

Godstone Parish Council

(incorporating the Villages of Godstone, South Godstone and Blindley Heath)

Clerk to the Parish Council

S Endersby

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MINUTES

of the Meeting of the Finance Committee held on **Tuesday 20 July 2021** at **5pm** at **The Bounty**.

Members: Cllrs C Farr, C White and B Davis
Apologies: Cllrs D Stone and S Farr
In Attendance: Cllr J Gardner and S Endersby (Clerk)

Questions from Members of the Public - There were no members of the public present.

1. Apologies for absence

1.1 Apologies were received from Cllrs D Stone and S Farr due to health matters.

RESOLVED – The committee noted the apologies, and the meeting was deemed quorate.

2. Declaration of Interest – It was noted that all committee members are parishioners.

2.1 No pecuniary interests declared.

3. Consideration of Application for a Loan from the Public Works Loan Board (PWLB) in relation to the potential purchase of the current Parish office The Bounty.

3.1 The committee noted substantial information had been provided by email in relation to applying for a PWLB loan on 12 and 19 July 2021 to support the committee's discussion and full councils' decision.

3.2 It was confirmed that the Clerk had been asked to confirm each individual councillor's personal liability. The Clerk confirmed that the councillors have a responsibility to make sure the appropriate due diligence is completed for the council applying for a loan, but actually in the unlikely event the parish council defaulted on the loan, then individual councillors would not be liable for personal financial contributions for the repayment of the loan.

3.3 The committee asked what happens if a loan is applied for and then due to circumstance the loan was no longer needed.

ACTION FC7/21 – 1 – Clerk to clarify what would happen if having taken the loan the council then didn't need it.

3.4 The committee discussed if the EIP rate was a fixed rate

ACTION FC7/21 – 2 – Clerk to confirm if the EIP rate is a fixed rate.

3.5 The committee asked if the Scouts are VAT registered. The clerk confirmed that VAT was not paid on rental payments.

ACTION FC7/21 – 3 – Clerk asked to confirm due to a reference within the lease to VAT.

3.6 The committee noted that the stamp duty threshold to a commercial property is £150k.

3.7 The committee clearly stated that to date there has not been a sale price agreed, but for illustrative purposes only and to assist the discussion at this meeting, the committee based their discussion on a loan amount of £100,000 as an example and guide and considered the two repayment options available:

- i. **Annuity:** half yearly payments where each payment is of a constant amount inclusive of principal and interest (available on fixed rate loans only)
- ii. **Equal Instalments of Principal (EIP):** half yearly payments where each payment consists of a constant instalment of principal plus a diminishing amount of interest, calculated on the balance of principal then outstanding.

3.8 The committee noted the current rental amount is £625 per quarter, before and rent increase had been applied and noted what had been included in the FY2021/22 Budget plans:

Rent/Rates/Insurance

Bounty Rent Rent £625 per qtr. until July 2021 review - Q1 and Q2	1250
Bounty Rent Rent estimate of £644.32 (increase of 3%) per qtr for Q3 and Q4	1288.64

3.9 The committee considered that a 25-year term for the loan was an acceptable length of time and proceeded to consider the financial implication of a loan based on the current PWLB Fixed Rate Loans Estimated Repayment Costs* (*Information current and available at the time of the meeting):

Period	Annuity			EIP			
	Rate %	½ Yearly Cost (£)	Total Cost (£)	Rate %	Initial ½ Yearly Cost (£)	Reduces by each ½ year (£)	Total Cost (£)
Over 25 not over 25½	1.89	2,480.17	126,488.67	1.87	2895.78	18.33	124,310.00

- 3.10 Noting the rental increase proposed by the Scouts for The Bounty; the PWLB information considered, and the thorough discussion undertaken by the committee, it was concluded:
- i. A loan would be cost-efficient long term for the Parish council
 - ii. The lease states that there will be a rent increase every 5 years and there is no specified rent increase structure to enable the parish council to securely plan future financial rental obligations.
 - iii. A loan, subject to the loan criteria agreed, could be a fixed rate for a known number of years.
 - iv. A loan repayment would not require an increase in the precept each year above what would have to be included for rent annually in the budget anyway.
 - v. The EIP loan is less beneficial over 25 years when considering the ½ yearly costs.
 - vi. To provide the Parish council with an example of an estimated annual loan repayment cost, using the example figure of £100,000 this loan amount would be £4960.34*. The comparison of loan repayments and rental payments was considered.
 - vii. Other non-fixed income was likely to be available, but not a requirement to ensure the council could meet its repayment obligations.
 - viii. PWLB application fees were noted as £35.
 - ix. It could be considered that Legal fees be paid out of reserves rather than being added to the loan amount borrowed.

3.11 **It was proposed that the RECOMMENDATION to the Full parish council meeting be:**

- i. To proceed with applying for a loan on an Annuity 25-year length term;
- ii. Reserves be used to cover legal fees; and
- iii. No increase required to the precept due to taking a loan to purchase The Bounty.

RESOLVED – The councillors unanimously agreed the recommendation be to proceed in applying for a loan on an Annuity 25-year length term.

ACTION FC7/21 – 3 – Committee to report to full council at the meeting on 2 August 2021.

----- Meeting ended -----

Committee Chairman

Dated