

Council Policy

Community Loans



COUNCIL POLICY

 Adelaide Hills COUNCIL	COMMUNITY LOANS
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Policy Number:	FIN-06
Responsible Department(s):	Financial Services
Other Relevant Policies:	<i>Debt Recovery Policy</i> <i>Grant Giving Policy</i>
Relevant Procedure(s):	None
Relevant Legislation:	<i>Local Government Act 1999.</i>
Policies and Procedures Superseded by this policy on its Adoption:	24 April 2018, Item 12.10, 96/18
Adoption Authority:	Council
Date of Adoption:	22 September 2020
Effective From:	8 October 2020
Minute Reference for Adoption:	Item 12.9 213/20
Next Review:	No later than September 2023 or as required by legislation or changed circumstances

COMMUNITY LOANS POLICY

1. INTRODUCTION

Adelaide Hills Council values and recognises the role of community and sporting groups within the Council area and endeavours to support them in a variety of ways. The objective of this policy is to provide a loan funding mechanism to support projects that have community benefit.

2. POLICY OBJECTIVES

This policy provides a framework for Council to:

- consider requests from community groups including sporting clubs, seeking assistance by way of direct loan, and
- ensures that medium to longer term objectives of the *Long Term Financial Plan* are not compromised.

3. DEFINITIONS

“Incorporated community group” is a group that is formally incorporated under relevant state or national legislation.

“Not-for-profit organisation” is an organisation whose constitution clearly shows that it does not operate for the profit, personal gain or other benefit of particular people (for example, its members, the people who run it or their friends or relatives). The constitution must not provide for the surplus assets on winding up to be distributed to members or another body that does not have a similar aims or objectives.

An organisation can also make a surplus from operations for a period of time, but any surplus made must be used for its purpose(s).

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

4. POLICY

4.1 PRINCIPLES

Council is not in the business of providing financial security to third parties through the lending of finances, nor is it a registered financial institution. The *Local Government Act 1999 Section 139* also precludes council from making investments into businesses or operations of a business for profit nature, and consequently Council will only consider applications that support the community.

The provision of loans or loan guarantees to community groups will only be considered as a last resort, once all other funding options have been fully exhausted and compliance with the requirements of the Policy have been met. These other funding options include:

- 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 will be set at \$10,000 and Council will allocate loans/loan guarantees to a combined maximum value of \$1 million at any one time to ensure the financial sustainability of Council's financial position can be managed appropriately.

Council may agree to:

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

4.2 CRITERIA

Adelaide Hills Council will consider providing support to community groups based on the following criteria:

- The proposed project must be supported by Council's Strategic Management Plan or supporting strategies
- The project must have demonstrated community benefit
- Applications will only be considered by groups who are resident in the Adelaide Hills Council district or provide a significant benefit to the Adelaide Hills Council community
- Loans will predominantly be used for capital improvements and the construction and/or acquisition of capital assets
- Requests associated with meeting ongoing salary, rent, day to day operating costs or commercial undertakings will not be considered
- The repayment period should not exceed, the life of the asset or the term of the existing lease agreement and will generally not be greater than 10 years
- The community group will provide a minimum contribution of 25% of the capital cost of the project excluding government grants and other external funding. This contribution can be through the provision of in-kind support in the delivery of the project.
- The community group must be a 'not for profit' organisation and have an incorporated status.
- Demonstrate that suitably qualified and experienced people are involved in the proposal to ensure compliance with all governance requirements.
- The community group will be responsible for interest and principal repayments.

- The interest rate applied to loans would be based on market rates applicable to community groups at the time and not the rate that Council is able to borrow at.
- The community group must clearly demonstrate that it has the capacity to repay the loan funds to Council, this will include the provision of:
 - Audited financial statements for the two (2) prior years
 - An independently prepared business plan for the term of the loan including detailed income and expenditure forecasts
 - Forecast repayment schedule for the term of the loan
 - Additional fundraising and income generating activities.
- All capital projects must be consistent with any Masterplan that has been developed for the site
- The application must provide evidence that the loan has been approved by a majority of the Community Group's members (i.e. minutes of a committee meeting make it clear that all members have been consulted).

4.3 CONDITIONS OF APPLICATION AND OFFER

- Only one active loan per individual community or sporting group will be considered, and preference may be given to community or sporting groups who haven't had a loan previously.
- Applications must be received on the prescribed application form which is available for download from Council's website.
- Loans will not be approved retrospectively.
- Each application will be decided on its merit and in accordance with the general eligibility criteria outlined in this Policy.
- Should Council agree to provide a loan or act as guarantor, any terms and conditions must be specified in an agreement between Council and the relevant party that is executed under Council's seal
- An annual administration fee will be applicable as set out in the Fees and Charges Schedule.
- The applicant must be willing to pay all legal costs associated with establishing the loan and drafting the loan agreement including mortgage registration costs if applicable.

4.4 REPORTING

At least once a year the Audit Committee shall receive a specific report regarding the level of outstanding Community Loans relative to this policy document.

This report shall highlight:

- For each entity - the quantum of funds, its interest rate and maturity date, and changes in the quantum since the previous report, and
- Full details and explanation of any instances of deviation from this policy during the year.

5. DELEGATION

Section 44(3)(c) of the Act provides that a council cannot delegate the power to borrow money or to obtain other forms of financial accommodation, and as such each request received for a loan will go to Council for approval.

The Chief Executive Officer has the delegation to:

- Approve, amend and review any procedures that shall be consistent with this Policy; and
- Make any formatting, nomenclature or other minor changes to the Policy during the period of its currency.

6. AVAILABILITY OF THE POLICY

This Policy will be available for inspection at the Council's Offices during ordinary business hours and via the Council's website www.ahc.sa.gov.au. Copies will also be provided to the public upon request, and upon payment of a fee in accordance with the Council's Schedule of Fees and Charges.