AN INTRODUCTION TO BORROWING BY PARISH COUNCILS

This fact-sheet summarises the arrangements for lawful borrowing by local (parish and town) councils.

1. A parish council may borrow funds but will normally require the formal written approval of the Secretary of State.

2. Councils wishing to borrow will have to get in touch with the County Association, whether a member or not, to discuss the proposal and to obtain the Application Form for the Approval.

3. Borrowing must be for a specific, generally capital expenditure, purpose detailed on the Application and in a Report to Council.

4. The Loan may be taken from any source, including interest free loans from individuals, but whatever the source an Approval is required and no mortgage or charge on property is allowed.

5. The Council will be required to demonstrate to the Secretary of State that the repayments are affordable and that the Project costs being supported exceed £5 per elector.

6. If borrowing is being considered, the Clerk and Chairman should contact the County Association office as early as possible. Any formal decision to apply for and to exercise a borrowing approval has to be made by the Full Council meeting and not by a Committee.

7. After initial discussion a full set of Notes and the Application Form will be supplied. [Following recent fraudulent activity these are not made available on web-sites.]

8. Usually loans are taken from the Public Works Loan Board (PWLB) at rates of interest that are very competitive. A parish council is a first class borrower based on the security of the council tax revenues. PWLB also understand the statutory position of the Council.