

LOANS TO NON-PROFIT COMMUNITY GROUPS POLICY (COMMUNITY POLICY)

1. Scope

The Loans to Non-Profit Community Groups Policy (this 'Policy') applies to all requests from non-profit community groups and/or organisations seeking assistance from Council by way of direct loan and/or loan guarantee.

2. Purpose

Council is requested from time to time to offer loans and/or loan guarantees for non-profit community groups and/or organisations in order to fund augmentations/extensions to their facilities. This Policy establishes a framework within which loans and/or loan guarantees to non-profit community groups and/or organisations can be applied for, approved and administered.

3. References (legislation/related documents)

Legislative reference

Local Government Act 2009

Statutory Bodies Financial Arrangements Act 1982

Related documents

Community Assistance Programmes Policy

Rates, Rebates and Remissions Policy

4. Definitions

To assist in interpretation, the following definitions shall apply:

Applicant	Non-profit community groups and/or organisations seeking assistance from Council by way of direct loan and/or loan guarantee
Council	Livingstone Shire Council.
Facility	A loan or loan guarantee.
Financial Assistance Policy	Council's Community Assistance Programmes Policy.
Department	Department of Local Government, Racing and Multicultural Affairs.

5. Policy Statement

Council encourages the development of sustainable new and innovative facilities, both sporting and cultural, for the community at minimal cost to ratepayers. Council is looking to empower community groups to take a lead role in developing and funding these developments where possible.

Council's preferred method of supporting applicants is through Council's Community Assistance Programme and related rates concession policy, with loans and/or loan guarantees being considered a last resort where applicants are able to demonstrate that all other funding avenues have been exhausted.

Assessment of requests must be made within a structured framework and proper consideration given to minimising Council's exposure to loss. This can be achieved by a thorough assessment of the applicant's capacity to service the debt, the availability of security and the impact of the facility on Council's borrowing capacity.

5.1 Eligibility Criteria

The provision of a loan to a non-profit community group and/or organisation by local governments is captured under the *Statutory Bodies Financial Arrangements Act 1982* and, as such, requires the Treasurers approval. The Department has obtained from the Treasurer, on behalf of all local governments, a general approval for the provision of a loan to a non-profit community group and/or organisation. Conditions attached to this approval are as follows:

- The maximum loan amount for each community organisation will be the lesser of the amount set out in a local government's policy on financial assistance or \$120,000.00.
- The maximum repayment term for each loan will be the lesser of the term set out in a local government's policy on financial assistance or ten years.
- The total value of outstanding loans to community organisations provided under this approval does not exceed \$2 million at any time for an individual local government.

For any loans that fall outside the above limits, the normal approval process through the Department is required.

In addition to the above Department criteria applicants seeking provision of a facility will need to meet the following Council criteria:

- 1) A facility will only be available to applicants that have facilities constructed on Council owned freehold land or on reserve land administered by Council and for the latter if the proposed facility is consistent with the purpose of the reserve.
- 2) A facility will only be provided to fund the augmentation, extension or improvement of facilities. Maintenance, minor repairs, moveable items or plant will not be funded.
- 3) A facility will only be available where such improvements, in the opinion of Council, provide a community benefit.
- 4) The applicant satisfies Council that they have the capacity to service the debt and that there is a minimum risk of default.
- 5) A facility will only be provided on the basis that the amount of the guarantee reduces in line with the balance of the debt as the debt is repaid and/or with agreement struck at the commencement of the loan.
- 6) The applicant must be entirely free of debt to Council in relation to lease fees, rates or other debts.
- 7) Provide three financial years of audited financial statements (with the latest statement no more than 12 months old) to Council to allow Council to assess the applicants' capacity to service the debt and the availability of security for the proposed facility.
- 8) A detailed cash flow projection equal to the period of time for which the facility is sought.
- 9) A copy of the minute passed at a meeting of the applicant seeking a facility from Council.

- 10) The applicant must provide Council with written authority to undertake a written credit assessment check.
- 11) The applicant will enter into a written agreement with Council setting out the facility terms and conditions. Such agreement can only be altered in writing with the endorsement of Council's Chief Executive Officer.
- 12) The applicant must set up a direct debit payment facility in accordance with the agreement to Council's nominated account in order to repay any loan funds provided. Should the applicant miss three consecutive payments, the entire loan balance will become due and payable within 14 days of the third consecutive missed payment.

5.2 Council Approval

Prior to the approval of a facility Council will need to consider the relative security position of Council should the community group default on the debt and the impact the facility will have on Council's borrowing limit and its capacity to draw loans to fund its own needs.

5.2.1 Capacity to service debt

Council should satisfy itself that applicant has the capacity to service the debt which would comprise a review of the audited financial statements as provided by the applicant to form an assessment of the liquidity and financial stability of the applicant which must result in Council being satisfied that there are sufficient uncommitted funds available to service the debt.

In addition to satisfying itself of the financial stability of the applicant, Council should also review the stability of the membership of the applicant to ensure that current income generated by the applicant will be continued into the future to enable repayment of any lent funds.

5.2.2 Adequate Security

Council should satisfy itself that the applicant has adequate security to ensure such that any loss suffered by Council will be minimised if the applicant defaults on the provisions of the written agreement facility agreement.

Council should obtain reasonable assurance that it is not exposed to significant loss in the event that the applicant defaults on any facility provided. Council should always be aware that this is the risk that it exposes itself to in acting as a lender or guarantor for a loan.

5.2.3 Cumulative effect of providing facility

Council should review the cumulative effect of providing the facility on Council's total borrowing limit.

Loan guarantees provided by Council are included as debt by the Department when assessing Council's borrowing entitlements and total borrowing limits. There is a risk that if a number of loans and/or loan guarantees were provided over a period of time that the cumulative effect of these guarantees could have a significant impact on Council's borrowing entitlement.

Each request for a facility will be reviewed by Council's financial officers to ensure that it does not compromise Council's borrowing program and that it can be accommodated within Council's total borrowing limits.

5.2.4 Council Adoption

Should Council officers deem it appropriate to recommend a request to provide a facility to an applicant; this recommendation will be tabled for

adoption by Council subject to the Departments' provision as outlined in section 5.1 of this Policy.

6. Changes to this Policy

This Policy is to remain in force until any of the following occur:

- 1) The related legislation/documents is amended/replaced; or
- 2) Other circumstances as determined from time to time by the Chief Executive Officer.

7. Repeals/Amendments

This Policy repeals the former Rockhampton Regional Council Policy 'Loans to Non-Profit Community Groups Policy'.

Version	Date	Action
1	21/05/2019	Adopted

CHRIS MURDOCH
CHIEF EXECUTIVE OFFICER