

# Thame Town Council

## Loan Policy

### 1. Introduction

- 1.1 The Town Council provides grants to support local organisations but occasionally an organisation requests a loan rather than a grant.
- 1.2 The Council will consider the request for a loan from registered community organisations that are based in Thame and provide a benefit to the residents of the Town.
- 1.3 The funds the Council has available for a loan are limited so each application and will be evaluated against how financially viable the project is, if it demonstrates a community need, if it is best value for money, and can it be delivered within a reasonable time scale.
- 1.4 Funds for the loan would normally be pulled down from long term Capital Investments, with capital **repayments being placed into a receipts fund** and then returned on an annual basis into that Capital Investment Fund, and interest being treated as normal interest revenue.
- 1.5 Loans will be subject to the conditions of any Investment Strategy in place.
- 1.6 This policy is to be considered as guidance for when a loan is considered.

### 2. Loan Principles

- 2.1 A loan will usually only be considered to fund capital expenditure, though non-capital requests may be considered (e.g. to assist with cash-flow). The organisation must be able to show that it has the ability to repay the debt.
- 2.2 A loan can be awarded in addition to a grant from the Council.
- 2.3 The application for a loan must be made before any works relating to the application have been started.
- 2.4 A loan application form and checklist will need to be completed.
- 2.5 Loan applications will usually be limited to £50,000 and must not represent more than 30% of the total project costs. All other funding must be confirmed before the loan is advanced.
- 2.6 Any loan applications in excess of £50,000 will only be considered in exceptional circumstances e.g. where other significant funding is secured as a result of the loan and security on the loan is guaranteed.
- 2.7 The Council will assess and decide all loan applications and reserves the right to refuse an application if it considers that the risk is unacceptable or that the benefit to the community is not commensurate with the loan.
- 2.8 Loans must be repaid within an agreed time frame but usually no longer than 10 years. Consideration may be given for a payment holiday and/or an interest free period, normally for up **to one year**. Exact terms of the loan will be written into a legal Loan Agreement.
- 2.9 Interest will be payable but may be waived if the Council considers there are exceptional circumstances.

- 2.10 Interest will be paid at the Public Works Loan Board (PWLB) five year equal installment payment (EIP) fixed rate plus a premium of **1.0%**. **E.g the PWLB five year EIP fixed rate on January 2023 was 4.30%, so the rate charged would be 5.30%**. The initial rate will be determined on the date that the loan offer is made.
- 2.11 Cumulative interest will be charged therefore late repayments will result in additional interest becoming due. **The interest rate will be charged from the day the loan advance is made.** The interest rate charged will normally be reviewed every five years. The new rate will normally be charged from 1 April following the 5<sup>th</sup> year anniversary of the loan made. There are no penalties for early repayment.
- 2.12 Loans must be repaid by monthly direct debit / standing order and include the capital and interest repayment. A repayment model, simplified if necessary, will be agreed annually between the two parties, in line with the terms of the Loan Agreement.
- 2.13 A loan will not be made if the organisation does not have land or buildings (or other assets / personal guarantees) on which a charge (of the value of the loan) can be made.
- 2.14 All loans will normally be for capital spend only and will be funded from capital receipts.
- 2.15 Work must commence within twelve months of the application. Should the work not be carried out during this time, the Council must be informed and reserves the right to withdraw the offer.
- 2.16 The Council will require six-monthly progress reports on the project and the use of the loan.
- 2.17 Applications for loans can be made at any time and any decision will be based on an evaluation of the availability of funds, the ability to repay the debt and the reason for the loan.
- 2.18 If loans are not repaid any outstanding debt will be pursued and may result in legal action including debtors being taken to court where all other means to secure payment have failed.
- 2.19 The Council will aim to make a decision on a loan application within 60 days of receiving all the correct supporting documentation, via the appropriate Committee or full Council meeting.
- 2.20 If the application for a loan is successful a formal loan offer will be sent (in the form of a Loan Agreement) which must be signed and returned within **14 days**.
- 2.21 The request to draw down the loan must be made in writing, with an agreed start date (when the funds will be transferred), at least 28 days in advance of that start date.