

FM 9 – Self Supporting Loans to Shire Community/Sporting Groups

1 Objectives

The purpose of this Policy is to:

- 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 Shire, competing demands for funds, debt financing structure and capacity of the Shire to borrow;
- Establish the principles, constraints, criteria and administrative guidelines for the allocation and utilisation of Shire borrowings to finance self-supporting loans for community and sporting groups for the purposes of capital asset acquisition or development; and
- Ensure an organisation wide and inclusive approach is taken to the capitalisation of facilities in the district via Shire funded self-supporting loans.

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 limits 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 to buildings and/or land, and will not be approved by Council for operational equipment or operating expense purposes.

3 Definitions

3.1 Act or LGA

means the Local Government Act 1995.

3.2 Asset

means a physical component of a facility which has value, enables a service to be provided and has an economic life of greater than 12 months.

3.3 Association

Includes society, club, institution, group or body – that is not-for-profit.

3.4 Council

means the Council of the Shire of Bridgetown-Greenbushes.

3.5 Incorporated association

means an association incorporated under the Associations Incorporation Act 1957.

3.6 Long Term financial plan

means a minimum ten year rolling financial plan incorporated into the Shire's Corporate Business Plan that activates Strategic Community Plan priorities.

3.7 Shire

Version 1.1

means Shire of Bridgetown-Greenbushes.

3.8 Strategic Community Plan

means the Strategic Community Plan adopted by the Council.

4 Policy

Self-supporting loans are loans taken out by the shire on behalf of community/sporting groups who undertake to meet the capital, interest and loan guarantee/administrative payments.

Community/sporting groups may make application for self-supporting loans where the funds are to be used for capital improvements to land or buildings they own, or occupy (where the property is Shire property).

The term of the loan shall be less than or equal to the half-life of the capital works or improvements being undertaken, and not more than ten (10) years. This will enable the group sufficient time to set aside a cash reserve for the future refurbishment or replacement of those improvements.

Council will only consider approving applications from groups that 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.

4.1 Matters to be considered by Council

- 4.1.1 The Shire's Long Term Financial Plan and forecast debit financing capacity – across the (prospective) life of a requested plan.
- 4.1.2 Regulated borrowing limits as determined by WA Treasury Corporation.
- 4.1.3 Debit service Coverage Ratio (calculated as annual surplus before interest expense and depreciation, divided by annual debt service payments) meets that required of the Department of Local Government Standard.
- 4.1.4 Standard is NOT met if ratio is less than two.
- 4.1.5 Basic Standard if ratio is between two (2) and five (5).
- 4.1.6 Advanced Standard if greater than five (5).

Note: This indicator is used by the WA Treasury Corporation when considering loan applications from the Shire.

- 4.1.7 The current financial position of the Shire.
- 4.1.8 New Capital Works program priorities and funding requirements.
- 4.1.9 Demands for use of borrowings for Shire requirements.
- 4.1.10 Compliance with legislative requirements associated with borrowing of monies under Section 6.20 of the Local Government Act 1995.

4.2 Guidelines

The Shire is not a lender-of-last-resort for community or sporting groups and will only provide access to self-supporting loans when financial circumstances permit, and when there is compelling evidence of positive benefits to the community.

Council will only ever consider providing self-supporting loans to community/sporting groups:

- 4.2.1 In exceptional circumstances to mitigate serious risks and/or to bridge an urgent capital shortfall that will deliver substantial benefits to the community consistent with the Shire's Strategic Community Plan and priorities identified in the Corporate Business Plan.
- 4.2.2 Where the self-supporting loan forms part of a matching community grant component (eg; CSRFF).
- 4.2.3 Where in the view of Council, the use of Shire borrowings for the intended purpose will deliver benefits to the community materially outweighing likely benefits from the alternative purposes from which the said borrowings would have to be diverted.
- 4.2.4 Where in the view of Council there is compelling justification for the Shire to act as lender rather than a bank or other financial institution.

4.3 Limits

- 4.3.1 Funding to any one (1) application shall be in the range \$25,000 to \$100,000.
- 4.3.2 The term of borrowing will be limited to a ten (10) year period or such lesser period as may be determined by the prevailing terms of the Shire's debit financier.

4.4 Assessment

Based on an application having no significant or adverse impact in relation to the abovementioned general principles and it also meets criteria and guidelines principles, the application will be assessed based on the following:

- 4.4.1 Provision of a fully completed application form.
- 4.4.2 Provision of proof of incorporation.
- 4.4.3 Provision of latest audited financial statements (Operating, cash Flow & Financial Position Statements).
- 4.4.4 Provision of a forward financial plan in relation to the required term of borrowing.
- 4.4.5 Provision of compelling evidence of ongoing capacity to service and repay the loan from its operations.
- 4.4.6 Provision of a Business case in support of the asset acquisition or development proposal to be financed by the requested self-supporting loan.
- 4.4.7 If the property (land and/or building) to be self-supporting loan funded is not Shire property, then the group shall provide proof of ownership.

4.5 Deed of Loan

- 4.5.1 Where a self-supporting loan for a particular group is raised, a separate 'Deed of Loan' for the period of loan repayments is to be prepared and executed as contractual evidence for payment of the loan.
- 4.5.2 The costs associated with the preparation and stamping of the 'deed of Loan' shall be the responsibility of the Club or organisation.

4.6 Reallocation of Surplus Loan Funds

Should any funds remain unspent at the completion of the project, officers responsible for the carrying out of the works shall, upon completion and in accordance with the schedule of works, issue a certificate of completion for the funded work. The responsibility for recommending to the Audit Committee the reallocation of surplus funds shall lie with the Chief Executive Officer.

4.7 Administration Costs and Loan Guarantee Fees

The following costs incurred by the Shire shall be recouped from groups applying for self-supporting loans:

- 4.7.1 Actual advertising costs (incl. GST).
- 4.7.2 Where non-standard Deeds of Loan, Mortgage or other legal documents are required, the actual preparation costs of such documents will be on-charged to the applicant.
- 4.7.3 Stamp duties, or other duties or taxes applicable to the self-supporting loan application or documentation, will be on-charged to the applicant at actual cost.

4.8 Roles and Responsibilities

Executive Manager Community Services:

It is the responsibility of the Executive Manager Community Services to establish a point of contact and as required support, for community/sporting groups wishing to complete and submit self-supporting loans for Council consideration.

Executive Manager Corporate Services:

Review and appraise each application, and make a recommendation (approve/not approve) for presentation to the Audit Advisory Committee.

Audit Committee:

Appraise the Executive Manager Corporate Services; recommendation (approve/not approve) for presentation to Council.

Council:

Review recommendation and make final determination by Absolute Majority to approve or not approve self-supporting loan document.

SELF SUPPORTING LOAN APPLICATION

Organisation: _____

Address: _____

ABN: _____

Contact Person: _____

Contact Phone Number: _____

Eligibility Check list

- Are you an incorporated body
- Do you have an ABN
- Has your organization been operational for 3 or more years
- Can your organisation demonstrate an established relationship with Council
- Will the “end product” for the use of loan funds be an asset.

2.1 Loan funds required: \$ _____

Term of loan: _____

Purpose of the Loan:

Brief description of the project: _____

The following components **MUST** be included with your application –

- 1 Certificate of incorporation
- 2 ABN certificate
- 3 Plans and specifications associated with the project
- 4 Audited financial statements (Operating, Cash Flow & Financial Position) for the current year
- 5 Current business plan demonstrating forward financial plan for the term of the borrowing
- 6 Evidence of ongoing capacity to service the loan from operations
- 7 Detailed business case in support of the acquisition showing costing's and project budget
- 8 Whole of life costing analysis for the asset
- 9 Other funding body confirmation of commitment
- 10 Statements demonstrating the need for the loan, together with reasons for not seeking to obtain alternative funding (if no other funding has been sought)

5 Applicable Legislation and Documents

Statutory Power <i>(Acts, Regulations, Local Laws, TPS)</i>	<i>Local Government Act 1995</i> s.2.7(2)(b) – The council is to determine the local government’s policies s.6.20 – Power to borrow
Shire Policies	N/A
Related Documents	N/A
Related Procedure	N/A

6 Administration

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