football Club will continue to search for additional funding sources it is prudent to have a contingency plan should new sources not come to fruition.
5. Discussions have taken place with Officers from South Somerset District Council who have knowledge and experience of similar projects and how sufficient funding has been secured to implement and complete schemes.

6. A suggestion that has come to the fore, after being used in a neighbouring town, is for the Town Council to take out a loan – the interest to be paid by the football club and the capital to be repaid from s106 money that is received in the future; such an arrangement means that there is no impact upon the precept.

Seeking Approval To Borrow

7. Before taking a loan the law requires that a local Council must have borrowing approval from the “appropriate person” which in England is the Secretary of State by way of the Department for Communities and Local Government. (Local Government Act 2003 Schedule 1 para2)
8. Applications for approval to borrow are submitted via the local County Association affiliated to the National Association of Local Councils (whether or not the Council is a member).
9. Councils should not apply for borrowing approval until all negotiations have been completed and all other consents (eg planning permission) have been obtained.
10. The Secretary of State will generally apply the criteria given in appendix 1 to this report in deciding whether to give borrowing approval
11. There needs to be a resolution made by the Council to seek borrowing approval (note: this is not a resolution to borrow money - that requires a separate resolution.). This needs to be following consideration of a report that includes the detail given in appendix 1 para d.

Ilminster Football Club Ability to Pay Loan Interest

12. The Football Club business plan for the first year of operation currently shows an excess of income over expenditure of £9,232 rising by the year 2019/20 to £15,160.

Future S106 Money

13. The future growth of Ilminster has been the subject of discussions on the Local Plan and it is undisputed that there will be substantial growth particularly in terms of new housing. This will mean it is possible to seek and secure s106 contributions for the football and community project.

Borrowing Information

14. The most common sources for local authority borrowing are the Public Works Loan Board (PWLB) or the clearing banks.
15. The PWLB posts its loan interest rates daily, and the rate varies dependant on the duration of the loan - from 1½ years upwards. As an example, a fixed rate loan for over 4 ½ years but not exceeding 5 years would be 1.75% (rate as at 2 January 2015)

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For Further Information: Contact the Town Clerk, tel: 01460 52149 or
email town.council@ilminster.gov.uk

Background papers / Reference Sources

A Guide to Parish & Town Council Borrowing in England DCLG/NALC
Public Works Loan Board Website

Criteria for Borrowing Approval

The Secretary of State will generally apply the following criteria in deciding whether to give borrowing approval:

- a) the borrowing should be for a purpose that would be capital expenditure as defined in section 16. Appendix A to this guide explains what is covered by the section 16 definition;
- b) the amount to be borrowed should generally not be less than £5 multiplied by the number of local government electors for the area of the council as counted at the latest register for the electoral roll. However, the Department will consider applications for a lower borrowing amount where the total project cost is above the threshold and grants or other resources intended for the project expenditure will be refused or reduced if the borrowing does not go ahead;
- c) 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 borrowing is required;
- d) the council should have a realistic budget (this must be affordable, taking account of its effect on the council's precept) for the servicing and repayment of the debt. The Secretary of State will expect to see that the affordability of the loan charges and any other revenue costs arising from the project is demonstrated in the written report to the council recommending the borrowing application. A copy of the report should be submitted with the application form. The report should provide:
 - * an estimate of the annual costs, and an indication of whether they will be covered by reductions in other expenditure, or by additional income from the precept or other sources,
 - * in cases where an increase in the precept is proposed, an estimate of the amount of the increase in both monetary and percentage terms, and recognition that any proposed increase in precept may be subject to council tax referendum principles in future years,
 - * evidence that any risks and uncertainties affecting the financing of the project have been taken into account in assessing its affordability,
 - * details of any significant financial developments that might affect the ability of the council to finance the costs in future years, so far as can reasonably be foreseen.
- e) The council should have consulted local residents on the project and associated borrowing. The format of consultation with residents is a matter for the council to decide, however councils should note the following:
 - * details of the project and plans for borrowing and loan repayment must be accessible to residents from an early stage,
 - * decisions on borrowing must be taken in an open and transparent way, following discussion in open meetings,
 - * inclusion of the matter on an agenda for a public meeting of the council will not, in itself, be considered sufficient evidence of consultation,
 - * the council should ensure that information about the progress of the project continues to be available to residents following the approval to borrow,
 - * in particular, any proposal to increase the precept to meet borrowing costs must be backed by evidence of public support.