

Agenda Item: 9

Report to: Full Council

Date: Wednesday 16th December 2020

Subject: Temporary Bridging Loan

Summary: To consider temporary borrowing to bridge cashflow gap until year end.

Decision Required:

To consider recommendation from Finance & Human Resources Committee to apply for a temporary loan from Tonbridge & Malling Borough Council in the sum of £60k.

1. Background

Over the course of the financial year it has been reported to the Finance & Human Resources Committee that the Parish Council no longer holds reserves for this financial year and the full amount of precept is being used as revenue funds, due to the lack of income caused by the COVID-19 government restrictions on sports and leisure facilities.

The Finance & Human Resources Committee were monitoring this and with the second lockdown the financial situation became untenable.

2. Financial Regulations

The financial regulations state the following:-

8. Loans and investments

8.1. All borrowings shall be affected in the name of the council, after obtaining any necessary borrowing approval. Any application for borrowing approval shall be approved by council as to terms and purpose. The application for borrowing approval, and subsequent arrangements for the loan shall only be approved by full council.

8.2. Any financial arrangement which does not require formal borrowing approval from the Secretary of State/Welsh Assembly Government (such as Hire Purchase or Leasing of tangible assets) shall be subject to approval by the full council. In each case a report in writing shall be provided to council in respect of value for money for the proposed transaction.

8.3. The council will arrange with the council's banks and investment providers for the sending of a copy of each statement of account to the Chairman of the council at the same time as one is issued to the Clerk or RFO.

3. Bridging Loan from TMBC

At the November Finance & Human Resources Committee meeting it was reported that there may be a temporary interest free loan available from Tonbridge & Malling Borough Council in the sum of approximately £60k to use as a safety net should income not cover expenditure to the financial year end. This would be paid back in two tranches when the precept is paid in 2021/22.

The budget for 2021-22 has taken into account repaying the £60k in the event that the council has to use all of the funding in order to maintain its position until the year end.

4. Officer and Council responsibilities

The council is responsible in law to ensure that its financial management is adequate and effective and that the council has a sound system of internal control which facilitates the effective exercise of its functions, including arrangements for the management of risk.¹

The clerk's role is to research and provide the information to the council.

Clerk job description point 8 and 9 shows these duties as follows:-

8. *To study reports and other data on activities of the Council and on matters bearing on those activities. Where appropriate, to discuss such matters with administrators and specialists in particular fields and to produce reports for circulation and discussion by the Council.*
9. *To draw up both on his/her own initiative and as result of suggestions by Councillors proposals for consideration by the Council and to advise on practicability and likely effects of specific courses of action*

An allegation was made at the Finance and HR Committee that the clerk had acted outside of powers and applied for a loan on behalf of the council. An application has not been made.

The clerk has researched the matter of short-term cash flow issues (under the duties described in the job description above) and taken advice from the

¹ Financial Regulations para 1.2

Director of Finance at TMBC before putting the suggestion to the Finance and HR Committee to consider recommending to full council.

The Finance and HR Committee has reviewed the information provided and recommended that the loan is applied for by full council.

5. Application Process

There is a member approval required at TMBC which means that once an application is approved by the full council of Kings Hill and submitted to TMBC there is no guarantee of approval and it must go before TMBC members.

Should no further lockdown government restrictions apply and income improves at the Community Centre and Sports Park there will be no need to use these temporary funds however a prudent approach is recommended to act as a safety net. The situation is completely unpredictable in the current global pandemic conditions and prudent financial management is advised.

If the application is successful the funds will be repaid to TMBC in two parts, £30K in April and £30k in September, at the time of the precept payment being made.

6. Risks to Kings Hill Parish Council

The temporary loan is interest free, therefore there is no additional cost to the parish council for holding cash to cover a cashflow emergency and best value exists.

There could be a reputational risk to the council for taking out a loan due to the well documented financial position the council finds itself in.

There is a risk that councillors could vote to use this money for additional projects or payments which would jeopardise the parish council's ability to pay back the funds.

There is a risk that Lockdown could continue further and all the funds are used to sustain the council and it has to use the precept to repay the funds, although this eventuality has been budgeted for in 2021/22.

Decisions Required:

To consider recommendation from Finance & Human Resources Committee to apply for a temporary loan from Tonbridge & Malling Borough Council in the sum of £60k.

Contact Officer: Georgina Jackson, Deputy Clerk

Date: 7th December 2020