



Northumberland County Council

Cabinet

Tuesday, 7 May 2024

Loan to Branxton Parish Council

Report of Councillor(s) Richard Wearmouth, Deputy Leader and Cabinet Member for Corporate Services

Responsible Officer(s): Jan Willis, Executive Director for Transformation and Resources (S151)

1. **Link to Key Priorities of the Corporate Plan**

This report is linked to the “Achieving Value for Money” value in the Corporate Plan 2023-26.

2. **Purpose of report**

This report provides details of a potential loan facility to Branxton Parish Council of up to £1,300 in support of their 2024-25 budget.

3. **Recommendations**

3.1 Cabinet is recommended to:

- a) Approve a loan facility of up to £1,300 to Branxton Parish Council subject to the following:
 - Branxton Parish Council agreeing to the proposed terms and conditions;
 - Branxton Parish Council confirming the amount required following the outcome of donations from residents; and
 - The Council’s legal team completing a legal agreement with Branxton Parish Council in advance of any loan drawdown.

4. **Forward plan date and reason for urgency if applicable**

This report was added to the forward plan on 8 April 2024.

5. Background

- 5.1 Branxton Parish Council is a Parish Council in Northumberland covering the parish of Branxton.
- 5.2 Branxton Parish Council became inquorate during 2023-24 due to the resignation of a Parish Councillor. As a result the Parish Council were unable to set their 2024-25 budget and Precept in time to meet submission deadlines to the Council.
- 5.3 On 6 March 2024 a candidate was elected unopposed and the Parish Council is now quorate. There will be a shortage of funds to cover the running costs in 2024-25 due to the Parish Council not receiving a precept.
- 5.4 At present the Parish Council has a useable bank balance of £491 and the predicted expenditure for 2024-25 is £1,561, this leaves a cash shortfall of £1,070. The Parish Council require cash funds of up to £1,300 to cover the shortfall and leave a balance of £230 for any unforeseen expenditure.
- 5.5 The Parish Council is requesting donations from residents equivalent to what would've been the precept charge for 2024-25 (£20.58 per resident, based on band D). If all residents choose to donate then this would cover the cash requirements for 2024-25. As a contingency, the Parish Council have requested a loan from Northumberland County Council, up to a maximum of £1,300. If all residents choose to donate then no loan will be required and if no residents donate then the full loan value of £1,300 will be required.
- 5.6 Due to the proposed loan being used for revenue purposes there is no requirement for the Parish Council to seek approval from the Secretary of State.
- 5.7 The loan repayments will be deducted directly from Branxton Parish Council's 2025-26 precept payments from the Council, which will be made in April and September 2025. In order to have sufficient funding available to make the repayments the Parish Council will increase their precept in 2025-26 by a corresponding amount.
- 5.8 The proposal was approved at Risk Appraisal Panel on 25 April 2024.

6. Financial appraisal

- 6.1 No financial appraisal has been carried out as the loan repayments will be deducted from the precept. The precept form for 2025-26 will be reviewed to ensure the precept has been increased sufficiently to enable Branxton Parish Council to make the loan repayments.

7. Key risks

- 7.1 Given that the repayments will be deducted directly from the precept the risks associated with this loan are minimal. There is a risk of non-repayment of the loan if the Parish Council became inquorate again, however as the maximum loan value is £1,300 Northumberland County Council's exposure is minimal.

8. Subsidy control

- 8.1 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.

- 8.2 There are two routes to subsidy control compliance:
- a) If the loan is offered at a rate that is the equivalent to that which a commercial investor would offer then there will be no advantage to a specific enterprise, such that the definition of a subsidy is not met and therefore there would be no Subsidy if the loan is offered at this rate. Any rate lower than this will constitute a Subsidy.
 - b) Under section 36 Subsidy Control Act 2022, an enterprise (Branxton Parish Council) can receive up to £315,000 by way of minimal financial assistance over the applicable period. The applicable period is the elapsed part of the current financial year together with the two immediately preceding financial years. In order to rely upon this Branxton Parish Council would need to sign a declaration and the Council and Branxton Parish Council comply with the requirements set out in section 37 Subsidy Control Act 2022. This is a process the Council is familiar with. For this exemption the subsidy would be calculated with reference to the interest rate that could have been achieved on the market, compared to the interest charged, with the saving being the subsidy.
- 8.3 It is proposed to charge the Parish Council an interest rate of 6.56%. This is deemed to be comparable to a market rate of interest therefore there are no subsidy implications.
- 8.4 The interest rate of 6.56% would cover Northumberland County Council's cost of borrowing to fund the loan.

9. Loan terms and conditions

- 9.1 The loan will have the following terms and conditions:
- a) Branxton Parish Council can commence drawdown of the loan once the Council's legal department are in receipt of the signed legal agreement between the Council and Branxton Parish Council; and the other conditions of the loan agreement are met.
 - b) Maximum loan value of £1,300.
 - c) Repayment of principal and interest will be deducted from the precept by the Council in 2025-26. The repayments will be deducted equally over two precept payments, the first in April 2025 and the second in September 2025.
 - d) Branxton Parish Council 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 6.56% 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

Policy	The loan proposal is in line with the “Achieving Value for Money” value in the Corporate Plan 2023-26.
Finance and value for money	<p>Branxton 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 6.56%%.</p> <p>As the loan is a revenue loan and the interest receivable will cover any resulting interest payable there is no budget requirement.</p>
Legal	<p>The proposal will be subject to a signed legal agreement. A compliant subsidy control solution will be identified prior to the loan agreement being entered into (and therefore funding drawn down) to ensure ongoing compliance with the Subsidy Control Act 2022.</p> <p>All other legal implications have been addressed within the body of this report.</p>
Procurement	None
Human resources	None
Property	None
The Equalities Act: is a full impact assessment required and attached?	<p>No - no equalities issues identified</p> <p>No equality issues identified</p>
Risk assessment	The risks of this proposal are outlined in the report.
Crime and disorder	None
Customer considerations	None
Carbon reduction	None

Health and wellbeing	None
Wards	Wooler;

12. Background papers

Not applicable

13. Links to other key reports already published

Not applicable

14. Author and Contact Details

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