

	Loans to Community Groups Policy <i>Policy No. FINPOL 14</i>	Version No:	1.0
		Responsible Officer/s	Deputy CEO
		Issued:	15 Dec 2014
		Next Review:	Jan 2023

1. Purpose

To provide direction for the issuing of loans to sporting bodies and community groups.

2. Scope

This policy applies to all requests received from community and sporting groups for financial support by way of self-supporting loans. The policy outlines the availability of self-supporting loans and provides a guide to the eligibility and assessment criteria for each request.

Self-supporting loans will only be considered for capital asset acquisition or development and will not be approved by Council for operational equipment or operating expense purposes.

3. Definitions

Council Land: This is land either directly owned and controlled by Council or is Crown Land under the care and control of Council.

Incorporated community group: A group that is formally incorporated under relevant state or national legislation.

Community Loans: Support loans made by Council to community groups and sporting organisations to self fund infrastructure projects.

4. Policy

4.1 Loans to Community Groups/Clubs

Council is in a unique position to provide valuable assistance to community groups undertaking worthwhile projects by way of its ability to provide internal funding, staff expertise and assistance, use of Council equipment or to act as a “banker” for external funds.

However, if funds or the projects themselves are not properly managed, Council can also be faced with unique risks such as:

- Being responsible for a third party’s debt or that party’s failure to complete its share of the project or to provide the promised “in kind” contribution or a failure to meet the requirements of relevant legislation.
- At worst case, Council may be an unwilling party to litigation that can arise out of a serious breach of WH&S or public safety (i.e. Risk Management) by a third party working with Council or on Council land.

The usual consequence of such failures is that Council’s budgets can be seriously compromised and it then has to recoup the shortfall by raising rates to the wider community or by reducing its level of service provision to the district.

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4.2 Guidelines for Loans to Community Groups / Clubs

1. Council may lend money to any Incorporated Community Group or Sporting Organisation which is not conducted for private profit.
2. A rate of interest will be charged on the loan that is equivalent to council's current borrowing rate. The interest will be charged on the amount outstanding at the end of each month in arrears.
3. The term of the loan shall be as determined by council.
4. The loan shall be used for the purpose of:
 - a) constructing or improving facilities for use in connection with the activities of the organisation or club; or
 - b) for the erection or improvement of buildings associated with or incidental to those facilities, on lands which are owned by, vested in, or under the care, control and management of, the council or of which the club, organisation or governing body is the owner or lessee.
5. All applications for loans must include details of:
 - a) Financial Position of the Club/Organisation
 - b) How repayments are to be met
 - c) Credit References (if deemed appropriate by council)
 - d) Name of Organisation (including details of principles)
 - e) Address of Organisation
 - f) Purpose of Organisation and reason for the loan request
 - g) Articles of Association or Constitution are to be provided.
6. Council at all times reserves the right to:
 - a) Obtain a credit reference from the Credit Reference Association
 - b) Approve or disapprove any application it receives on any grounds that the council deems appropriate
 - c) Call in any loan at any time if:
 - o the repayment schedule is not adhered to
 - o the purpose of the club or organisation ceases to comply with the purpose(s) listed in clause 1, or
 - o the club or organisation ceases to exist or is conducted for a private profit

4.3 Eligibility

The club/organisation must:

- be a not-for-profit organisation
- not have a commercial purpose
- be an incorporated group or organisation or be auspiced by an organisation that will take legal and financial responsibility for the administration of funds.
- be financially viable
- be able to demonstrate effective management skills and be financially accountable
- lodge applications with a full budget and timeline

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- demonstrate that suitably qualified and experienced people are involved in the project
- be able to make a reasonable co-contribution and/or attract other funding or sponsorship to the project
- be locally based. Proposed activities must be offered within the District Council of Grant and/or target residents from within the District Council of Grant
- provide a Certificate of Currency for appropriate Public Liability Insurance
- not duplicate or overlap with existing similar activities
- contribute towards Council's Strategic Plan

Not all eligible applications submitted will be funded.

4.4 Ineligible Applications

The following are not eligible for funding:

- Individuals
- Organisations that operate for commercial purposes
- Projects or events that are run for commercial purposes
- Applications for funding public liability insurance
- Organisations that have not satisfactorily acquitted previous funding applications to Council by the due date
- Ongoing operational or administrative costs
- Activities that are the primary responsibility of other funding agencies
- Remissions of rates
- Proposals which may lead to a continued dependence upon Council funds

Council will consider eligible loan requests at its Ordinary Council Meetings in accordance with this policy.

Ineligible applications will not be submitted to Council for their consideration. Applicants will be advised in writing why their application was not considered eligible.

4.5 Small loans to sporting bodies and community groups

In relation to the issue of loans to eligible local sporting bodies and community groups, the following will apply:

- A maximum loan of \$10,000 may be issued in any one financial year to any single sporting body or community group.
- The total amount of loans issued in any one financial year shall not exceed \$40,000.

All loans provided by Council shall be subject to the following conditions:-

- A minimum of two guarantors shall be required to enable any loan request to be processed and the guarantors' agreement shall be provided in writing. Should the sporting body or community group own assets, (eg land/buildings freehold) there may be a requirement for security over the loan against the asset(s).

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- All loan repayments shall be by mutually agreeable instalments, as set out in agreed contracts. Such contracts are to be fully executed prior to the disbursement of any loan funds.
- The term of the loan shall be determined by Council at the time the loan is approved, after considering consultation with the sporting body or community group concerned.
- The interest rate payable shall be at the variable interest rate charged by the Local Government Finance Authority for a loan of the same size and term at the time the loan is approved and is subject to change as interest rates change.

4.6 Self Supporting Loans

- Self-supporting loans are loans taken out by Council through the Local Government Finance Authority (LGFA) on behalf of clubs or organisations who undertake to meet the capital, interest and loan guarantee payments.
- Non-profit clubs or organisations who occupy land or buildings owned by or vested in the District Council of Grant, in accordance with a management licence or lease, may make application for self supporting loans where the funds are to be used for capital improvements to the land or buildings they occupy.
- The term of the loan should be less than or equal to the half life of the capital works or improvements being undertaken. This is to enable the club or organisation sufficient time to set aside a cash reserve for the future refurbishment or replacement of those improvements.
- In circumstances where the loan term is greater than the half life of the improvements being funded by the loan, the club or organisation is to demonstrate how it will fund the replacement or refurbishment of those improvements whilst still servicing the loan.
- Approval will only be considered where the club or organisation can adequately demonstrate, by the provision of forward financial plans covering the life of the loan, a capacity to meet the loan repayments. The financial plans are to be certified by an independent Certified Practising, Chartered or similarly qualified and experienced Accountant.
- The club or organisations must also demonstrate a satisfactory past payment history with at least three principal suppliers, one of which may include the Council where such a history exists.

5. Responsibilities

The Deputy Chief Executive Officer is responsible for the implementation of this policy. Relevant Managers and Directors will be required to provide background information and recommendations in relation to applications covered in their areas of work.

6. References:

- Local Government Act 1999
- District Council of Grant Strategic Management Plan
- Internal Financial Controls Procedures
- FINPOL 09 – Community Funding & Support Policy
- FINPOL 01 - Leases, Licences and Permits Policy

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7. Review

This Policy shall be reviewed by the District Council of Grant at minimum every four (4) years, within 12 months of a general election (or on significant change to legislation or other matters which could affect this policy).

Action	Date	Minute Reference
Adopted by Council	15 December 2014	14149.1.2
Reviewed	1 April 2019	19047.3.3