This loan application advice and guidance note MUST be read alongside the official NALC guidance and not on its own.

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| **01** | **RESOLUTION TO BORROW**   1. As per the official guidance the resolution to borrow must be taken at a full council meeting with all the members present. 2. The resolution needs to be written clearly into the minutes. It should read like the following example:   ***It was RESOLVED to seek the approval of the Secretary of State for Levelling Up, Housing and Communities to apply for a PWLB loan of £XXXXX over the borrowing term of XX years for the (INSERT PURPOSE OF LOAN). The annual loan repayments will come to around £XXXXX.***  If the Council will increase the council tax precept for the purpose of the loan repayments then it must add this additional sentence into the resolution to borrow:  ***It is also intended to increase the council tax precept for the purpose of the loan repayments by XX% which is the equivalent of an additional £XX a year. This will be subject to a precept increase consultation.***  If the Council will NOT increase the council tax precept for the purpose of the loan repayments then it must add this additional sentence into the resolution to borrow for the official record:  ***It is not intended to increase the council tax precept for the purpose of the loan repayments.***   1. The full minutes of this meeting must be submitted with your application and not just an extract of these. 2. It is also important that as soon as the resolution is taken, that the minutes are published on your website even in draft form. If this not possible then it is recommended that a formal announcement or notice is published on your website home page and perhaps in a central noticeboard/s for residents who may not have access to the internet.   The key underlying theme we will look for in every borrowing approval application is how open and transparent a parish/town council has been with their residents from the start of the project and associated borrowing application. We must see strong evidence of this throughout the application or approval may be delayed. |
| **02** | **BUDGET**  With your application we want to see your updated current year budget table which must show all your usual expenditure and income, including any loan/s that yourselves may already be paying off. Most importantly, the expenditure should balance off against the income. Any discrepancies must be explained such as short-falls. The reason we need to see the current year’s updated budget is because this is part of the evidence requirement but also because we need to assess the current financial picture of every parish/town council to decide if they are indeed in a healthy position to take on a new or additional loan.  With your application we also want to see a DRAFT budget for the subsequent year as we need to assess how your new loan repayments will impact on your overall expenditure and income going forward. This is also part of the evidence requirement and must be submitted. It must balance up and any discrepancies must be explained with narrative.  For example, if your annual loan repayments come to around £10,000 a year then there MUST be a line in your DRAFT budget table for this amount marked up as PWLB repayments. Or at the very least, the budget table provided must cover the first 6-monthly repayment which in this example would be around £5,000.  If you are paying off any existing loan/s, then this/these also need to be declared in your application and shown separately in your budget table/s.  In order to get further PWLB loan repayment calculations on the loan you are applying for now, please visit:  <https://www.dmo.gov.uk/data/pdfdatareport?reportCode=D9A.1>  In place of your DRAFT subsequent year budget table the alternative option you have is to produce a cash-flow forecast table showing the loan repayment provision over the next 3-5 years or so alongside your other income and expenditure. Although this will be a best-guess estimate, it would still give us a good insight to your forward financial planning, thinking and approach. It would also be very useful for the approving official. Many parish/town councils have been regularly providing these as part of their applications and these have proven very useful. *(An example is attached).*  If the financial information above is not provided we cannot be assured on the loan affordability aspect further down and therefore granting sign-off approval will become difficult and maybe delayed.  This is the most basic finance information that we request as part of the evidence requirement for this section. |
| **03** | **REPORT TO COUNCIL / BUSINESS CASE**  This part can vary depending on how big or small a project is, and the size of the loan that you are applying for.  In the first instance, the key document that should be supplied is known as the *Report to Council*. This is essentially a one or two page summary of the project and borrowing approval application showing the need, the costing and the benefit of the project. This must be the main document that is presented to the council members at the Resolution To Borrow meeting. This will be the crucial document that will inform them as to whether they wish to vote in FAVOUR of the resolution or AGAINST it.  In addition to the Report To Council, it is then up to yourselves to provide any other useful and additional documents and/or annexes that will help us better understand your project in terms of the needs, the costings, the timeline, workplan, project plan, designs, illustrations, title deeds, valuations, surveys, estimates, quotations, planning consents, etc.  We also like to see evidence or confirmation that the business case information has been shared with the residents in one form or another. For example, we prefer to see it published on your website. |
| **04** | **LOAN AFFORDABILITY**  This section goes hand-in-hand with Section 2 (Budget) as above. If you have adequately shown your loan repayment provision for the loan that you are applying for and any existing loan/s alongside all your usual expenditure and income which all balances out then we can be reasonably confident your loan affordability matter has been covered off.   * **It is also important to highlight for this section what mitigation action would need to be taken if the parish council was to default on the loan. We like to call this the Plan B scenario. So hypothetically, if the parish council were to face any future financial difficulty in the next 3-5 years how would it go about honouring the new loan repayments. Would it call upon its reserves? Would it rely on any other income or future grant? Would it re-adjust its budget to cut back on other expenditure? Would it look to increase its precept? *A short narrative on this needs to be supplied as part of your application paperwork.*** * **You should also highlight your reserves and what other capital you have. *A statement or cover note to this effect must be supplied.***   Essentially for this section, we want to see how your existing loan repayments (*if applicable*) and how your new loan repayments will look and balance out against your existing income and expenditure which is why the updated draft budget table or the cash-flow forecast table as requested in Section 2 above are an important requirement. They will help us to assess the affordability element.   * **If you have also secured funding from elsewhere for your project, please send through and/or detail where the other pots of funding are coming from and whether any award/offer letters have been received. We just want some assurance as to how secure or guaranteed the other sources of funding are.**   This is a basic affordability check that we must carry out to ensure that the current finances are strong. We would not want to put any parish /town council in any financial hardship. It is the most basic finance requirement for each application that we assess, whether it is for £50,000 or £500,000. |
| **05** | **PARISH COUNCIL TAX PRECEPT INCREASE - (if applicable)**  If your council tax precept is being increased for the repayment of the loan then this section and Section 6 will be crucially important to take note of.  In order to meet the evidence requirement for this section, the parish/town council must provide detailed clarity on THREE key points.   * **By how much in PERCENTAGE terms is it increasing the council tax precept? Is it 5%? 10%? Or 15% for the year on a Band D dwelling?** * **By how much in MONETARY AMOUNT is it increasing the council tax precept for the year on a Band D dwelling? Is it £5 a year? Is it £10 a year? Or is it £15 a year?** * **For example; if the council tax precept increase will be £10 a year then will the full £10 amount be for the loan repayments? Or will it be £5 a year for grass-cutting and £5 a year for the loan repayments. Perhaps it might be £2 a year for the allotments and £8 a year for the loan repayments. It is important to be clear in the application details about this.**   There is nothing wrong with increasing your precept EVEN if it is not for the purpose of repaying the PWLB loan. But this must be made clear in writing with your application. |
| **06** | **PARISH COUNCIL TAX PRECEPT INCREASE – Public Consultation - (if applicable)**  As it's mentioned in the official guidance, if a parish or town council intends to increase its council tax precept for the purpose of repaying the loan then it MUST show evidence of public support of this in order to get the loan approved by DLUHC.  The evidence of public support can only come from a council tax precept increase survey, poll or consultation, which needs to be run at the earliest possible opportunity.  We do not expect a full referendum to be carried out, but just a small, basic low-cost poll, survey or consultation.   * An online survey can be set up via the Survey Monkey online survey software. This can then be linked to the website of the parish/town council. All the households must be informed that the survey has been set up so they can take part. It just needs to be a simple YES/NO survey. If your application is for under £100,000 and the precept increase is under £5 a year we can probably accept a 2-3 week survey. For applications over £100,000, the survey/consultation must run for at least ONE MONTH and it must have a deadline. The results must be sent with your application. * You can also choose to distribute a consultation/survey fliers to all households in your area. They just simply need to have a YES / NO tick box to indicate whether or not the residents are in favour of the precept increase. For applications over £100,000, the survey/consultation must run for at least ONE MONTH and it must have a deadline. A copy of the flier and the breakdown of the results needs to be sent with your application. * You can also choose to have the consultation/survey fliers inserted into your magazine/bulletin/newsletter to be distributed to all households. It just simply needs to have a YES / NO tick box to indicate whether or not the residents are in favour of the precept increase. For applications over £100,000, the survey/consultation must run for at least ONE MONTH and it must have a deadline. A copy of the flier and the breakdown of the results needs to be sent with your application. * You can also choose to have one or more public meetings or open days, where the details of the project, the PWLB application and the council tax precept increase can be presented clearly and openly to the residents. They could then be issued with YES / NO slips to take away to VOTE on the precept increase element. Or you can choose to have residents raise their hands in support there and then. Again, the results should be carefully recorded and then submitted with the application.   Below are the two preferred YES/NO questions to ask in your survey/consultation activities for the purpose of the borrowing approval application:   * **Are you in favour of XXXXX Parish Council proceeding with the (INSERT PROJECT NAME)? YES / NO** * **Are you favour of XXXXX Parish Council proceeding with the (INSERT PROJECT NAME) if it includes a council tax precept increase of XX% which is the equivalent of an additional £XX a year for the purpose of the annual loan repayments? YES / NO** |
| **07** | **GENERAL PUBLIC CONSULTATION ON PROJECT & BORROWING APPLICATION**  Where there is council tax precept increase for the purpose of the loan repayments then we tend to focus heavily on Evidence Checklist Point 6, but we do still like to see some evidence of general project consultation and/or updates to the residents on the project and associated borrowing approval application.   * **If there is no council tax precept increase survey requirement then all the focus will fall onto this section.**   General project consultation activities could be one or more of the following:   * **Ongoing dedicated website page showing updates to the project and associated borrowing approval application as both progress.** * **Monthly/quarterly newsletters giving updates on the project and application.** * **Monthly/quarterly magazine articles giving updates on the project and application.** * **Local press/media coverage of the project.** * **Public open days and presentations to the residents on the project.** * **Online or paper surveys for the residents about the project.**   Within the general public consultation we must see evidence of local residents being informed of:   * **The need, costs and benefits of the project** * **The total amount to be borrowed by the council to finance the project** * **The opportunity for residents to express their views in favour/ against the project and borrowing requirement (and any feedback shared with DLUHC)**   Any plans to increase the precept for the purpose of loan repayments should be clearly communicated as demonstrated within Evidence Checklist Point 6.  Generally it is at the discretion of the Council to decide which consultation activities would be utilised to inform residents which will vary depending on the nature and size of the project/ borrowing. It is expected for all applications exceeding £500k as a minimum that an online/ paper survey is conducted and the feedback is collated and shared.  All documents, materials produced for your consultation exercises should be submitted as part of your application including any results and feedback from residents**.** |
|  | We are happy to discuss any aspect of your application, project and evidence requirement process prior to submitting the application if you wish. But, of course, all the information will need to be followed up by yourselves in writing via email in order for the team to prepare the paperwork for approval.  IMPORTANT NOTE:  Some details of your application will be shared with the Public Works Loan Board (PWLB) to assist with your separate application to them when it comes to drawing down your approved loan.  Kind regards  **The Parish Borrowing team**  Department for Levelling Up, Housing and Communities  Local Government Finance  2 Marsham Street, 2nd Floor, Fry Building, South East Quarter, London, SW1P 4DF |