

Report to Leigh Parish Council - Business case for establishing a Village Green in Leigh, using a loan for the purchase of 99 year lease on a 4.03 acre field

References:

- A. Department for Communities and Local Government: Legal Topic note 55 dated 1 April 2015 https://www.alcshropshire.co.uk/sites/default/files/dclg_-_borrowing.pdf
- B. Minutes of Leigh Parish Meetings accessed via www.leighvillage.org.uk/parish-council/documents/minutes/
- C. Publicity articles placed in the Wriggle Valley Magazine accessed via <http://wrigglevalleymag.blogspot.com/>
- D. Results of Leigh Parish Poll 22 June 2017 www.dorsetforyou.gov.uk/councillors-committees-elections/elections-and-voting/pdfs/declaration-of-result-of-poll-parish-of-leigh.pdf
- E. PWLB Loans - repayment costs calculator <https://www.dmo.gov.uk/data/pdfdatareport?reportCode=D9A.1>
- F. Leigh Village Website www.leighvillage.org.uk

Introduction

Leigh Parish Council (LPC) has for three years sought to purchase a 4.03 acre field adjacent to the Leigh Village Hall DT9 6HL in order to establish a c.2 acre Village Green (with the remaining 2 acres being left as agricultural land). A plan is at Annex A¹. This would secure the area as an open, green space for future generations that anyone could use for short term occasional activities such as village events, picnics, informal family games and other such activities that families without access to a suitable garden might otherwise not be able to enjoy.

The addition of a Village Green, adjacent to the existing Village Hall and recently re-sited and refurbished Playpark, will collectively provide a trio of facilities that will act as a mutually supporting hub at the centre of the village, enhancing the community.

LPC borrowing requirement

The owner of the 4 acre field has recently agreed to sell to LPC a 99 year lease on the above field for £30,000, subject to an undertaking by LPC as to its intended use. Total costs including purchase costs and necessary ground works are anticipated to amount to £45,000. Annual rent would be one peppercorn.

Professional advice has been sought regarding this sum being a fair value. A report to the LPC (see Annex B - Jackson-Stops valuation report dated 29 December 2018) has confirmed that this is indeed the case.

LPC currently has some £8000 of unallocated cash reserves. £5000 of this is immediately available towards the costs of the purchase. LPC accordingly intends to borrow the remaining £40,000 from the UK DMO Public Works Loan Board (PWLB) for 20 years. This is deemed affordable without any associated need to increase the current precept.

Full details are below. This business case is written to demonstrate suitable justification for such a borrowing application.

¹ At the north border of the field, the boundary shown may not be absolutely correct. The boundary possibly lies at the south side of the public footpath (maintained by DCC) that runs parallel to the road. Batters solicitors are in the process of clarifying the situation.

Background

Some 15 years ago, after the WW1 vintage corrugated iron village hall was condemned, a committee made up of local personnel² resolved to establish a modern, new Village Hall on a new site on what was then agricultural land in the centre of Leigh Village. This initiative was a resounding success; the build came 3rd in a national award scheme, and for the past 10 years the new Leigh Village Hall has been widely used, and continues to go from strength to strength.

The establishment of the new hall was funded by a combination of the sale of the old site for two starter homes, local fund raising, personal loans, and grants. Widespread self-help reduced commercially quoted costs by about 50%; and the 3.2 acres of agricultural land was bought for a nominal sum. The Village Hall Committee is now debt free, and makes an annual surplus through its hiring out to a wide variety of groups. LPC applauds the aforesaid committee, and enjoys a close working relationship with it.

LPC has recently secured a 50 year lease³ on part of the land owned by the Village Hall Committee in order to re-site the village play park. Prior to this, the playpark had been sited on land leased from a Leigh resident; this lease was due to expire in 2020, and notice was given by the freeholder in 2014 that it would not be renewed.

In 2016, LPC therefore commenced an active search for an alternative site; details are at Annex C. The refurbished playpark has now been successfully re-established (Phase 1) on land leased from the Village Hall, and the private land (restored to its natural state) returned to its owner. Phase 2 of the project (new slide) will be completed once the recently prepared mound has settled. Plans for a Phase 3 (addition of further equipment) are being developed; however, to date this third phase is currently only partially funded.

A Village Green for Leigh?

At the early stage of the above playpark project, an option was considered to co-locate it with a new village green - if such a community open space could be established on the 4 acres of agricultural land immediately to the west of the new Village Hall. However, this was likely to be a much bigger project than could be handled within the 2020 deadline set for the vacation of the playpark's old site (and might well have required a tripling of the Band D parish charge for 3 years). See Annex C for details.

Nonetheless, the Parish Council had noted considerable support, separate from the playpark issue, for the concept of a village green for Leigh. It therefore resolved to continue to investigate its feasibility, unconstrained by the aforesaid 2020 deadline.

Public consultation on the concept of a village green

Inevitably, some had voiced opposition to the concept. In respect of this, it was decided at the May 2017 Parish Meeting (Ref B-1: Leigh AGM Minutes dated 23 May 2017 – para 6 and 7) to hold a formal Parish Poll on the question 'Do you support the concept of a community open space for

² The Leigh Village Hall committee is entirely independent of LPC. LPC has no financial responsibility for the Village Hall, or the management thereof.

³ £1 per year for 50 years. This total £50 sum was paid by LPC at the start of the lease.

Leigh?’ (the phrase ‘community open space’ was used in case of any legal question regarding the phrase ‘Village Green’). To ensure there was clarity on what LPC was considering, articles were placed in the April 2017 Wriggle Valley Magazine (Ref C-1: April 2017 No 294 Page 20), and a one-page publicity notice was promulgated widely (Annex D) on parish noticeboards and telegraph poles etc. The village website (Reference F) was also utilised.

At the Parish Poll on 22 June 2017, 40.37% of the electorate turned out: 117 voted ‘Yes’, and 57 ‘No’ (Annex E, and Ref D). With this clear mandate, LPC at its July 2017 meeting (Ref B-2: Minutes dated 18 July 2017) agreed that the LPC Chairman should formally approach the owner of the field to ascertain its availability. However, after a considerable delay, the Chairman was notified by the owner’s agent that the land was not currently for sale. The village green initiative was therefore put on hold for the time being.

More recently however, following informal discussions between the Chairman and the field’s owner, on 23 January 2019 the owner’s agent wrote to the Chairman (Annex F) to state that the sale to LPC of a 99 year lease would now be acceptable, subject to an undertaking by LPC as to its intended use. LPC’s statement of intended use is at Annex G. This statement has been deemed acceptable to the vendor, and will be incorporated into the contract.

Public notice of this very recent development was given by placing an article⁴ in the March 2019 edition of the Wriggle Valley Magazine, available to all residents in hard copy and on the WVM website by 2 March (Ref C-2: March 2019 No. 313 – page 20). On 5 March, the same notice, including the intention to borrow, was publicised on the Leigh village website (Reference F). In both, residents were invited to attend a meeting to further discuss the issue with Councillors on 19 March 2019 (immediately before the 19 March LPC meeting). Notices were also displayed around the village (Annex L).

With the above public consultation actions spanning 3+ years, including the holding of a formal parish poll on the issue (which showed a clear majority in favour of the concept), it is considered that the requirements of Reference A with regard to the consultation of local residents has been properly satisfied.

Funding the purchase of a 99 year lease of the 4.03 acre field immediately to the west of Leigh Village Hall

LPC currently has no borrowings. For all its business, it runs a single bank account which is substantially in credit. It has no other separate reserves.

Within this single account, LPC manages its two – and now to be three – formal projects by allocating funds to associated sub-accounts⁵ with their own dedicated spreadsheets. All other annual income and expenditure is reflected in a Variance spreadsheet⁶.

At Annex H are details of the now 5 spreadsheets by which LPC manages all its finances. Not including the money ‘ring fenced’ for the Neighbourhood Plan project and the Playpark project

⁴ Due to the WVM monthly deadline, the hard copy article did not include the intention to borrow. However, this intention was included in the on-line version of the March 2019 edition (page 20).

⁵ Within its single account, the two ‘sub accounts’ are: to fund Neighbourhood Plan activity; to fund all Playpark activity. Project Village Green will add a third sub account.

⁶ This ‘Variance’ spreadsheet reflects the format used by the Dorset Association of Parish and Town Councils, which Dorset PCs are encouraged to adopt.

(detailed in the respective sub accounts), but before allocation of any funding to the Village Green project, LPC has to date some £8,000 of funds that are presently unallocated. There is therefore the capacity to immediately allocate £5,000 of this amount to a 'Village Green sub account'⁷.

Allocating £5000 to the Village Green sub account will therefore leave some £3,000 remaining immediately available to pay all anticipated recurring expenditure for the remainder of FY 2018-19. At the end of this FY, it is expected that this 'unallocated funds' figure will be c.£1500.

Funding in future years. As detailed at Annex C, due to the success in fundraising and grant application in respect of the re-siting of the playpark, within the FY 2019-20 budget (set in January 2019⁸), there is an anticipated £2,750 surplus for FY2019-20. See Ref B-3: Minutes dated 15 January 2019 – para 5 for details. Furthermore, unless allocated to another project, this annual surplus is assessed to be enduring; there are no other significant financial developments foreseeable that might otherwise consume this anticipated surplus. A loan that required this amount of annual service (principal and interest) could therefore be taken without any future increase to the precept⁹.

The lease of the field is offered for purchase at a sum of £30,000. A condition of the sale is that LPC pay all the vendors costs (as well as its own costs); the total costs of purchase are therefore assessed as being about £5,100. It is assessed at this stage that groundwork to make c.2.0 acres of the field useable as a Village Green will need about £10,000 (fencing, ground preparation, signage etc). Unless other sources of funding were found (unlikely in a short timescale) LPC will therefore need to borrow up to £40,000 to cover these costs.

The UK DMO Public Works Loan Board is made available to public bodies. It currently offers¹⁰ to lend £40,000 for a 20 year term at a fixed rate of c. 2.30%. This annual payment of principal and interest from the PWLB Annuity fixed rate scheme would be charged at £1,253.21 half yearly (total annual cost: £2,506.42). See Annex I / Ref E for details.

Looking forward 5 years, other than the Village Green project, there are no other significant initiatives that LPC is considering. Nor are there any changes beyond LPC's control that might be realistically foreseen to have a material impact on LPC's 5 year budget plans. See Annex J for details.

It is therefore well within LPC's financial plans to service such a loan, without any associated increase in precept.

Financial Risk assessment.

- The intended loan from the PWLB Annuity Fixed Rate Scheme is at a fixed rate of interest.
- Leigh's tax base has been increasing for the past 5 years. There is no reason to expect this trend to decline or reverse. The current precept can therefore be confidently expected to endure.
- If necessary, precept purchasing power can be maintained by annual increments reflecting the rate of inflation (2% is assumed in Annex J)
- Within the 2019-20 budget *et seq*, there is £1200 worth of annual discretionary spend (purchase of gates to replace stiles; grant to Church; subsidy of NORCAT transport). Despite

⁷ The Village Green sub account has been constructed on the assumption that this recommendation will be approved at the 19 March 2019 meeting.

⁸ The precept for 2019-20 was set at £8774. This translates into a 2% increase (to account for inflation) for a Band D property.

⁹ Although annual inflation linked increases will probably be required.

¹⁰ Exact rates are determined by UK DMO on the day a loan commences

the Village Green borrowing commitment, LPC expects to be able to continue to fund these grants. However, if necessary, these could be reduced to maintain a balance budget in future years.

- In FY 2019-20, £600 has been budgeted for LPC's possible share of the cost of the 4 yearly election for Parish Councillors. If there are fewer than 7 candidates, this cost will not occur (and in any event will then not re-occur until at least 2023/24)
- Of the agricultural land purchased under the 99 year lease, it is intended to sub-let c.2 acres to the tenant who currently farms it¹¹. While this will generate a small annual income, no account of this has been included in the above calculations, as it has yet to be agreed.

It is therefore assessed that the taking of a £40,000 loan for 20 years represents a minimal risk to the ongoing financial well-being of LPC.

Planning application for change of use to establish a village green

In order to ascertain the likelihood of approval being granted for a change of use for 2 acres of the 4 acre field in order to establish a village green, an associated 'pre-app' has been submitted to WDCC; acknowledgment of this was recorded by WDCC on 1 February (Annex K). Previously, informal enquiries have indicated that a planning application would be likely to be looked upon favourably.

If a response to this pre-app is unexpectedly discouraging regarding the likelihood of a formal application for change of use being approved, then it may be prudent for LPC to delay purchase of the field until the situation can be adequately clarified.

Conclusions

- The requirements regarding the modalities of applying for a loan for a parish council as detailed in Reference A have been fully complied with.
- The planned loan is entirely affordable for LPC for the foreseeable future. There is no associated need to raise the precept in order to service or repay this loan.
- There is minimal financial risk to LPC through the duration of the envisaged loan.
- Public consultation has been very thorough over a prolonged period. A formal parish poll in 2017 returned a 2:1 majority in favour of the concept. Residents have been forewarned of the plan to borrow (Annex L), and given an opportunity to engage with the parish council on this detailed plan.

Recommendations

Reference A stipulates the requirements a Parish Council must satisfy before it borrows money for the longer term. An 'Application to Borrow' must be resolved in a full Council meeting; and before a sum is borrowed, and an 'Agreement to Borrow' must be also resolved. These two requirements can be resolved at the same meeting.

At its meeting on 19 March 2019, LPC is therefore recommended to resolve to:

- Approve this business case for establishing a Village Green for Leigh, in particular noting and endorsing

¹¹ The field is currently let to Mr David Vincent. David Vincent is presently a Councillor on LPC. It is not considered there is a conflict of interest should Mr Vincent continue to rent the field at the market rate once LPC takes ownership of a 99 year lease.

- The affordability of servicing the planned loan
- The acceptability of the associated minimal financial risk
- Agree the 'statement of intended use' at Annex G
- Apply for formal 'borrowing approval' for a £40,000 loan, repayable over 20 years, and
 - authorise the Chairman and Clerk to sign a duly completed NALC application form
- On receipt of the 'borrowing approval', apply for a £40,000 loan from the UK DMO Public Works Loan Board. Loan to be applied for is an Annuity fixed rate loan (at about 2.30%), repayable over 20 years at a twice-yearly cost of about £1250.86.

Alan Bennett
Chairman, Leigh Parish Council
12 March 2019

Annexes

- A. Plan of 4.03 acre field immediately to the west of Leigh Village Hall.
- B. Jackson-Stops valuation report dated 29 December 2018
- C. Options for new playpark site, and associated funding for LPC capital projects.
- D. 'A village Green for Leigh?' publicity material dated 1 June 2017
- E. Notice of, and Declaration of result of parish poll dated 22 June 2017
- F. Symonds and Sampson email dated 23 Jan 2019 – acceptance of a £30,000 offer for a 99 year lease.
- G. Statement of intended use on LPC's purchase of the 4.03 acre field adjacent to and immediately to the west of Leigh Village Hall.
- H. LPC income and expenditure compared to budget 2018-19, and budget for 2019-20, together with state of sub accounts for Neighbourhood Plan, Playpark and Village Green – to date 15 March 2019.
- I. PWLB Annuity fixed rate loans – estimated repayment costs for a loan of £40,000
- J. Forecast of LPC estimated income and expenditure for the next 5 years.
- K. WDCC – acknowledgement of pre-app application dated 1 February 2019
- L. Notice dated 8 March 2019 of public meeting re: A Village Green for Leigh?