

Community Loan Application

Guidance notes for applicants



Listening Learning Leading

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Section 1 – General Information

1. Why do we offer community loans?

Community organisations cannot always raise all the funding they require from donations or grants. Most sources of grant funding are heavily oversubscribed and have a maximum amount that can be awarded. Loans allow an organisation to spread the cost of a scheme over a longer period.

However the charitable purpose, not for profit principle and voluntary nature of community organisations means that there is an inherent risk in providing loan finance. Many commercial lenders will not provide affordable finance and the council's own treasury management strategy would not allow us to lend to these kind of organisations. This policy allows the council to offer loans to these organisations.

2. How to apply for a loan?

From 2 January 2013 you can apply through an online application form via the council's website. To reduce administration costs the scheme does not have a paper based application form. However, if you need assistance in completing the online application form please contact us.

Online application forms will be available at: www.southoxon.gov.uk/services-and-advice/community-advice-and-support/grants-and-community-loans/community-loan-scheme.

3. Who do we provide loans to?

The council provide loans to registered charities and town and parish councils. The applicant needs to show that a regular source of income is available to repay the loan.

Loans are not provided to individuals on behalf of an organisation and trustees that act prudently are not personally liable for the loan. However a condition of any loan to a registered charity is that the organisation maintains trustee indemnity insurance¹ throughout the loan period.

Loans can be awarded in addition to Community Investment Fund (CIF) grants.

4. What do we provide loans for?

We only make loans to fund capital expenditure (the purchase of land and buildings, new build or building refurbishments). We do not provide loans to support revenue expenditure or the purchase of vehicles.

¹ The trustees of a charity take unlimited personal liability for their actions in managing the charity's affairs. Trustee Indemnity Insurance protects trustees from losing their personal assets as a result of their duties made whilst acting as trustees. The indemnity is provided for wrongful (but not reckless) acts committed by a trustee.

Loans must result in a community benefit to the area of South Oxfordshire. An organisation must demonstrate its ability to service the debt. Should the demand for loans be high we may introduce specific selection criteria.

Loans are not available for bridging or forward funding organisations that are awaiting payment of a grant claim.

5. How much can we apply for?

Loans of between £50,000 and £1,000,000 are available.

The loan must represent no more than 30% of total project/purchase costs and all other funding must be confirmed before the loan is advanced.

6. Can the council refuse a loan application?

The council will assess the financial robustness of any organisation and its ability to service a loan. The council reserves the right to refuse an application if it considers the risk of financial default to be too great.

Furthermore, the council reserves the right to refuse an application if it considers the community benefit is insufficient to justify the loan.

7. What is the loan term?

The maximum repayment period for loans is 15 years.

8. Is interest charged?

Interest is charged on all loans.

9. What is the interest rate?

Loans are lent at the Public Works Loan Board (PWLB) five year equal instalment payment (EIP) fixed rate plus a premium of 0.5%. (N.B. The PWLB five year EIP fixed rate on 2 April 2012 was 1.6%). In this example the rate charged would be 2.1%.

Cumulative interest will be charged therefore late repayments will result in additional interest becoming due.

The initial rate charged is the above rate on the day the loan is agreed or the first advance is made (if this date is more than 90 days after the date of agreement). The interest rate charged is adjusted every five years. The new rate is charged from the 1 April following the five year and ten year anniversary of the loans first advance.

For the avoidance of doubt: If a 15 year loan is advanced on 1 March 2012 the interest rate will be adjusted from 1 April 2017 and 1 April 2022.

The new rate will be the PWLB five year EIP fixed rate prevailing on 1 September prior to the 1 April on which the change is effective, plus a premium of 0.5%.

Interest will be calculated from the date of the first advance and will accrue until the date of the first repayment and thereafter calculated on the loan balance outstanding after each monthly repayment.

10. Are there any penalties for early repayment?

There are no penalties for early repayment.

11. Who approves the loan?

All loans to a value of £100,000 will be approved by the council's cabinet. All loans between a value of £100,001 and £1,000,000 will be approved by the full council.

12. How is the money paid out and paid back?

Loan money is advanced via BACs payment. Repayments of capital and interest must be made monthly by direct debit

13. What security is required?

A loan will not be made if the organisation does not have land or buildings on which a charge (of the value of the loan) can be made. The applicant may be required to provide a valuation from an independent valuer.

The constitution of participating charities must allow the organisation to borrow.

Parish and town councils must have authority from the Secretary of State to borrow.

14. What is the size of the loans budget?

The maximum budget available (i.e. amounts lent after taking into account principal repayment received) for lending is £5,000,000.

All loans will be for capital spend only and will be funded from capital receipts.

15. When can organisations apply for a loan?

Applications for loans can be made at anytime. The only limiting factors are the availability of funds, an organisations ability to service its debts and the requirement for all advances to be used for capital expenditure purposes only

16. What is the non-payment recovery policy?

All debts will be pursued in accordance with the council's corporate debt recovery policy. The policy is rigorous and results in legal action including debtors being taken to court where all other means to secure payment have failed.

17. What happens once I have submitted my application?

Once you have submitted your online application form you will receive an automated email informing you that your application has been received.

We will aim to contact you within 28 days of submission of your application to confirm it is being processed and if we have the correct supporting documentation. If you do not hear from us within 28 days please contact us.

We aim to provide a decision on your application within 12 weeks from the submission date, depending on the complexity of the application.

18. If a loan is awarded what happens next?

If your loan application is successful you will be sent a formal loan offer which must be signed and returned within 28 days.

You must complete a form to 'draw down' the loan. The form will be supplied with the formal loan offer.

Loans will be paid no sooner than four weeks before the commencement date of your project/purchase.

19. Equalities

The council is committed to promoting equality and diversity and welcomes applications from all sectors of the community, regardless of race, gender, disability, sexual orientation, age, status, religion or belief.

We encourage applications from minority groups. Should you need advice or assistance to complete an application, please contact us on 01491 823326.

20. Contact us

If you have any queries about the application form or would like further advice on applying for a community loan please contact:

Finance Department
South Oxfordshire District Council
Benson Lane
Crowmarsh Gifford
Wallingford, OX10 8AU

tel: 01491 823326 email: finance@southoxon.gov.uk

Section 2 – Step-by-Step Guide to making an online application

Are you able to apply?

To enable us to determine if your project/purchase is eligible for a community loan, you will need to complete the following checklist. If you do not meet our criteria you will not be able to proceed with your application. If your project/purchase has met our criteria you will be asked to begin your application.

1	Is your organisation a registered charity or a town or parish council? (Only these types of organisation are able to apply).	Registered charities will need to supply a copy of their constitution.
2	Do you have authority to take out a loan?	Parish and town council's need authority from the Secretary of State to borrow. The registered charity's constitution must allow you to borrow and place a charge on the land or property concerned.
3	Can you provide evidence of ownership of land or property of sufficient value to secure the loan?	The organisation must either own or have a lease on the land or property for a minimum of the duration of the loan, against which a charge to the value of the loan can be applied. You will need to supply an independent valuation of the asset.
4	If required, has your project obtained all appropriate planning or listed building consent?	Please supply a copy of the planning consent for the project, if required. You should not apply without it.
5	Can you provide your organisations last two years audited accounts?	Please supply the last two years audited accounts of the organisation applying for a loan (audited if they are available).
6	Do you have a minimum of three quotes for all work, equipment and fees relating to your project/purchase, unless you are purchasing an existing building?	Three up-to-date quotations for all aspects of the project/purchase costs or details of a tender process must be supplied. If you are purchasing an existing building a statement detailing why this property has been selected for purchase over any other must be submitted. Your application will not be accepted without this evidence.
7	Do you have a medium term financial plan including profit and loss projections for a minimum of five years?	You need to explain how you can afford to pay back the loan based on your profit and loss each year. The onus is on you to clearly demonstrate your ability to repay the loan.
8	Can you confirm that the loan will be used to fund a capital purchase?	Capital purchases include but are not limited to: <ul style="list-style-type: none"> • purchase of buildings/land • new build projects

		<ul style="list-style-type: none"> • extensive renovations • purchase of plant machinery <p>Non-capital purchases include but are not limited to:</p> <ul style="list-style-type: none"> • building maintenance • organisation running costs • staff salaries <p>This scheme does not allow for the purchase of vehicles.</p>
9	Do you have or will your organisation take out indemnity insurance that will cover the value of the loan?	<p>Full details of the insurance cover held by the organisation's trustees or a copy of a formal quotation for cover must be submitted.</p> <p>We will need to examine the original documents at a later stage.</p>
A Contact details		
A1	Name of organisation	Give the full name of the body applying for the loan. This name must also be shown on all quotations for the project/purchase.
A2	Name of project/purchase	The project name should be a brief description of your project/purchase that you need a loan towards.
A3	Organisations address	Full address details of the organisation applying for the loan.
A4	Main contact for this application	The main contact person for this application must be someone from your organisation that knows about the project/purchase and can be contacted during office hours.
A5	Address for main contact	The full address of the contact person.
A6	Telephone no.	Daytime telephone number for the contact.
A7	Mobile no.	Mobile telephone number for the contact.
A8	Email address	Email address for the contact. If completed, all correspondence will be sent via email.
A9	Indemnity insurance details	<p>Full details of the insurance cover held the organisation's trustees or a valid quotation for such cover should be submitted.</p> <p>We will need to examine the original documents at a later stage.</p>
B Project details		
B1	Give a brief description of the project	The 'project' is everything included in the total project/purchase costs.

		Be very specific and only describe the work that you require to be funded.
B2	Do you own or lease land or buildings on which a charge (of the value of the loan) can be made?	The organisation applying for the loan must own or lease the land/property for a minimum of the duration of the loan. A copy of the lease or title deed must be provided.
B4	Which area (within South Oxfordshire) does your project/purchase fall within?	The geographical area that your project/purchase is situated in.
B5	What type of organisation is applying?	Please specify what type of organisation is applying for a grant.
B6	Charity number (if applicable)	Please specify the organisations charity number (if applicable).

C Community Benefit

How well does your project benefit the local community?

C1	Who will benefit from the project?	Please give details of how the project will benefit people within the South Oxfordshire area, specifying particular groups where possible.
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D Financial Details

D1	How much would you like to borrow?	Loans are available between £50,000 and £1,000,000. No more than 30 per cent of the total costs of your project/purchase can be borrowed.
D2	Over how many years do you wish to repay the loan?	The maximum repayment period for any loan is 15 years.
D3	When would you like the loan to be advanced to your organisation?	Loans will not be paid earlier than four weeks before the commencement date of the project or purchase.
D4	What is the total cost of your project/purchase? (including VAT if you cannot reclaim it)	The total project/purchase costs including VAT (only include VAT if you are unable to reclaim it).
D5	Does your organisation have any outstanding loans?	Please list the details any outstanding loans that your organisation has.
D6	Please detail all costs for your project/purchase using the table below:	Please list all costs that are relevant to your project/purchase, to the nearest pound. It is important this section is completed accurately listing the names of the expected contractors/suppliers. All quotes should be submitted with the application form.
D7	How will you fund the remaining balance of your project/purchase costs?	Please list all sources of funding that you already have or will be applying for, including your own.

Submission of documents

You will need to provide the following documents before you can apply for a loan:

- constitution
- accounts
- planning consent (if applicable)
- three quotations for all aspects of work (if not purchasing a building)
- evidence of ownership
- a medium term financial plan (5 years)
- a copy of your organisation's indemnity insurance policy or a formal quotation for such insurance
- additional documents, for example consultation evidence and a business plan

This section gives you the option to attach your supporting information to your online application form. To attach a document firstly browse for the document within your computer files by clicking 'browse'. Once you have found the document then click 'open'. Finally click the attach button below. The text above the browse button should then say 'uploaded'.

You can also attach any additional documents on the last attachment field. If you have more than one additional document please combine them in one folder, create a zip file and then attach the zip file to your online application form.

Alternatively you can also send your supporting documents by post to:

Finance Department, South Oxfordshire District Council, Benson Lane, Crowmarsh Gifford, Wallingford, OX10 8AU

Please note: all supporting documents should reach us within ten working days of submitting your application.