



SELF SUPPORTING LOAN POLICY

PURPOSE

This Policy defines parameters by which financial assistance, in the form of self-supporting loans, to community-based organisations for capital improvement works to land or buildings owned or vested in the City of Kalgoorlie-Boulder will be considered.

This Policy will establish the framework within which the Council may consider provision of self-supporting loans to community-based organisations, subject to the financial position of the City, prevailing budget circumstances, forecast funding requirements for municipal requirements and capital projects, competing demands for funds, debt financing structure and the capacity of the City to borrow.

SCOPE

This policy applies to Community Based Organisations.

DEFINITIONS

City means the City of Kalgoorlie-Boulder.

Community-Based Organisation is an incorporated, not for profit, service group or association.

POLICY STATEMENT

This Policy applies to all requests received from community-based organisations for financial support by way of self-supporting loans. The Policy limits the availability of self-supporting loans and provides a guide to the eligibility and assessment criteria for each request.

Self-supporting loans will only be considered for capital asset acquisition or development and will not be approved by the Council for operational equipment or operating expense purposes.

The Council will only consider applications where the applicant has exhausted all other financial avenues, such as grants, sponsorship, fundraising or application for credit from a lending institution.

The City will only provide access to self-supporting loans in exceptional circumstances and when financial circumstances permit. There must be compelling evidence of positive benefits to the community if the City was to provide a self-supporting loan.

This Policy establishes a framework aligned to financial standards and indicators in the determination of the City's capacity to provide financial assistance to community-based organisations by way of self-supporting loans.



Self-supporting loans are loans taken out by the City of Kalgoorlie Boulder on behalf of community based organisations who undertake to meet the capital, interest and loan guarantee payments as and when they fall due.

POLICY DETAILS

1. Application Requirements

1.1. The applicant must lease/occupy land or buildings owned or vested in the City of Kalgoorlie-Boulder

1.2. The loan can only be used for the construction and/or acquisition of capital assets.

1.3. All Self-Supporting Loan applicants shall provide the following information for assessment:

- A letter addressed to the CEO advising what the funds are to be used for and covering the following points included within paragraph 1.3.
- Audited financial statements for 3 (three) years to demonstrate the ability to repay the loan.
- Statement demonstrating alternative funding options have been investigated prior to seeking the City's assistance and the reasons why they weren't successful.
- Statements demonstrating the need for the loan together with a business plan for the construction and/or capital acquisition which is to include detailed costings and an overall budget
- Forward financial plans to cover the term of the loan which are certified by a Certified Practising, Chartered or similarly qualified and experienced Accountant, including the additional future running costs to be incurred from the project / capital item being funded by the loan.
- Certificate of incorporation.
- Statements of satisfactory past payment history from at least three (3) principal suppliers, the City may be included where such history exists.
- Minutes from the meeting that the motion for a self-supporting loan was put to.
- Any additional information that will assist the Council with consideration of the application.

2. Assessment of Applications

2.1. The assessment of applications will be undertaken by the Manager Finance and the Director Finance, People and Culture who will then put a recommendation to Council on the outcome.

2.2. Matters that are to be considered include:

- The current number of self-supporting loans the City may have.



- The City's Long Term Financial Plan and forecast debt financing capacity across the prospective life of a requested loan.
- Regulated borrowing limits as determined by WA Treasury Corporation.
- Debt Service Coverage Ratio (calculated as annual surplus before interest expense and depreciation divided by annual debt service payments) meets the required Department of Local Government Standard. Below is the indicator which is used by the WA Treasury Corporation in considering loan applications from the City:
 - Standard is NOT met if ratio is less than two (2).
 - Basic Standard if ratio is between two (2) and five (5)
 - Advance Standard if greater than five (5)
- Annual budget and current financial position of the City.
- Compliance with legislative requirements associated with borrowing monies in accordance with section 6.20 of the Local Government Act 1995.

2.3. Assessment of Applications will be based on:

- Perceived ability for the loan repayments to be made on time and for the loan to be paid in full at the end of the loan period.
- Benefit to the wider community.
- The community organisation that is applying for the loan must have been in existence for 5 years and can clearly demonstrate a stable and / or increased membership.
- The life of the capital asset acquisition or development exceeds the life of the self-supporting loan.
- Past dealings and debt history between the community-based organisation and the City.
- Whether the City already offers financial support to the community-based organisation in the way of funding, sponsorship or grants.

3. Term of Loan

3.1. Shall not exceed the term of any existing lease agreement.

3.2. The term of the loan should be less than or equal to the half-life of the capital asset acquisition or development being undertaken. This enables the community-based organisation sufficient time to set aside a cash reserve for future refurbishment or replacement. If the term of the loan is longer than half-life of the capital asset acquisition or development being undertaken, the organisation is to demonstrate how it will fund future refurbishment or replacement whilst still servicing the loan.

3.3. The term of the loan can be less than the maximum if the Applicant has the ability to repay the loan over a shorter timeframe.

| Self Supporting Loan Amount | Maximum Term of Loan* |
|---|------------------------------|
| Up to \$100,000 | 5 years |
| \$101,000 to \$499,999 | 10 years |
| \$500,000 and above | 20 years |
| <i>*Note that these are indicative only and will be dependent upon each application</i> | |



4. Approval Requirements

- 4.1. The final decision on the granting of a Self-Supporting Loan will be by resolution of the Council.
- 4.2. A 'Deed of Loan' for the period of loan repayments is to be prepared and executed as contractual evidence for repayment of the loan.
- 4.3. For each year of the loan an independently audited end of year financial statement must be supplied to the City.
- 4.4. If requested by the City, a profit and loss statement must be produced within three (3) weeks of the request being made.
- 4.5. No community-based organisation can have more than one (1) self-supporting loan at any one time.
- 4.6. The loan will not include a redraw facility.

5. Administration Costs and Loan Guarantee Fees

The following costs incurred by the City of Kalgoorlie-Boulder will be recouped from clubs or community-based organisation applying for self-supporting loans:

- 5.1. Actual advertising costs (including GST);
- 5.2. Costs associated with the preparation and stamping of the 'Deed of Loan';
- 5.3. Stamp duties or other duties or taxes applicable to the self-supporting loan application or documentation, will be on charged to the applicant at actual cost;
- 5.4. Any additional charges associated with the self-supporting loan.

6. Loan Default

- 6.1. Any default of loan repayments will incur penalty interest as determined by the Council when setting the fees and charges, unless arrangements have been made with Council, prior to the re-payment being defaulted.
- 6.2. If the community-based organisation defaults on a loan, it will not be permitted to receive any further self-supporting loans from the Council until the outstanding loan is repaid in full.
- 6.3. In exceptional circumstances this may be reviewed.
- 6.4. Defaulting on the loan may result in the lease between the City and the applicant for the land or buildings being cancelled.

COMPLIANCE REQUIREMENTS



Local Government (Financial Management) Regulations 1996

Local Government Act 1995 section 6.20 Local Government (Financial Management) Regulations 1996, regulation 20 and 21

Local Government Loan Application Guidelines published by the Western Australian Treasury Corporation Australian Accounting Standards

| DOCUMENT CONTROL | | | | |
|------------------------|-------------------|-------------------|---------------------|-------------------|
| Responsible Department | Finance | | | |
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