

Chairperson and Committee Members
CORPORATE BUSINESS COMMITTEE

10 NOVEMBER 2011

Meeting Status: **Public**

Purpose of Report: For Decision

**ISSUES RELATING TO COUNCIL'S ABILITY TO LEND TO
COMMUNITY ORGANISATIONS**

PURPOSE OF REPORT

- 1 To consider issues relating to council's ability to lend to Community Organisations and whether to have a policy for council to lend to community Organisations.

SIGNIFICANCE OF DECISION

- 2 This report does not trigger the Council's Significance Policy.

BACKGROUND

- 3 The Council currently has a policy for guaranteeing loans for community organisations up to a limit of \$100,000. This policy has been in place since 1995.
- 4 This policy has been used by several sporting clubs over the years that are leasing Council property and they need the Council's guarantee to obtain loans for upgrades or improvements to their facility.
- 5 In more recent times there has been some interest in borrowing from the Council as opposed to borrowing from Banks or other financial institutions by community organisations and as a result a review for the issue of whether Council should have a policy for lending to community organisations needs to be considered.

CONSIDERATIONS

Issues

Council's capacity to on lend to community organisations

- 6 Based on the debt equity projections in the 2009 LTCCP, Council will be very close to its maximum limit of 20% equity ratio by 2015/16. Therefore the Council has no capacity to borrow on behalf of community organisations based on the 2009 LTCCP.

- 7 Community organisations have generally funded most of their upgrade work from fundraising and grants and where they have had to borrow for the shortfall they have been able to borrow from the local banks using Council as a guarantor. Although Community Organisations had to pay slightly higher interest rates than what Council can borrow the money under the current low interest environment their borrowing rates are not significantly higher than the Council's borrowing rate.
- 8 Until the 2012 LTP is finalised the Council will not know what capacity it is projected to have over the next 20 years to be able to lend funds to community organisations and keep within its key debt ratios without impacting on its own debt funded capital programme. Therefore it is recommended that Council does not have a policy to lend Community Organisations' funds at this stage until Council has considered its own debt capacity issues as part of the 2012 LTP process.

Financial Considerations

- 9 There is currently no budget provision for any borrowing costs associated with Council lending to community organisations in the 2009 LTCCP or 2011/12 Annual Plan.

Legal Considerations

- 10 There are no legal issues at this stage.

Delegation

- 11 Any decision on this issue is a recommendation to the Council.

Consultation

- 12 No consultation on this issue has taken place at this stage.

Policy Implications

- 13 There are no proposed changes to Council's current policy.

Tāngata Whenua Considerations

- 14 There are no Tāngata Whenua considerations at this stage.

Publicity Considerations

- 15 A press release will be prepared on the outcome of this paper.

RECOMMENDATIONS

- 16 That the Corporate Business Committee recommends to the Council that given the constraints in regard to Council's debt/equity limits and Council's projected future debt based on the 2009 LTCCP, the Council is not in a position to provide loans to Community Organisations.
- 17 That the Corporate Business Committee readdress whether to have a policy to provide loans to Community Organisations for the upgrading of facilities once the Council has considered its own debt capacity issues as part of the 2012 LTP process.

Report prepared by:

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