



CITY OF
MONASH

Monash City Council

Community Organisations

Loan Guarantor Policy

August 2011

PURPOSE

- 1 To provide guidelines for the consideration of requests from community and sporting groups for loans or bank guarantees to be provided by Council to assist in the construction or improvement of a capital asset situated on Council property.

REQUESTS FOR FINANCIAL ASSISTANCE

- 2 Requests for financial assistance in the form of a loan or bank guarantee should be forwarded by the requesting body to Council as a submission for funding from community groups.

COUNCIL FUNDING CONSIDERATIONS

- 3 Council may set a maximum limit of outstanding loan guarantees, in order to ensure that Council does not have excessive potential liabilities.

CONSIDERATION OF REQUEST

- 4 All requests for funding are to be considered by Director Corporate Planning & Finance to establish that, based on the information provided, the community group is viable. That is, the group is likely to be able to repay the loan (whether from Council or a bank) within the set period. In making this assessment, the Director Corporate Planning & Finance is to review previous financial statements and budgeted income and expenditure for the coming three years. Budgets should be compared to recent history for reasonableness and should reflect the impact of repayments and other income or expenditure resulting from any loan(s) granted.
- 5 The Council is prepared to provide a loan guarantee for up to two thirds of the total funding.

- 6 The organisation should have at least one third of the funds required already on hand, which have been raised through its own sources, that is not by way of a grant or any other external funding.
- 7 The loan will need to be from a bank, building society or credit union, for a maximum of up to twenty years. Community and Sporting Groups will be encouraged to take out loans for a term, which they are capable of servicing, which may not necessarily be to the maximum term (20 years). Clubs will be responsible for arranging their own finance.
- 8 In addition to the group's financial viability, consideration should also be given to factors such as:
 - the purpose of the expenditure, and whether it is considered to be an appropriate use of Council funds;
 - the funds are to be utilised to upgrade or refurbish a Council asset;
 - the number of members of the Monash community who will benefit from the proposed expenditure;
 - Clubs will need to provide written documentation that a financial institution has undertaken a credit assessment and approved a loan over a loan period agreed by Council;
 - the extent to which the group has benefited from previous Council grants or loans. Where a group has previously received a loan or bank guarantee, its repayment performance should be reviewed; and
 - whether the group is meeting part of the required expenditure from its own funds. Due recognition should be given to those groups which have shown a willingness and discipline to raise funds in support of their proposal.
- 9 Each year the community organisation must forward the Council a copy of its audited financial statements in order for Council to monitor progress against the loan and the financial position of the organisation.

- 10 In the event that the community organisation does not meet its financial obligations, and the Council is called to account for the loan guarantee, then the tenancy of the organisation of the Council's property should cease, and the property leased to another group.