

TONBRIDGE & MALLING BOROUGH COUNCIL
FINANCE, INNOVATION and PROPERTY ADVISORY BOARD

06 January 2021

**Joint Report of the Chief Executive and
Director of Finance and Transformation**

Part 1- Public

Matters for Recommendation to Cabinet - Non-Key Decision

1 KINGS HILL PARISH COUNCIL – REQUEST FOR ADVANCE OF PRECEPT MONIES

A request has been received from Kings Hill Parish Council for an advance of part of the 2021/22 local precept. Members are asked to consider the request and make a recommendation to Cabinet, via Overview and Scrutiny Committee, accordingly.

1.1 Introduction

1.1.1 We have been approached by Kings Hill Parish Council to advance a sum of £60,000, effectively as a very short term interest free loan.

1.1.2 The request dated 17 December 2020, follows a meeting of the Full Council of the Kings Hill Parish Council (KHPC) on the evening of 16 December and is attached at **[Annex 1]**.

1.1.3 Members will note from the request that the parish council relies on almost half of its income from a suite of community facilities; and this income has been decimated due to the pandemic. Despite a large proportion of the income being lost, the costs of maintaining the facilities have (in the main) remained. KHPC acknowledges that this is an unusual request, but clearly there are exceptional circumstances which no-one could have predicted.

1.1.4 Payment has been requested by 31 January in order to support the cashflow and avoid the situation of KHPC having no funds available to discharge its liabilities.

1.2 Process

1.2.1 KHPC has factored this shortfall into its precept considerations for 2021/22 and therefore effectively the temporary 'loan' is an advance of part of the precept payment.

1.2.2 TMBC pays the annual precepts to parish councils in two instalments – the first in April, and the second in September. Annex 1 notes that KHPC suggests that the advance would be repaid in two instalments – April and September.

- 1.2.3 Effectively, if Members are agreeable, the Director of Finance & Transformation will deduct £30,000 from each of the precept instalments and pay the net balance to KHPC in April 2021 and September 2021 as normal. The advance will be conditional on this mechanism being implemented. **Doing it this way means there is no financial risk to the Borough Council.**
- 1.2.4 Of course, the cash advance means that TMBC is not able to earn investment income on the sum; but as Members are aware with interest rates so low coupled with the fact that the term is short, this has minimal financial implications.
- 1.2.5 We have reviewed the Council's Constitution in liaison with Legal Services and this falls within the Budget and Policy Framework. As a result this is an Executive decision and recommendations from this Board will be referred to the meeting of Cabinet on 26 January 2021.
- 1.2.6 As Members will understand, any decision of the Cabinet can be subject to 'call in' by the Overview and Scrutiny Committee. Bearing in mind the timescale (31 January) requested for payment of the advance (if agreed), comments from Overview and Scrutiny Committee in advance of Cabinet would avoid any potential issues arising.
- 1.2.7 In liaison with Legal Services, we propose that we report directly to the Overview and Scrutiny Committee at its meeting on 19 January 2021 in order to seek that Committee's consideration of the recommendations. This would mirror the arrangements we have in respect of the Revenue and Capital Estimates whereby O&S Members are requested to make their recommendations directly to Cabinet.
- 1.2.8 Any comments or recommendations from this Advisory Board will be reported to the Overview and Scrutiny Committee to assist Members in their considerations.

1.3 Legal Implications

- 1.3.1 The financial assistance provisions of ss.137-137A Local Government Act 1972 makes clear that we can make payments to the funds of any body which provides a public service (s.137(3)(b)), or to defray the costs of another local authority (s.137(2)). It is apparent from s.137(4B)(e) that this can be in the form of a loan/advance.

1.4 Financial and Value for Money Considerations

- 1.4.1 An 'interest-free' advance of the sum requested by Kings Hill Parish Council for the short timescale set out in paragraph 1.1 has minimal financial implications for TMBC.
- 1.4.2 It is traditional for all parish precepts to be paid to parish and town councils in two parts i.e. half in April and half in September. The advance will be recovered by way of deduction from those precept payments – i.e. £30,000 in April 2021 and the remaining £30,000 in September 2021.

1.5 Risk Assessment

- 1.5.1 In terms of repayment of the advance, there is no risk to TMBC as the advance will be automatically recovered through the payment of precept as set out above.
- 1.5.2 If the advance is not approved, the risk for the parish council is that they may not be able to cover payments that fall due before the commencement of the new financial year 2021/22, including employment costs. This could put local public services at risk.

1.6 Equality Impact Assessment

- 1.6.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

1.7 Policy Considerations

- 1.7.1 Community

1.8 Recommendations

- 1.8.1 Members are asked to **CONSIDER** the request from Kings Hill Parish Council for an advance of £60,000 and to **RECOMMEND** accordingly to Cabinet, via the Overview and Scrutiny Committee.

Background papers:

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Nil

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