

**PROCEDURE TO BE ADOPTED BY LOCAL COUNCILS TO APPLY FOR A BANK LOAN****If Council intends taking a Bank Loan, the following information is to be submitted to the Department for Local Government:**

- 1 Council to indicate amount to be borrowed;
- 2 Council to obtain a minimum of 3 'quotations' from different commercial banks re loan (terms of payment, interest rate, date by which loan is to be paid, etc.). No commitments are to be made;
- 3 Council to decide on best offer and communicate to Department submitting all relative documents (including minutes of council meeting where such loan was discussed and approved);
- 4 (a) Requests for loans less than €120,000 shall be accompanied by a justification drawn by the Executive Secretary. Such justification must outline the economic and social benefits which would be derived by the project;
- (b) Requests for loans equal to or exceeding €120,000 must invariably be accompanied by a feasibility study drawn up by an independent professional, individual or body. The study is to demonstrate and quantify the financial, economic and social benefits to be derived by the project. The study must include a cost-benefit analysis drawn by an accountant or auditor.
- 5 Verified budgetary forecasts for a 5 year period *drawn up by a certified public accountant* demonstrating that the loan and its repayment are sustainable. Basically this means that a local council would not need to recur to additional public funds and can contain any deficit if this arises. Subvention would be kept constant and not assumed to increase (or decrease). Any assumptions made must be clearly stated. Loan does not need to be repaid over 5 years.
- 6 Verified confirmation by an accountant that a Local Council cannot make use of any funds allocated to fund a project which is not indicated in the application or part of it.

Additionally, Local Councils are to note that:

- (a) If not all required documents are received, the application will not be processed
  - (b) If Loan repayment will take more than 8 years, Council must conduct a referendum in terms of Art. 3(6) of the Local Councils Act. The referendum can only be held after the Council has obtained the official approval for the loan.
- 7 No request for a new bank loan will be accepted until the current loan has been paid. The Council has to submit a declaration stating that there are no current loans in place.
- 8 A request for an overdraft used solely for the scope of effecting payments in connection with EU funds may be entertained – however all such payments must be paid when the relative funds have been received from the EU.

**For Department only: The financial statements of the Local Council over the past 3 years, including particular reference to whether this was in deficit or in surplus position.**