

BANK GUARANTEES POLICY

Policy Number:	2.2.1
Approved by	Chief Executive Officer
Date Approved/Effective	17 December 2019
Date of Next Review:	1 October 2020
Related Policies:	Nil
Applicable to Unit(s):	Finance
Responsible Officer:	Manager Corporate Finance
Statutory Reference:	Nil

OVERVIEW

To establish policy on the management of bank guarantees for loans for community organisations, whilst limiting Council's exposure to potential loss. Council's ability to borrow for its own purposes such as to fund the capital works program may be limited by any outstanding Bank Guarantees.

THE POLICY

- a) Council will only support incorporated community organisations associated with Council's facilities or operations via Bank Guarantees for loans.
- b) Council's total exposure to contingent liability via Bank Guarantees will be limited to a maximum of 0.5% of the total annual rate revenue budget of the municipality.
- c) Council will not act as guarantor on loans under \$10,000.
- d) Any Bank Guarantee should not exceed \$50,000 for any one organisation.
- e) The term of any loan must not be in excess of ten years.
- f) Council may require conditions to be met by the applicant.
- g) Any previous or existing support provided by Council to the organisation will be taken into consideration.
- h) A Council resolution will be required in each particular case but, in any case, any such decision to provide a bank guarantee will be entirely at Council's discretion.
- i) Council may require the community organisation to reimburse to Council the annual cost of maintaining the Bank Guarantee, should Council's banking service provider levy such a fee.

Asset Construction

- a) Any Bank Guarantee will be for a maximum of 75% of the value of the asset proposed to be created by the funds being generated, and
- b) Council reserves the right to consider each application on its merits taking into account such issues as (but not limited to):
 - i) Any contributions made by the organisation
 - ii) Past record in terms of payment of debts, rental fees and performance under any agreements with Council.
 - iii) Any other factors considered relevant by Council such as business plans, membership numbers and structure, growth projections and management

- iv) Priorities in strategic recreation and asset planning.
- c) Council may arrange, if necessary, an independent assessment of the organisation's financial position and such costs will be at the expense of the organisation.

Extraordinary Circumstances:

- a) Where a Bank Guarantee is sought for purposes other than asset construction or creation, Council will only consider such where extraordinary circumstances exist.
- b) Council reserves the right to consider each application on its merits taking into account such issues as (but not limited to):
 - i) Purpose of loan
 - ii) Circumstances resulting in the request for a Bank Guarantee
 - iii) Council's Public Policy objectives
 - iv) Potential impact on community, Council and its ratepayers
 - v) Past record in terms of payment of debts, rental fees and performance under any agreements with Council
 - vi) Any other factors considered relevant by Council such as business plans, membership numbers and structure, growth projections and management
- c) Council may arrange, if necessary, an independent assessment of the organisation's financial position and such costs may be at the expense of the organisation.
- d) Council, at its absolute discretion, may resolve to exceed the maximum stated in clause 2 d), subject to the limits of clause 2b).

HUMAN RIGHTS

Wellington Shire Council is committed to upholding the Human Rights principles as outlined in the *Charter of Human Rights and Responsibilities Act 2006 (Vic)* and referred to in Council's Human Rights Policy. The Human Rights Checklist has been completed and this policy accords with Council's policy commitment to uphold human rights principles.

Related Documents

Type:	Details:
Procedure	Nil
Strategy	Nil