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3.3 C-3SSL03 – Self-Supporting Loans

Previous Policy Number - 2.2

PART A - Policy

Objective

The objective of this Policy is to set out how the Shire of Dandaragan (Shire) will undertake the provision of self-supporting loans in a fair, equitable and balanced process, to groups within the community, for the purpose of capital projects only.

Policy Statement

The Annual Financial Report, Budget and monthly financial report will be prepared in accordance with the accounting concepts, standards and disclosure requirements of the Australian Accounting Standards, the *Local Government Act 1995* and accompanying

The Shire values the contribution to the community of Dandaragan by its community organisations and may provide financial assistance to these groups through the provision of self-supporting loans for approved capital work programs, subject to the following conditions:

1. The project being assessed as meeting a need required within the community
2. The community group being assessed as financially viable and able to meet all loan repayments.
3. The loan for capital improvements or other approved capital expenditure.
4. Whether or not a more suitable source of funding exists;
5. The Shire's debt service ratio; and
6. The community group signing a Self-Supporting Loan Agreement, which includes a requirement for the payment of all loan repayments, interest on outstanding debts, administration or other fees incurred by the Shire with respect to the agreement.

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PART B - Management Procedures

Definitions

Self-Supporting Loan – an amount of money raised by the Shire in its own name through a specific loan for an agreed period provided to an approved community group through a Self-Supporting Loan Agreement

Detail

Applying for a Self-supporting Loan

The Shire will only provide access to self-supporting loans in exceptional circumstances and when financial circumstances of the Shire permit, and where there is compelling evidence of positive benefits to the community and the organisation seeking the self-supporting loan.

The organisation is to apply in writing, advising the following information:

- amount of loan principal required;
- purpose for which loan is to be expended;
- term of proposed loan;
- the last annual audited financial statements of the organisation;
- current monthly financial statement of the organisation;
- number of financial members of the organisation;
- financial viability of group to repay loan;
- whether the group is incorporated or not; and
- other information considered appropriate and requested by Council.

Conditions for Self-supporting Loans

Council will consider providing self-supporting loans to community organisations where the following conditions are met:

- In exceptional circumstances to mitigate serious risks and/or to meet urgent capital requirements that will deliver significant benefits to the community as a whole and in keeping with priorities set by the Corporate Business Plan.
- Where it does not have any adverse effect on the Long Term Financial Plan, and the forecast debt financial capacity of the Shire.
- Where Financial Ratios are not materially impacted.
- Where capital works are not materially impacted during the financial year.
- When there is no material impact on asset renewal / replacement funding requirements.
- Where in the view of Council, the use of Shire's borrowing for the intended purpose will deliver greater benefits to the community that far outweighs benefits for alternative purposes from which the said borrowings would have been diverted.
- Where in the view of Council there is compelling justification for the Shire to act as lender instead of a bank or other financial institution.
- Is able to demonstrate it has the capacity to service the loan repayments out of its normal operations.

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Assessments

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

1. Provision of an appropriate fully completed application.
2. Provision of proof of incorporation.
3. Provision of latest set of audited financial statements (Operating Statement, Cash flow and Financial Position Statements).
4. Provide a track record with the Shire of paying its invoices within 60 days of issuance of invoices.
5. Provision of a forward financial plan in line with the required term of borrowing.
6. Provision of compelling evidence of ongoing capacity to service and repay the loan from existing operations.
7. Provision of a business case in support of the asset acquisition or development proposal to be financed by the requested self-supporting loan.
8. Report prepared for Council with the supporting application for Council consideration supported by the business case.

Separate Self-Supporting Loan Agreement

When a self-supporting loan is being raised, a separate "Self-Supporting Loan Agreement" needs to be completed between the Shire and the community organisation, covering the period of the loan and executed as contractual evidence of repayment on the loan.

The costs associated with the preparation and stamping of the "Self-Supporting Agreement" shall be the responsibility of the community group or sporting club.

Interest on Unremitted Loan Funds

Where the full costs of a project utilising loan funds have been drawn down but not spent on the project interest at the rate of 3% on the un-remitted funds will be credited to their debtors account.

Loan Repayments by Recipients

All loan repayments for a self-supporting loan are to be received by the Shire a minimum of 14 days before the Shire is required to make its loan repayments.

Interest on Debtors Balances

When a debtor's account is raised for the value of the next instalment of the loan, and this is not paid on time, interest will accrue and be charged on the overdue balance in accordance with the conditions of the "Self-Supporting Agreement".

Administration Costs

The following costs incurred by the Shire will be recovered from community organisation applying for self-supporting loans:

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- Actual advertising costs inclusive of GST;
- Stamp duties or and any legal expenses associated with the drawing up and registering the "Self-Supporting Agreement".

Defaults in Loan Repayments

Community organisations in financial difficulty and not meeting their loan repayments may come to terms of arrangements with the Shire to repay the overdue portion of their debt over a longer term, provided they meet their current commitments.