

	PROCEDURE	Version:	3
	Guarantee of Community Loans	Date Adopted:	12 Dec 2024
		Next Review Due:	12 Dec 2028

This procedure relates to the Guarantee of Community Loans Policy.

1. PROCEDURE

1.1 Statement

The purpose of this procedure is to provide general principles for assessing requests for Wattle Range Council (Council) to act as a guarantor for loans taken out by community groups. Its objective is to support local community and sporting organisations to undertake capital works projects that will provide benefits for the community by acting as guarantor for the project loan.

As a guiding principle, Council will not undertake to provide guarantees for loans or other borrowings taken out by community or other organisations within the Wattle Range Council area unless there are exceptional reasons and benefits to the broader Wattle Range community in doing so.

In considering applications the following factors will be taken into consideration:

1.2 Benefits

- The benefit derived by Council and the Wattle Range community from the proposal.
- The proposal meets an identified need in the community and is consistent with the objectives in the Council Strategic Plan.

1.3 Assessment criteria

- The capacity of the organisation to repay the borrowing. This capacity will be initially assessed by Council officers on the evidence provided by the applicant.
- Proof that the organisation has a stable administrative structure and good governance, including meeting the requirements of any previous planning permits, compliance with other legislative requirements and having respect for neighbourhood amenity.
- The impact the proposal may have on Council's budget in respect to the revenue streams or operating expenditure such as grants, building maintenance etc.
- The capacity of the organisation to manage the project and ensure its timely completion.

1.4 General considerations

- The nature of the services/work of the organisation and its link to the Council Strategic Plan and Council policies.
- Securities and guarantees provided by the organisation and their compliance with the relevant provisions of the *Local Government Act 1999*.
- That the Loan Guarantee will not exceed 50% of the assessed final value of the asset or project.
- The aggregate Council exposure for all loan guarantees is not to exceed ten percent (10%) of Council's annual general rate revenue.
- Council will only act as a guarantor when all other available options for financing the project have been exhausted, including but not limited to Government grants, commercial sponsorship etc.
- Guarantees will not be provided where works have already commenced.

CD:	File Ref:	Classification:	Department:	Position Responsible:	Review Frequency:
105	GF/ 7.63.1	Public	Corporate Services	Finance Manager	4 yearly
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The community organisation requesting Council to act as guarantor is required to demonstrate:

- The benefit to the community by way of ongoing or increased services and benefits from the project and that are consistent with Council's objectives.
- Its capacity to service the loan repayments. This would include, at a minimum, submission to Council of prior year(s) audited financial reports and future cash flow statements that demonstrate ongoing financial viability. Where the requested guarantee is in excess of \$200,000 Council will require an independent review and assessment of the organisation's capacity to meet the loan repayments.
- That the guarantee does not exceed 50% of the value of the capital asset or project.
- The economic life of the capital asset exceeds the life of the loan guarantee.
- That the organisation has no outstanding debts to the Council.

Should Council resolve to act as guarantor of the loan, the community organisation will be required to:

- Notify Council of any intention to take out further borrowings.
- Support any necessary amendments to the loan guarantee documentation to the satisfaction of Council. Council reserves the right to review and amend the loan guarantee documentation in order to minimise its financial risk exposure.
- Enter into an agreement with Council that should the loan guarantee be called upon by the lending institution, that the community group relinquishes all usage rights/access to the asset.
- Provide Council with bi-annual loan statements that demonstrate the status of the loan repayment.
- Immediately notify Council in the event of any default in loan repayments.
- Provide Council with minutes of the annual general meeting, annual audited financial statements and any other information the Council may reasonably require to assure itself of the status of the loan.

2. REVIEW

This procedure will be reviewed every four years in consultation with the Executive Leadership Team and the Audit and Risk Committee.

3. AVAILABILITY

This procedure is publicly available from Council's website: www.wattlerange.sa.gov.au.

A printed copy of this procedure may be obtained from the principal Council office upon payment of the relevant fee specified in Council's Fees and Charges Schedule.

4. REFERENCES & FURTHER READING

References	Nil
Relevant Legislation:	• <i>Local Government Act 1999</i> • Local Government (Financial Management) Regulations 2011
Relevant Policies / Procedures / Guidelines	This procedure should be read in conjunction with the Guarantee of Community Loans Policy

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5. ADOPTION & AMENDMENT HISTORY

The table below sets out the adoption, review and amendment history of this procedure.

Version No:	Issue Date:	Authorised by:	Description of Change:	Minutes Reference:
1	25 February 2014	Audit Committee	Adopted	Folio 5248; Item 6.2
2	23 January 2020	ELT	Adapted into new format	Item 9.3
3	12 December 2024	ELT	Reviewed	Item 11.1

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