

Appendix 1

Voluntary Loan Facility Controls

1. For each individual loan facility;
 - a. Approval to lend to organisations in which the Council has an interest delegated to the Chief Finance Officer in consultation with the Deputy Leader
 - b. Approval to lend to third party organisations in which the Council has no interest retained by Cabinet
 - c. The cash value of the facility shall at no point, exceed 75% of total development costs against which it is to be applied
 - d. The Council will, in all instances, secure the loan by principally taking a legal charge over scheme assets and/or (as required to fully secure the loan) obtaining from the borrower some other legally binding form of indemnity
2. Loan facilities to third parties in which the Council has no direct financial interest will not be made available to organisations with:
 - a. A long term credit rating (assessed by any industry-recognised credit-rating agency) below A- ('A minus')
 - b. A head office address based outside the United Kingdom
3. Advances will only be made to fund projects where, in doing so, the Council becomes the project senior lender and repayment of the Council's loan and associated interest accrued takes priority over all other payments to be made from project profits
4. Facilities to typically take the form of a maximum advance drawn down over an agreed period and repaid as a lump sum from project profits
5. Interest to be accrued of the term of the facility and repaid by the borrower along with the capital sum advanced at the first available opportunity

6. Other simple loan agreements (i.e. a lump sum advance with periodic interest payments and loan repayment at maturity) may also be considered
7. Total Council gearing at 31st March every year (taking account of the aggregate borrowing required to fully finance all approved loan facilities) is not to exceed a prescribed limit to set by Council as part of the capital strategy. Officers to use best endeavours to ensure this Gearing Ratio is not materially exceeded at any point during each financial year.
8. Total loans pool to fund facilities is capped at £100m
9. No individual loan facility to exceed £50m
10. No borrower (or collection of borrowers within the same business group) to, at any point in time, be granted approved facilities of more than £50m
11. Minimum and maximum loan facility periods (from first drawdown to repayment) of 2 years and 5 years respectively
12. First drawdown against the facility to take place within 12 months of the related agreement being and signed
13. Loan facilities that are, or have the appearance of a 'project finance' agreement (i.e. granting to the borrower an interest repayment holiday until project completion, followed by a premium interest rate thereafter) will not be approved
14. Interest will be rolled up monthly and will not count as loan advance for the purposes of assessing the loans pool performance
15. Lending must be in concert with Council's general aims and made only to in-borough capital projects that already form part of the capital programme
16. A separate loans review report to be included within quarterly capital monitoring reports to Cabinet