

## Finance Committee report to extraordinary Council meeting: 4 October 2018

### FOUR YEAR PLAN

1 This report deals with a crucial issue that has arisen that will impact on the Council for four years and beyond, namely the draw down of the PWLB loan of £500,000. With the clear benefit of hindsight that draw down, which was undertaken in good faith and under pressure from the vendor, should not have taken place until contracts had been exchanged.

2 Immediately after the vendor notified the Council of his decision to sell to another party the PWLB were advised and asked to terminate the loan. They responded with advice that it was unusual for loans to be terminated within one year but based on their early settlement formula the penalty for settlement would be £123,487.55. This is clearly unaffordable and unacceptable so the PWLB have been urged to review the position (including giving consideration as to applying “cooling off” principles that apply to consumers’ financial products). In addition the local Member of Parliament has been briefed and asked to lobby on our behalf. The loan is a fixed rate loan at an interest rate of 2.78% with six monthly instalments of £9,284.88. The first instalment is due on 10 February 2019. The money is currently invested in the Council’s savings account which has the interest rate of 0.13% variable.

3 If it can be returned or repaid to the PWLB at reasonable cost it will be. If not there are a number of options for the Council to pursue all of which would be subject to the following principles:

- There would be no increase in the precept as a result of the loan over and above normal inflationary increases in the immediate future (five years at least)
- Public consultation would be undertaken on whatever route is recommended other than safe and secure treasury management options to improve interim interest rates, and should include consideration of risk.

4 In addition to any potential penalty cost by the PWLB/HM Treasury, the following costs, totalling £1544, have been incurred by the Council to develop the original proposal:

- Newsletter printing and distribution: £543
- Staffing for referendum: £258
- Public meetings: £57
- Legal fees: £425
- Staff time for preparatory work: £105
- Extraordinary Council meeting: £31
- PWLB fee: £125

Mr Forge is being pursued for these abortive costs including any PWLB penalty.

5 Residents have rightly raised a number of concerns, both immediately after the last Council meeting and also by email. Those issues are repeated below together with responses in italics:

- Did the Council have a mandate for the original decision because of the low numbers participating in the consultation exercise? *Low turnouts are common in all forms of election with the exception of Parliamentary elections. The participation of 14% of adult residents was significant especially in the light of the proportion in favour of the original proposal (6:1). A suggestion has been made that not all residents were consulted. This is totally false as arrangements were made to deliver leaflets to all homes in the Parish Council area*
- The Council has no mandate to use the £500,000 loan now that the purchase of the woods and Martello towers is not an option. *This is true which is why the Council is considering this report.*
- A claim has been made that the Council had stated that no interest would be paid on the loan with the suggestion that it would be underwritten elsewhere. *This claim is not true. This report makes clear that the Council is challenging the settlement figure and will take action in the light of the principles contained within the report.*
- The Council has not been transparent especially in dealing with matters raised after the last Council meeting. *Some issues were raised after the last Council meeting had been formally closed. Those issues were not therefore recorded in those draft minutes. The draft minutes will be submitted for approval at the Council meeting on 16 October 2018. Councillors present at that September meeting will be able to challenge the minutes' accuracy in the normal way. However this report, which openly includes those issues, will be made public after the Council has had the opportunity to discuss all options and facts in camera at the extraordinary Council meeting. It is normal for such matters to be held in private so that all options can be aired and debated. The Council remains committed to transparency but has to have room to consider the unthinkable in a calm environment.*
- The Council has stated that it will be seeking redress from the vendor, Mr Forge, even though that would be a waste of time because some of his businesses have gone into administration. *The deal was with Mr Forge personally and not with Westenhanger Castle, or any other businesses Mr Forge may be associated with. The Council will therefore pursue Mr Forge personally.*
- The early repayment would incur a redemption charge. Could a guarantee be given that that charge would not be paid from reserves? *This report attempts to deal with that issue. Depending on the outcome of negotiations and lobbying with the PWLB different solutions will be applied. As indicated above there will be extensive public consultation on any proposal.*

- The Council should not expend any monies other than essential costs such as wages, utilities etc until the impact of the draw down of the £500,000 has been discussed in public. *This report attempts to start that process. The Council will continue to run the popular services such as the library, park, flower displays, free toilet provision according to the original budget for the year.*

6 The Finance Committee has considered all of these issues at its meeting on 2 October 2018 and is of the unanimous view that the following courses of action are appropriate:

6.1 Await the outcome of negotiations and lobbying with the PWLB.

6.2 If there is no acceptable or affordable settlement the Council should retain the loan and deal with it in accordance with the principles set out in paragraph 3 above.

6.3 The Council will consider carefully any actions, including taking appropriate external professional advice, before taking further steps other than improving safe and secure treasury management.

6.4 The loan would be clearly and separately accounted for in the Council's accounts.