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LOCAL COUNCIL AWARD SCHEME QUALITY GOLD

Meeting	Full Council
Date	26th November 2024
Report Title	Public Works Loan (PWL) Draw Down
Agenda Reference	12C
Author	Jodie Smart, Finance Officer and Deputy RFO

Officer's Recommendations:

1. **A Public Works Loan (PWL) of at least £743,324.36 be applied for to cover the costs of the Grounds Maintenance Facility.**
2. **The full contingency EMR (365) balance of £37,621.00 be used to reduce the loan amount for the Grounds Maintenance Facility build.**
3. **The S106 receipt of £5,162.18 be used to reduce the loan amount for the Grounds Maintenance Facility build.**

Background

Council has permission to borrow up to £768,590.00 from the Public Works Loan Board to fund the build of the new Grounds Maintenance Facility. The deadline for the draw down of the loan is 17th December 2024.

Council agreed to set aside £37,624.00 from the 2023/24 underspend in an Ear Marked Reserve (EMR) as a contingency for the Grounds Maintenance Facility build.

Over the past 3-4 years Council has set aside the budgeted PWL repayments in an EMR. The balance of which will be £37,500.00 at the end of the current financial year. During previous budget setting it was agreed that this EMR would be used to subsidise the first year's repayments to reduce the initial impact on the precept.

The build is nearing completion with estimated final costs of £786,110.54 (this includes legal fees for the wayleave agreement, project management fees and costs for fittings and signage).

To date Council has been covering the build costs from existing cashflows to allow time for interest rates to reduce and for the final build cost to be more accurately estimated. Unfortunately, as at 12th November 2024, the PWL interest rates have continued to increase despite there being a reduction in the Bank of England base rate. The rate is revised twice daily, so may alter slightly between the current recommendation, approval at Full Council and then application for draw down of funds.

Additionally, there is a S106 receipt of £5,162.18 due, which is to be spent on 'local open space enhancements', it is considered that the Grounds Maintenance Facility will enable the enhancement of local open spaces and therefore be utilised to offset the loan required.

Options
The Finance Officer and Deputy RFO has provided a suite of options to consider below.

Items to note regarding this appraisal:

1. The interest rate used to provide repayment sums and net present value calculations is 5.79%, which is the interest rate set by the Public Works Loan Board as at 12th November 2024. As mentioned above, this may differ slightly at the point of applying for the funds to be drawn down.

2. Net present value is an accounting calculation which uses a discount factor that takes into consideration the time value of money over the loan term of 30 years. This figure estimates what the value of the repayments or savings will be equal to in 30 years.

3. The build costs estimated at 12th November 2024 have been used. This may increase slightly depending on any additional requirements at the end of the build.

4. The Precept impact given is based on the 3-year budget set for loan repayments set in January 2024. This **does not** account for the precept impact of using existing funds to reduce the loan and how this will affect funding of alternative future projects.

Option 1
- Draw down the full loan available of £768,590.00.
- Utilise the difference of £17,520.54 from the contingency EMR.
- Re-allocate the remaining contingency EMR of £20,100.46 to alternative aspirations.
- Consider allocating the estimated surplus General Reserves of £58,141.00 to alternative aspirations and/or supplementing the 25/26 precept.
- Supplement the 25/26 loan repayment by £37,500.00 to reduce the 25/26 loan repayment as planned.

Option 2 – Finance & Policy Committee's Recommendation
- Draw down a loan of £743,324.00.
- Utilise the full contingency EMR of £37,621.00 to reduce the loan value.
- Utilise the S106 income of £5,520.54 to reduce the loan value.
- Consider allocating the estimated surplus general reserves of £58,141.00 to alternative aspirations and/or supplementing the 25/26 precept.
- Supplement the 25/26 loan repayment by £37,500.00 to reduce the 25/26 loan repayment as planned.

Option 3
- Draw down a loan of £705,824.00
- Utilise the full contingency EMR of £37,621.00 to reduce the loan value.
- Utilise the S106 income of £5,520.54 to reduce the loan value.
- Utilise the PWL repayment EMR of £37,500.00 to reduce the loan value.
- Consider allocating the estimated surplus General Reserves of £58,141.00 to alternative aspirations and/or supplementing the 25/26 precept.

Option 4
- Draw down a loan of £647,683.00.
- Utilise the full contingency EMR of £37,621.00 to reduce the loan value.
- Utilise the S106 income of £5,520.54 to reduce the loan value.
- Utilise the PWL repayment EMR of £37,500.00 to reduce the loan value.
- Utilise the reserves over the 3-month minimum of £58,141.00 to reduce the loan value.

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							Precept Impact 2025/26			Precept Impact 2026/27		
Option	Initial cash outlay £	Annual Repayments £	Total Repayment £	Net Present Value of Total Payments £	Actual saving compared to above option £	Net Present Value of saving £	Total £	per Band D £	per Band D %	Total £	per Band D £	per Band D %
1	17,520.54	54,299.39	1,628,981.65	764,521.53	-	-	-9237.05	-1.03	-0.70%	4299.39	0.48	0.31%
2	42,786.18	52,514.42	1,575,432.60	739,389.63	53,549.05	25,131.90	-11022.02	-1.23	-0.83%	2514.42	0.28	0.18%
3	80,286.18	49,865.12	1,495,953.54	702,088.14	79,479.06	37,301.50	23828.68	2.65	1.80%	-134.88	-0.02	-0.01%
4	138,427.18	45,757.57	1,372,727.08	644,254.90	123,226.46	57,833.24	19721.13	2.20	1.49%	-4242.43	-0.47	-0.30%