
Community Loans Policy



July 2022




Northern Grampians Shire Council
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Community Loans Policy



Council Policy

Responsible director	Director Corporate Services
Responsible officer	Manager Financial Services
Functional area	Financial Services
Date adopted by Council	15 August 2022
Review date	August 2026

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 works 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; and
- to businesses or individuals for undertaking works to restore verandahs and heritage streetscapes in commercial areas of the shire.

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 \$150,000 at any one time and will maintain a general reserve called *Community/Heritage 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 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 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.

Legislation and Standards

Not applicable

Responsibilities

The Manager Financial Services is responsible for the development and management of this policy.

Review

Assessment of the policy will be undertaken every four years to align with the Council term to ensure it remains current with the Council's goals, processes, aims and requirements and as a means by which to

reduce Council's exposure to risk. Triggers for an earlier assessment include legislative changes and introduction of new systems or procedures.

Communication and implementation

Northern Grampians Shire Council's website
Community Organisation Loans Procedures
Community Organisation Application for Loan Funding

References

Financial Reserves Policy

Privacy and Data Protection compliance

All Council policies must consider the Privacy and Data Protection Act 2014 and the Victorian Protective Data Security (VPDSS) Framework which adopts a risk-based approach to protective data security. This policy includes relevant, identified security risks and governance arrangements in place to protect security across the domains of information, personnel, ICT and physical.

Gender Equality compliance

Not applicable

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

Date	Review details	Action
30 September, 2013	Aligned to new Council Plan & amended review period to four years.	Presented to Strategic Council Briefing 14 October, 2013
6 July 2022	Policy updated to new template, officer position titles updated, total lending value changed to match Financial Reserves Policy	Present to Council Briefing 18 July 2022
15 August 2022	Adopted by Council	