

Shire of Mundaring

POLICY

LOANS TO COMMUNITY GROUPS

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Reviewed:		Date:	
Procedure Ref:		Delegation Ref:	
Statute Ref:	<i>Local Government Act 1995 – s.6.20 & s.6.21</i> <i>Local Government (Financial Management) Regulations 1996 Pt.2</i>		
Local Law Ref:			

PURPOSE

The purpose of this policy is to provide a consistent, transparent and equitable approach and define the principles by which Council may assist eligible community groups seeking financial assistance to undertake capital improvement works.

Definitions

Community Group	<ol style="list-style-type: none">1. incorporated not for profit group or association of persons with the primary aim of conducting activities and providing services for community benefit;2. relies predominantly on volunteer labour, community fundraising, membership fees and donations; and3. may receive state and federal government operational grants and may rely on a fee for service business model.
Shire Premises	Land and/or buildings owned or managed by the Shire of Mundaring.
Force Majeure Event	Is an event that is beyond the control of either the Shire or the applicant.

Background

From time to time Shire of Mundaring receives requests from Community Groups to facilitate or provide loans for the purpose of undertaking capital improvements to the Shire Premises they occupy.

Under such funding arrangements the Shire is exposed to a risk that the borrowing Community Group could default upon its repayment obligations.

This policy sets out the general requirements that will guide Council when considering and assessing such requests to ensure consistent, transparent, equitable and

accountable decision-making and to ensure that the Shire's financial resources are appropriately managed.

Financial Assistance Options

Two types of financial assistance may be offered by the Shire to eligible Community Groups to a maximum of 75% of the total project cost:

1. Self-supporting Loans for Community Groups: are loans taken out by the Shire of Mundaring from the Western Australian Treasury Corporation on behalf of an eligible organisation that undertakes to meet all loan principal, interest, loan guarantee payments and associated loan costs incurred by the Shire. The maximum value of the loaned principal shall not exceed \$100,000 and the term of the loan shall not exceed the term of any existing community lease agreement. The interest applicable for a self-supporting loan is the rate that would be applied by the lending institution.
2. Cash Advances to Community Groups: are loans provided by the Shire from its Municipal Fund to an eligible organisation that undertakes to make payments to meet the loan principal, interest and associated loan costs. The maximum value of the loaned principal shall not exceed \$25,000 and the term of the loan shall not exceed the term of any existing community lease agreement. The interest applicable to a cash advance would be the current investment rates being received by the Shire for these funds to reflect the loss of interest earnings foregone by the Shire in providing the cash advance.

Purpose of Financial Assistance

Funds from the loan or cash advance applied for by a Community Group are strictly to be used for undertaking capital improvements to Shire Premises.

Requests associated with project design costs, public liability insurance, licences, registrations, ongoing salary, rent, rates, day-to-day operational costs or commercial undertakings, shall not be considered.

Eligible Community Groups

A Community Group applying for financial assistance shall meet all of the following conditions in order for its application to be considered by Council:

- i. The applicant is currently registered as an incorporated not for profit Community Group; and
- ii. The applicant currently leases or occupies Shire Premises; and
- iii. The applicant is currently free of any debt to the Shire in relation to lease fees, rates or other debts; and
- iv. The applicant has current Public Liability Insurance cover to the satisfaction of the Shire.

Minimum Requirements of Applicants

Shire of Mundaring must be satisfied that the applicant has the capacity to service the debt and there is a minimum risk of default.

For all applications over \$5000 under this Policy, the applicant organisation will be invited to attend a Council meeting to present their application and respond to Elected Members' questions or information requests.

For assessment of all Self-supporting Loan applications, the applicant shall provide the Shire with the following:

- Three years audited financial statements (with the latest statement no more than 12 months old); and
- Detailed cash flow projection for the term of the loan, which demonstrates the organisation's capacity to repay the loan; and
- Current membership details and member numbers for the preceding three (3) years; and
- Current bank account statements for the 12 month period immediately prior the application date; and
- Documentation demonstrating the source and nature of the balance of funding for the project; and Any other documentation that the Shire may consider is relevant for assessing the application.

For assessment of all Cash Advance applications, the applicant shall provide the Shire with the following:

- Three years audited financial statements (with the latest statement no more than 12 months old); and
- Detailed cash flow projection for the duration and finalisation of the project, which demonstrates the organisation's capacity to repay the cash advance; and
- Current membership details and member numbers for the prior three (3) years; and
- Current account bank statements for the 12 month period immediately prior the application date; and
- Documentation demonstrating the ultimate source(s) of funding for the project; and
- Any other documentation that the Shire may consider is relevant for assessing the application.

Approval of Applications

In assessing applications, Council shall have regard to the following:

- The capital works project being funded must provide a benefit to the community and be for the purpose of enhancing the activity of the Community Group; and
- Applications must align with the objectives of the Shire's Strategic Community Plan and Corporate Business Plan; and

- The improvement is for a permanent structure or improvement, or an item considered to be fixed to a structure. Applications for minor repairs and moveable items or plant will not be considered; and
- Whether the project for which the funds are required have state or federal government funding support; and
- Approval of any application must consider impacts to the current budget and Long Term Financial Plan of the Shire of Mundaring as required. Projects that may result in a perpetual dependence upon Shire funds will not be approved.

Force Majeure Event

A Force Majeure event will not release the applicant from its obligation to repay either the self-supporting loan or cash advance.