

East Hagbourne Parish Council

Report to East Hagbourne Parish Council Meeting, 9 June 2016 Recommendations on application for a loan towards improvement to the Pavilion Car Park

1. Background and Status

The new Pavilion at Great Mead recreation Ground was completed in January 2015 and formally opened by Ed Vaizey, MP in January 2016. The capital budget to build the new Pavilion was £364,559 including build supervision charges, excluding VAT which was reclaimed by the Parish Council.

The Pavilion project included a 'green' car park using plastic mesh over grass to provide a low visual impact. In practice this has been found not to be durable because of the high traffic flows, the nature of the ground and ground disturbance during the building process.

In conjunction with BDS Surveyors, an improved cast concrete mesh surface has been researched and designed which meets the objective of a higher load bearing surface while allowing grass to grow through the voids to retain the green appearance. This will be installed over a free draining substrate with improved drainage leading to soakaways.

Detailed drawings have been prepared and planning permission was granted by South Oxfordshire District Council under approval P16/S0397/FUL.

A quotation has been received from Mullins of Reading Ltd for the construction work at a cost of £51,890+VAT. This includes a contingency figure of £5000+VAT.

BDS Surveyors have already been contracted to carry out the design and supervision of the project. After subtracting payments already made for the preliminary stages of the project, the remaining commitment to BDS on completion is £3826.80+VAT.

VAT is reclaimable by the Parish Council for this capital project.

The cost of the project to the Parish Council is therefore:

Construction	£51,890.00
Supervision costs	£ 3,826.80
TOTAL	£55,716.80

The community value of this Pavilion is already established through the existing regular football, Pilates and community choir activities together with many occasional bookings for children's parties and meetings. However, users have suffered very muddy conditions in the car park over the past winter and to safeguard the current activities and expand them in the future a more durable surface is required with some urgency.

Options for grant funding have been explored and no suitable source of funding have been identified consistent with the project cost and timing constraints. At its meeting of 12th May 2016, the Council therefore agreed in principle to fund the project through a loan.

The purpose of this report is to request the Parish Council's approval to apply for a loan up to a maximum of £55,716.80 from the Public Works Loan Board as payment of the costs for the improved car park. The maximum period of loan permitted is 10 years and it is recommended that this period be applied to reduce the annual impact of the repayments.

The financial justification for this approach is outlined in section 3 below.

To apply for a loan we need to demonstrate:

- (a) That all other funding is in place: the Parish Council made substantial contributions to the pavilion construction cost, so does not have extensive reserves. However, £10,000 has

been set aside for the car park improvement and should be applied to this project unless urgently needed for other purposes.

The guidelines also require that any unallocated balances beyond those required for the prudent financial management of the council should be used in the project for which borrowing is required.

The Council has experienced some significant and unexpected costs over the past year in connection with speculative housing developments and preparation of a Neighbourhood Plan. An evaluation of the Council's financial reserves and needs is therefore included below in Section 3.

(b) That we have consulted with the community on the proposed loan and have their support

(c) That we have the financial resources to service and repay the loan.

Item (b) is covered in Section 2 below and the financial aspects in Section 3 below.

2. Consultation

EHPC has been working to build a new Pavilion for several years. The project has been a regular item at Annual Parish Meetings since 2010 or earlier and the subject of regular monthly updates in the Parish magazine and web site.

At the time of the 2015 APM, the car park work was not completed, but the need for additional efforts was foreshadowed by reference to works to improve drainage and lay a small area of tarmac at the entrance to the car park.

The problems encountered over winter 2015-16 were reported in the Parish Magazine and at the 2016 APM and it was made clear that the reinforced grass approach unfortunately seems inadequate for the conditions and traffic loadings. The costs at that time had not been quantified, but the minutes record the need for fund raising or a loan. No objections were raised.

The intention of the Council to discuss and resolve to apply for a loan at the meeting of 9th June 2016 have been prominently displayed on the official meeting notices and the resolution will be further publicised through the Parish Magazine and the web site following the meeting and before a loan is taken out

3. Financial Viability

Current Council Funds:

At the end of June 2016 PC Meeting, taking into account known commitments, the Council funds are projected to be £41,130 (information from the Parish Clerk, 5th June 2016).

Requirements for end of financial year (31st March 2015)

Expected future income within the financial year is £14,860 (second precept payment) and £1,465 (lease income).

A sum of around £9,000 is also outstanding from VAT refunds, but is of uncertain timing so has been excluded from these figures..

Expected expenditure for the 9 months to the end of the financial year is £21,319 (75% of the budgeted operating expenditure for 2016/17)

Expected operating balance at year end is therefore

Current funds (end June 2016)	£41,130
Expected income	£16,325
Expected operating expenditure	£21,319
Year end operating Balance	£36,136

From this balance, certain figures have been allocated for specific projects

Pavilion Car Park	£10,000 allocated, £7,120 remaining
Neighbourhood Plan	£3,000 allocated, est £5,000 needed

New Road Development £10,000 allocated, ca £4,500 remaining

After subtracting these allocated figures, the year end reserves are projected to be £19,516 or 65% of the annual precept.

I propose that reserves amounting to 50% of the precept are an absolute minimum for prudent operation of the Council's finances and in these times of organisational changes and development pressures a higher figure is desirable.

How much capital can we contribute to the Car Park from Council funds?

- The amount in the allocated project budget is £7,120.
- A further discretionary amount could be contributed from general funds, however to retain sufficient for prudent financial management I propose that this amount should be minimised and in any case be no more than £4,500

NOTE: Funds expected as VAT refund have not been included in these calculations.

Loan Costs:

Loan costs have been calculated for a sum of £55,716.80 - £7120.00 = £48596.80 which is the maximum we can ask to borrow under government guidelines. Costs for a smaller loan can be estimated pro-rata.

The Public Works Loan Board provides indicative costs for loans to Parish Councils. The actual figure may vary from today's, but is not likely to change by much. Loans are provided on an Annuity basis (same cost per annum throughout the loan) and EIP (reducing payments over time). The difference in cost is small, so for simplicity I recommend the Annuity basis.

The interest rate is fixed and for a 10 year loan the indicative rate is 1.83% pa. The total repayment based on a loan of £48596.80 is £53,400.40 and the half-yearly repayments £2,670.02 (£5340.04 pa).

For 2016/17 one payment would be required, in December 2016, equal to £2,670.02.

Current Precept and Expenses:

For the full year 2016/17, the Parish Council's income is expected to be £32,319. This is made up of £29,700 from the precept plus lease income etc of £2,599.

Operating expenses for 2016/17 are projected to be £26,925 (see Attachment 1) including a small contingency of £500. This leaves a surplus of £3,894 which is sufficient to cover the first loan repayment in December. Additional security against unforeseen expenses is provided by the General Reserve Fund.

For future years we will need to budget for the full annual cost of the loan repayments. Based on this year's figures this would require either cost savings or an increase in precept.

In the worst case, where no cost savings were possible, covering the £5340.04 annual cost would require an additional £1,466 over this year's projected surplus representing an increase of 4.9% on the precept. In reality, savings are already identified this year of £1000 in operational support to the Pavilion and a likely £550 in legal expenses.

The additional loan repayments can therefore in principle be met by cost savings within the current precept, subject to normal year-to-year adjustments.

Risks and Uncertainties

The parish has already adjusted to the loss of Millbrook to Didcot parish, effective in 2015. The existing Council Tax base therefore seems secure.

During the past year additional costs have been incurred to respond to speculative proposals for housing development which would damage the character of the village. These threats will hopefully become smaller as the new SODC Local Plan 2032 and the East Hagbourne Neighbourhood Plan come into effect.

It is already apparent through the Neighbourhood Plan discussions that some residents would like to see higher expenditure in grass cutting and other maintenance within the parish. At the same time, the County is working to devolve more responsibilities to parishes. The financial implications of these pressures are not yet clear, but public consultation could be needed if these measures increase operating costs.

However, the Parish council's operating costs are well understood and a close control is kept over budgets and expenditure, so the Council's procedures are well placed to respond to future pressures.

4. Summary:

The public has been involved throughout the Pavilion project and the need for additional work on the car park has been apparent for some time. The current proposals were mentioned at the 2016 APM and no objection was raised by residents. Operating reserves are currently acceptable and provide a suitable buffer for prudent financial management. For future years, the cost of interest and capital repayments on the loan can be met with a precept set at the current level through careful cost control and provided no new demands on expenditure arise.

We believe we have consulted openly and sufficiently with residents on this topic and will continue to do so over the coming weeks now that the cost implications of the project are clear. The decision of the Council to apply for Borrowing Approval will be publicised and public responses considered.

The council has successfully weathered challenges from the recent boundary review and has responded effectively to the challenges of speculative development and preparation of a Neighbourhood Plan. We have the procedures and good stewardship in place to respond to future uncertainties.

5. Recommendation:

That East Hagbourne Parish Council should apply via OALC to the Secretary of State for Loan Approval and to the Public Works Loan Board for a loan not exceeding £48596.80 over 10 years based on an the annuity option, with equal half-yearly payments.

Prepared by: Cllr D Rickeard, 5th June 2016

ATTACHMENT 1 East Hagbourne Parish Council operating Budget 2016/17

	Budget 14/1	Actual 14/15	Budget 15/1	To date 15/1	Est Bal 15/16	Total 15/16	Budget 2016/7
Income							
Precept	33,961	33,961.00	28,805	28,805.00		28,805.00	28,805
CTRS Grant	1,425	1,425.00	915	915.00		915.00	-
	35,386	35,386.00	29,720	29,720.00		29,720.00	29,720
Lease Income	1,450	1,465.00	1,465	1,465.00		1,465.00	1,465
Wayleaves	44	51.72	55	53.51		53.51	54
Allotments	800	1,146.15	800	415.65		415.65	780
Misc-Donation from Village Fu	-	845.75	-	63.03		63.03	-
Cemetery Contribution					300	300.00	300
NP Grant							
Interest	750	34.05	-	-		-	-
Total	38,430	38,928.67	32,040	31,717.19	300.00	32,017.19	32,319
Expenditure							
Clerk Remun.	6,000	7,229.53	6,000	4,649.80	1,550.00	6,199.80	6,200
Payroll Management Costs	240	245.00	240	-	240.00	240.00	240
Office Expenses	370	714.27	370	71.09		71.09	100
Subscriptions	-	553.46	500	55.66		55.66	500
Website	330	353.97	330	360.00	100.00	460.00	360
Election Costs	-	-	-	100.00		100.00	-
Training Courses	-	-	100	186.90		186.90	100
Meeting Room Hire	200	212.00	50	241.65	125.00	366.65	225
Insurance	2,500	3,555.67	2,500	-		-	2,500
Pavilion Insurance	-	-	500	-		-	500
Audit	300	500.00	500	1,130.00		1,130.00	600
Legal Expenses	-	175.00	-	275.00		275.00	550
Car Park Repairs	250	-	250	-		-	250
Car Park Electricity	250	164.90	400	-	175.00	175.00	200
Play Equipment Inspection	600	130.00	400	74.00		74.00	75
Repair and Maintenance	-	1,341.75	-	1,467.02		1,467.02	1,500
Grass and Plants	2,500	2,376.40	2,500	1,994.34	200.00	2,194.34	2,500
Dog Bins	540	345.36	450	460.46		460.46	500
Butts Piece Lease	500	500.00	500	-	500.00	500.00	500
Allotments	-	140.59	100	134.69	25.00	159.69	175
Neighbourhood Plan							
Loan Interest	1,550	1,550.00	1,550	774.76	774.76	1,549.52	1,550
	16,130	20,087.90	17,240	11,975.37	3,689.76	15,665.13	19,125
Contingency	5,000	-	-	-	250.00	250.00	500
Donations and Grants	2,000	1,300.00	1,500	397.90		397.90	1,000
Cleaning War Memorial		596.00				-	-
Pavilion Operational Support	-	500.00	3,000	2,500.00	-	2,500.00	2,500
Loan Capital	5,300	5,300.00	5,300	2,650.00	2,650.00	5,300.00	5,300
Special Projects	10,000	-	5,000	4,587.00	- 9,455.22	- 4,868.22	
Total	38,430	27,783.90	32,040	22,110.27	- 2,865.46	19,244.81	28,425
Net Income/(Expenditure)	-	11,144.77	-	9,606.92	3,165.46	12,772.38	3,894
Capital Income - Grants	-	214,998.00	-	-			
Capital Expenditure - Pavilion		374,257.15			-14966.39		
Capital Expenditure - Plastic matting					-4837.5		
Reserves Balance at 1st April 2015				55,566.42			
In year movement - Pavilion					-14966.39		
General Reserve-2015/6 Deficit						- 12,772.38	
Reserves Balance at 31st March 2016						27,827.65	
Reserves required for 2016 & ongoing							
Neighbourhood Plan					3,000.00		
Pavilion Car Park					10,000.00		
New Road Planning campaign					10,000.00		
Balance on General Reserve-31/3/16					4,827.65		3,894
						27,827.65	