



## ***Loans to Community Groups Policy***

<b>Policy Classification</b>	Council Policy
<b>First Issued:</b>	10 September 2019
<b>Next Date of Review:</b>	June 2025
<b>Version Number:</b>	3
<b>Applicable Legislation:</b>	<i>Local Government Act 1999</i>
<b>Related Policies or Documents:</b>	Accounting Policy Internal Financial Controls Procedures Kangaroo Island Council Strategic Management Plan Annual Business Plan
<b>Associated Forms:</b>	NA
<b>Responsible Manager:</b>	Finance Manager
<b>Approved by Council:</b>	8 March 2022
<b>Minutes Reference:</b>	C88:2022

## Table of Contents

1. Preamble .....	3
2. Purpose .....	3
3. Scope .....	3
4. Definitions .....	3
5. Policy Statement .....	3

## **Loans to Community Groups Policy**

### **1. Preamble**

- 1.1. Kangaroo Island Council acknowledges the vital role Community Groups play in our community and the role that it can play in facilitating appropriate infrastructure development for its Community.

### **2. Purpose**

- 2.1. The objective of this policy is to provide direction for the issuing of loans to Incorporated Sporting Organisations and Incorporated Community Groups on Kangaroo Island.

### **3. Scope**

- 3.1. This policy applies to all requests received from community and sporting groups for financial support by way of self-supporting loans. The policy outlines the availability of self-supporting loans and provides a guide to the eligibility and assessment criteria for each request.
- 3.2. Self-supporting loans will only be considered for capital asset acquisition or development and will not be approved by Council for operational equipment or operating expenses purposes.
- 3.3. This policy applies to those organisations that meet the eligibility criteria detailed within this document.

### **4. Definitions**

- 4.1. **Council Land:** This is land either directly owned and controlled by Council or is Crown Land under the care and control of Council.
- 4.2. **Incorporated Community Group:** A group that is formally incorporated under relevant state or national legislation and is domiciled on Kangaroo Island.
- 4.3. **Community Loans:** Support loans made by Council to community groups and sporting organisations to self-fund infrastructure projects.
- 4.4. **Sporting Organisation:** An Incorporated Sporting Organisation that exists to promote sport and recreation on Kangaroo Island.

### **5. Policy Statement**

#### **5.1. Loans to Community Groups/Clubs**

5.1.1. Council is in a unique position to provide valuable assistance to community groups undertaking worthwhile projects by way of its ability to provide internal funding, staff expertise and assistance, use of Council equipment or to act as a "banker" for external funds.

5.1.2. However, if funds or the projects themselves are not properly managed, Council can also be faced with unique risks such as:

- a. Being responsible for a third party's debt or that party's failure to complete its share of the project or to provide the promised "in kind" contribution or a failure to meet the requirements of relevant legislation.
- b. At worst case, Council may be an unwilling party to litigation that can arise out of a serious breach of WH&S or public safety (i.e. Risk Management) by a third party working with Council or on Council land.

5.1.3. The usual consequence of such failures is that Council's budgets can be seriously compromised and it then has to recoup the shortfall by raising rates to the wider community or by reducing its level of service provision to the district.

## 5.2. Guidelines for Loans to Community Groups / Clubs

5.2.1. Council may lend money to any Incorporated Community Group or Sporting Organisation which is not conducted for private profit.

5.2.2. A rate of interest will be charged on the loan that is equivalent to council's current borrowing rate. The interest will be charged at the end of each month in arrears.

5.2.3. The term of the loan shall be as determined by council.

5.2.4. The loan shall be used for the purpose of:

- a. constructing or improving facilities for use in connection with the activities of the organisation or club; or
- b. for the erection or improvement of buildings associated with or incidental to those facilities, on lands which are owned by, vested in, or under the care, control and management of, the council or of which the club, organisation or governing body is the owner or lessee.

5.2.5. All applications for loans must include:

- a. Name of Organisation
- b. Address of Organisation
- c. Purpose of Organisation and reason for the loan request
- d. Articles of Association or Constitution are to be provided.
- e. The application must provide evidence that the loan has been approved by a majority of the Community Group's members (ie minutes of a committee meeting or special general meeting).
- f. The community group must demonstrate that it has the capacity to repay the loan funds to Council, this will include the provision of:
  - i. Audited financial statements for the two (2) prior years
  - ii. An independently prepared business plan for the term of the loan including detailed income and expenditure forecasts

- iii. Forecast repayment schedule for the term of the loan.
- iv. Additional fundraising and income generating activities.
- v. The applicant must be willing to pay all legal costs associated with establishing the loan and drafting the loan agreement.

5.2.6. Council at all times reserves the right to:

- a. Obtain a credit reference from the Credit Reference Association.
- b. Approve or disapprove any application it receives on any grounds that the council deems appropriate.
- c. Call in any loan at any time if:
  - i. the repayment schedule is not adhered to;
  - ii. the purpose of the club or organisation ceases to comply with the purpose(s) listed in clause 1: or
  - iii. the club or organisation ceases to exist or is conducted for a private profit

### 5.3. Eligibility

5.3.1. The club/organisation must:

- a. be a not-for-profit organization;
- b. be an incorporated group or organisation or be auspiced by an organisation that will take legal and financial responsibility for the administration of funds;
- c. be financially viable;
- d. be able to demonstrate effective management skills and be financially accountable;
- e. lodge applications with a full budget and timeline;
- f. demonstrate that suitably qualified and experienced people are involved in the project;
- g. be able to make a reasonable co-contribution and/or attract other funding or sponsorship to the project;
- h. be locally based;
- i. Must offer proposed activities within the Kangaroo Island Council and/or target residents from within the Kangaroo Island Council area;
- j. provide a Certificate of Currency for appropriate Public Liability Insurance;

- k. not duplicate or overlap with existing similar activities;
- l. contribute towards Council's Strategic Plan

5.3.2. Not all eligible applications submitted will be funded.

#### 5.4. Ineligible Applications

5.4.1. The following are not eligible for funding:

- a. Individuals
- b. Organisations that operate for commercial purposes
- c. Projects or events that are run for commercial purposes
- d. Applications for funding public liability insurance
- e. Organisations that have not satisfactorily acquitted previous funding applications to Council by the due date
- f. Ongoing operational or administrative costs
- g. Activities that are the primary responsibility of other funding agencies
- h. Remissions of rates
- i. Proposals which may lead to a continued dependence upon Council funds

5.4.2. Council will consider eligible loan requests at its Ordinary Council Meetings in accordance with this Policy.

5.4.3. Ineligible applications will not be submitted to Council for their consideration. Applicants will be advised in writing why their application was not considered eligible.

#### 5.5. Self-Supporting Loans

5.5.1. Self-supporting loans are loans taken out by Council through the Local Government Finance Authority (LGFA) on behalf of Community clubs or organisations who undertake to meet the capital, interest and loan guarantee payments.

5.5.2. Non-profit clubs or organisations who occupy land or buildings owned by or vested in the Kangaroo Island Council, in accordance with a management licence or lease, may make application for self-supporting loans where the funds are to be used for capital improvements to the land or buildings they occupy.

5.5.3. The term of the loan should be less than or equal to the half-life of the capital works or improvements being undertaken. This is to enable the club or organisation sufficient time to set aside a cash reserve for the future refurbishment or replacement of those improvements.

5.5.4. In circumstances where the loan term is greater than the half-life of the improvements being funded by the loan, the Community club or organisation is

to demonstrate how it will fund the replacement or refurbishment of those improvements whilst still servicing the loan.

5.5.5. Approval will only be considered where the Community club or organisation can adequately demonstrate, by the provision of forward financial plans covering the life of the loan, a capacity to meet the loan repayments. The financial plans are to be certified by an independent Certified Practising, Chartered or similarly qualified and experienced Accountant.

5.5.6. The Community club or organisations must also demonstrate a satisfactory past payment history with at least three principal suppliers, one of which may include the Council where such a history exists.

## 6. Availability of the Policy

6.1. This Policy will be available via the Council's website: [www.kangarooisland.sa.gov.au](http://www.kangarooisland.sa.gov.au)

6.2. Copies will also be provided to the public upon request, and upon payment of a fee in accordance with the Council's Fees and Charges Schedule.

SIGNED:



.....  
Chief Executive Officer

Date: 8 March 2022

History:		
Date Reviewed:	Version:	Reason for Amendment:
11 June 2019	Version 1	Draft Policy released for Public Consultation
10 September 2019	Version 2	Policy adopted by Council. Minute C345:2019
8 March 2022	Version 3	New Policy Template Council Minutes C88:2022