



BORROWING APPROVAL

TOWN COUNCIL MEETING

REPORT 68/13

9 SEPTEMBER 2013

The purpose of this report is to ask Members to approve a revised application for Borrowing Approval in view of the change of purpose from purchase of a building to its refurbishment.

No. DETAIL

1) BACKGROUND

- a) Members unanimously agreed to submit an Application for Borrowing Approval to the Department for Communities and Local Government (DCLG) in a total of £200,000 for the potential purchase of the Coastal Centre at its meeting of 18 March 2013.
 - b) The application was made in the first instance, as the process requires, to our County Association, the Isle of Wight Association of Local Councils (IWLAC), on 23 March. The DCLG requested some additional information by email on 2 May 2013 which was provided, also by email, on 4 May 2013.
 - c) Permission to borrow up to £200,00 was granted in a letter from the DCLG of 8 May 2013.
 - d) The permission was specifically for the purchase of the building as consequence of the then Isle of Wight Council's decision to sell the building on the open market.
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2) CHANGE OF PURPOSE

- a) The policy of the new Administration at County Hall following the County Council elections of 3 May 2013 means that the building is no longer for sale and, subject to Cabinet approval on at its meeting of 17 September, will be made available to the Town Council on a long term lease by early January.
 - b) In its Private Agenda discussion of the new situation, the Town Council unanimously agreed to request a change in the purpose of borrowing from purchase to refurbishment in a reduced amount of £150,000.
 - c) Following a request to the DCLG for the change of purpose it is clear that a new application is necessary in line with the new guidance for borrowing by Town and Parish Councils that became effective on 1 April 2013.
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3) REFURBISHMENT & RECONFIGURATION

- a) As part of the preparation of the Business Plan for the application to last year's Coastal Communities Fund, estimates were gathered from experienced trade organisations for each of the areas in which significant works are required.
 - b) A full listing of the consequently anticipated costs of making the building fit for its intended function as a Community and Economic hub for the town is provided to Members as Appendix A to this report on a confidential basis as the information is commercially sensitive.
 - c) Some £25,000 is the likely cost of the necessary outstanding repairs both externally and internally with the largest single item in this category being the treatment of damp in the basement area.
 - d) A further £36,000 is the combined total of works necessary to bring the building up to the current day standards of fire alarms, fire doors and the moving of the buildings central server from within the staircase area where it represents a fire hazard.
 - e) Reconfiguration of some of the room areas, including the removal of one staircase and the upgrade and installation of some new toilet and kitchen facilities is likely to require spend in the region of £30,000.
 - f) Necessary redecoration throughout of the 32 rooms, staircases and common and entrances will also involve significant costs.
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- g) The £150,000 total includes an amount of £10,000 as working capital and a £20,000 contingency provision as final costs will not be known until estimates for all necessary works have been obtained through processes set out in the Town Council's Financial Regulations.
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4) FUNDING

- a) Clearly the Town Council has always been keen to minimise any borrowing requirement.
 - b) The decision of the previous Isle of Wight Council not to release the building to the Town Council for the purposes set out in its local consultation meant that the grant applications to both the Coastal Communities Fund and Leader Funding had to be withdrawn.
 - c) The Leader Funding stream ended on 31 March this year but the Coastal Communities Fund bid has been resubmitted to this year's provision, in a total of £85,000. An application to the Big Lottery's Reaching Communities Funding stream is also in preparation.
 - d) A successful outcome from either or both of these would substantially reduce the actual borrowing requirement. The results, however, will not be known until early January and may be negative.
 - e) The application for Borrowing Approval is therefore to ensure that the Town Council is in a position to deliver the Community and Economic Hub project following the expected signing of the Lease Agreement in early January.
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5) LOAN REPAYMENTS

- a) The Borrowing Approval application proposes that its implementation would be with the Public Works Loan Board, the usual source of borrowing by Councils.
 - b) Its current fixed rate for a loan of £150,000 repaid over 25 years is 4.2%, involving yearly repayments of £9,750.
 - c) If the Coastal Communities Fund bid is successful, and the contingency is not required, a loan of £50,000 would be required involving yearly repayments over the same term of £3,250.
 - d) As with all other operational costs, any loan repayments will be recovered from the operational income from the building.
 - e) There is no proposed call on future Precepts other than that required for the Town Council to continue to rent its current room spaces at the same rates as those applying to all the building's future users.
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6) RECOMMENDATION

- a) An application for Borrowing Approval is not a decision to borrow: it provides the necessary permission for borrowing within the agreed total and for the stated purpose of the application.
 - b) Any decision to borrow would be the subject of a future decision of the Town Council.
 - c) Consequently, the Town Council is recommended to approve the attached application for Borrowing Approval and to authorise the Mayor and Town Clerk to sign it accordingly.
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