



Loan Guarantees

TYPE	Council
PURPOSE	To determine if and when Council will offer surety by way of guarantee over borrowings of a third party.
OBJECTIVES	<p>To clearly define the circumstances under which Council would offer surety by way of guarantee over borrowings of a third party.</p> <p>To be adjunct to Council policy “Contributions to facilities on Non-Council Owned or Controlled land” which outlines the process that Council will use to determine whether it will (or will not) contribute to a major facility not on Council owned land.</p>
SCOPE	This policy applies to all community groups and organisations who seek Council support by way of surety over borrowings (loan guarantee) to develop facilities, whether those facilities are on land owned or controlled by Council, or otherwise.
DEFINITIONS	<p>Community Group</p> <p>An incorporated ‘not-for-profit’ group which is based within the Mornington Peninsula Shire, providing a needed facility or range of needed services to the local community.</p> <p>Project</p> <p>Buildings, structures and recreation facilities which are essentially community based and operated, even though they may be used by visitors and in some cases they may attract visitors in their own right.</p> <p>Loan Guarantee</p> <p>A surety by way of guarantee over borrowings of a third party.</p>
POLICY	<ol style="list-style-type: none"> 1. To assist in the funding of a project, Council will consider the establishment of a loan guarantee by way of surety over borrowings of a third party, subject to the following conditions: <ul style="list-style-type: none"> • The project must be for the capital development of a community facility; • The project must be assessed as ‘needed’; • The project must be assessed as sustainably financially viable; • The project must have majority support of members (as evidenced by vote at an appropriately constituted Special Meeting called for that purpose). 2. All projects requesting a loan guarantee will require a feasibility assessment considering at least the following: <ul style="list-style-type: none"> • The net community benefit of the project; • Appropriate siting of the facility; • The degree of multi-use available to the community;



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	<ul style="list-style-type: none">• Consistency with the Shire's own planning;• The on-going financial viability of the project and community group;• Demonstrated competent management in place. <p>3. As a minimum, the loan guarantee will provide for the following conditions:</p> <ul style="list-style-type: none">• Limit the loan guarantee to the principal sum of the loan, reducing as the loan is repaid;• Maximum term of the loan guarantee to be fixed to the term of the loan;• 'Penalty' provisions to apply in the event of default on loan repayment, being:<ul style="list-style-type: none">- termination of lease, or alternatively, any liability paid by Council to be repaid by the Club by way of future rental;- interest charges (at the cost of the loan) to apply to such repayments;• Further applicant group overdraft or borrowings to be subject to Council approval;• Council to have the discretion to require the applicant group to fix annual member subscriptions or impose special levies considered necessary to enable the applicant group to meet its commitment under the loan;• Club or Community group to provide the following annually, during the duration of the loan guarantee to allow Council to monitor the financial affairs of the Club:<ul style="list-style-type: none">- Annual report;- Copy of financial statements within two months of end of financial year;- Details of insurance arrangements for the facility under loan guarantee. <p>4. Council reserves the right (subject to the amount of the loan guarantee) to:</p> <ul style="list-style-type: none">• Require the appointment of an independent accounting firm to confirm annually the applicant group's on-going ability to service the loan and advise Council as such;• Appoint an 'administrator' if an applicant group defaults on repayment;• Approve or confirm an applicant group 'management' appointment. <p>5. Under no circumstance should the quantum of loans guaranteed by Council at any one time exceed 5% of rate revenue or impact on the Shire's global borrowing position.</p>
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<p>PROCEDURE</p>	<p>Council pre-consideration</p> <p>Attachment 1 is a checklist of mandatory criteria that has been prepared to assist in the 'up-front' assessment of a proposal for Council financial support.</p> <p><i>Importantly, if a project cannot respond in the affirmative to <u>all</u> questions in the first section of the criteria, Council will not financially support the proposal.</i></p> <p>A request for loan guarantee will be the subject of the same rigorous analysis as a <u>direct</u> financial contribution.</p> <p>Project feasibility</p> <p>Feasibility assessment should cover all aspects required to assess the need, community benefit, suitability and on-going viability of the project.</p> <p>All projects must be supported by an acceptable business plan.</p> <p>(a) Council contribution of less than \$50,000</p> <p>Financial feasibility will generally not require independent and professional assessment.</p> <p>(b) Council contribution of greater than \$50,000</p> <p>The financial feasibility of any proposed community facility for which a Council contribution greater than \$50,000 is sought must be independently and professionally assessed before Council will make any commitment.</p> <p>(c) Council contribution to feasibility assessment</p> <p>Where it considers it necessary, Council will consider partnership arrangements in obtaining a feasibility assessment.</p> <p>Project Assessment</p> <p>The Council assessment process will generally follow the procedure outlined in Attachment 2 to this policy.</p>
<p>RESPONSIBILITY</p>	<p>Manager Buildings and Facilities</p> <ul style="list-style-type: none"> • Receipt and primary assessment of feasibility of the proposal. • Appointment of external consultants (if required) to prepare feasibility study. • Recommendation to other funding sources of Council 'in principle' support. • Recommendation to Council on level of support. • Development of suitable Management Agreement. <p>Financial Controller</p> <ul style="list-style-type: none"> • Assessment of financial viability of project. • Implementation of any financial agreements. • Consideration of loan guarantee limits. <p>Manager Project Delivery</p> <ul style="list-style-type: none"> • Facilitation of civil engineering aspects of project including approval of design.



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	<ul style="list-style-type: none"> Council's representative on building projects group. 		
RELATED POLICIES	<ul style="list-style-type: none"> Mornington Peninsula Planning Scheme Mornington Peninsula Local Laws (if relevant) 		
RELATED LEGISLATION	Local Government Act 1989		
REFERENCES	Community Support Fund operating guidelines		
AUTHOR	Finance		
APPROVED	Executive (9 August 2017)		
REVIEW / APPROVAL SCHEDULE	<p>All policies must be reviewed within a four-year cycle – in line with a council term to ensure consistency with the council plan.</p> <p>An informal annual review ensures that any new information, including risks, processes and methodology of continual improvement through business best practice is always captured.</p> <p>Policies that have been on an annual review that do not require any changes through at least two cycles may be moved to a 2 or 3-year cycle if it is likely that the legislation or the political climate has no major changes, and the policy is working for the organisation or the community. (Refer to source: 'Policy Development Framework and Guide', MPS, https://objectiveapp.ad.mps/id:A4307683).</p>		
Exec Approval Due	July 2017	Exec Approval Date	August 2017
Council Approval Due	July 2017	Council Approval Date	February 2018
Exec Approval Due	August 2021	Exec Approval Date	
Council Approval Due	February 2022	Council Approval Date	

Attachment 1

PROPOSED PROJECT ASSESSMENT & RANKING – MANDATORY REQUIREMENTS

PROJECT PRIORITY CRITERIA	FOR THE PROJECT TO PROCEED, AN AFFIRMATIVE RESPONSE IS <u>MANDATORY</u> FOR ALL OF THESE QUESTIONS
Does the project respond to an identified/ demonstrated community need?	
Is the applicant group Incorporated?	
Is there a demonstrated ability on behalf of the applicant group to contribute financially to the project as outlined in the Capital Works Contribution Policy, or as detailed in the funding proposal for this project?	
Is the project sustainably financially viable, as demonstrated through the presentation of an achievable business plan for the project?	
Is the applicant group sustainably financially viable, as demonstrated through the presentation of financial statements, including audited annual financial reports for the previous three years?	
Is this (or similar) project identified in the current <i>Community Plan</i> and relevant Council <i>Strategy</i> as being a priority for the future provision and development of community facilities or services in the Shire?	
Is there majority support from members of the Club (as evidenced by minuted resolution of members at a Special Meeting held for the purpose)?	

If the response to all questions was affirmative, proceed to assessment of discretionary items.

Attachment 2: PROPOSED PROJECT ASSESSMENT & RANKING

PROJECT PRIORITY CRITERIA	PROJECT RATING CONTINUUM Does not meet criteria 1 ↔ Fully meets criteria 5					
<i>Community Benefit</i>	<i>Does the project.....</i>					
Does the project improve the quality of facilities in the Shire?	1	2	3	4	5	
Does the project maximise the use or multi use of the facility?	1	2	3	4	5	
Does the project increase the range of formal and informal sport and recreational opportunities?	1	2	3	4	5	
Does the project increase participation in sport and recreation?	1	2	3	4	5	
Does the project improve the capacity for groups to deliver programs to the community?	1	2	3	4	5	
Does the project improve access to those people or groups traditionally disadvantaged e.g. People with disabilities, older adults, rurally isolated and women’s groups?	1	2	3	4	5	
Does the project ensure no adverse impact on environmental areas?	1	2	3	4	5	
Does the project ensure no adverse impact on the amenity of surrounding areas?	1	2	3	4	5	
Does the project address aspects of safety and risk management to preserve community wellbeing?	1	2	3	4	5	
	Category Total Community Benefit					/45

PROJECT PRIORITY CRITERIA	PROJECT RATING CONTINUUM Does not meet criteria 0 ↔ Fully meets criteria –5					
<i>Applicant Group Operations</i>	<i>Does the applicant group demonstrate.....</i>					
Are the majority of members Mornington Peninsula residents?	1	2	3	4	5	
Will the project comply with Council’s Sports Grounds & Pavilions Conditions of Use Policy or lease agreements, including public liability insurance and liquor licensing regulations?	1	2	3	4	5	
Is there the capacity to deliver proposed ‘in-kind’ works?	1	2	3	4	5	
Is there the capacity to achieve proposed sponsor contributions?	1	2	3	4	5	
	Category Total					/20
	Applicant Group Operations					/20