



Llywodraeth Cymru
Welsh Government

A GUIDE TO COMMUNITY & TOWN COUNCIL BORROWING APPROVALS

Introduction

1. This guide replaces all previous guidance on borrowing by community and town councils in Wales.
2. This guide sets out the criteria which the Welsh Ministers generally applies in deciding whether to provide a borrowing approval, and how community and town councils can apply for a borrowing approval.
3. When considering whether to apply for a borrowing approval, community and town councils should be fully open and transparent with their residents and taxpayers in all their dealings. This could include discussion of proposals in open meetings, and ensuring information is available for the public before and after a decision is taken, for example on the council website or published in local newsletters.

What is a Borrowing Approval?

4. A borrowing approval is a formal consent from the Welsh Ministers using powers under paragraph 2 of schedule 1 to the Local Government Act 2003 to enable a community or town council to borrow money for capital purposes. Without this consent a community or town council cannot borrow money unless it is borrowed and repaid within the same financial year.
5. The Act states a community or town council may borrow money:-
 - a) for any purpose relevant to its functions under any enactment;
 - or
 - b) for the purposes of the prudent management of its financial affairs.
6. Applicants should therefore be satisfied they have the necessary statutory authority to carry out the project for which they are seeking a borrowing approval.
7. A borrowing approval is issued subject to any conditions imposed by the Welsh Ministers and takes the form of a letter addressed to the Clerk of the council. The approval letter provides the authority for the council to borrow money and states the maximum amount which may be borrowed, the purpose for which the money borrowed must be used, the period within which the funds must be borrowed and the maximum loan repayment period.
8. The Welsh Government adopts the practice of only issuing an approval in the financial year in which the approval is to be used.
9. A council may borrow funds anytime between issue of the borrowing approval and the end of the financial year to which the borrowing approval refers. Any money borrowed but not incurred by the end of the financial year can be carried forward into the next financial year.

ANNEX 1:

Applying for a Borrowing Approval

A Borrowing Approval application form is available via the Welsh Government website at:
<http://gov.wales/topics/localgovernment/communitytowncouncils/publications>



All questions in the application form should be completed and the form must be signed by the Clerk of the Council.

All application forms must be accompanied by a copy of the document or report produced by the Council when the decision was made to apply for a borrowing approval (e.g. minutes of the council)

Where the intended borrowing exceeds £50,000, a financial appraisal and/or business plan for the project should also be included.

If an urgent decision is required, councils are required to request their application is considered outside the normal timescales and explain why the request is urgent.



The application form and any supporting documents should be sent to:

Local Government Finance Policy Division
Welsh Government
Cathays Park,
Cardiff
CF10 3NQ

Or alternatively via email to LGFPmail@gov.wales



Welsh Government officials will assess the borrowing approval application. Processing of a borrowing approval application should generally take approximately 25 working days from the date of receipt by the Welsh Government. Please be aware that this may be extended, for example when the Welsh Ministers are unavailable during times of recess or elections.

One Voice Wales (OVW) is the representative organisation for community and town councils. The Welsh Government provides OVW with a copy of all borrowing approval applications to obtain their impartial view on whether the project will benefit the local community. The Welsh Government appreciates not all councils are members of OVW but this is done purely to ensure all applications are judged against a uniform criteria. Although regard is given to the views of OVW, the final decision rests with the Welsh Ministers.

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CRITERIA FOR ASSESSING A BORROWING APPROVAL APPLICATION

When should a Community or Town Council apply?

10. An application for a borrowing approval should not be made until a Council has:-
 - i Completed all negotiations, or is confident of completing any relevant negotiations;
 - ii Obtained all other necessary consents e.g. planning permission;
 - iii Fully estimated the cost of the project as part of a formal expenditure budget;
 - iv Made provision within its formal budget for managing the debt;
 - v In the case of large projects (e.g. those exceeding £50k), prepared a financial appraisal / business plan, which should be made available for scrutiny;
 - vi Confidence that if approved, the borrowing approval can be used within the financial year for which it is issued.

What can a Community or Town Council borrow for?

11. Any Community or Town Council in Wales may apply for a borrowing approval for the purpose of procuring capital investment as defined in Section 16 of the Local Government Act 2003. For these purposes “capital expenditure” means expenditure which falls to be capitalised in accordance with proper practices, and currently “proper practices” means the CIPFA CODE. Examples of applications which have previously been approved include:-
 - Purchase of land
 - Purchase of a building
 - Purchase of park equipment
 - Construction of footpath
 - Renovation works – structural work, installation of new heating systems, new kitchens, new toilet, new roof.
12. Borrowing approvals are not issued to cover revenue/current expenditure. For example:-
 - General repair costs
 - Maintenance costs

How much can a Community or Town Council borrow?

13. Minimum – we will not consider schemes costing less than the figure produced by multiplying £5.00 by the number of people entered in the electoral register for the community, other than in exceptional circumstances.
14. Maximum - there is no specified upper limit to the amount a Council may apply to borrow.

Over what period can the loan be repaid?

15. The maximum loan repayment period available to community and town councils is 50 years. A council may opt to repay the loan over any number of years provided it is not more than the quoted maximum of 50 years.
16. However, for loans over 26 years additional considerations will apply. The Welsh Government expects the loan repayment period to reflect the 'shelf life' of the asset provided. For example, land, roads or substantial buildings may be deemed 'long life assets' and attract an extended repayment period. Councils should carefully consider whether it is prudent to repay the loan over the maximum period. For those cases where an extended repayment period is intended i.e. over 26 years, applications will be scrutinised to identify whether the extension can be justified.
17. The Welsh Government expects councils to have a realistic budget for the servicing and repayment of the debt and may seek confirmation such a budget has been prepared and these provisions have been included.

Where can a Community or Town Council go for funds?

18. Community and Town Councils may borrow funds by application to the Public Works Loan Board (PWLB) or other appropriate private sector institutions. PWLB will require the original borrowing approval before a loan can be approved.
19. Every effort should be made to borrow the funds at the most favourable terms available and lenders may offer a variety of loan arrangements. We therefore recommend a number of repayment quotations are obtained and considered by the Council.
20. Loans are **not** available from the Welsh Government.

AFTER THE ISSUE OF A BORROWING APPROVAL

All borrowing approvals issued will be valid until the 31st March of the financial year to which the approval applies.

Monitoring a borrowing approval

21. Those councils in receipt of a borrowing approval will be contacted during the course of the financial year in order to see what progress has been made with the project. Councils will be asked to provide an update and confirm the borrowing approval has been utilised or will be within the required timescale.
22. Where the amount of borrowing authorised is in excess of £50,000, a short monitoring report must be submitted within 2 months of the completion of the project.

What if a borrowing approval is no longer required?

23. If a community or town council decides it no longer wishes to, or is no longer able to, borrow the entire amount authorised, the Clerk of the council must notify Welsh Government of the amount it does intend to borrow. This notification must be in writing and must be made as soon as is reasonably practicable. The amount of borrowing authorised will then be deemed reduced to the amount notified. However, the minimum amount considerations in paragraph 11 above still apply.
24. If no borrowing takes place by 31st March of the financial year to which the approval applies, the Clerk must surrender the approval by returning the **original** approval letter to the address stated in paragraph 19 of this note. A new application would then need to be made in a future year.

Useful contacts

One Voice Wales
24 College Street
Ammanford
Carmarthenshire
SA18 3AF

Email: admin@onevoicewales.org.uk

Telephone: 01269 595400

Fax: 01269 598510

Website: www.onevoicewales.org.uk

Public Works Loan Board
UK Debt Management Office
Eastcheap Court
11 Philpot Lane
London
EC3M 8UD

Email : pwlb@dmo.gov.uk

Telephone: 020 7862 6610

Website: www.dmo.gov.uk