

Sevenoaks Town Council

Finance & General Purposes Committee 11th January 2016

Report relating to Potential Borrowing

The following was agreed at the Blue Skies event on 19th September 2015:-

C	Precept Increase	<p>Review requirements for increase of Precept noting 1% = £8k approx. Clear purpose to be identified. Including potential loan payments for additional projects to those previously identified.</p> <p>Also propose to invest into projects which were revenue generating – subject to Business Case to indicate how interest and capital would be repaid.</p> <p>At Blue Skies meeting 19.9.2015 unanimous agreement to above.</p>	Chairman of F&GP and TC to prepare paper for review November / December 2015.
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The Town Council published its £4m Community Investment Plan in November 2014 and included the following statement in relation to borrowing:-

A key aim of Sevenoaks Town Council is where possible not to borrow funds and to own freehold premises.

The Town Council has worked hard to put in place plans to realign its assets to obtain capital receipts to pay for the new community facilities within the Community Investment Plan.

These funds will take some time to obtain and there are complicated financial issues in relation to cash flow to undertake these projects.

In addition it might be of financial benefit to STC and therefore the local community if the Town Council undertook some of the development itself e.g. development of flats on the STC council site, however substantial cash flow would be needed for this.

It is therefore recommended that in relation to borrowing Sevenoaks Town Council considers the following principles:-

1. Where possible the Town Council will not borrow funds.
2. If the Town Council does need to borrow funds it should be over the shortest term possible, however reference will be made to the repayments and relation to the business plan for the reason for borrowing.
3. If the borrowing is needed to develop a facility the revenue income from the facility must be sufficient to cover the repayment costs.
4. If the borrowing is needed to facilitate cash flow to generate increased capital receipts for the Town Council the capital receipts when received would pay off the loan.

The Town Council is able to borrow funds at a low interest rate following appropriate approvals via the Public Works Loan Board. The interest rate is fixed for the term of the loan. A report relating to this process has previously been distributed to Councillors.

Cllr Robert Piper, Chairman of Finance & General Purposes Committee
Linda Larter, Chief Executive / Town Clerk