



POLICY DOCUMENT

7.63.11

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| Policy Name | COMMUNITY INFRASTRUCTURE INVESTMENT |
| Policy No. | 7.63.11 |
| Version: | 2 |
| Strategic Reference: | Goal 5 - Community Assets and Placemaking |
| Responsible Department: | Corporate & Community |
| Policy Adopted: | 18 March 2024 |
| Last revised date: | 15 June 2020 |
| Minute reference: | CO 24/033 |
| Next review date: | Council will endeavour to review this policy 4 years after adopted date or following significant change to legislation or aspects included within this policy. |
| Applicable Legislation: | Local Government Act 1999 |
| Related Policies: | 7.63.14 Community Grant Funding |
| Related Documents: | Strategic Management Plan document – “Strategic Directions” Form 17-37-T1 Community Infrastructure Request Form 17-37-T2 Community Infrastructure Assessment Community Loan Agreement |

1. **PURPOSE**

The purpose of this policy is to provide general guidelines and criteria for Council to assess requests from community groups or associations for support for infrastructure investment, focussing on the renewal of existing infrastructure, or supporting a demonstrated need for renewal or upgrade.

2. **OBJECTIVES**

The policy objectives are as follows:

- To support local organisations meet demonstrated community needs of a capital nature.
- To encourage the leveraging of grant funding opportunities to meet capital renewal requirements and assist with financial sustainability outcomes.
- To promote community wellbeing and improve access to groups and individuals traditionally disadvantaged.
- To increase access and participation in community sports, recreational and cultural activities by broadening community access and increasing and/or maintaining opportunities for participation.
- To coordinate the development of community sports, recreational & cultural facilities.
- To promote responsible decision making and the financial sustainability of community groups/associations in respect of infrastructure investment.

- To strengthen community capacity to respond to community needs.
- To increase and promote the range of users of a facility, club or activity.
- To align with one of the themes of Council's Sport and Recreation Strategy 2023-2027 to consider developing *"a policy framework that enables the attraction of infrastructure funding for sports and recreation facilities which could include allocating sufficient funding to upgrade Council owned infrastructure facilities and a sporting infrastructure fund for co-investment with non-Council owned infrastructure facilities"*.
- To provide equitable resource allocation across the City.

3. **DEFINITIONS**

3.1. ***Community Loans***

A loan made by Council to local community groups and sporting organisations to self- fund infrastructure projects, which may be interest free or a back-to-back low interest loan through the LGFA or equivalent.

3.2. ***Capital Budget Allocation for Council Owned Assets***

Council's Strategic Plan Document 'Strategic Directions' and Strategic Asset Management Plan (SAMP) identify infrastructure upgrades, renewals, replacements and new construction for the coming budget and future years. As part of the annual business plan Council allocates budget allocations for Council owned assets.

3.3. ***Council Co-Investment***

A Council co-investment is a financial contribution of a set percentage to an eligible project based on an application from a Group or Organisation. A co-investment is only a proportion of the total project cost. The remainder of the project cost will be funded through the Group or Organisation, Loan Funding or Grant Funding.

3.4. ***Direct Funding of Community Group/Association Infrastructure***

Council may approve a budget allocation of cash support to community groups/associations for capital renewal or capital upgrades to non-Council owned assets in accordance with the funding methods set out below.

3.5. ***Facility or Infrastructure***

The building or infrastructure required for the activities of the group/association e.g., courts, clubrooms, plant.

3.6. ***Group or Organisation***

Means a collection of community members, who through membership make up a body for a common purpose.

3.7. ***Association or Incorporated Body***

Are not for profit organisations, whose profits are kept by the association and not used by members for personal gain.

3.8. ***Strategic Asset Management Plan (SAMP)***

Plan for the management of Councils infrastructure and assets as per the Local Government Act 1999, Section 122 (IAMP)

4. **POLICY STATEMENT**

In accordance with Council's adopted Sport and Recreation Strategy 2023-2027, Council will aim to set aside a reserve allocation each year as part of the budget process for the renewal and potential expansion of sport and recreation infrastructure. The quantum of this allocation will be dependent on Council's Long Term Financial Plan, Annual Business Plan, Strategic Asset Management Plan (SAMP) and competing budget priorities. This reserve may be applied in accordance with this policy.

All community requests for contributions to sport, recreation and community infrastructure will be assessed under this policy.

In addition to the Council Co-Investment option, Council offers other funding options available to applicants and this Policy details the options available and the criteria to be met in order for an application to be considered.

5. **BENEFITS**

Proposals for investment in community infrastructure under any funding option, should demonstrate from the proposal the benefit derived to City of Port Lincoln ratepayers and community, in particular:

- whether the expected community, sporting, recreational, cultural, or similar benefits are consistent with the objectives of Council's Strategic Directions Plan and SAMP.
- the ongoing or increased benefits or services due to the investment in the infrastructure.
- how the proposal improves and/or enhances the current facility.
- the capacity for the facility to be used by the broader community at times when it is not required for the proponent organisation's purposes.
- how the proposal promotes use of the infrastructure by more than one group or association.
- ongoing responsibility for the infrastructure resting with the proponent group or association rather than Council.
- the extent to which the investment demonstrates good infrastructure management principles.

6. **RISKS**

Council shall consider the risks associated with providing funding to the proponent group or association including:

- Ability of the organisation to meet repayments of any borrowings undertaken, and the likelihood of Council having to absorb debt if the applicant defaults on loan repayments, i.e., is security required.
- The impact any borrowings may have on Council's debt capacity and Net Financial Liabilities Ratio (as there is a limit to Council's debt capacity).
- The impact to Council's operational ratio in respect of direct funding for non-Council owned assets (as this type of funding is treated as operational expenditure).
- Any impact the proposal may have on Council's budget for ongoing operating expenditure, building maintenance etc.
- Ability of the organisation to manage the proposal to ensure effective completion of project.
- Ability of the organisation to set aside funds for asset replacement and for future upgrades.

- Determining future capital renewal obligations for Council owned and non-Council owned assets.
- Extent to which any proposal aligns with Council's existing strategic documents and plans, e.g., sporting masterplans and planning requirements.

7. **RESPONSIBILITIES**

Council needs to determine at the time of consideration who will be responsible for:

7.1. ***Council Assets***

The Lease documents should include allocation of responsibilities for:

- Ongoing maintenance due to wear and tear
- Future replacement of the proposed infrastructure
- Replacement of the facility as a whole (as per Council's SAMP)

7.2. ***Non-Council Owned Community Assets***

- Future replacement of the proposed infrastructure should rest with the group/association.
- Replacement of the facility as a whole should rest with relevant group/association.

8. **FUNDING OPTIONS AVAILABLE**

There are four potential funding forms which may be considered by Council for requests with respect to infrastructure renewals and upgrades. These are Back-to-Back Loan Facility through Local Government Finance Authority (LGFA), Council Co-investment Funding, Direct Loan by Council (which may be an interest free loan) and Direct funding by Council.

A combination of these may be considered depending on the exact nature of the request. All above options provide the group/association the opportunity to further leverage grant funding opportunities from other funding sources.

The options available to a particular application will be set based on the table below (the **Community Infrastructure Investment - Funding Options** table).

FUNDING OPTION 1: BACK-TO-BACK LOAN FACILITY (THROUGH THE LGFA)

This is the preferred option for Council owned assets and non-Council owned assets on Council land. If applicable and warranted, this option may also be used in conjunction with the co-investment funding option.

Council may endorse that a Community Loan be made to a group/association from Council's non-statutory cash reserves facilitated by a loan through the LGFA.

The amount of the community loan given will be assessed on each proposal based on the criteria detailed above.

Council will enter into a loan agreement with the LGFA and will "on-lend" these funds to the approved group/association. The loan with the group/association will be entered into by agreement with Council as per template 7-1-T2 and will be based on the identical loan terms and conditions offered by the LGFA.

The term of the loan shall be ultimately determined by Council but will not exceed the expected useful life of the proposal.

Once established, there will be no option for variations to the terms.

FUNDING OPTION 2: COUNCIL CO-INVESTMENT

The Council Co-investment funding option will be considered primarily for capital renewal, but consideration of new/upgrade may be given.

Council may approve co-contribution applications where the applicant's contribution is a minimum contribution of 25% of total project cost and Council's co-contribution is a maximum of 25% of total project cost. It is envisaged that this will provide the applicant the opportunity to leverage additional funding.

If warranted, consideration may also be given for the back-to-back loan facility to be used in conjunction with the Co-investment Funding option.

FUNDING OPTION 3: DIRECT LOAN BY COUNCIL / INTEREST FREE LOAN

Council may offer a direct loan to the group/association, depending on the reasons provided in the application and final assessment.

The term of the loan shall be determined by Council and will not exceed the expected useful life of the proposal.

Repayments of the loan will be at least annually, and Council will consider structuring the repayments to when the group/association has best cash flow capacity.

The fixed interest rate will be based on the prevailing LGFA interest rates at the time of the loan.

The loan will be entered into by agreement with Council as per template 7-1-T2.

Interest Free Loan

Council may consider an 'interest free' loan in exceptional circumstances, for example, where the group/association demonstrates that it has been actively fundraising and saving profits to contribute to the proposal and that the wider community will benefit from the proposal.

FUNDING OPTION 4: DIRECT FUNDING BY COUNCIL - CAPITAL BUDGET ALLOCATION FOR COUNCIL OWNED ASSETS

Council's Strategic Plan, SAMP and Annual Business Plan will identify infrastructure renewals, replacements and new/ upgrade construction and these items will be considered in the determination of the Annual Business Plan and Budget.

Consideration may be given to renewals, upgrades or improving infrastructure where there is a demonstrated need, and/or the community group/association has the capacity to contribute towards the capital cost.

Council owned infrastructure will remain under ownership of the Council and generally be leased to the community group/association.

Council should consider the ongoing management capacity of community groups/associations when allocating budgets for renewal, replacement or upgrades to Council assets, and take the opportunity to review the schedule of the lease agreement. Groups/Associations should be encouraged to undertake financial business practices which assist in the establishment of a sinking fund for ongoing maintenance and future upgrades.

FUNDING OPTION 4: DIRECT FUNDING BY COUNCIL – OPERATIONAL BUDGET ALLOCATION FOR NON-COUNCIL OWNED ASSETS

Council may approve a budget allocation of direct cash support to community group/association for upgrades to non-Council owned infrastructure.

These will be treated as 'operational' budget expenditures, as the ownership of the improved infrastructure will remain with the community group/association and will not come into Council's Asset Register.

Council may choose to allocate in-kind support through the allocation of employees or plant and equipment or make a direct cash contribution towards the project.

For the payment process of a cash contribution, best practice is:

1. an arrangement whereby Council is invoiced by the group/association for reimbursement of costs it has paid for the project up to the value of Council's agreed contribution (budget allocation) once works have been completed and evidence obtained by Council that this work has been completed to an acceptable standard and has been paid for, OR
2. Council to directly pay the contractor/builder for works completed on presentation of such invoices. Before payments are approved and processed by Council staff, evidence must be obtained by Council from the group/association or directly from the project manager/builder/quantity surveyor to certify that works have been completed to an acceptable standard.

Administering the expenditure of budget allocation by either of these methods, will ensure that safeguards are in place for Council funds to be only spent on or for the approved purpose. Direct 'untied cash payments' without evidence of expenditure should not be considered¹.

¹ As per advice received from Council's Auditors, Dean Newbery and Associates

Community Infrastructure Investment - Funding Options

| Type of asset | Ownership | Renewal/ Upgrade | Funding Option (in order of preference) | | | | |
|--------------------|--|---------------------|---|---|--|-----------------------------|---|
| Sport & Recreation | Council owned | Renewal | Back-to-back loan through LGFA | Direct Council Loan/ Interest Free Loan | Council Co-investment (CCI) / CCI in conjunction with back-to-back loan through LGFA | Council Co-investment (CCI) | Direct Funding (Through Budget Allocation) |
| | | New/Upgrade | Back-to-back loan through LGFA | Direct Council Loan/ Interest Free Loan | Council Co-investment (CCI) / CCI in conjunction with back-to-back loan through LGFA | Council Co-investment (CCI) | Direct Funding (Through Budget Allocation) |
| | Infrastructure on Council land (e.g. a ground lease) | Renewal | Back-to-back loan through LGFA | Direct Council Loan/ Interest Free Loan | Council Co-investment (CCI) / CCI in conjunction with back-to-back loan through LGFA | Council Co-investment (CCI) | Direct Funding (Through Budget Allocation) ONLY WHERE ALLOWS FOR CO-LOCATION OF MULTIPLE GROUPS |
| | | New/Upgrade | Back-to-back loan through LGFA | Direct Council Loan/ Interest Free Loan | Council Co-investment (CCI) / CCI in conjunction with back-to-back loan through LGFA | Council Co-investment (CCI) | ONLY WHERE ALLOWS FOR CO-LOCATION OF MULTIPLE GROUPS |
| Sport & Recreation | Non-Council owned/ Not on Council Land | Renewal | Back-to-back loan through LGFA | Direct Council Loan/ Interest Free Loan | | | |

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|------------------------|--|-------------|--------------------------------|---|--|-----------------------------|--|
| | | New/Upgrade | Back-to-back loan through LGFA | Direct Council Loan/ Interest Free Loan | | | |
| Non-Sport & Recreation | Council owned | Renewal | Back-to-back loan through LGFA | Direct Council Loan/ Interest Free Loan | Council Co-investment (CCI) / CCI in conjunction with back-to-back loan through LGFA | Council Co-investment (CCI) | Direct Funding (Through Budget Allocation) |
| | | New/Upgrade | Back-to-back loan through LGFA | Direct Council Loan/ Interest Free Loan | Council Co-investment (CCI) / CCI in conjunction with back-to-back loan through LGFA | Council Co-investment (CCI) | Direct Funding (Through Budget Allocation) |
| | Infrastructure on Council land (e.g. a ground lease) | Renewal | Back-to-back loan through LGFA | Direct Council Loan/ Interest Free Loan | Council Co-investment (CCI) / CCI in conjunction with back-to-back loan through LGFA | Council Co-investment (CCI) | |
| | | New/Upgrade | Back-to-back loan through LGFA | Direct Council Loan/ Interest Free Loan | Council Co-investment (CCI) / CCI in conjunction with back-to-back loan through LGFA | Council Co-investment (CCI) | |
| Non-Sport & Recreation | Non-Council owned | Renewal | Back-to-back loan through LGFA | Direct Council Loan/ Interest Free Loan | | | |
| | | New/Upgrade | Back-to-back loan through LGFA | Direct Council Loan/ Interest Free Loan | | | |

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|-------------------------------------|-----------|-----------|---------------------------|------------------------------|--|--|--|
| Minor assets (under \$20,000) | All types | All types | Council Co- investment | Direct Council Investment | Direct Council Loan/ Interest Free Loan | | |
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LGFA: Local Government Finance
Authority

9. **OTHER CONDITIONS OF FUNDING**

Project Management

Notwithstanding the funding option applied for, Council may, as part of the funding agreement, require the appointment of a project manager or include project delivery conditions such as Council supervision of the project, if deemed applicable. This is to safeguard Council's investment in the project and to ensure that the project:

- complies with all appropriate regulations and construction standards,
- meets any internal Council requirements,
- supports optimal community outcomes, and
- optimises asset renewal/upgrade outcomes.

Prior to release of the financial support, Council must be presented with final quotations, concepts and plans in relation to the proposed project.

Demonstrated Ability

For funding to be considered, the proponent organisation must demonstrate that it:

- satisfies the criteria of a "not for profit" organisation and has an "incorporated" status.
- has the ability to fund ongoing maintenance from operational revenue, ideally established in a Business Plan.
- has committee structures in place which support the administration of the group/association and succession and/or transition plans for change of committee membership.
- has a 'strategic plan' in place to ensure the ongoing viability and vision of the group/association.
- has support from the group/association's membership base for the proposal.
- has members' volunteer support for contribution to the proposal.
- has capacity to service any loan repayments. This would include presentation to Council of prior year(s) audited financial reports or signed Financial Statements and future cash flow statements that demonstrate financial viability over the period of the loan.
- plans for the life of the proposal to exceed the life of any Council loan.
- has appropriate insurances in place and ongoing.

10. **ASSESSMENT OF THE REQUEST**

All requests for Council support from community groups or sporting organisations are to be directed to the CEO and are to be made through the Council Application form 17-37-T1. The appropriate Council Manager will evaluate the request and where applicable, prepare a report to Council on the associated risks and viability of the project and alignment to the Strategic Directions Plan. Orientation to the Strategic Direction of Council will also include in what ways the proposed works include best practice energy efficiency schemes, waste reduction measures and other actions that may support Council's ongoing position to manage and mitigate the risks associated with the Climate Emergency Declaration.

The report will have regard to:

- type of project proposed,

- ownership of the asset,
- renewal obligations for Council owned assets,
- funding option proposed,
- the degree to which the applicant meets the benefits, risks and responsibilities as detailed in this policy,
- the amount of funds being allocated towards the proposal by the group/association,
- whether external grant funding opportunities have been or will be applied for or have been explored,
- in-kind support for the proposal,
- other funding sources for the proposal,
- current and future activities and membership facilitated by the infrastructure or facility,
- availability of Council funds,
- the impact to Council's debt capacity and/or cash balances (Financial Liabilities Ratio),
- the impact to Council's operational ratio (in respect of direct funding for non-Council owned assets), and
- considerations if the applicant defaults, i.e., is security required.

Final consideration of the applications may also form part of the annual budget process, where projects can be prioritised and deliberated, or may be considered in the context of Council's Budget Review process if immediate funding is required and approved.

11. RELEVANT DELEGATED POWERS AND DUTIES

Any actions or decisions made regarding this policy, will be enacted upon as per Council's current Delegations Register.