

Council Policy CP 059 Self Supporting Loans to Community/Sporting Groups			
<b>Officer</b>	Senior Treasury Officer	<b>Owner</b>	Director of Treasury & Finance
<b>Review Frequency</b>	Annual Budget Process	<b>Next Review</b>	2014
<b>Signed</b>			
<b>Approved by</b>	Tony Brun Chief Executive Officer	<b>Date</b>	

## OBJECTIVES

The purpose of this policy is to establish the principles, constraints, criteria and administrative guidelines for the allocation and utilisation of City borrowings to finance self-supporting loans for community and sporting groups for the purposes of capital asset acquisition or development.

This policy 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 City, prevailing budget circumstances, forecast funding requirements for municipal requirements and capital projects, competing demands for funds, debt financing structure and capacity of the City to borrow.

## 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 and will not be approved by Council for operational equipment or operating expense purposes.

## POLICY PRINCIPLES

### 1.1 Matters to be considered by Council

1. The City's Long Term Financial Plan and forecast debt financing capacity – across the prospective life of a requested loan.
2. Regulated borrowing limits as determined by WA Treasury Corporation.
3. Debt Service Coverage Ratio (calculated as annual surplus before interest expense and depreciation divided by annual debt service payments) meets required Department of Local Government Standard.
4. Standard is NOT met if ratio is less than two.
5. Basic Standard if ratio is between two (2) and five (5)
6. Advanced Standard if greater than five (5)
  - a. Note: This indicator is used by the WA Treasury Corporation in considering loan applications from the City.
7. The City's Financial Sustainability Policy: Indebtedness Ratio – measures the extent to which past borrowings principal outstanding relate to the City's discretionary general revenue. Target = < 0.4.
8. The City's Financial Sustainability Policy limit on the use of loan funds in any one year to a level where the aggregate costs of servicing interest and principal repayments does not exceed ten (10) per-cent of operating revenues generated from rates, fees and charges.
9. Annual budget and current financial position of the City.
10. New Capital Works program priorities and funding requirements.
11. Asset renewal/replacement funding requirements.
12. Demands for use of borrowings for City requirements.
13. Compliance with legislative requirements associated with borrowing of monies under Section 6.20 of the Local Government Act 1995.

## 1.2 Guidelines

The City is not a lender-of-last-resort for community or sporting groups and will only provide access to self-supporting loans in exceptional circumstances, 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 or sporting groups:

- a. In exceptional circumstances to mitigate serious risks and/or meet urgent capital requirements that will deliver substantial benefits to the community consistent with the City's Strategic Community Plan and priorities identified in the Corporate Business Plan.
- b. Where the self-supporting loan forms part of a matching community grant component (e.g. CSRFF)
- c. Where in the view of Council, the use of City 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.
- d. Where in the view of Council there is compelling justification for the City to act as lender instead of a bank or other financial institution.

## 1.3 Limits

1. The level of consolidated self-supporting assistance to groups in any one year may not exceed annual repayment of principal and interest of more than 0.5 per cent of rates revenue.
2. Funding to any one (1) applicant is to be limited to \$300,000 at any time.
3. 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 City's debt financier.

## 1.4 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:

- a. Provision of a fully completed application form.
- b. Provision of proof of incorporation.
- c. Provision of latest audited financial statements (Operating, Cash Flow & Financial Position Statements).
- d. Provision of a forward financial plan in relation to the required term of borrowing
- e. Provision of compelling evidence of ongoing capacity to service and repay the loan from its operations
- f. Provision of a Business Case in support of the asset acquisition or development proposal to be financed by the requested self-supporting loan.

## ROLES AND RESPONSIBILITIES

### Senior Treasury Officer:

It is the responsibility of the Senior Treasury Officer to implement this Council policy and assess each individual application.

### Director of Treasury and Finance:

Review Senior Treasury Officer's 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 application.

## REFERENCES

Process for Project Acknowledgements & Events  
Operating Policy for Launches & Functions  
Draft Operating Policy for Minor Sporting Facility Grant Funding  
Draft Sporting Future Plan  
Strategic Community Plan 2012-2022  
Financial Sustainability Policy

