

COUNCIL POLICY – Community Loans Policy	
Reference Number	
Responsible Business Unit	Finance
Responsible Officer	General Manager Corporate Services
Legislation	Local Government Act 1999 Local Government General Regulations 2013 Local Government Financial Management Regulations 2011 Local Government Finance Authority Act 1983 Cost of Living Concessions Act 1986 As found on Legislative Register Reference Number 792726
Relevant Delegations	Chief Executive Officer General Manager Corporate Services
Related Policies Management Guidelines Frameworks	Financial Sustainability Policy Rating Policy Rates Financial Hardship Policy Rates Senior Postponement Policy Debt Recovery Policy Rate Debt Recovery Management Guideline Privacy Policy
Link to Strategic Plan	5.4 - Transparent
Council resolution	
Date Adopted	
Review Date	
Previous Revisions	

POLICY STATEMENT

The Rural City of Murray Bridge values and recognises the role of community and sporting groups within its Council area and endeavours to support them in a variety of ways.

The objective of the Community Loans Policy (the **Policy**) is to provide a loan funding mechanism to support projects that have community benefit.

The key purpose of the Policy is to provide equitable access for incorporated not-for-profit entities based within the Rural City of Murray Bridge (**Community Groups**) to Community Loan funding. This funding is to support these Community Groups with capital improvements for community, sporting, recreational, cultural and associated facilities.

OBJECTIVES

This Policy provides a framework for Council to:

- 1.1 Consider requests from Community Groups including sporting clubs, seeking assistance by way of a direct loan
- 1.2 Ensure that medium to longer term objectives of the Long Term Financial Plan are not compromised

This Policy assists Council Administration with clear guidance detailing explicit policies and procedures outlining the required approach, responsibilities and processes for Staff to properly administer the financial business of the Council in accordance with its direction and consistent with statutory requirements and sound financial management practices.

SCOPE

Council is not in the business of providing financial accommodation to third parties through the lending of finances, nor is it a registered financial institution, and consequently Council will only consider applications that support the community at large.

The offering of loans or loan guarantees to Community Groups will only be considered once other funding options have been exhausted and compliance with the requirements of the Policy have been met. Alternate funding options which must be considered, include (but are not limited to):

- Government grants
- Sponsorship
- Fundraising
- Application for credit from a lending institution

Supporting evidence will be required to show that all other funding options have been fully exhausted.

The minimum value of an individual loan to a Community Group will be set at \$20,000 to a maximum of \$100,000.

Council may consider providing loans or acting as a guarantor up to a combined maximum value of \$500,000 at any one time across all Community Groups.

Council may agree to:

- Act as guarantor for a Community Group
- Borrow funds from the Local Government Finance Authority (LGFA) on behalf of a Community Group
- Loan funds from existing Council cash reserves with interest applicable to a Community Group

PRINCIPLES

The following principles will apply in relation to the management of Community Loan applications.

Applications will only be considered from Community Groups based within the Rural City of Murray Bridge Council area which meet the following criteria:

- Undertake activities that are predominantly provided by volunteers
- Have limited capacity to obtain funding from other sources
- Applications will only be considered on merit for projects that develop new or redevelop existing buildings or facilities on Council owned or Council controlled land
- Applications will only be considered for projects that illustrate an alignment with Goals/Objectives/Strategies included in Council's Community Plan, have a long-term benefit for the community and have a clearly defined plan and budget
- Council will take into consideration its own Net Financial Liabilities Ratio, and associated policy thresholds, when considering applications under this Policy
- Applications will only be considered upon receipt of a fully completed "Community Loans Application Form" which will then be referred to Council for final decision

IMPLEMENTATION**Eligibility Conditions/Criteria**

- 2.1 Applications will not be considered for any projects that have already commenced or where the project expenditure is of a recurrent or ongoing nature.
- 2.2 Any Community Group making an application under this Policy must include a business case as part of its application, and may be required to attend either a briefing session or Council meeting to present their application and respond to Elected Member queries.
- 2.3 All loans must be formally documented, and unless otherwise separately negotiated and resolved by Council, will be provided on a fixed principal / interest repayment basis, incorporating quarterly repayments, over a term up to but not exceeding 10 years..
- 2.4 The interest rate applied for the duration of the loan will be the prevailing Debenture Loan interest rate available through the Local Government Finance Authority or Council's lender of choice based on market availability.
- 2.5 The loan funding provided should only be for a maximum of 50% of the total project cost, and the loan agreement must stipulate that the funding only be used for the purpose for which the loan was obtained.
- 2.6 The Community Group must provide copies of their independently audited financial statements for the most recent three (3) consecutive years.
- 2.7 The Community Group must provide evidence (via minute or other document copy) that their application has the necessary internal approvals in accordance with their Constitution or Charter.
- 2.8 The Community Group must also demonstrate evidence of sound governance procedures, and will obtain all necessary permits / approvals and appropriate insurance relating to the project for which the loan is sought.
- 2.9 Loan funding will only be provided pursuant to this Policy in instances where the Council is appropriately satisfied that the Community Group has a sufficiently identified financial capacity to repay the loan over the designated loan term. The overall assessment of such capacity is to be made by the General Manager Corporate Services, being the responsible officer for this Policy, and who will liaise with the Local Government Finance Authority on a case by case basis – on merit.
- 2.10 The assessment of a Community Loan Funding Application can only be completed by an employee of Council with appropriate delegations and where a conflict of interest with the applicant does not exist.
- 2.11 A risk assessment will be undertaken for each application by the General Manager Corporate Services. Any applications that fall into grey areas outside this policy will go to Council for prior assessment.
- 2.12 Each application must go through the Audit and Risk Committee and sector/financial sustainability advice sought from the Local Government Finance Association prior to Council for a final decision.
- 2.13 Where an application is approved, a contract agreement between Council and the applicant will be drawn up with the costs of this incurred by the applicant, either as an

upfront payment or to be included as part of the loan.

- 2.14 The Community Group agrees that repayment of principal and interest pursuant to this Policy will only be made by direct debit from the Community Group's bank account.
- 2.15 Should a Community Group default on a loan repayment, the Council will make reasonable endeavours to support the organisation. However, the Council must retain the right to take whatever action it considers necessary to recover the funds, with the costs of such action being recoverable from the Community Group.
- 2.16 The Community Group must appropriately recognise the funding support of Council in all forms of publicity. This will include the use of the Rural City of Murray Bridge branding provided by Council relating to the project.
- 2.17 At the completion of the project, the Community Group must provide an acquittal report as evidence to Council that the community loan was in fact used to fund the proposed project. This must occur within 3 months of project completion.

Review and Evaluation

The effectiveness of this Policy will be reviewed on a triennial basis. However, the community loan balances will be assessed every year. Reporting on all current Community Loans will be provided to Council as a minimum quarterly as part of its Corporate Reporting suite.

DEFINITION

"Community Group" is an incorporated not-for-profit entity based within the Rural City of Murray Bridge.

"Community Loans" are support loans made by Council to community groups and sporting organisations to self-fund infrastructure projects.