

## 18. COMMUNITY ORGANISATIONS LOAN FUND – 2009/10 FUNDING ROUND



<b>General Manager responsible:</b>	General Manager Community Services, DDI 941-8607
<b>Officer responsible:</b>	Community Development Manager
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### PURPOSE OF REPORT

1. To provide information to the Metropolitan Funding Committee to assist in its loan allocation decisions when considering eligible applications from community organisations to the 2009/10 round of the Community Organisations Loan Scheme.

### EXECUTIVE SUMMARY

2. The total amount of the funding available for the 2009/10 Community Loan Scheme for new applicants at 1st March 2010 is **\$1,089,846.00**.
3. Four eligible applications to the Community Loan Scheme were received, with loan funding requests totalling **\$670,000.00**
4. Staff recommend the Committee consider loan funding be approved for three applicants totalling **\$390,000.00**
5. A Decision Matrix is provided as Attachment One to assist the Committee members in their deliberations. The matrix details the loan funding request from each applicant organisation and provides information, commentary and recommendations from staff.

### FINANCIAL IMPLICATIONS

6. The Community Organisations Loan Scheme is a revolving fund and distributions from this fund to applicants is reliant upon the ability of successful recipients being able to meet their debt servicing commitments as they fall due. Where recipients are unable to meet their loan repayment commitments, the financial impact is that the fund will be worse off by the amount of the arrears or bad debt write-down, with a consequential impact for new applicants seeking loan funding from the Council.

### Do the Recommendations of this Report Align with 2009-19 LTCCP budgets?

7. Yes.

### LEGAL CONSIDERATIONS

8. There are no legal impacts for the Council, however the Council may resolve to put in place some legal protections for the Council such as mortgage securities.

### Have you considered the legal implications of the issue under consideration?

9. Yes. The Council is generally able to seek security where it is the only holder of debt and the property to be covered by security is generally free of other debt holder encumbrances.

### ALIGNMENT WITH LTCCP AND ACTIVITY MANAGEMENT PLANS

10. Yes, Community Support.

### Do the recommendations of this report support a level of service or project in the 2009-19 LTCCP?

11. Yes, Community Grants.

**ALIGNMENT WITH STRATEGIES**

12. Strengthening Communities Strategy.

**Do the recommendations align with the Council's strategies?**

13. Yes.

**CONSULTATION FULFILMENT**

14. Not applicable.

**STAFF RECOMMENDATION**

It is recommended that the Metropolitan Funding Committee consider and approve the recommendations contained in the attached Community Organisations Loans Scheme Decision Matrix.

## BACKGROUND

15. The Council adopted the Strengthening Communities Strategy in July 2007 which incorporated the Community Group Grants Review. This provided the framework, principles and funding outcomes for the new Strengthening Communities Grants Funding Programme.
16. The Strengthening Communities Grants Funding Programme incorporates four funding schemes, including the Community Organisations Loans Scheme.
17. The Community Organisations Loan Scheme is a low-interest finance scheme designed to assist not-for-profit community organisations to improve or develop new or existing sport, recreation or community facilities and major projects. The loan interest rate is currently set at 4.5 per cent per annum with a term of five years generally being offered to successful applicants. The Council also has the ability to award loan terms up to a maximum of ten years.
18. The Council has approved one application round per annum for the Community Organisations Loan Scheme. The closing date for the loans scheme is 31 January.
19. The total amount of available loan funding as at 1 March 2010 for the 2009/10 funding round is \$1,089,846.
20. There are four eligible applications seeking loan funding to the value of \$670,000.00.
21. In assessing the applications, the following information has been taken into consideration.
  - The Council's Community Grants funding outcomes and funding priorities.
  - Alignment with the primary intent of the loans fund to support immediate capital expenditure requests to undertake capital purchases, development and improvements.
  - Ability to meet all debt servicing commitments as they fall due without compromising the operational and financial stability of the applicant organisation and without recourse to Council grant funding.
  - Risk to the Council and also to the applicant organisation.
  - Ability to provide appropriate security in return for loan undertakings.
22. A Decision Matrix is provided as Attachment One to assist the Committee members in their deliberations. The matrix details the loan funding request from each applicant organisation and provides information, commentary and recommendations from staff. Staff recommend the Committee consider loan funding be approved for three applicants totalling \$390,000.00.
23. All applications on the Decision Matrix have been assigned a Priority Rating for funding. The Priority Ratings are as follows:
  - P1.** Meets all eligibility and criteria, contributes significantly to Funding Outcomes and Priorities and strongly satisfies the risk, debt servicing, alignment and security considerations. Strongly recommended for funding.
  - P2.1.** Meets all eligibility and criteria, contributes to Funding Outcomes and Priorities and satisfies the risk, debt servicing, alignment and security considerations. Recommended for funding.
  - P2.2.** Meets all eligibility and criteria, contributes to Funding Outcomes and Priorities and satisfies the risk, debt servicing, alignment and security considerations. Recommended for funding.

Loan funding is NOT recommended due to insufficient funds, other alternatives to a Council loan being available to the applicant or because adequate financial resources exist within the organisation.

**P3.** Meets all eligibility and criteria, has minimum contribution to Funding Outcomes and Priorities and/or has minimal or no satisfactory coverage relating to risk, debt servicing, alignment and security considerations. Not recommended for funding.

24. **Priority 1 recommendations (P1)** generally meet the following criteria:

- High impact within the city.
- Widespread reach across the community.
- Value for money.
- Best practice and/or innovation.
- Strong alignment to Council Outcomes and Priorities.
- Noteworthy leverage or partnership/matched funding from other organisations or Government.
- Strong financial base.
- Low debt to equity ratio(s).
- Strong balance sheet.
- Strong security potential.

*Loan funding to P1 applicants is strongly recommended*

25. **Priority 2.1 recommendations (P2.1)** generally meet the following criteria:

- Impact within the city.
- Demonstrated reach within at least one or two sectors of the sport and recreation, arts and social service communities of interest.
- Alignment to Council Outcomes and Priorities.
- Sound financial base.
- Moderate debt to equity ratio(s).
- Sound balance sheet.
- Sound security potential.

*Loan funding to P2.1 applicants is recommended*

26 **Priority 2.2. recommendations (P2.2)** also meet the above criteria, however loan funding to P2.2 applicants is *NOT recommended* due to insufficient funds being available, other alternatives to a Council being available to the applicant or because adequate financial resources exist within the organisation.

27. **Priority 3 recommendations (P3)** generally meet the following criteria:

- Impact within the city.
- Demonstrated reach within at least one or two sectors of the sport and recreation, arts and social service communities of interest.
- Alignment to Council Outcomes and Priorities.
- Weak to moderate financial base.
- High debt to equity ratio(s).
- Weak to moderate balance sheet.
- Low to moderate security potential.

*Loan funding to P3 applicants is NOT recommended.*