



# Northumberland County Council

Cabinet

Tuesday, 12 September 2023

Loan to Whittingham, Callaly and Alnham Parish Council

**Report of Councillor Richard Wearmouth, Deputy Leader and Portfolio Holder for Corporate Services**

**Lead Officer: Jan Willis, Executive Director for Resources & Transformation (S151)**

**1. Purpose of report**

1.1 The report provides details of a potential loan facility to Whittingham, Callaly and Alnham Parish Council (WCAPC) of £4,435 towards the capital reserve.

**2. Recommendations**

2.1 It is recommended that Cabinet:

- Approve a loan facility of £4,435 to WCAPC subject to the following:
  - WCAPC agreeing to the proposed terms and conditions; and
  - NCC's Legal Team completing a legal agreement with WCAPC in advance of any loan drawdown by WCAPC, containing the terms and conditions set out within this report.

**3. Link to Priorities of the Corporate Plan**

3.1 The report is aligned to the priorities outlined in the Corporate Plan 2023-26.

**Achieving value for money:** *"We must ensure we are delivering Best Value through efficient, effective and accessible services that respond to and meet the needs and expectations of our residents. "*

**4. Key issues**

4.1 The Council has been approached for a loan facility of up to £4,435 from WCAPC.

4.2 The proposed loan facility would be subject to the terms and conditions identified within the main body of the report.

4.3 The loan request was considered by NCC's Risk Appraisal Panel on 6 July 2023. The panel were supportive of the loan subject to the terms and conditions set out being agreed with WCAPC.

**5. Background**

- 5.1 WCAPC is a Parish Council in Northumberland covering the three former separate parishes of Alnham, Callaly and Whittingham.
- 5.2 WCAPC made an error on their 2023-24 precept form whereby instead of entering the full precept required for the year, the increase in the precept from 2022-23 to 2023-24 was entered. This has resulted in WCAPC only receiving a £600 precept rather than £5,035.
- 5.3 A substantial proportion of the 2023-24 precept is planned to be used to hire a Clerk for WCAPC. The Clerk role is currently filled by a Parish Councillor. The remainder of the precept will support planned expenditure within the parish area during 2023-24.
- 5.4 In order to compensate for the shortfall in the precept, the chairman of WCAPC has requested a loan facility of £4,435 from the Council. The loan repayments will be deducted directly from WCAPC 2024-25 precept. In order to make the repayments WCAPC will increase their precept in 2024-25.

## **6. Financial Appraisal**

- 6.1 No financial appraisal has been carried out as the loan repayments will be deducted from the precept which means that there is no financial risk. The WCAPC precept form for 2024-25 will be reviewed to ensure the precept has been increased sufficiently to enable WCAPC to make the loan repayments.

## **7. Key Risks**

- 7.1 Given that the repayments will be deducted directly from WCAPC precept the risks associated with this loan are minimal.

## **Subsidy Control**

- 7.2 The provision of a loan at less than market rate will constitute a Subsidy. The Subsidy Control Act 2022 came into force from 4 January 2023, with the rules applying to awards of financial assistance made by public authorities to businesses and any other organisations engaged in economic activity.
- 7.3 It is proposed to charge the Parish Council an interest rate of 7.13%. This is deemed to be comparable to a market rate of interest therefore there are no subsidy implications.

## **8. Summary**

- 8.1 Due to the error made by WCAPC and the incoming clerk appointment WCAPC the proposed loan is required for upcoming expenditure in 2023-24. Without the loan WCAPC would not have the funds to hire a Parish Council Clerk.
- 8.2 The risks associated with this loan are minimal. There is no risk of bad debt as the repayments will be deducted directly from the precept.

8.3 In light of the Subsidy Control requirements it is suggested that an interest rate of 7.13% would be appropriate.

## 9. Loan terms and conditions

9.1 WCAPC have requested financial assistance of £4,435. As this request for financial assistance did not form part of the Council's Medium Term Financial Plan and the Council faces its own financial challenges the Executive Director - Transformation and Resources suggested that a loan of up to £4,435 would be the best option.

9.2 The loan will have the following terms and conditions:

- (a) Subject to condition 2, WCAPC can commence drawdown of the loan once NCC's legal department are in receipt of the signed legal agreement between the Council and Whittingham, Callaly and Alnham Parish Council; and the other conditions of the loan agreement are met.
- (b) Maximum loan value of £4,435.
- (c) Repayment of principal and interest will be deducted from the precept by the Council in 2024-25. The repayments will be deducted equally over two precept payments, the first in April 2024 and the second in September 2024.
- (d) WCAPC may repay the Loan in whole or in part at any time prior to the end of the loan term. In doing so they will provide notification in writing to the Council no less than 5 working days prior to the prepayment. Where necessary a revised payment schedule will be produced by the Council and issued to the Borrower.
- (e) The interest rate will be the 7.13% fixed rate over the term of the loan.
- (f) Note the loan will not be secured or guaranteed.
- (g) Compliance with the Subsidy Control Act 2022, by the identification of a complaint solution.

## 10. Legal Power to Grant the loan

10.1 The legal powers which enable the Council to enter into this Agreement and to make the loan available, are under the Localism Act 2011.

## 11. Implications

<b>Policy</b>	We must ensure we are delivering Best Value through efficient, effective and accessible services that respond to and meet the needs and expectations of our residents.
<b>Finance and value for money:</b> eg: What are the financial implications and how will this be funded.	WCAPC will repay the loan in line with the payment scheduled issued by the Council. Interest on the loan will be charged at the rate of interest of 7.13%.  Provision of the loan will be funded from the Council's Capital Third Party Loan allocation within the 2023-24 Budget.
<b>Legal</b>	The proposal will be subject to a signed legal agreement.

	A compliant subsidy control solution has been identified prior to the loan agreement being entered into (and therefore funding drawn down) which ensures ongoing compliance with the Subsidy Control Act 2022  All other legal implications have been addressed within the body of this report.
<b>Procurement</b>	None
<b>Human Resources</b>	None
<b>Property</b>	None
<b>Equalities Act: is a full impact assessment required and attached?"</b> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>	The loan will allow WCAPC to operate as planned during 2023-24.
<b>Risk Assessment</b>	The perceived risks of the project are outlined in the report.
<b>Crime &amp; Disorder</b>	None
<b>Customer Consideration</b>	None
<b>Carbon reduction</b>	None
<b>Health and Wellbeing</b>	None
<b>Wards</b>	Rothbury;

## 12. Author and Contact Details

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## 13. Final Sign Off by Statutory Officers

Director of Law and Governance and Monitoring Officer	Date: 08/08/2023
Executive Director of Resources and Transformation (S151 Officer)	Date: 07/08/2023
Chief Executive	Date: 08/08/2023