

# Community Loans Policy

<b>Policy Number</b>	POL-CLV3
<b>File Number</b>	7/POL/COMLOANS/2
<b>Responsible Officer</b>	Director – Corporate and Financial Services
<b>Adopted</b>	8 November 2016
<b>Last reviewed at Council Meeting</b>	13 April 2021
<b>Minute Number</b>	21106/3
<b>Due date of next Review</b>	April 2025

## 1. Purpose

The purpose of this policy is to ensure:

- 1.1 A framework is provided for Council to allocate Community Loans in an effective and equitable manner.
- 1.2 Equity and transparency in providing community loans
- 1.3 Funds are used for purposes intended
- 1.4 Appropriate authorisation of community loans
- 1.5 Adequate recovery and collection of payments due
- 1.6 To address risk areas identified in the 'Better Practice Model – Internal Financial Controls' (as recognised in the Local Government (Financial Management) Regulations 2011; including:
  - Council issues Loans inappropriately
  - Loans are inaccurately recorded or not recorded at all.
  - Community Groups are not able to repay loans to Council.
- 1.7 To ensure that Council can fulfil their statutory obligations under Section 124 (1) of the *Local Government Act 1999* that states:
 

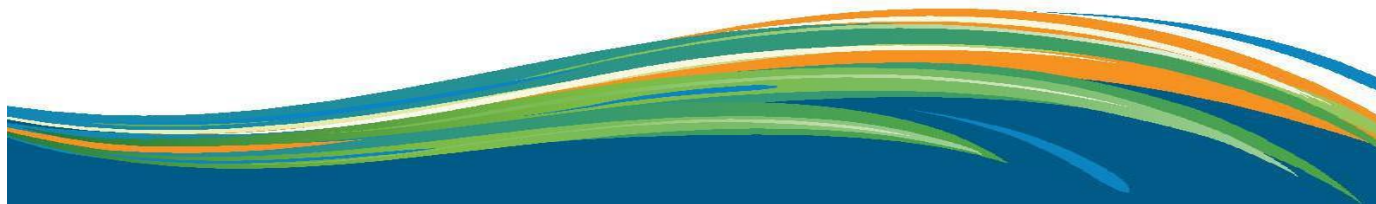
"A Council must keep such accounting records so as to correctly and adequately record and explain the revenues, expenses, assets and liabilities of the Council; and keep its accounting records in such manner as will enable:

  - The preparation and provision of statements that present fairly, financial and other information, and
  - The financial statements of the council to be conveniently and properly audited.

## 2. Policy

### 2.1 Intention of Community Loans

Community Loans support community groups within the Mid Murray district. They are intended to:



- 2.1.1 Promote participation in local community activities of recreation and sport, cultural activities, community development, lifelong learning and social and welfare activities.
- 2.1.2 Financially assist groups based in the Mid Murray district for significant projects
- 2.1.3 Promote community pride and participation in the Mid Murray district.

## **2.2 Transparency and Equity**

- 2.2.1 The Community Loans Program will be administered in a transparent and equitable manner and be promoted across the district in a manner that will allow maximum opportunity for community groups to apply.
- 2.2.2 Each funding program has a process for the assessment of applications with Council making the final decision.

## **2.3 Documentation**

Suitable documents, records and evidence of review will be maintained in support of application, approval and management of Loans.

## **2.4 Personnel**

- 2.4.1 The following activities should be undertaken by separate officers:
  - Reconciliation of Loans
  - Receipting of Loan payments
- 2.4.2 Only authorised personnel will undertake management of loans.
  - Discrepancies will be subject to independent review.

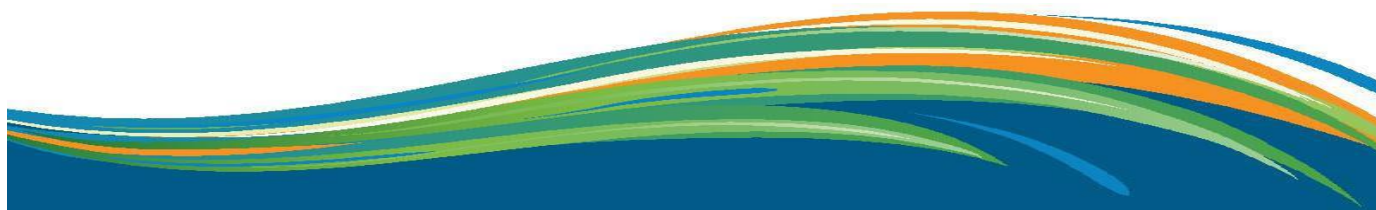
## **2.5 Eligibility Criteria**

The applicant organisation must:

- 2.5.1 Be an incorporated not-for-profit organisation
- 2.5.2 Deliver projects and outcomes for the Mid Murray Council boundaries.
- 2.5.3 Be financially viable and be able to demonstrate the capacity to successfully manage and administer their
  - Proposed project on time and within budget.
  - Loan repayments
- 2.5.4 Have appropriate Public Liability insurance cover
- 2.5.5 Explain the community benefit in the proposed project
- 2.5.6 Where an organisation is seeking funds to expand their current facilities, operations or services loan funding will be limited to a maximum of 75% of the overall project cost, inclusive of in-kind.

## **2.6 Assessment**

- 2.6.1 Priority will be given to loans for projects that:
  - Will benefit a wide range of people in the community
  - Have a long term benefit for the community
  - Have a clearly defined plan and budget.
- 2.6.2 The application must clearly demonstrate the capacity to repay the loan including:
  - Detailed expenditure and revenue forecast budget for term of loan
  - Forecast repayment schedule for term of loan
  - Additional fundraising and income generating activities



- Evidence of sound governance procedures.
- The application must provide evidence that the loan application has been approved by a majority of the community groups' members (minutes)

## **2.7 Term of Loan**

The repayment period will not exceed 10 years.

## **2.8 Value of Loan**

- 2.8.1 Loans to community groups will only be for a minimum of \$10,000 and not exceed \$100,000.
- 2.8.2 Additional loans and community grants will not be available to a community group if there are any outstanding amounts from previous loans.

## **2.9 Interest**

- 2.9.1 Historically Council had not charged interest on community loans, it in some instances may have delayed early repayment of outstanding loan principal. Interest on future community loans will be phased in as follows :-
- 11 February 2020 to 10 February 2021 33% of the \*LGFA, CAD Rate
  - 11 February 2021 to 10 February 2022 66% of the \*LGFA, CAD Rate
  - 11 February 2022 100% of the \*LGFA, CAD Rate
- 2.9.2 \*LGFA, CAD Rate – Interest will be fixed for the period of the loan at the Local Government Finance Authority, Cash Advance Debenture rate effective at the time of granting the loan.

## **2.10 Conditions of Loan**

Council has the right to attach conditions to the loan at its absolute discretion. The following standard conditions will normally apply:

- 2.10.1 The project for which the funds have been borrowed will be completed as per the project plan.
- 2.10.2 The community group will be required to provide an acquittal report at the end of the project.
- 2.10.3 If the funds are not expended in the manner described in the application, Council has the right to recall the debt at any stage.
- 2.10.4 The community group must advise Council as soon as possible of any changes to office bearers and changes in circumstances which may reduce the capacity to repay the debt.
- 2.10.5 The group may be required to carry insurance against defaulting on the loan.
- 2.10.6 Appropriate acknowledgement of the support of Council will be given in promotional material and reports.
- 2.10.7 Only Council can approve for any outstanding loan amounts to be written off.

## **2.11 Communication**

All staff are to be notified of this Policy and associated Procedures and kept informed of any updates and/or changes. Relevant staff are to be trained in the use of this Policy and associated Procedures.

# **3. Policy Responsibility**

The Director – Corporate and Financial Services is responsible for ensuring the proper operation of this Policy.



## 4. Availability/Accessibility

- 4.1** This Policy and Council's Fees and Charges Register are available to be downloaded free of charge from Council's website: [www.mid-murray.sa.gov.au](http://www.mid-murray.sa.gov.au).
- 4.2** This Policy is available for inspection at Council's principal office during ordinary business hours. Hard copies, for a fee in accordance with Council's schedule of Fees and Charges can be provided upon request.

## 5. Legislative Framework / Other References

- 5.1** *Local Government Act 1999 Section 124(1)*
- 5.2** *Local Government (Financial Management) Regulations 2011*
- 5.3** *Community Loan Management Procedure*

## 6. Document History

This Policy shall be reviewed at least every four (4) years or more frequently if legislation or Council requires.

Version	Adopted	Minute	Description of Change
1	8 November 2016	18855/2	Policy first adopted.
1.1	January 2018		Updated with new Policy document format and layout. Content of Policy not changed.
2	February 2020	20902/1	Council review – changes to interest wording
3	13 April 2021	21106/3	Clarification to eligibility criteria and wording.

