

WEST SWINDON PARISH COUNCIL**Public Works Loan Board****1. Background**

- 1.1 In accordance with paragraph 1(b) of Schedule 13 to the Local Government Act 1972, a parish or town council may borrow money. Before a council in England can borrow a sum of money, it must first apply for a sanction to borrow from the Ministry of Housing, Communities and Local Government (MHCLG).
- 1.2 Proof of borrowing approval is a mandatory requirement and evidence of the approval may be required at audit.
- 1.3 In England there is no national limit on the annual amount of borrowing available. Applications for borrowing approval from councils in Wiltshire and Swindon are administered by Wiltshire Association of Local Councils (WALC). WALC will check applications against the MHCLG criteria and recommend them to MHCLG. Where applications do not meet the criteria, WALC will inform councils.
- 1.4 Councils may borrow money from any approved source. The Public Works Loan Board (PWLB) provides competitive loans for local councils or a bank could be used. Loans may also be taken out from individuals or private sector organisations.

2. Detail:

- 2.1 The Parish Council has a range of possible capital expenditure projects in the near future. For example; cycle track, conversion of space for Parish Office, acquisition of machinery and vehicles.
- 2.2 The Parish Council has around £700,000 in reserves at March 2020. The Parish Council should strive to retain reserves in the region of £400-500,000 in order to be financially stable. The Parish Council has very limited income opportunities currently so it has few routes to refurbish its reserves other than the Precept and related grant awards. On this basis, the Parish Council may prefer to access a low interest loan as a means to fund the delivery of capital projects.
- 2.3 As part of the application process, the Parish Council should have the means to indicate what impact any loan would have on any future precepts and how the loan would be repaid. If there is an impact on the Precept, it would be expected that the application would demonstrate a level of public support for the project.

- 2.4 To proceed with the application process, the Parish Council would need to formally agree its proposal and decision to apply for a loan. An application to the Public Works Loan Board would be submitted, together with relevant supporting information, to the Wiltshire Association of Local Councils for review and to ensure the application form is complete with no obvious errors or omissions. Where the Association has any concerns, it will raise the matter with the Parish Council.
- 2.5 Once approved by WALC, the application form would be forwarded to the Ministry of Housing, Communities and Local Government (MHCLG). An application to the Public Works Loan Board cannot be made until all negotiations have been completed and all other consents (e.g. planning permission) have been obtained.
- 2.6 If the Parish Council's application is successful, processing of the borrowing approval should generally take about 15 working days from the date of its receipt by the (MHCLG). Where approval to borrow is given, the approval will state the maximum amount of money that can be borrowed, the purpose for which the money may be used, the period within which money can be borrowed, and the maximum period within which the borrowing must be repaid.
- 2.7 If the Council wished to use borrowed money for a purpose other than that specified in the borrowing approval letter, written consent to the change of use must be obtained from the (MHCLG), prior to committing to the expenditure. This applies to unused funds.
- 2.8 Two types of loan according to interest rate are available from the PWLB:
- Fixed rate loans, on which the rate of interest is fixed for the life of the loan and interest is payable at half-yearly intervals;
 - Variable rate loans, on which the rate of interest is variable at one, three or six monthly intervals. The interval is at the choice of the borrower but once chosen remains the same for the life of the loan.
- 2.9 The maximum repayment period available is 50 years on a fixed rate loan.

3. Recommendation:

- 3.1 For this Committee to note the report and the process and timescales for applications to the Public Works Loan Board

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