

**BATHEASTON NEW VILLAGE HALL
REQUEST FOR FUNDING VIA PUBLIC WORK LOAN ("PWL")**

MOTION

To formally agree our position regarding the request for a grant from BNVH Trustees and to delegate two councillors to meet the BNVHT for communication of that position and a without prejudice discussion

The situation is that:

1. The BNVHT asked the BPC for a 25-year, PWL-backed grant or loan of £200,000 to finalise the financing of the New Village Hall, and for a referendum on same.
2. This is the only request the BPC is to decide on formally at this time, notwithstanding exchanges on matters that may suggest alternative structuring ways.

The BPC's position is that:

3. The policy, guidance and technical notes of SLCC, NALC and the DMO/PWLB website are unambiguous that legally a PWL cannot be deployed on the terms proposed by the BNVHT;
4. In addition, financial prudence can also not be satisfied on the basis of forecast financials supplied;
5. Give the above points 3 and 4, we cannot remain committed to any form of referendum on an action that cannot exist;
6. In the interest of the community, the BPC wishes to work collaboratively with the BNVHT – and other organisations as may be relevant – to explore whether alternative ways forward can exist;
7. Patrick Vandesteen and Andrew Lea are mandated to meet the BNVHT, communicate the BPC's position and explore, without prejudice, possible alternatives;
8. In support of 5 and 6 above, the BPC intends to set up a Village Hall Working Group ("VHWG") and recruit into this working group residents with planning, legal and financing experience.

The BPC's decision is that:

9. Voting for the motion are [names of councillors];
10. Voting against the motion are [names of councillors];
11. And as such, the motion is [carried/rejected].

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**APPENDIX 1
PWL POLICIES AND PROCEDURES**

1. Only authorities with powers to levy tax can apply for PWL funding.
2. A public works loan (PWL) must be used for “expenditure of the [local] authority which falls to be capitalised [on that authority’s balance sheet] in accordance with proper practices”.
3. PWLs are automatically secured by statute on the revenues of that authority. The liability is irrespective specific revenues, assets or collateral, i.e. no possibility of default.
4. There are multiple types of PWLs, defined by interest and repayment options:

	Duration	Interest	Repayment	Fees
Fixed rate	Max 50 years	<ul style="list-style-type: none"> Referenced to gilts, e.g. currently 1.53% for 10y and 2.22% for 50y[†] Fixed for duration Payable half-yearly 	<ul style="list-style-type: none"> EIP: equal instalment principal, interest outstanding principal Maturity: interest only, principal on maturity 	35p for every £1,000 (round up), min £25
Variable rate	Max 10 years	<ul style="list-style-type: none"> Set by Treasury formula, currently 1.80-1.81%[‡] Choice 1, 3, 6 months Repayable per interval One-time choice 		45p for every £1,000 (round up), min £25

5. New borrowers must apply for authorisation at least 1 week before calling the loan advance. Authorisation applications must be supported by a date-recorded decision of full Council and a declaration that due regard was given to financial and legal prudence. The borrowing limit is £500,000 p.a.
6. Authorisation applications are checked by the local county association and forwarded for approval to the Ministry of Housing, Communities and Local Government (MHCLG). Its decision is final and conditions may be set.
7. Approval is valid for 12 month, not transferable and extendable upon request.
8. Advances are callable by phone and released 2 working days later.

* Local Government Act, section 16 (1)

[†] Rates 13 September 2019, 12:30pm

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**APPENDIX 2
IMPLICATIONS OF RESEARCH FINDINGS**

9. We do not need a referendum to apply for a PWL. We have to have purpose and form of capital expenditure, and declare due regard to financial and legal prudence.
10. Prudence means fit and proper assessment of the appropriateness of the loan in terms of its purpose and impact on wider community needs and commitments, so as safeguard the safety and soundness of the BPC.
11. As we must capitalise and amortise the capital created, we cannot pass the PWL on as a grant to a 3rd party. Capitalisation implies due right to title and access.
12. A precept levy is necessary only to underwrite the risk of default, amounting to:

 *$Pb(\text{default}) * \{(outstanding\ principal + interest) - (value + income\ of\ asset) + costs\}$*
13. At best, this underwriting liability is £0; at worst it is c£250,000. It is financially prudent to provision for maximum underwriting in the early years, reducing this as and when repayments from profits become more stable and predictable.
14. Once taken out, we cannot outsource or withdraw from the responsibilities of a PWL: repayment, administration, reporting, compliance.
15. The PWLB and associated organisations have no remit to liaise directly with the BNVH Trust, and in doing so introduce the risk of prejudicing the standing of the Council vs its community.

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**APPENDIX 3
TEXT FOR VILLAGE REFERENDUM**

Your view on borrowing £200,000 for the new village hall

The precept is the amount of your council tax that is given to the Batheaston Parish Council to maintain and improve community assets, such as for example the Riverside and playgrounds. Currently, your annual precept is £45 per premise or £52,000 in total.

The Trustees of the Batheaston New Village Hall ("BNVH") have requested us to borrow £200,000 to complete the financing and start the build of the new village hall.

This loan will be repaid over 25 years out of the profits from the new village hall. In case there is insufficient profit, residents will legally obliged to cover the shortfall via the precept.

We estimate we will need to increase the precept by £10 per household per annum to underwrite this obligation. This will be on top of increases to the precept arising from other initiatives.

In case the underwriting is not called upon, it will be used to lower future precepts or fund other initiatives.

This referendum asks for your view on this application. A yes result requires a minimum of 50% participation of registered residents and 2/3 majority of yes votes. The referendum will be independently administered, and the full results made public.

Ultimate approval of the loan rests with the Ministry of Housing, Communities and Local Government. This referendum result will be one of a number of inputs considered.

REFERENDUM QUESTION

Do you support guaranteeing through your precept the repayment of a 25-year £200,000 loan to the BNVH Trust for building the new village hall, which is estimated will add an additional £10 per household per annum to the precept?

Yes ☐ No ☐