



The Government of Sark

**POLICY AND FINANCE COMMITTEE**

**A COMMITTEE OF THE CHIEF PLEAS OF SARK**

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**Loan facility agreement**

On 8th April Chief Pleas will decide whether to enter into a loan facility agreement with the States of Guernsey to enable the compulsory purchase of SEL's assets. The papers for this meeting are now available on the Chief Pleas website. The papers set out all key details of the loan facility, including the exact rate calculation, drawdown conditions and repayment terms.

**Viewing arrangements**

This is essentially the same loan agreement as those issued to States of Guernsey owned bodies and for this reason it has been requested that this document remains confidential. If Sark is to be taken seriously as a partner, now and in the future then we must do our best to respect these requests.

The full loan facility document will be available for all Conseillers to view in hard copy only due to the commercially sensitive nature of the agreement. This is standard practice with sensitive, confidential documents of this type, and the lender requires that we handle the document in a controlled manner. The agreement also contains a confidentiality clause which restricts how the material can be shared. This will also ensure that any questions can be raised and answered in advance, enabling an informed and constructive debate when it comes before the extraordinary meeting. Conseillers will be able to view the document as many times as they would like and appointments will not be time-limited or restricted to office hours.

In light of the repeated and extremely disappointing leaking of confidential information across a number of subjects in recent years, and given the specific request from the States of Guernsey regarding the handling of this agreement, we are simply left with no other option but to put safeguards in place to ensure that Conseillers do not distribute or reproduce this document. These measures are not designed to hinder scrutiny, but to comply with the lender's requirements and to protect Sark's credibility in future financial discussions.

For Sark to maintain its position as a trusted partner to financial institutions it is essential that we treat documents of this nature appropriately. How we manage confidential documentation now will directly influence our credibility in any future discussions on financing. Ensuring that the document is viewed securely demonstrates that we take our responsibilities seriously.

### **Total interest repayable**

Some recent commentators and media articles have focused on the absolute worst case example of loan interest repayments. The loan has always been intended to be paid for solely from electricity sales and even in a worst-case interest rate scenario this would be comfortably affordable based on forecasts set out in the publicly available Chief Pleas documents. Even in the unlikely event that the whole £1.5m loan facility is drawn down at once the total interest paid is likely to be significantly lower.

As set out in the publicly available Chief Pleas papers, the surplus from electricity sales can also be used wherever possible to make early repayments, further bringing down the cost of borrowing. For example, if £1m is drawn down and forecast surplus based on the current price of electricity is put towards early repayments, then predicted interest falls to a total of £156,000, with the loan being paid off in under 6 years.

### **Other options**

A loan from Guernsey represents the cheapest and most dependable option to complete the initial purchase with and to ensure the safety of the grid through urgent remedial work. A commercial loan—if it were even obtainable—would be significantly more expensive, and in practice it is highly unlikely that Sark could secure one at all, given the absence of assets that a lender would require as collateral. The option of raising funds through a community or public bond has previously been discussed within Chief Pleas. This option remains under consideration and will be pursued once the compulsory purchase of the existing assets has been completed.

At this stage, it is therefore considered that a government-to-government loan represents the simplest and most reliable mechanism to secure funding for the initial phase of the project, removing uncertainty while the compulsory purchase process is concluded. Following the initial acquisition and essential 'make-safe' works, there will be opportunities to refinance and raise additional funding to enable a full overhaul of Sark's electricity infrastructure, ensuring it is more resilient, sustainable and affordable for future generations.

### **Compulsory purchase**

Compulsory purchase will secure Sark's energy future for generations to come. It will allow the island to determine its own direction and it will ensure that our energy infrastructure is safe, reliable, sustainable and meets the current and future needs of our residents and businesses. It will also enable Sark to plan the transition towards a modern and sustainable energy system.