2020-21 Community Infrastructure Loans Scheme

Frequently Asked Questions

I. Project

1. **How much can a council borrow?**

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

2. **Is there a minimum or maximum total project cost?**

There is no maximum total project cost, however as the minimum loan request is $500,000 the minimum total project cost would be $500,000.

3. **Do I have to match the loan amount provided?**

Your council does not have to match the loan amount provided. The loan can fund 100 per cent of the total project cost.
However. if you have received a Government grant for the same project, you must ensure that the grant program funding ratios are still met with the required cash contribution.

4. **What are the construction timeline requirements?**

To be eligible for a loan, projects are required to commence construction within 18 months and be delivered within 36 months from execution of the project delivery agreement

5. **Can I apply for one loan that will contribute to the development of multiple infrastructure projects?**

Yes, a single loan can be applied for to develop consistent infrastructure across different sites. For example, a council may seek to upgrade or deliver three playground infrastructures at three different sites. In this instance a single application that includes specific details for all three sites would be accepted. The assessment criteria would need to be addressed in relation to these sites. A separate budget document outlining the costs for different sites is recommended for these applications.

In the instance that an organisation wishes to undertake multiple projects across multiple facilities that have no consistency, the organisation is required to apply for separate loans for each project.

6. **What if my total project cost increases or decreases after I submit my loan application?**

The borrower will be responsible for sourcing additional funding to finance any cost escalation after an application has been lodged.

Any portion of the loan which has been drawn down but remains unspent after completion of the approved project will be required to be returned to Treasury Corporation of Victoria.

Any portion of the loan which has not been drawn down after all project payments have been finalised will not be released by Treasury Corporation of Victoria.

VICTORIA State Government
Jobs, Precincts and Regions

7. Can I increase or decrease the project scope after my application has been approved?

Any amendment to the approved project scope will require a formal variation request and may require a review of the loan amount and terms. Should an increase in project scope lead to cost escalation, the borrower will be responsible for sourcing any additional funding.

8. How many loans can one organisation apply for?

A council can apply for multiple loans to finance multiple projects only if they are not located within the same facility.

Should a council apply for multiple loans for multiple facilities, multiple business cases will be required, and financial forecasting will need to show how those loans will be serviced. Multiple applications for a loan must not exceed the $10 million maximum.

9. How do I apply for a loan?

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:**
  The online project applications should address the assessment criteria. The link to the online form available on the CILS webpage)

- **Supporting documentation:**
  Applicants will be required to provide documentation to support their project application and demonstrate financial viability and capacity to repay their loan. If the mandatory supporting documentation are not included in the application, the Department reserves the right not to assess an application

10. Should I contact the DJPR before applying for a loan?

Yes, applicants must consult the CILS team before 9 March 2021 on 0411 752 071 to discuss their project proposal and arrange a site visit. This will provide the opportunity for the CILS team to have a better understanding of the project.

Project proposals that have not been discussed and a site visit arranged with the CILS team prior to that date will not be considered.

11. What is the assessment process?

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 (refer to section 3.5 in the 2020-21 CILS Guidelines).
- 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 council will be required to enter into a project delivery agreement with the Department of Jobs, Precinct and Regions (DJPR).
- The applicant will then enter into a loan agreement with TCV which will outline additional terms and conditions of the loan.

12. Is a council resolution supporting the project and application to the loan is necessary?

Yes, a council resolution providing support for each application and support to access a loan through CILS is mandatory. Projects that do not meet these conditions will not be considered for a loan.

II. Finance

1. What will the interest rate be?

Loans through the scheme will be provided at Treasury Corporation of Victoria's borrowing rate at the date of contract execution. As of 25 November 2020, the interest rate for a 10-year credit foncier loan from TCV was approximately 0.88 per cent.

In addition to accessing a low interest rate loan from TCV, organisations will receive additional interest subsides that will further reduce the interest rate. 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).

2. How much will the interest rate be subsidised?

Successful loan applicants will have their interest payments subsidised by Local Government Victoria by 50 per cent, up to a maximum of 150 basis points (1.5 percent).

3. Are loans inclusive or exclusive of GST?

Project costs provided are to be exclusive of GST and all loans awarded through the CILS are exclusive of GST.

4. How will security be provided for the loan?

Loans will be secured against the general rates revenue of the council.

5. What is required to satisfy the credit assessment?

The following financial ratios will be required for all applicants to satisfy the credit assessment:

- A maximum loan to valuation ratio of 45% (total borrowings / net assets)
- Borrowings to EBITDA to be 5 or less.
  EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortisation
- Interest Cover Ratio not to be less than 2:1 Interest Cover Ratio = EBITDA: Interest Expenses
- Interest bearing Loans and borrowings not exceeding 60 per cent of own source revenue (interest bearing liabilities / own source revenue)

6. Can my council choose between a fixed and variable rate?

No. 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 and will be direct debited from the Council’s nominated bank account on the payment date.

- Once the project is completed and the final loan drawdown is processed, the borrower will be required to transfer the total loan amount drawn on the 11am loan facility to a credit foncier loan (principal and interest). The credit foncier loan will be provided by TCV for up to 15 years, less the construction period. The maturity date, interest rate and loan repayments are fixed for the term of the credit foncier loan. The loan will be structured to provide regular repayment instalments of principal and interest.

7. **What is an 11am loan facility?**

An 11am loan facility is a short-term loan facility for clients seeking to borrow for a period between one day and one year. These loans are generally used to fund working capital, cash management requirements and project cash flows. The interest rate on the borrowing is variable and is calculated by applying an execution fee to the prevailing RBA cash rate. The accrued interest on an 11am loan facility is payable monthly on the first business day of the following month.

8. **What is a Credit Foncier Loan?**

A Credit Foncier loan is a fixed term loan that is structured to provide for the repayment of principal and interest. The interest rate is also fixed for the entire term of the loan which gives the borrower cash flow certainty. The principal and interest repayments are made throughout the life of the loan at a regular frequency under an amortising loan structure. The frequency of repayment may be monthly, quarterly or semi-annual.

9. **How do I make a draw down on my loan?**

Drawdown requests must be submitted to Local Government Victoria. Borrowers will be required to complete a draw down request form including the drawdown amount, a progress report detailing the project status and provide supporting evidence of project expenditure incurred. In order to draw down on the loan, council will be required to demonstrate that the drawdown amount requested has been spent towards the project.

10. **What time period can the loans be paid back over?**

Loan terms will be up to 15 years. Treasury Corporation of Victoria will work with the organisation to identify the most appropriate loan term on a case-by-case basis.

11. **If approved, when would I have access to my loan?**

After the Minister for Local Government and Treasurer have approved your loan application, you will be able to sign a Project Delivery Agreement with the Department of Jobs, Precinct and Regions and a loan agreement with Treasury Corporation of Victoria. Once this is done, you will be able to draw down on the loan.

12. **Can I set my own repayment schedule?**

- Repayments on the 11am loan facility are payable monthly on the first business day of the next month.
- During the Credit Foncier loan, councils will be able to tailor the repayment schedule to align with organisational requirements within the overall loan term (eg: monthly / quarterly / semi-annual repayments).

Loan principal and interest payments will be direct debited from the council's nominated bank account by TCV on the payment date.

13. **Are there any ongoing financial reporting requirements?**

There will be ongoing financial reporting requirements which are detailed in the TCV loan agreement. The types of reports required include financial statements, annual budgets and financial covenant compliance certificates

14. Can I make additional repayments?

You will be able to make additional repayments. However, this would reduce the overall interest subsidy that you will be entitled to. Treasury Corporation of Victoria will work with councils to identify the most appropriate loan term on a case-by-case basis.

15. Are there any additional fees and charges connected with the loan?

An administrative fee of up to 21.5 basis points (0.215 per cent) is charged by Treasury Corporation of Victoria to cover the cost of raising their bond in financial markets and other administrative costs. This will be incorporated into the interest rate. The calculation of the interest subsidy will include this fee.

16. What happens if I default on my repayments?

You will be in breach of the loan agreement and action will be taken to recover the outstanding funds.

Authorised by the Local Government Victoria

Department of Jobs, Precincts and Regions
1 Spring Street Melbourne Victoria 3000
Telephone (03) 9651 9999

This document is also available in an accessible format at economicdevelopment.vic.gov.au

VICTORIA State Government | Jobs, Precincts and Regions