

## LOAN GUARANTEE AND JOINT FUNDING ARRANGEMENTS POLICY

<b>Approval Level:</b>	Council
<b>Policy Type:</b>	Council
<b>Approval Date:</b>	28/02/2022
<b>Review cycle:</b>	Four years
<b>Review Date:</b>	28/02/2026
<b>Responsible Officer:</b>	Manager Financial Strategy
<b>Owner:</b>	Financial Strategy
<b>Responsible Director:</b>	Corporate Performance
<b>Relevant Legislation/Authority:</b>	Local Government Act 2020
<b>DOCSETID:</b>	4666438

### 1. PURPOSE

The purpose of this policy is to clarify the rules and methodology which the City of Greater Bendigo (the City) will apply when considering:

- whether it should act as bank guarantor for loans taken out by community Organisations;
- whether it should provide Significant support to a community Organisation by way of funding, supply of goods, services, labour and expertise.

All requests for Council loan guarantee support or joint funding arrangements must be completed on the Loan Guarantee / Joint Funding Application Form in consultation with City officers. Any other requests will not be considered.

### 2. BACKGROUND

The City is, at times, approached to provide Significant support to local community Organisations to assist with funding projects. The support requested can be in the form of funding, supply of goods and services, labour and expertise support, or a bank guarantee for a loan facility. Should the Organisation default on loan repayments, it is then the responsibility of the City to make the repayments. The provision of support may expose the City to risk. A thorough assessment of any proposal is essential to ensure risks to the City are minimised through financial and policy analysis.

### 3. SCOPE

This policy applies to the evaluation of all requests which are not part of an agreed budget or current agreement for to the City for it to provide Significant support to local community Organisations.

This policy does not apply to Community Grants, or to smaller transactions, support and interactions which are part of the day to day business of the City.

#### 4. DEFINITIONS

**Organisation** means an incorporated, community group or sporting club.

**S&P** means Standard & Poors.

**Staff** means employees, Councillors, volunteers or contractors engaged by the City.

**Significant** means direct financial (cash or otherwise) support greater than \$50,000, or which may present a high or extreme risk to the City.

#### 5. PRINCIPLES

The Loan Guarantee and Joint Funding Arrangements Policy will provide clear direction to management, staff and Council in relation to considering and evaluating the support it provides to community Organisations.

Loan Guarantee principles:

- The Organisation must be able to demonstrate that the reason for the loan is to upgrade or enhance facilities or amenities which will provide appropriate benefit to the local community.
- The community Organisation must be able to demonstrate their financial viability to repay the loan, including items referred to in Section 6 of this Policy.

Other forms of Support:

- The Organisation must demonstrate that the reason for support is to provide appropriate benefit to the local community.
- The Organisation must be able to demonstrate appropriate financial management.

#### 6. POLICY

##### 6.1 Evaluation Criteria

It is the responsibility of the Review Panel to assess each application, as set out at 6.3 below. For some applications, the "Project" criteria may not apply.

Assessment of the Organisation against the evaluation criteria includes:

- Organisation – governance
- Contribution – dollar value, grants, other funding methods
- Project – building/structure or plant and equipment
- Community Benefits – essential service, community benefit
- Reporting – regular financial reporting to the City
- Other – consideration of other factors that may impact the project.

The Review Panel must ensure that the Policy Criteria as detailed at Section 6.2 have been complied with. If any of these items are not complied with, the application is immediately unsuccessful. In these instances, it should be immediately referred back to the applicant to enable them to address the non-conforming criteria and re-apply if possible.

## 6.2 Policy Criteria

Assistance will only be *considered* when all the following essential criteria have been met:

- a. Where it is demonstrated that the project will provide essential services or a clear benefit to the wider community (if applicable).
- b. The applicant will be required to demonstrate their capacity to contribute to the capital cost of the project excluding government grants (if applicable).
- c. The guarantee term is within the City's agreed benchmark terms (Section 6.3 – loan guarantees only).
- d. The applicant has completed and agreed to all items in the *Loan Guarantee Compliance Statement* (loan guarantee applications only).
- e. The project asset will be owned by either the applicant or the City (if applicable).
- f. The Organisation's role (and proposal) is consistent with the City's Community Plan objectives and corporate values.
- g. Demonstrate that social, economic or environmental impacts which may arise from the project have been assessed.
- h. Support can be provided within the existing Council budget.
- i. All alternative support avenues, including where relevant the applicant Organisation's own assets or guarantee options, have been investigated.
- j. The applicant Organisation has a history of timely payments and no current outstanding debt to the City of Greater Bendigo.

Additional items for consideration:

- a. Does the applicant have sound governance practice in place.
- b. What is the percentage of revenue committed to debt repayments (Debt Commitment Ratio).
- c. Have appropriate plans and costings been prepared.
- d. Have ongoing maintenance costs been factored into forecast budgets provided by the applicant.

## 6.3 Review Panel

Each application will be assigned to the Director Corporate Performance (the "Responsible Director"). The Responsible Director is charged with the duty of forming the review panel.

The Review Panel shall comprise of a minimum of at least three City officers being:

- Responsible Director;
- Manager Financial Strategy or a Coordinator in Financial Strategy; and
- Director or a Manager (from the Directorate from which the application relates to).

The assessment of an application will require a considerable amount of professional judgment by City officers. Should the relevant City officers believe they do not have sufficient skills and experience to form an opinion, they should seek third party expert assistance.

Before any third party assistance is sought, approval **must** be first received from the applicant in writing.

#### 6.4 Benchmark Terms and documents: Loan Guarantees

The Benchmark Terms in which a Guarantee will be approved by Council are as follows:

Guarantee Amount \$'s	Maximum term of guarantee
Up to \$50,000	5 years
\$50,000 - \$99,999	10 years
\$100,000 and above	15 years

- For a Bank Guarantee > \$20,000 the Organisation must provide audited Financial Statements for the past two years, a Business Plan and Projected Cash Flow Statement for the next 5 years.
- For a Bank Guarantee < \$20,000 the Organisation must provide Financial Statements for the past three years as presented at the Organisation's Annual General Meeting, a Business Plan and Projected Cash Flow Statement for the next 5 years.
- If the particular Organisation utilises Council owned or controlled land or land owned by the Crown and the group has a lease of the land or the buildings thereon, the Organisation must have the written approval of the land owner for the works proposed.
- The loan must be from a recognised financial institution with an S&P long term credit rating greater or equal to BBB+.

#### 6.5 Council Report

Applications for Loan Guarantees which meet all the essential requirements of the policy will be referred to Council for approval of the support provided.

#### 6.6 Formalising the Relationship (including arrangements in cases of default)

Support given to an Organisation should be evidenced in a formal agreement that clearly identifies the nature of the support provided, the mutual obligations and responsibilities of the parties and the expected governance framework underpinning the support, including risk management, audit and reporting requirements.

A comprehensive funding agreement adds clarity to a professional relationship and therefore assists in minimising risk and possible misunderstanding between the parties. It is also an effective tool for compliance, monitoring and review.

The agreement will cover the steps and arrangements applicable in the situation where the organisation defaults on payments.

This agreement should also note and define review points and an 'end' of the support arrangements.

## 6.7 Post Support Review / Ongoing Relationship

If support is provided to a community Organisation, the City needs to consider and implement the appropriate monitoring system between parties. These may be included as part of a comprehensive funding agreement and may differ in content and scope according to the support offered. As a guide, the items which should be considered are as follows:

- Evidence that the support offered has been expended/utilised in accordance with the intent/purpose.
- Future financial records (profit and loss, cash flow and balance sheets) periodically where support is ongoing for a period exceeding six months.
- If support is toward an asset which is to be constructed/installed on the City's property, appropriate measures are to be implemented to ensure compliance with OH&S legislations and relevant details are to be provided to the Financial Strategy and Property Units so that asset registers can be updated.
- Representation on the Organisation's Board.
- Evidence that appropriate risk management, including insurance is in place.

## 6.8 Fees and Charges – Loan Guarantees

Any fees and charges applicable to a loan guarantee shall be paid by the applicant.

## 7. ROLES AND RESPONSIBILITIES

Position	Responsibility
Council	To decide on approval of applications in line with Policy.
Director Corporate Performance	Responsible for applications, forming the review panel and assessing applications.
Manager Financial Strategy / Coordinator within Financial Strategy	Member of the Review Panel and assessing applications, including providing secretariat if required.
Directors / Managers	Member of the Review Panel if the application relates to their Directorate.

## 8. RELATED DOCUMENTS

Readers are encouraged to access relevant documents and/or resources which are available as per the below.

These include:

- Loan Guarantee / Joint Funding Application Form
- Loan Guarantee Compliance Statement
- Loan Guarantee and Joint Funding Arrangement Evaluation Form

Further information or advice on this policy should be directed to Financial Strategy

## 9. HUMAN RIGHTS COMPATIBILITY

The implications of this policy have been assessed in accordance with the requirements of the Victorian Charter of Human Rights and Responsibilities.

## 10. ADMINISTRATIVE UPDATES

It is recognised that, from time to time, circumstances may change leading to the need for minor administrative changes to this document. Where an update does not materially alter this, such a change may be made administratively. Examples include a change to the name of a City unit, a change to the name of a Federal or State Government department, and a minor update to legislation which does not have a material impact. However, any change or update which materially alters this document must be made with the approval of EMT or where required, resolution of Council.

## 11. DOCUMENT HISTORY

Date Approved	Responsible Officer	Unit	Change Type	Version	Next Review Date
January 2022 (TBC)	Nathan Morsillo / Mark Eeles	Financial Strategy	Develop	1	January 2026