

Community Infrastructure Loans Scheme Guidelines





© The State of Victoria Department of Environment, Land, Water and Planning 2019



This work is licensed under a Creative Commons Attribution 4.0 International licence. You are free to re-use the work under that licence, on the condition that you credit the State of Victoria as author. The licence does not apply to any images, photographs or branding, including the Victorian Coat of Arms, the Victorian Government logo and the Department of Environment, Land, Water and Planning (DELWP) logo. To view a copy of this licence, visit <http://creativecommons.org/licenses/by/4.0/>

ISBN 978-1-76077-825-5 (pdf/online/MS word)

Disclaimer

This publication may be of assistance to you but the State of Victoria and its employees do not guarantee that the publication is without flaw of any kind or is wholly appropriate for your particular purposes and therefore disclaims all liability for any error, loss or other consequence which may arise from you relying on any information in this publication.

Message from the Minister for Local Government and the Treasurer



All Victorians, regardless of their location, age, background, gender or ability, deserve easily accessible community infrastructure.

Victoria's 79 councils are responsible for over \$102 billion in public assets and spend around \$2.2 billion each year on infrastructure.

The new \$100 million *Community Infrastructure Loans Scheme* recognises the need for continued investment in community infrastructure by councils across Victoria.



The scheme, which was modelled on the success of last year's *Community Sports Infrastructure Loans Scheme*, will provide councils with access to low-interest, government guaranteed loans.

Our triple-A credit rating means that the State can borrow money at cheaper rates than are commercially available. This scheme will use that borrowing power to help councils get access to low interest finance, making significant community infrastructure projects more affordable than they would otherwise be.

Loans will be determined on a case-by-base basis, and the Treasury Corporation of Victoria will work closely with each participating council to agree on the most appropriate loan term.

Successful projects will be announced in early 2020 following a robust and comprehensive assessment process.

By working in partnership with Local Government we are ensuring the Victorians have access to the community facilities that they need.

The Hon Adem Somyurek MP
Minister for Local Government

Tim Pallas MP
Treasurer



Contents

Message from the Minister for Local Government and the Treasurer	3
1. About the Loans Scheme	6
1.1. Overview of the loans scheme	6
1.2. What are the objectives of the loans scheme?	7
1.3. How much can be applied for?	7
1.4. How does the loans scheme work?	7
1.5. What would the interest rate on a loan be?	7
2. Eligibility	8
2.1. Who can apply?	8
2.2. What type of projects may be supported?	8
2.3. What type of projects will not be supported?	8
3. Loan Application	9
3.1. What information is required in an application?	9
3.2. Application process	10
3.3. How do I submit my application?	10
3.4. How are applications assessed?	10
4. Timelines	11
5. Conditions that apply to loan applications	12
5.1. Loan terms	12
5.2. Treasury Corporation of Victoria Loan Agreement	12
5.3. Loan Conditions	12
5.4. Acknowledging the Victorian government's support and promoting success	13

1. About the loans scheme

The government has announced a \$100 million Community Infrastructure Loans Scheme to support local governments in funding community infrastructure.

The Community Infrastructure Loans Scheme will support the delivery of community infrastructure by providing Victorian councils with access to low-interest, government-guaranteed loans between \$500,000 and \$10 million.

1.1 Overview of the loans scheme

Victoria's 79 councils provide much of the infrastructure that is fundamental to the functioning of communities across our major cities, towns and regions.

There is a recognised need for continued investment in community infrastructure across Victoria. The Community Infrastructure Loans Scheme (the Scheme) will provide all Victorian councils with access to low interest rate loans from Treasury Corporation of Victoria (TCV) of between \$500,000 and \$10 million to deliver significant community infrastructure projects.

In response to requests from local government, the Scheme will assist councils to save money and gain access to low interest finance guaranteed by the Victorian government.

Successful projects will also receive interest subsidies to further reduce the interest rate by 50 per cent of the applicable interest rate, up to a maximum of 150 basis points (or 1.5 per cent).

The Scheme is designed to complement, not replace, existing funding programs and sources.



1.2 What are the objectives of the loans scheme?

The objectives of the Scheme are:

- To facilitate the upgrade and development of significant community infrastructure.
- To incentivise councils to bring forward community infrastructure delivery by providing increased opportunities for councils to access affordable finance.
- To support a range of community infrastructure projects which deliver on the Victorian government's objectives and maximise community access and benefit.

1.3 How much can be applied for?

Victorian councils may submit applications for loans between \$500,000 and up to \$10 million per project, up to a maximum of \$10 million per council.

1.4 How does the loans scheme work?

The triple-A credit rating currently held by Victoria means that the state can borrow money at cheaper rates than are commercially available.

The primary benefit of the Scheme is that councils will be able to achieve savings through having access to low-interest loans financed through TCV.

In addition, participating councils will receive an interest subsidy from the Victorian government that will further reduce the interest rate paid. This subsidy will be 50 per cent of the applicable interest rate, up to a maximum of 150 basis points (or 1.5 per cent).

1.5 What would the interest rate on a loan be?

Loans through the Scheme will be provided at TCV's borrowing rate at the date of the loan execution. As of 23 September 2019, the interest rate for a 10 year credit foncier loan (monthly repayment instalments) from TCV was approximately 1.42 per cent.

The interest rate on TCV's 11am loan facility was 1.165%. It is important to note that TCV's 11am loan rate and term borrowing rates are subject to change according to movements in financial conditions. The actual interest rate offered will be dependent on TCV's borrowing rate at the date of loan execution.

2. Eligibility

2.1 Who can apply?

Only Victorian councils are eligible to apply for loans under the Scheme.

2.2 What type of projects may be supported?

Projects that could be supported by the Scheme include, but are not limited to:

- Community centres and hubs;
- Multi-purpose community facilities;
- Arts and cultural facilities;
- Public libraries;
- Kindergartens and early learning facilities;
- Restoration of heritage buildings to enable community use; and
- Parks, play spaces, reserves and trails.

The Scheme can:

- Fund 100% of the total project cost.
- Be secured in conjunction with a government grant, ensuring that any grant funding program ratios are still met with the required cash contribution.

2.3 What type of projects will not be supported?

Projects that will not be supported under the Scheme include, but are not limited to:

- Purchase of land or buildings;
- Requests for retrospective funding;
- Routine or cyclical maintenance works;
- Purchasing or maintaining any equipment;
- Requests for ongoing operational costs such as, but not limited to, salaries, electricity, water, asset maintenance and other utilities;
- Drainage, waste, roads and associated footpaths, public transport infrastructure and civil work;
- Requests for multiple loans for a single project;
- Applications to refinance an existing loan or borrowings;
- Sporting and recreation infrastructure including new or redeveloped indoor or outdoor aquatic leisure facilities, new or redeveloped indoor sports stadiums, pavilions (including changeroom developments), synthetic sports surfaces (including replacements);
- Active recreation infrastructure including skate parks and BMX tracks, and new or upgraded community sport precincts including sports fields and lighting; and
- Projects that are not able to demonstrate a reasonable likelihood of being able to pay the loan.

3. Loan Application



3.1 What information is required in an application?

Applications will consist of two components. Both components must be provided in order for an application to be deemed eligible for assessment. These are:

- Online project application; and
- Supporting documentation.

Project Application

Project applications should address the following and provide relevant supporting documents as outlined:

- Project background and justification including:
 - why is the project required?
 - who will the project benefit and how?
 - extent of stakeholder and community support.
 - what will be delivered?
 - current and proposed facility use.
 - how will the project be delivered?
- Details of land ownership and current and required land use zoning (if a change in the planning scheme is required).
- Applicable permits if available.
- A business case or cost benefit analysis that may have been completed for the project.
- Key project governance, management and milestone management documentation such as a project plan.
- Relevant sections of council reports/plans/strategies/community consultation that demonstrates support for the project (please do not attach entire documents).

- Concept or schematic plans for the project.
- Evidence of other confirmed funding contributions.
- Relevant quantity surveyor (QS) reports where appropriate.

The project application can be accessed at www.localgovernment.vic.gov.au/cils

Supporting Documentation

Applicants will be required to provide documentation to support their project application and demonstrate financial viability and capacity to repay.

This includes:

1. Financial Statements (Audited for the previous 3 years, and projected and approved by the council for the next 4 years):
 - comprehensive income statement.
 - balance sheet.
 - cash flow statement.
2. Cash flow projection for the project being financed.
3. Business structure - this should include a corporate structure diagram where necessary.
4. Schedule of any existing and planned loans or liabilities (including purpose of loan, lender/creditor details, term, maximum facility limit, current amount drawn down, loan repayment structure, applicable interest rates).
5. Schedule of any security taken by any lenders/creditors (form of security, details of any other covenants including negative pledge and financial covenants).



6. Threshold financial ratios:

- Interest Bearing Loans and Borrowings not to exceed 60% of the Own Source Revenue.
- Interest Cover Ratio not less than 2:1.

3.2 Application process

Applications for eligible projects will be received through a single application round, opening on 11 October and closing at 2 pm, 29 November 2019.

The assessment process is designed to ensure that fully scoped, eligible and high priority projects can receive a loan as soon as possible for works to commence.

Applicants must consult the CILS team before 15 November 2019 on (03) 9948 8536 to discuss their project proposal and arrange a site visit. Project proposals that have not been discussed and a site visit arranged with the CILS team prior to that date **will not be considered**.

3.3 How do I submit my application?

Applications must be submitted via the link at www.localgovernment.vic.gov.au/cils

These must be received by the department no later than **2pm, 29 November 2019**.

The CILS team may make contact with applicants to seek further clarification of information submitted.

Some applications may be requested to submit further information following initial assessment of applications by the Department.

If you have any queries, please contact the CILS team on (03) 9948 8536 or email CILS@delwp.vic.gov.au.

3.4 How are applications assessed?

Local Government Victoria (LGV) is administering the Scheme in collaboration with the Department of Treasury and Finance (DTF).

The broad process associated with the assessment of an application is as follows:

- LGV seeks and assesses applications from councils.
- If the project demonstrates strong alignment to the scheme's objectives, the Minister for Local Government will refer the project for financial analysis to DTF.
- DTF will assess the applicants' financial viability, security and capacity to repay the loan and service the interest cost.
- Should a council meet the above criteria, DTF will recommend to the Treasurer that a state guaranteed loan be given by TCV to the successful applicant according to specific terms and conditions.
- If the guarantee is approved, the applicant will then enter into a loan agreement with TCV which will outline additional terms and conditions.
- The council will also be required to sign a project delivery agreement with the Department of Environment, Land, Planning and Water (DELWP) as outlined in section 5.3 Loan conditions.

4. Timelines

The Community Infrastructure Loans Scheme timelines.

Loans Scheme applications open	11 October 2019
Loans Scheme applications close	2pm, 29 November 2019
Assessment and decision making	December 2019 – January 2020
Announcements	February 2020
Loan Agreements executed	From February 2020

The scheme requires projects to commence within 18 months, and be delivered within 36 months from execution of the project delivery agreement.



5. Conditions that apply to loan applications

5.1 Loan terms

Councils will be able to discuss the borrowing process and loan structures with TCV to ensure the fulfilment of the project according to the Project Delivery Agreement.

The loan facilities to be provided by TCV will be:

- An 11am loan facility during the construction period. The 11am loan facility is interest only and the interest rate is variable.
- Interest on the 11am loan facility is payable monthly on the first business day of the next month.
- Upon construction completion, the borrower will be required to structure the total loan amount drawn on the 11am loan facility during the period of construction as a credit foncier loan. The credit foncier loan will be provided by TCV for up to 15 years.
- The loan will be structured to provide regular repayment instalments of principal and interest.
- The maturity date and interest rate are fixed for the term of the credit foncier loan. The regular instalments will be payable on the first business day of the month.
- The settlement date of the credit foncier loan can be arranged with TCV out of a forward settlement date, for example at the end of the construction period. This allows the borrower to manage the interest rate risk exposure of the credit foncier loan.
- Loan principal and interest payments will be direct debited from the council's nominated bank account by TCV on the payment date.
- Loans will be secured against the general rates revenue of the council.

5.2 TCV loan agreement

The council will be required to enter into a standard TCV loan agreement. The loan agreement sets out the terms and conditions of the loan and is non-negotiable.

There are a number of condition precedents under the TCV loan agreement to provide information prior to draw down and on an ongoing basis, such as a project cashflow forecast, updated financial statements and the maintenance of financial covenants.

5.3 Loan conditions

Project Delivery Agreement

Successful applicants must enter into a Project Delivery Agreement with DELWP. The agreements outline the commitments and obligations between the loan recipient and DELWP, as well as setting out the project delivery terms and conditions. No loan will be released until DELWP and the applicant have executed the Project Delivery Agreement and the appropriate milestone evidence identified in the Project Delivery Agreement has been met.

DELWP will advise TCV to withhold the loan drawdowns in cases where evidence has been provided but DELWP deems that there are concerns relating to the delivery of the project. In this instance, DELWP will advise TCV to release funding when appropriate actions have been taken to ensure the project is delivered within the agreed timeframes.

Project monitoring and delivery

Loan recipients are required to comply with project monitoring and reporting requirements as be outlined in the Project Delivery Agreement.

Councils are responsible for project delivery, including any project cost overruns should they occur. In cases where applications are submitted in partnership with third party organisations, it is expected that councils will take responsibility for project delivery. Councils must also take full responsibility for the cost of ongoing operation and maintenance of any facilities through their asset management processes.

In cases where a project is delayed for an unreasonable length of time, where substantive changes to scope are made after the loan has been approved, or where a project fails to be delivered, DELWP reserves the right to direct TCV to cancel the loan and recoup the payment value of loan at the time.

The prepayment will be determined by TCV with reference to TCV's cost of borrowing on the date of prepayment and will include all accrued interest.

5.4 Acknowledging the Victorian government's support and promoting success

Successful applicants need to acknowledge the Victorian government's support through the Community Infrastructure Loans Scheme. Acknowledgement and Publicity Guidelines form part of the Project Delivery Agreement and include the requirement that all activities acknowledge Victorian government support through logo presentation on any activity related publications, media releases, promotional material and placement of a permanent Victorian government endorsed sign/plaque at the site during construction and upon completion of infrastructure activities.

When your council wishes to launch an infrastructure project which has received a loan from the government at a public event or similar, you are required to give the Minister for Local Government and the Treasurer the opportunity to officially open or launch the activity. Your council is also required to invite the Minister for Local Government to significant events associated with the project including ground breaking ceremonies, construction inspections, openings, launches and photo opportunities. These guidelines reflect current expectations of Victorian government recognition.

www.vic.gov.au/brand-victoria-guidelines-logos





www.delwp.vic.gov.au