

# SELF-SUPPORTING LOANS

## Purpose

The purpose of this policy is to provide a clear, transparent and accountable framework under which the City may provide financial assistance by way of self-supporting loans to incorporated not-for-profit community organisations that deliver demonstrated benefits to the City of Karratha community.

## Definitions

The **Act** means the *Local Government Act 1995*.

**Applicant Organisation** means an incorporated, not-for-profit community organisation.

**Default** means failure to meet loan repayments or other material conditions of the loan.

**Repayment structure** means the regular repayment of principal and interest.

**Security** means a form of guarantee, charge, mortgage or other enforceable arrangement acceptable to the City.

**Self-Supporting Loan** means a loan provided by the City that is fully repaid by the borrower, including any principal and any interest, without ongoing financial subsidy by the City.

## Policy Principles

### Application criteria

The application must include a sufficiently detailed business case containing the following:

- project description and purpose of the loan;
- detailed costings/quotes/plans/specifications;
- evidence of statutory approvals where relevant;
- cashflow forecast and repayment plan; and
- audited financial statements for the preceding three years to demonstrate viability.

Clubs/associations must have operated for a minimum of five years and clearly demonstrate a stabilised or increased membership, and ongoing community demand. The applicant organisation is a legally incorporated community organisation.

Loans are for capital works, capital asset acquisition or development, and not for operating costs, equipment of a non-capital nature, or general cashflow support.

The Applicant Organisation must provide the City with an independently audited end-of-year financial statement for each year of the loan and provide interim financial reports on request within 21 days.

Any Applicant Organisation that defaults on a loan is not permitted to receive any further self-supporting loans from the City until the outstanding loan is repaid in full. Council will not approve a further loan to any club or association that has an outstanding loan.

The Applicant Organisation must immediately notify the City of any material adverse financial change.

### Project/loan monitoring

The City may request any of the following information or evidence at any time during the loan term:

- request project progress reports;
- inspect records relating to the use of funds;
- require evidence that funds were used for the approved purpose; and/or
- on staged loans, withhold further advances or require repayment of funds if conditions are breached.

### Default of loan

An event of default occurs if the Applicant Organisation:

- fails to pay the scheduled repayments;
- breaches material loan conditions;
- Applicant Organisation misuses funds;
- fails to provide required financial reports;
- insolvency/winding up/deregistration; and/or
- material misrepresentation in the application.

A grace period of 30 days will be permitted. Once the borrower has exceeded the grace period, the City may take any of the following actions:

- issue a letter of demand
- suspend further assistance
- commence legal recovery
- realise security.

Any overdue amount will incur default interest at the rate specified in the loan documentation or, if no rate is specified, at the rate set out in the City's annual fees and charges schedule.

### Loan Documentation

A formal loan agreement/acknowledgement of debt document covering repayment terms, default, security, reporting, inspection rights, use of funds, and enforcement will be executed before funds are advanced.

The Applicant Organisation is responsible for all costs associated with the loan and its documentation.

### Capacity to borrow

Loans will only be considered where all statutory budget, borrowing and public notice requirements have been satisfied.

Loans are only available where the City's:

- financial position permits;
- budget process allows;
- debt structure and competing priorities can accommodate it; and
- Council approves the loan.

## CF-18 Self-Supporting Loans Policy

### Related Documents

|                               |                                                                                                     |
|-------------------------------|-----------------------------------------------------------------------------------------------------|
| Legislation & Local Laws      | <i>Local Government Act 1995</i><br><i>Local Government (Financial Management) Regulations 1996</i> |
| Relevant Delegations          |                                                                                                     |
| Strategies & Plans            | <a href="#">Council Plan 2025-2035</a>                                                              |
| Related Council Policies      | CF08 Debt Collection Policy                                                                         |
| Procedures, Documents & Forms |                                                                                                     |

### Policy Owner

|             |                    |
|-------------|--------------------|
| Directorate | Corporate Services |
| Department  | Financial Services |

### Review Management

|                  |      |
|------------------|------|
| Next review due: | 2031 |
|------------------|------|

### Version Management

| Version | Date      | Council Resolution # | Description    |
|---------|-----------|----------------------|----------------|
| 1.0     | Apr 1997  | OCM-10259            | Policy adopted |
| 2.0     | Sept 2002 | OCM – 12738          | Policy Review  |
| 3.0     | Oct 2004  | OCM – 13497          | Policy Review  |
| 4.0     | Oct 2007  | OCM – 14223          | Policy Review  |
| 5.0     | Apr 2012  | OCM – 151979         | Policy Review  |
| 6.0     | Aug 2018  | OCM – 154136         | Policy Review  |
| 7.0     | May 2022  | OCM – 155008         | Policy Review  |
| 8.0     | June 2026 |                      | Policy Review  |