



Department for Levelling Up,
Housing & Communities

DLUHC – Parish Borrowing

The following slides should be read in conjunction with the Parish and Town Borrowing Application Form and Hints and Tips Guidance to assist Councils in submitting their borrowing applications

Overview

What is Parish and Town Council borrowing?



The Local Government Act 2003 enables parish and town councils to apply to the Secretary of State for permission to borrow from any lender.



When an application is submitted to the Department it is assessed against seven criteria established by DLUHC.



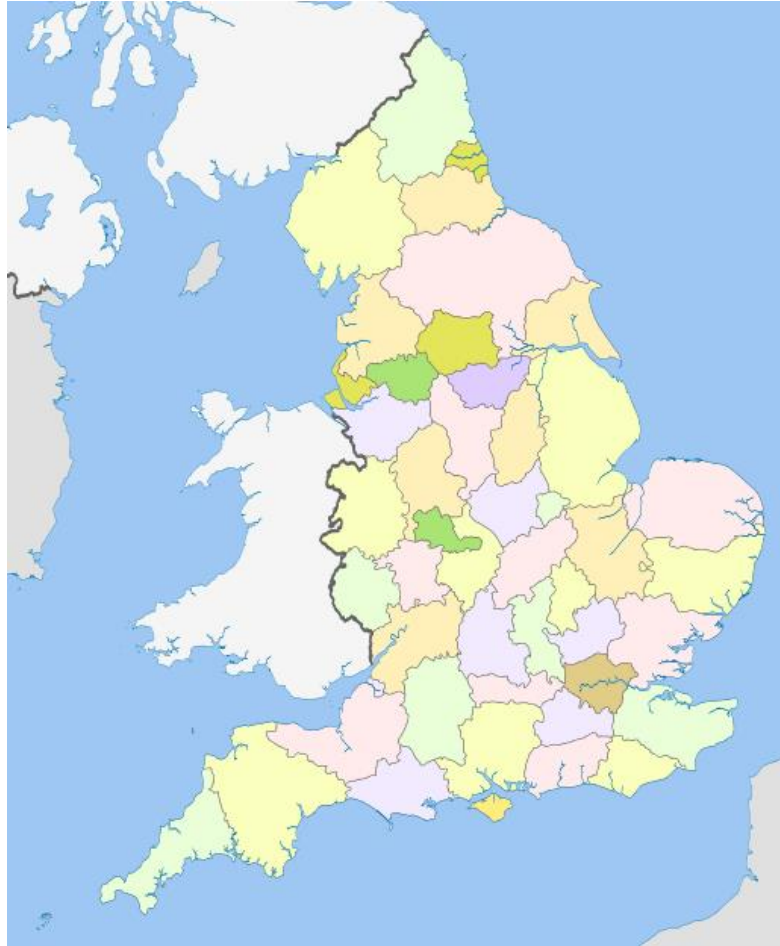
Based on the evidence provided, the Department will decide whether to approve the application or to seek further evidence. In some circumstances an application may be rejected.



Where approval to borrow is given an approval letter is issued containing;

- maximum amount of money that can be borrowed,
- the purpose for which the money may be used,
- the period within which the loan has to be drawn down (12 months), and the;
- maximum period within which the borrowing must be repaid (set by the authority).

Who can apply?



Any Parish or Town
Council in England

Why borrow?

For capital purposes only

Capital Expenditure

1. Giving financial assistance (grant) to any person, whether for use by that person or by a third party. Please note that expenditure must be incurred by the authority.
2. Expenditure incurred on works to a land or building.
3. Acquisition, production or construction of assets for use by or disposal to a person other than the LA.
4. Initial costs of acquisition and construction, and costs incurred subsequently to enhance, replace part of, or service the asset.

NOT Capital Expenditure

1. A parish council cannot give a loan to another person or third party. This would not classify as capital expenditure.
2. Investment in a money market fund.
3. Investment in the shares of a company.
4. Acquisition of shares in an investment scheme.
5. Day-to-day servicing (i.e. repairs and maintenance) if they do not add to the future economic benefits or service potential of the asset.

When to apply?

- All councils are encouraged to let their County Associations know of their borrowing requirements as soon as possible.
- Councils should not apply for borrowing approval until all negotiations have been completed and all other consents (e.g. planning permission and precept consultation) have been obtained.
- This is because other consents, such as planning permission, usually take a few months to be secured. As these components are key to the assessment of your application, without it, your application will be put on hold.

How much can a council borrow?

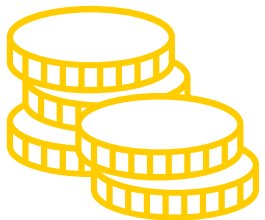
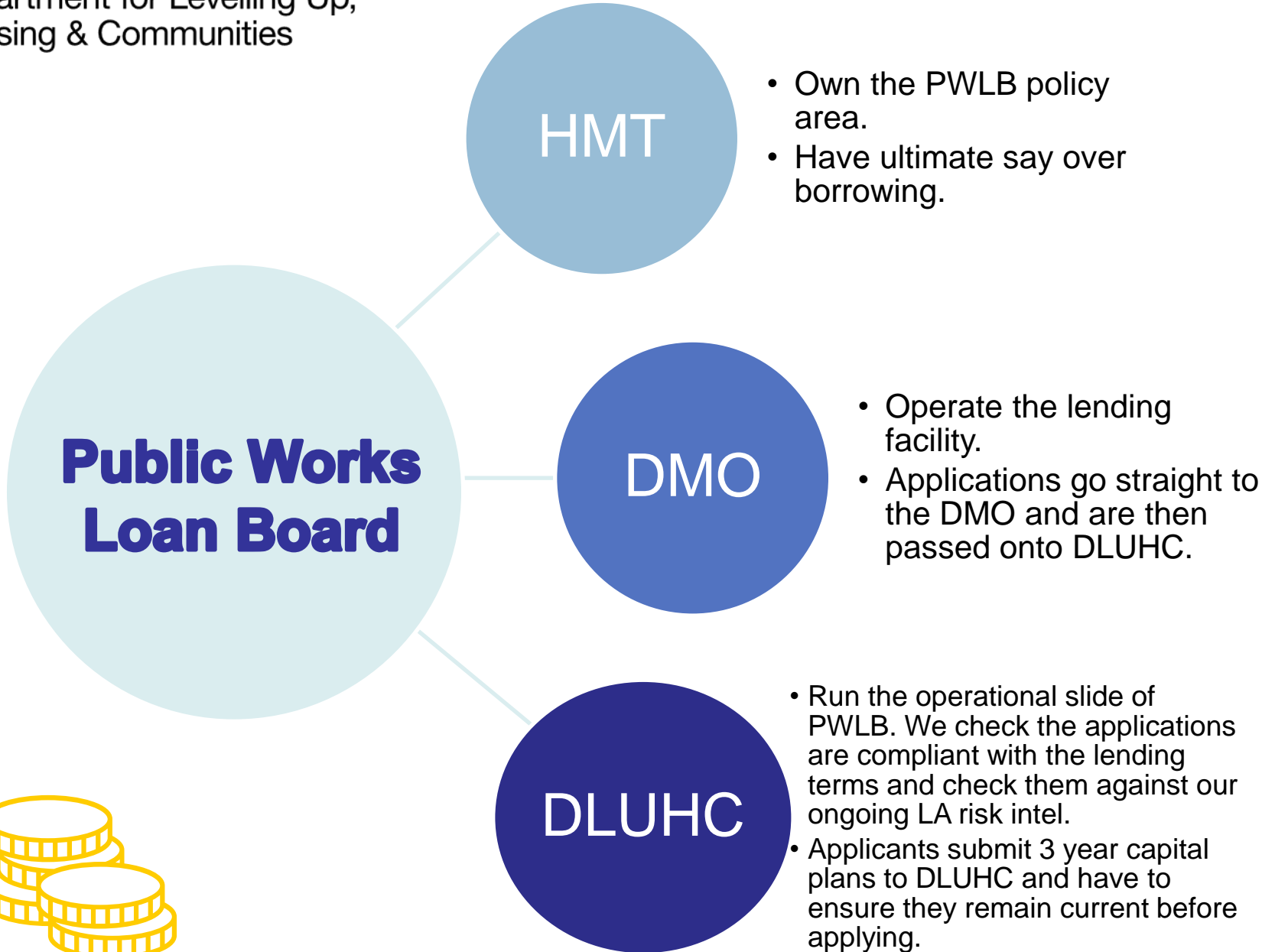
There isn't a limit



However we check if the authority can *afford* the loan and that the amount requested to borrow resembles the quotes and valuations provided by third party providers



A council wishing to borrow more than £500,000 is encouraged to contact DLUHC as early as possible to discuss the approval process and their project



PWLB provides loans to local authorities, and other specified bodies, from the National Loans Fund.

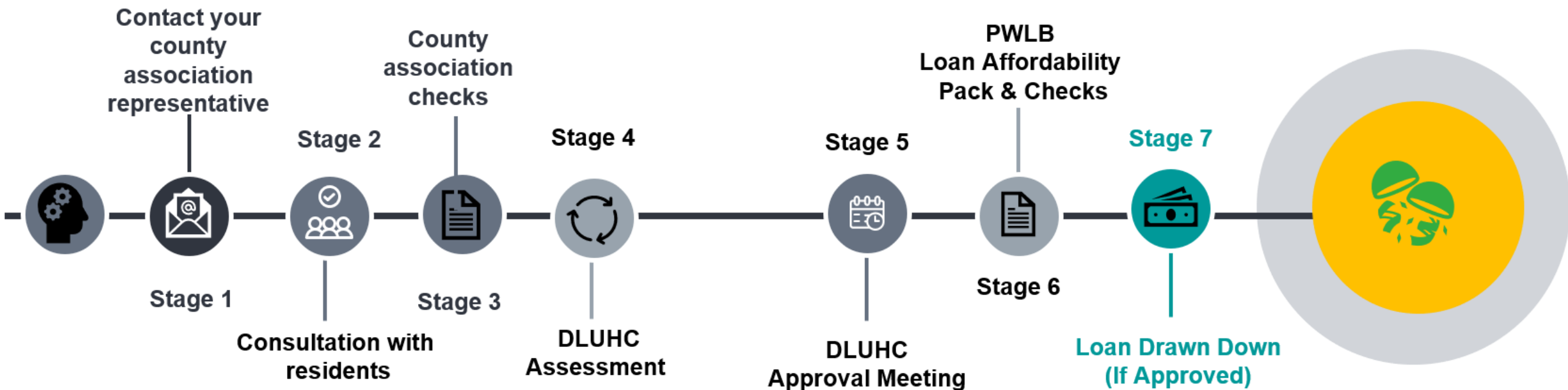
The majority of local authority borrowing is sourced from the PWLB.

DLUHC oversees PWLB borrowing for both Upper Tier and Lower Tier (Parish Councils).



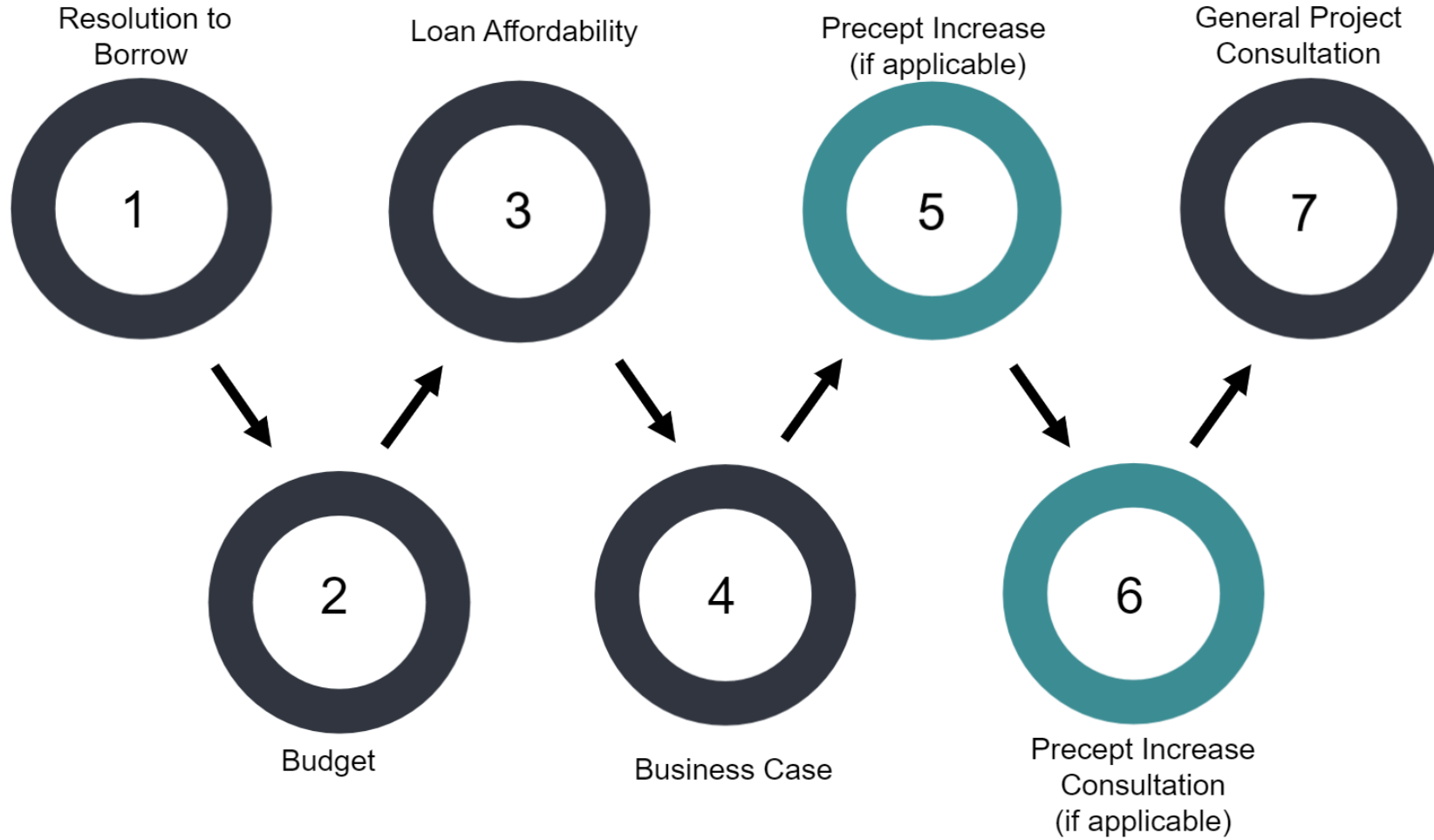
A linear view of borrowing

An illustration of the timeline and process from the stage where a Parish or Town Council opts to apply for borrowing to the stage where the loan is drawn down.





Our Criteria



Applications in Detail



Resolution to Borrow



**Minutes
&
Online Announcement**

At the XXXXXX Parish Council meeting of (INSERT DATE), 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 (INSERT PURPOSE OF LOAN). The annual loan repayments will come to around £XXXXX.



Will you increase council tax precept for the purpose of the loan repayments?



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.

It is not intended to increase the council tax precept for the purpose of the loan repayments.

We expect the Council’s Resolution to Borrow to outline the following criteria:

1. Council Name
2. Date
3. Full council resolution
4. Appropriate person aka Secretary of State
5. Loan Amount
6. Borrowing Term
7. Annual Loan Repayments
8. Comment on precept increase
9. If increasing, amount given in total and percentage



Budget

Income	20-21		21-22	22-23
	Budget	Actual	Budget	Forecast
Precept	100000	100000	100000	110000
Grants and Donations	10000	5000	6000	
Income - New project	0	0	2000	2000
Other Income	2000	1500	2500	2500
PWLB	0	0	50000	0
Total Income	112000	106500	160500	114500
Expenditure				
Rent	4000	4500	4200	4800
Rates	2000	1800	2000	2000
Salaries	90000	95000	95000	96000
Training	3000	1200	2100	4000
IT	100	90	100	100
Bank Charges	100	120	100	100
Audit	1000	1000	1000	1000
Insurance	500	500	500	1000
Stationery	100	80	100	100
Legal Fees	200	200	200	200
Subscriptions	200	170	200	200
New Project	0	0	50000	0
Existing PWLB loan repayments	3000	3000	3000	3000
PWLB Loan Repayment - New project	0	0	2000	2000
Total Expenditure	104200	107660	160500	114500
Net Income/ Expenditure	7800	-1160	0	0

Councils should provide a budget table/ cash flow forecast illustrating:

- Total expenditure against total income
- Any discrepancies explained such as short-falls
- New costs from the project and additional loan repayments included as a draft budget for the relevant year, to assist in assessing the impact on your overall expenditure and income going forward



Loan Affordability

What is your Plan B scenario?

Hypothetically, if the Council were to face any future financial difficulty, how would it go about honouring the new loan repayments.

- a. Would it call upon its reserves?
- b. Would it look to increase its precept?
- c. Would it re-adjust its budget to cut back on other expenditure?

2. Where does your Reserves & other Capital currently stand at?

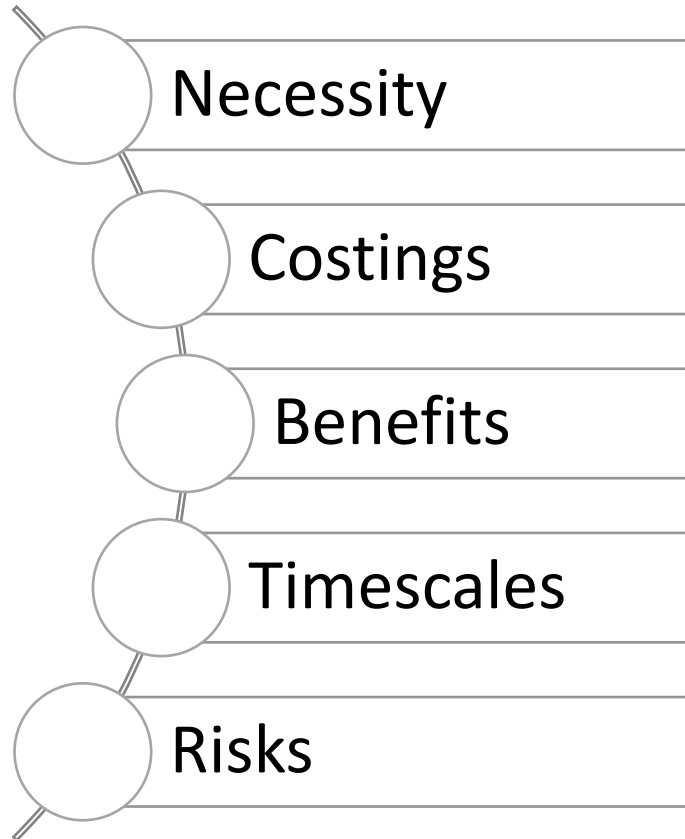
3. Have you secured funding from elsewhere for your project?



- a. Evidence that this has been granted and secured (certificate/email/letter)
- b. Detail of where the other pots of funding are coming from
- c. Expiry date (if applicable)



Report To Council/ Business Case



The key document that should be supplied is known as the Report to Council.

A one or two page summary of the project and borrowing approval application to inform Councillors/ residents 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.



Council Tax Precept Increase (if applicable)

%

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?

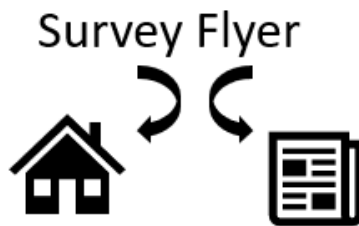
14. Are you increasing Precept to fund this borrowing?	Yes	No
What will be the amount and percentage of the planned increase per annum?	£	%
What will cost band D per annum?	£	
15. If applicable, have you assessed the extent of public support to increase precept for this loan?	Yes	No
If yes, what were the results of the assessment to increase precept for this loan?		
16. Precept for previous year:	£	for Band D:
Precept for current year:	£	for Band D:
Precept for next year:	£	for Band D:



Council Tax Precept Increase Consultation (if applicable)

✘ Referendum

✓ Low cost consultation (1 month +)



Below are the two preferred YES/NO questions to ask in your survey/consultation activities

1. **Are you in favour of XXXXX Parish Council proceeding with the (INSERT PROJECT NAME)?
YES / NO**
2. **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**

We will ask for the templates of your consultation and for the breakdown of the results



General Project Consultation

(INSERT NAME OF PARISH/TOWN COUNCIL)

(Insert Name of Project)

- Are you in FAVOUR of the parish council going ahead with the **(INSERT NAME OF PROJECT)**? YES / NO
- Are you in FAVOUR of the parish/town council going ahead with the **(INSERT NAME OF PROJECT)** if it includes a council tax precept increase of **XX% (equivalent to £XX a year)** for the purpose of the loan repayments? YES / NO

Name	
Address	
Signed	
Date	

Please send this survey questionnaire to the parish/town council office at the address below by: **(INSERT DEADLINE)**

Any survey forms received after the deadline will be disregarded.

Address for the parish/town council office goes in this box

General project consultation activities could be one or more of the following, they should give the opportunity for residents to express their views on the project and proposed borrowing amount:

- 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.