



A Short Guide  
to Borrowing

**Street Lighting Workshop  
and Exhibition**

**Raunds**

**4 March 2019**

# A Short Guide to Borrowing

- Parish and town councils have the power to borrow money for capital purposes
  - Local Government Act 2003, Schedule 1, paragraph 2
  - Paragraph 2(2)(a) *“for a purpose... approved... by the appropriate person”*
  - Secretary of State for Housing, Communities and Local Government

# A Short Guide to Borrowing

- There are two stages to borrowing
  - Stage 1 – Apply for borrowing approval from the Secretary of State
  - Stage 2 – Apply to a lender for a loan

# A Short Guide to Borrowing

- Stage 1 – Apply for borrowing approval from the Secretary of State
  - Contact Northants CALC
  - Receive application form and associated guidance
  - Complete form – answer all questions and gather together supporting evidence
  - Pass a resolution to borrow money
  - Sign forms (chairman and RFO)
  - Return to Northants CALC
  - Forward to MHCLG
  - Receive decision letter (sent to Clerk)

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- Stage 2 – Apply to a lender for a loan
  - Can borrow from any source
    - Salix
    - Public Works Loan Board (PWLB)
    - Another local authority
    - A high street bank
    - An individual
  - Obtain application form and guidance directly from lender and complete and return direct to lender

# A Short Guide to Borrowing

- Timing

- Borrowing approval is usually granted within 20 working days, subject to the application being accurate, concise and complete
- A loan can be approved and the money drawn down in a matter of days
- The loan application can be submitted in advance, but cannot be processed until borrowing approval is granted

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- Loan amount and term
  - Minimum is £5 x number of electors
  - No maximum; normally limited to £500k in a financial year
  - Term of up to 50 years for land, buildings, roads and structures
  - Up to 10 years, or lifespan of an asset, in all other cases

# A Short Guide to Borrowing

- Evidence required for borrowing approval
  - A copy of the written report considered by the council in reaching its decision to apply for borrowing approval
  - A copy of the council's budget for next year (or for the current year if next year's is not available)
  - The full minutes of the meeting at which the resolution to make the application was passed
  - Evidence that residents have been consulted on:
    - The proposed project
    - The council's intention to borrow
    - Proposals to increase the precept to meet borrowing costs, if applicable; and
    - If applicable evidence of public support to increase precept because of the proposed borrowing



# A Short Guide to Borrowing

- Summary
  - Seek appropriate advice and guidance at an early stage of the project
  - Engage with residents and be able to evidence public support, particularly where there is an impact on the precept
  - Budget carefully and decide on the amount and term of loan
  - Two stage process, first the borrowing approval, then loan application
  - Document everything
  - Don't assume, but do be positive



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