

## COUNCIL POLICY

<b>Community Loans Policy</b>		Policy No:	07 09 004A
		Adopted by Council:	6 November, 2013
		Adopted by EMT:	
		Review Date:	November, 2017
Responsible Director:	Director Corporate Services	Expiry Date:	
Responsible Officer:	Manager Financial & Information Services		
Functional Area:	Financial Services		

### **Purpose**

The purpose of this policy is to provide a framework for the responsible and effective provision of loan finance to the community to undertake projects that are beneficial to the community as a whole.

### **Background**

Council recognises the importance of input by community organisations into the development of community facilities, and the difficulties faced by these organisations to secure appropriate finance to support capital works.

Council also has a commitment to the retention of heritage streetscapes throughout the shire and encourages the restoration of verandahs and heritage buildings, particularly in commercial areas, most of which are privately owned.

Whilst Council has very limited capacity to directly fund such works, alternative assistance may be made available by providing loan finance, subject to the terms of this policy.

It is important that this provision of loan funding is undertaken in a fair and responsible manner, in order that Council can continue to finance its operations and to ensure effective cash flow management.

### **Policy**

Council will consider applications to provide loan finance for specific programs and development opportunities as follows:

- to community organisations for undertaking capital works that will have ongoing benefit to the community; or
- to community organisations for undertaking projects that align directly with the Council Plan and that will have ongoing benefit to the community; or
- to businesses or individuals for undertaking works to restore verandahs and heritage streetscapes in commercial areas of the shire (as referenced in Council's *Verandah & Heritage Streetscape Policy*).

### **Principal Amount**

Subject to a financial and needs analysis, Council may provide loan finance up to a maximum of \$100,000 to any one borrower. The principal amount will be determined with reference to:

- the funds required;
- up to 50% of total project costs for heritage streetscape applications; and
- analysis of financial records, to demonstrate capacity to meet repayments due.

Council will not exceed total lending of \$300,000 at any one time, and will maintain a general reserve called *Community Loans Reserve* to hold the balance of any funds not loaned, for the purpose of providing future loans applied for under this policy.

### **Interest Rates**

Interest will be charged, fixed for the full term of the loan, based on the current weighted average interest rate of investments held, plus a margin depending on the length of the loan, as follows:

- 2 years or less 1.0%
- 3 years or less, but more than 2 years 1.5%
- 5 years or less, but more than 3 years 2.0%
- 8 years or less, but more than 5 years 2.5%

The term of the loan may be revised during the loan period, but may not extend past the original completion date.

### **Repayments**

Repayment periods will be negotiated with the applicant, but will be limited by the following:

- Less than \$10,000 2 years maximum period
- Between \$10,001 and \$20,000 3 years maximum period
- Between \$20,001 and \$50,000 5 years maximum period
- Greater than \$50,000 8 years maximum period

Repayments may be made either monthly or quarterly in advance, and a repayment schedule will be prepared by the Manager Financial & Information Services, which must be agreed to and signed and dated by both Council's representative and an authorised representative for the borrower.

Extra repayments may only be made with prior permission from Council's Manager Financial & Information Services, and will result in an amended schedule, which must be agreed to and signed and dated by both Council's representative and an authorised representative for the borrower.

Legal agreements will be entered into between Council and the borrower's authorised representative, and default options will be strictly enforced, including penalty interest and foreclosure.

Appropriate commercial security will be required to cover the full amount of loan funds.

Applications must be received on the appropriate application form, and will be assessed as per the defined criteria contained within the relevant application form.

All applications will be presented to Council at an appropriate briefing session, and may be referred to a full Council meeting if required.

### **Council Plan Objective/Strategy**

1. Improved social and economic viability of the shire
2. Delivered targeted projects and core services

### **Legislation/Standards**

N/A

### **Responsibilities**

The Manager Financial & Information Services is responsible for the review and management of this policy. The Marketing & Community unit is responsible for liaising with stakeholders with regards to community projects and heritage building works.

### **Stakeholders**

Mayor, Councillors, Chief Executive Officer, Director Corporate Services, Manager Financial & Information Services, Director Marketing & Community, Manager Community Sustainability, Manager Business & Tourism Services, Manager Environment & Regulatory Services, Heritage Advisor and nominated officers, community organisations and commercial business owners.

### **Review**

This policy and related procedures will be reviewed every four years, unless changed circumstances require earlier review.

### **Communication/Implementation**

Northern Grampians Shire Council's website

*Community Organisation Loans Procedures*

*Community Organisation Application for Loan Funding*

*Verandah & Heritage Streetscape Loan Procedures, Information Sheet and Application Form*

### **References**

*Verandah & Heritage Streetscape Policy*

### **Charter of Human Rights Compliance**

It is considered that this policy does not impact on any human rights identified in the *Charter of Human Rights & Responsibilities Act 2006*.

### **Review History**

<b>Date</b>	<b>Review Details</b>	<b>Action</b>
30 September, 2013	Aligned to new Council Plan & amended review period to four years.	Presented to Strategic Council Briefing 14 October, 2013
14 October, 2013	Included projects aligned with Council Plan	Adopted by Council 6 November, 2013