

LOAN GUARANTEE

ST005

F22

PURPOSE

The purpose of this Policy is to provide a framework for the approval of Loan Guarantees for community organisations that wish to substantially self-fund capital asset projects on Council owned/controlled land.

OBJECTIVES

The policy objectives are to achieve:

- A means of supporting local communities and sporting organisations to self-fund capital asset projects.
- A mechanism to fund community assets on land that is owned or controlled by Council that will vest in or ultimately be controlled by Council. These are assets which provide essential services or a clear benefit to the wider community and align to Council's adopted Community Strategic Plan.
- A funding solution that enables the community organisation to manage the resultant loan agreement directly with the lending institution.
- Proposals for loan guarantees are required to satisfy the criteria identified in the policy statement as well as being the subject of a report to Council, however satisfaction of the criteria does not guarantee approval as all approvals are at the discretion of Council.
- Establishment of the maximum amount of Council's exposure to combined loan and loan guarantee commitments.

All requests for Council loan guarantee support must be completed on the approved Loan Guarantee Application Form included in Council's Loan Guarantee application procedure.

APPLICABILITY

This policy is applicable to community organisations within the Orange Local Government Area applying for Council to be guarantor on a loan secured to self-fund capital asset projects.

GENERAL

Loan Guarantees will only be considered when all of the following policy criteria have been met. These criteria are as follows:

- 1 It is demonstrated that the project will provide essential services or a clear benefit to the wider community, and respond to objectives established in Council's adopted Community Strategic Plan attached to this policy below.
- 2 The Applicant will provide a minimum of 20 per cent of the capital cost of the project excluding government grants and other external funding.

All policies can be reviewed or revoked by a resolution of Council, at any time.

- 3 The loan guarantee shall not exceed 50 per cent of the assessed final value of the asset.
- 4 The Applicant has completed and agreed to all items in the *Loan Guarantee Compliance Statement*.
- 5 Borrowings are only to be used for the construction and/or acquisition of capital assets on Council owned or controlled land that will be vested in and ultimately controlled by Council.
- 6 The Applicant is a “not for profit” organisation and has an incorporated status, and is the current lessee of the land.
- 7 The Applicant has demonstrated that they will obtain better loan terms by having Council as a guarantor for the loan (for example: lower interest rates)
- 8 The Applicant has no outstanding debts to the Council.
- 9 The useful life of the asset exceeds the life of the loan guarantee.
- 10 The term of the loan shall not exceed the term of the existing lease agreement. The lease agreement refers to the agreement between Council as landlord and the community organisation.
- 11 The loan must not include a redraw facility.
- 12 Guarantees will not be provided where works have already commenced, unless Council resolves that extenuating circumstances exist.
- 13 By entering into this loan guarantee Council is not considered to “jointly control” the Applicant as defined by AASB 10 (as amended).
- 14 The applicant will, by 31 July each year, provide Council with a statement of the outstanding liability balance as at 30 June each year until the liability is discharged.

Council’s total exposure to loan and loan guarantee commitments shall be capped at an amount no greater than one percent of the annual revenue from Rates & Charges. Council’s loan guarantee commitment is measured based on the outstanding balance of loans guaranteed by Council, plus the balance due from loans Council may make to local bodies.

For individual loan guarantees in excess of \$250,000, the Applicant shall provide Council with annual audited financial statements by 30 September each year.

The loan guarantee is to be included in Council’s annual financial statements as a contingent liability. In the event of a default, Council would be required to report the loan as an expenditure item and as a liability, and this would increase Council’s debt level.

Council may seek to be listed as a “secured creditor” against the Applicant to assist in the mitigation of Council’s risk exposure.

All policies can be reviewed or revoked by a resolution of Council, at any time.

The offering of loan guarantees to community groups will only be considered as a last resort, once all other funding options have been fully exhausted, and compliance with the requirements of the policy have been met. Other funding options may include:

- The provision of assistance from Council staff in the preparation of funding applications
- Government grants
- Sponsorship
- Fundraising
- Application for credit from a lending institution.

RELATED DOCUMENTS/POLICIES

Loan Guarantee Application Form

Responsible Area – Corporate and Commercial Services

REVISION					
	DATE	RESOLUTION		DATE	RESOLUTION
1	2 December 2014	14/1076	6		
2	3 July 2018	18/308	7		
3			8		
4			9		
5					
All policies can be reviewed or revoked by resolution of Council, at any time.					

SUMMARY OF AMENDMENTS

Amendment Date	Section/Reference and Amendment
June 2018	Minor Formatting and Grammatical updates.
December 2014	New Policy

All policies can be reviewed or revoked by a resolution of Council, at any time.

LOAN GUARANTEE APPLICATION FORM

Before completing this application, Council's Loan Guarantee Strategic Policy (ST005) should be read to ensure that your application will receive consideration by Council. Copies of the "Loan Guarantee Policy is available from Council's website www.orange.nsw.gov.au.

APPLICANT'S DETAILS

Name of organisation, group or person seeking loan guarantee			
Address			
Postal Address (if different from above)			
Name and position of the contact person			
Name			
Position			
Phone (BH)		Phone (AH)	
Phone (M)			
Email			
What is the legal status of your organisation? (eg Incorporated, Association, etc.)			
If not for profit please attach evidence – such as charter/constitution showing no personal gain will be available to members, charitable status advice or a statutory declaration			
Is your group / organisation registered for GST?			Yes No
ABN (if applicable)		ACN (if applicable)	

PROJECT DETAILS

Name of project to be supported			
Description of project to be supported			
Loan Amount		Loan Term	
Applicable interest rate		Fixed or variable	
Anticipated loan repayments per annum (principal and interest)			\$
Estimated useful life of the asset			
Details of Project Cost			
Total Project Cost (ex GST)			\$
Funding sources and amounts			
Cash			\$
Loan Borrowings			\$
Government Grants			\$
In-Kind Contributions			\$
Other			\$
Total Project Funding (should equal total project cost)			\$

ALIGNMENT TO THE COUNCIL'S STRATEGIC COMMUNITY PLAN

ALL APPLICANTS ARE TO COMPLETE THIS SECTION

Council must align its expenditure to the directions in the Community Strategic Plan (CSP). Copies of the CSP are available at Council offices, Libraries and from the Council website www.orange.nsw.gov.au. The CSP lists the directions and their associated strategies and objectives in detail and should be consulted to ensure your application links to the appropriate element(s). **Alignment with Councils CSP will substantially strengthen your application.**

Which direction from Council's Community Strategic Plan (CSP) does your application best align to? – select one from Our City, Our Community, Our Economy or Our Environment.

OUR CITY

The Orange community will embrace and support strong, accountable leadership to ensure effective, long term, inclusive planning and decision making within the region

Having consulted the Community Strategic Plan, which strategies in the Our City Section does your project support?
List the numbers of the strategies only.

List numbers:

OUR COMMUNITY

The Orange community will support and enhance a healthy, safe and liveable city with a range of recreational, cultural and community services to cater for a diverse population.

Having consulted the Community Strategic Plan, which strategies in the Our Community Section does your project support? List the numbers of the strategies only.

List numbers:

OUR ECONOMY

The Orange community will plan and grow an innovative, diverse and balanced economy which protecting the character of the City and the region

Having consulted the Community Strategic Plan, which strategies in the Our Economy Section does your project support? List the numbers of the strategies only.

List numbers:

OUR ENVIRONMENT

The Orange community will pursue the balance of growth and development and the protect and enhancement of the built and natural environment while recognising climate impact and the diverse needs of the urban, village and rural communities

Having consulted the Community Strategic Plan, which strategies in the Our Environment Section does your project support? List the numbers of the strategies only.

List numbers:



ORANGE CITY COUNCIL

All policies can be reviewed or revoked by a resolution of Council, at any time.

LOAN GUARANTEE COMPLIANCE STATEMENT

The following Compliance Statement is to be signed by a minimum of two authorised signatories of the applicant in accordance with the organisation's Constitution, Memorandum of Understanding, Memorandum of Articles, etc. The following Compliance Statement must be fully completed prior to any application for Council to act as Loan Guarantor being considered.

We, as Office Bearers of _____ (the applicant), confirm that, if successful in receiving a loan guarantee from Council, the following requirements under the Orange City Council Loan Guarantee Policy will be adhered to:

- 1 Adherence to the Work Health and Safety Act and all relevant Work Health and Safety Guidelines.
- 2 Ensure that the project asset which is to be guaranteed by Council is adequately insured at all times during the term of the loan (Certificate of Currency to be supplied to Council each year).
- 3 Provide Council with annual updated reports concerning the operations of the organisation. These are to include, as a minimum:
 - a revenue and expenditure statement;
 - b balance sheet statement; and
 - c cash flow statement.
- 4 The project asset will be utilised for the benefit of the wider community during the period of the loan guarantee.
- 5 All Loan Guarantee charges and associated fees will be paid by the Applicant.

In addition to adherence to the above items, we, as office bearers, confirm that to the best of our knowledge, there is no legal action pending against the organisation nor any outstanding Work Health and Safety issues.

Signature	Signature
Name	Name
Position	Position
Date	Date



ORANGE CITY COUNCIL

All policies can be reviewed or revoked by a resolution of Council, at any time.

Checklist

The following is a checklist of documents which must be provided when submitting your application for Council to act as loan guarantor. Please ensure that you have adequately addressed all the following items to ensure that your application is processed in the most time efficient manner.

Information required	Provided to Council ✓
Signed and authorised copy of the compliance statement	
Copies of the most recent three years of annual audited financial statements including profit and loss, cash flow and Balance Sheet	
Sufficient description of the project being undertaken	
Detailed plans and costings including three relevant quotes	
Sufficient detail to determine who will own the asset and who is responsible for future upkeep of the asset/project	