

## SELF SUPPORTING LOANS

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Previous policy number: 1.2.6

### Policy Statement

This policy establishes the framework within which Council may consider provision of self-supporting loans to community and sporting groups, subject to the financial position of the Town, prevailing budget circumstances, forecast funding requirements for municipal requirements and capital projects, competing demands for funds, debt financing structure and capacity of the Town to borrow.

### Policy Details

#### Objective

To establish the principles, constraints, assessment criteria and conditions for the allocation and utilisation of Town borrowings to finance self-supporting loans for community and sporting groups for the purposes of capital asset acquisition or development.

#### Policy Principles

Council will consider providing self-supporting loans to community or sporting groups under the following circumstances:

- To mitigate serious risks and/or meet urgent capital requirements that will deliver substantial benefits to the community consistent with the Town's Strategic Community Plan and priorities identified in the Corporate Business Plan.
- Where the self-supporting loan forms part of a matching community grant component (e.g. CSRFF).
- Where in the view of Council, the use of Town borrowings for the intended purpose will deliver benefits to the community materially outweighing likely benefits from the alternative purposes from which the said borrowings may have been diverted.
- Where in the view of Council there is compelling justification for the Town to act as lender instead of a bank or other financial institution.

### Policy Guidance

#### Preliminary Assessment

Self-supporting loan applications must be assessed in light of:

- The Strategic Community Plan and Corporate Business Plan
- The Town's Long Term Financial Plan and forecast debt financing capacity across the prospective life of a requested loan.
- Regulated borrowing limits as determined by WA Treasury Corporation.
- Debt Service Coverage Ratio (calculated as annual surplus before interest expense and depreciation divided by annual debt service payments) meeting the required Department standard.
- Annual budget and current financial position of the Town.
- New capital works program priorities and funding requirements.
- Asset renewal/replacement funding requirements.
- Demands for use of borrowings for Town requirements.

### **Assessment of Applications**

In addition to the principles outlined above, the following application conditions must be met:

- The applicant must be an incorporated body.
- The applicant does not have an existing outstanding loan owing to the Town.
- The applicant has not defaulted on payments to the Town in the past five years on existing or previous loans.

Assessment of applications will consider:

- The purpose of the loan and perceived benefit to the wider community.
- The amount of the loan and its period.
- Ability for the loan to be repaid in full, and for repayments to be made on time.
- Financial viability and capacity to repay the loan.

Applicant to provide:

- Proof of incorporation including a copy of the organisation's constitution.
- Independently audited financial statements for the preceding three years. The financial statements must be prepared in accordance with Australian Accounting Standards.
- A Strategic Business Plan and Long Term Financial Plan, clearly demonstrating a stabilised or increased membership. The length of the Plans must be equal at least to the length of the term of the loan being applied for.
- A Business Plan in support of the asset acquisition or development proposal to be financed by the requested self-supporting loan.
- Documentation committing adequate security to be provided over the loan.

Once all the information has been received, a report will then be forwarded to Council for determination.

### **Roles and Responsibilities**

The Chief Executive Officer will be responsible for the assessment of Applications.

The approval of self-supporting loan applications is not delegated to the Chief Executive Officer from Council. A report will be provided to Council on the outcome of the assessment. Council will make a decision on the approval or otherwise of the application.

### **Loan Conditions**

The following conditions will be imposed on the loan agreement:

- The applicant is required to meet the total advertising costs, loan establishment fees and any other expense that Council incurs as a result of the loan raising.
- The applicant is required to meet any cost involved in preparing or amending lease documents, agreements, security, etc.
- The applicant is required to deposit with the Council an amount equivalent to the first six months repayments and that deposit should be paid prior to the funding being made available to the applicant and be retained to be used at Council's discretion to meet future payments.
- The applicant is required to meet principal and interest repayments one month prior to the due date.

- Any default of loan re-payment will incur a cost to the club/association of 10% per annum, unless arrangements have been made with Council, prior to the re-payment being defaulted.
- The applicant must provide Council with an end of year independently audited financial statement for each year of the loan.

### Definitions

Nil.

### Governance References

Statutory Compliance	<i>Local Government Act 1995 Section 6.20</i> Local Government (Financial Management) Regulations 1996, Regulation 20 & 21
Organisational Compliance	Nil.

### Policy Administration

Directorate:		Officer title:
Corporate Services		Executive Manager Corporate Services
Next Review		Review Cycle
July 2022		
Version	Date	Ref
1	23 March 2010	OCM-072-2010
2	24 July 2018	OCM-130-2018
3		