

## Portfolio Holder decision record sheet

<b>Name of decision maker:</b>	<b>Graeme Elliott</b>
<b>Portfolio:</b>	<b>Finance and Operations</b>
<b>Date of Portfolio Holder decision:</b>	<b>25 September 2018</b>

<b>Title of decision:</b>	<b>Award of loan to Flamstead Parish Council for the replacement of the sports pavilion at Flamstead Recreation Ground</b>
<b>Part II:</b>	
<b>Part II reason:</b>	

<b>Decision made and reasons</b>	
To award an interest free loan for £100,000 to Flamstead Parish Council to be repaid in full over a ten- year period.	
<b>Reports considered: (here reference can be made to specific documents)</b>	
None.	
<b>Officers/Councillors/Ward Councillors/Stakeholders consulted:</b>	
Corporate Director Finance and Resources	
<b>Monitoring Officer comments:</b>	The loan should not be released until the loan agreement is completed and this should be registered on the title to the land.
<b><u>Deputy S151 Officer comments:</u></b>	<p>The risk in providing loans to third parties is default on repayments. In this specific request the loan is being provided to produce a community asset and a charge will be issued against the refurbished pavilion to act as collateral.</p> <p>The Parish council is also considered at low risk of default given the funding relationship with DBC.</p>
<b>Implications:</b>	Agreement to the issue of this loan will enable Flamstead Parish Council to replace the sports pavilion located at Flamstead Recreation Ground and provide a fit for purpose building for local community use.
<b>Risk:</b>	With the issue of any loan to a third party there is the risk of default. Flamstead Parish Council is funded through a combination of fee income and Council Tax precept. The risk of default in this loan is considered to be low. To secure the Council's financial interests in the issue of this loan, it is proposed that a charge is issued on the refurbished pavilion, to form part of the loan agreement.
<b>Value for money:</b>	The issue of this loan will enable investment in a local community asset at minimal financial risk to the Council.

<b>Options considered and reasons for rejection:</b>	
Dacorum Borough Council was approached by Flamstead Parish Council for the interest- free loan of £100,000 to support the replacement of the sports pavilion at Flamstead Recreation Ground.	
Three options were considered in response:	

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- Option 1 (preferred option) –issue of the interest free loan as requested;
- Option 2 – issue of a loan with market rate of interest;
- Option 3- rejection of the loan request.

Option 2 was rejected on grounds of affordability for the Parish Council as a public body with limited income generating ability outside of its Council Tax precept and grant receipts.

Option 3 was rejected on the basis that taking no action to assist the Parish Council would be likely to result in the further deterioration of a public asset. Option 1 is the preferred option.

As a parish Council, Flamstead Parish Council are required to seek approval to borrow from the Secretary of State prior to taking on any loan.

**Portfolio Holder's signature:**

**Date:**

**Details of any interests declared and any dispensations given by the Standards Committee:**

## For Member Support Officer use only

Date decision record sheet received from portfolio holder: 18/09/18

Date decision published: 25/09/18

Decision no: PH/021/18

Date of expiry of call-in period: 02/10/18

Date any call-in received or decision implemented:

## Background

### 1 Decision required

1.1 To agree the award of an interest free loan to Flamstead Parish Council ('the Parish Council') for the replacement of the sports pavilion at Flamstead Recreation Ground. The loan, if awarded would be for £100,000 plus any legal costs incurred by Dacorum Borough Council ('the Council').

### 2 Background

2.2 The Council was approached by the Parish Council for the provision of an interest free loan of £100,000 for the purpose of refurbishing the sports pavilion at Flamstead Recreation Ground. The Parish Council owns the current pavilion and the land on which it stands

2.2 The Parish Council acquired the sports pavilion in 2011. The pavilion is in a state of disrepair and is not fit for purpose. The Parish Council decided to replace the pavilion with a smaller, modern and accessible structure. The expected total cost of the project is £171,000, which covers demolition of the existing structure, construction of the new building and improved parking facilities.

2.3 The Parish Council has approach the Council for £100,000 of the £171,000 project cost, to be repaid in full. The Parish Council intends to fund the balance of £71k from applications to grant funding agencies.

### 3 Available options

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3.1 Three options are now available to the service:

- Option 1 (preferred option) –issue of the interest free loan as requested;
- Option 2 – issue of a loan with market rate of interest;
- Option 3- rejection of the loan request.

3.2 The Parish Council is funded largely via the Council Tax precept it raises and by grant income from other public bodies. Option 2 was rejected on grounds of affordability for the Parish Council. Option 3 was rejected on the basis that taking no action to assist the Parish Council would be likely to result in the further deterioration of a public asset.

## 4 Financial Implications

4.1 The total value of the loan that has been requested is £100,000. The Council will also look to recover legal costs it incurs in drawing up a loan agreement. This is expected to be £1,250. The loan to be repaid over a 10- year period.

4.2 With the issue of any loan to a third party, there is the risk of default. Flamstead Parish Council is funded through a combination of fee income and Council Tax precept. The risk of default in this loan is considered to be low. To secure the Council's financial interests in the issue of this loan, it is proposed that a charge is issued on the refurbished pavilion, to form part of the loan agreement.

4.3 The issue of the loan to the Parish Council would represent a reduction in the available cash balances that the Council has to invest to generate a return. The average return on the investment of Council balances in 2018/19 year to date is around 0.6% (£600 on an investment of £100,000). Any foregone interest arising from the issue of the loan is expected to be minimal in value.

## 5 Recommendation

5.1 It is recommended that the Portfolio Holder agrees the issue of the loan to the Parish Council as described in the body of this report.