

Loans to Third Parties Policy

Reference Number:	CR21/41483
Type:	Council Policy
Responsibility:	Director City Corporate
Responsible Officer (s):	Manager Finance
Initial Adopted Date:	December 2013
Last Review Date:	May 2023
Next Review Date:	May 2026
Legislation:	Local Government Act 1999 (SA) Local Government (Financial Management) Regulations 2011
Related Documents:	Treasury Management Policy

1 Purpose

The Loans to Third Parties Policy (the “Policy”) provides the governance framework and guidance to Council when considering requests for financial support from local community groups.

2 Legislative Requirements and Corporate Policy Context

- 2.1 Local Government Act 1999 S.134 – Borrowing and related financial arrangements
- 2.2 Local Government Act 1999 S.135 – Ability of a Council to give security
- 2.3 Local Government Act 1999 S.139 – Investment powers

3 Interpretation

- 3.1 For the purpose of this policy:

Council is City of Prospect.

4 Objectives

- 4.1 Council is not in the business of providing financial security to third parties through the lending of finances, nor is it a registered financial institution.
- 4.2 Council from time to time may provide financial loans to local based organisations of the City of Prospect.
- 4.3 The Local Government Act Section 139 precludes Council from making investments into businesses or operations of a business for profit nature. Consequently, Council will only consider applications that support the community at large.
- 4.4 Applications will be considered on an individual basis by Council.
- 4.5 The recipient of a loan must be an incorporated non-profit community organisation located or providing direct service within the City of Prospect.
- 4.6 The purpose of the loan must be deemed to be one which provides a direct benefit to the residents of the community, responds to a community need and is consistent with Council’s Strategic Plan.
- 4.7 The Council may either go guarantor or provide financial support through the advancing of funds to a community-based organisation.
- 4.8 A community loan will only be approved where there is strong evidence that loan repayments can feasibly be met and that Council’s level of risk is ascertained to be minimal. Updated financial records to evidence this may be requested periodically through the life of the agreement.
- 4.9 All approved community loan applications will be required to enter into a written agreement with Council.
- 4.10 In the event of a loan, Council will seek security from its debtor. The preferred method is via an asset residing on Council owned land.

- 4.11 Interest rates and repayment terms will be set by the Council on a case by case basis.
- 4.12 The Elected Body of Council only may give authorisation to the advancing of funds but may delegate to the Mayor and Chief Executive Officer the power to sign the loan documentation.

5 Review

- 5.1 This Policy will be reviewed once per Council term or as required by legislation.

6 Access to the Policy

- 6.1 The Policy is available for public inspection on Council's website www.prospect.sa.gov.au and from Customer Services at Payinthe, 128 Prospect Road, Prospect SA 5082.