

## **Appendix I: Criteria for a loan from Swale Borough Council**

### **Background**

Swale Borough Council has established a local loan fund of £250,000 per year for two years from April 2012.

The Localism Act 2011 placed an expectation on local authorities to devolve powers previously exercised by the various tiers of local government to local communities, making it easier for local people to take over amenities they value and keep them part of local life. For Swale Borough Council this will enable us to respond more positively to local people's opinions on service issues close to their heart – giving local people a chance to change how things are done and for us to encourage people to get involved. Until now many people have found that their good ideas have been overlooked and they have little opportunity to get on and tackle problems in the way they want. As a result, the Council wants to work with town and parish councils, social enterprises, voluntary and community groups who are full of bright ideas for improving local services.

### **What will we provide the loan for?**

The Council will look to support projects, schemes and business innovations that enable the management and delivery of services and facilities which benefit the local community and enhance the economic, social and environmental wellbeing of Swale.

**Organisations must have a detailed and viable Business Plan. For guidance on what should be included see the Business Link Website ([www.businesslink.gov.uk/bdotg/action/layer?topicId=1073869162](http://www.businesslink.gov.uk/bdotg/action/layer?topicId=1073869162))**

Business Plans must demonstrate:

- Sustainability – how you will ensure that your project continues to benefit the local community in the future.
- Have the appropriate/relevant policies in place eg. Safeguarding.
- Business continuity and risk assessment.
- Show how equality and diversity issues are considered.

Business Plans should also demonstrate how they contribute and link to the Borough's Corporate Plan priorities:

- Priority 1: Embracing Localism. This priority is about promoting freedom, enterprise and responsibility, responding to the Localism Act 2011, and playing our part in encouraging community responsibility in the borough.
- Priority 2: Open for Business. This priority is about working with private and public sector partners to create the right conditions for growth.
- Priority 3: Healthy Environment. This priority concerns Swale as a place, and is particularly focussed on the significant impact that council activities in disciplines as diverse as town planning, housing and regulatory services have on the general health and wellbeing of the population.

## **How much we will loan?**

### Categories of loan

- Between £1,000 and £24,999
- Between £25,000 and £50,000

The focus will be on smaller loans that benefit organisations who give a realistic presentation of their financial situation.

The size of the loan provided will be decided on a case by case basis. Loans between £1,000 and £24,999 will be non-interest bearing and repayment will be required over a two year period or less. For loans of £25,000 and above we will charge interest – the rate of interest will be variable, being linked to the Bank of England Base rate (currently 0.5%) + 5%.

Repayment amounts and periods will be decided on a case by case basis and will depend on the agreed loan amount. The strength of the business case put forward by the organisation will be taken into account when considering the repayment period and size of loan. The Council needs to ensure that organisations can afford the loan repayments.

Repayments will be required to be paid by direct debit. If repayments are not met, sums owing will be recovered from the surety or guarantees. Defaulters will be pursued through the courts and bailiffs if necessary.

Successful applications will be subject to the satisfactory completion of a series of financial checks and conditions, verified by the Council's finance department. Existing credit commitments will be considered and we may turn down an application where we consider debts to be too high. If organisations fail to reveal true circumstances, we are likely to automatically refuse the loan application.

Organisations can apply for more than one loan, to a maximum of £50,000.

### Key Considerations

The Council expects to make loans to established organisations that can provide the above requirements. However, we are aware that where there are new organisations recently established audited accounts may not yet be available. In this instance we would assess loan applications on a case by case basis against the business plan submitted.

As a responsible lender we would require:

- A business plan including projections of profit and loss, cash-flows and balance sheet to be submitted with the application. The business plan should also demonstrate how loan repayments will be funded.
- 5 years of audited accounts would be preferred, but minimum of a year will be required. This will be assessed on a case by case basis.
- A reference from the organisation's bank.

- For loan above £25,000 details of surety or guarantees. This can include priority claim over assets that the organisations holds.

## **Who will we loan to?**

Organisations must be based in Swale and must show that the loan will help the management and/or delivery of local services and facilities within Swale. Loan applications will be prioritised on that criteria. We will assess applications on a case by case basis, however examples of parties we might offer a loan to could include:

- Parish and Town Councils
- Voluntary and Community organisations
- Social Enterprises
- Unincorporated associations
- Incorporated organisations and registered charities
- Business start ups (small loans only)
- Community interest companies
- Mutuels
- Co-operatives

This can include a variety of legal structures:

- Companies limited by guarantee
- Companies limited by shares
- Company limited by guarantee & registered charity
- Company limited by guarantee & registered CIC
- Company limited by guarantee & shares & registered CIC
- Industrial & Provident Society – for benefit of community
- Industrial & Provident Society – bona fide co-op
- Limited liability partnership
- Charitable incorporated organisation
- Charitable Trust

Others will be considered on a case by case basis.

Organisations as defined above would only be eligible to apply if they have:

- A governing document that has as a minimum, the name, the aim/purpose, the objectives, a dissolution clause, a list of Trustee/committee members and Trustee/committee member signatures for the organisation. This document can be known as the Terms of Reference (please contact us if you unsure);
- A bank or building society account in the organisation's name; and
- Up-to-date annual accounts (for groups over 12 months old), or a 12 month cash-flow forecast for new organisations.

Organisations will be notified in writing of the decision and provided with feedback. The Councils decision is final on the decision of the application.