



2020-21 Community Infrastructure Loans Scheme Guidelines



Jobs,
Precincts
and Regions



Authorised by the Victorian Government
Department of Jobs, Precincts and Regions
1 Spring Street, Melbourne, Victoria 3000
Telephone (03) 9651 9999

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Message from the Minister for Local Government and the Treasurer

Councils will be at the centre of Victoria's recovery from the challenges of 2020 and have a critical role creating jobs and building stronger communities.

As a Government, we are committed to giving councils the support they need to get big projects off the ground, employ local people and get the economy moving.

The Community Infrastructure Loans Scheme recognises the need for continued investment in community infrastructure by the 79 councils across Victoria.

That investment will create jobs and deliver the facilities Victorians deserve to enjoy.

In the first round of the scheme \$89.5 million in loans enabled 14 councils to deliver 20 new community infrastructure projects worth a combined \$166.4 million.

These projects include critical infrastructure delivered for local Victorian communities such as precinct improvements, community hubs, parks or libraries.

Successful projects also receive interest subsidies to reduce the interest rate by 50 per cent.

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

Please take some time to read through these guidelines and understand the eligibility criteria and aims for 2020-21.

We look forward to seeing a strong set of projects build on success of the first year of the Community Infrastructure Loans Scheme.



A handwritten signature in black ink, appearing to read 'Shaun Leane'.

The Hon Shaun Leane MLvC
Minister for Local Government



A handwritten signature in black ink, appearing to read 'Tim Pallas'.

Tim Pallas MP
Treasurer



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1. About the loans scheme

The Victorian Government is investing an additional \$100 million through the 2020-21 Community Infrastructure Loans Scheme to support local governments in funding community infrastructure.

The 2020-21 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 continue to 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 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).



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.

Projects that enhance partnerships between Aboriginal organisations, councils and government will also be favourably considered.

Projects are expected to:

- Be delivered by qualified professionals
- Incorporate Universal Design principles
- Incorporate Environmentally Sustainable Design principles

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. Applications must identify any additional sources of funding sought, including State and Commonwealth Government programs, as well as eligibility for contributions from developers.

There is no limit to the number of projects a council can submit for consideration. 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.**

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:

- Projects that cannot commence construction within 18 months and be delivered within 36 months from execution of the project delivery agreement
- Purchase of land or buildings;
- Projects located on land that is yet to be acquired;
- Requests for retrospective funding where projects have already commenced construction (including, but not limited to site clearing, earthworks, building works and any form of early works)
- Routine or cyclical maintenance works, repair of facilities damaged by vandalism, fire or other natural disasters where the damage should be covered by insurance
- 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 where it is the main component of the project 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 Application process

Applications for eligible projects will be received through a single application round, opening on 9 February 2021 and closing at 2pm, 23 March 2021.

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 9 March 2021 on 0411 752 071 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**.

The Department reserves the right not to assess an application should:

- the application not address the assessment criteria by completing each question within the online application form
- the mandatory supporting documentation not be included
- the project falls into one or more of the categories under what the CILS will not fund (See Section 2.3).

3.2 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

Online Project Application

The online project applications should address the following criteria 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?

Supporting Documentation

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

Project Supporting Documentation	
Council resolution providing support for the project application and support to access a loan through the Community Infrastructure Loans Scheme	Mandatory
Concept designs or Schematic plans for the project	Mandatory
Evidence of other confirmed funding contributions	Mandatory
Details of land ownership and current and required land use zoning (if a change in the planning scheme is required)	Mandatory
Evidence of project cost: Project budget, cost plan or relevant quantity surveyor (QS) reports where appropriate	Mandatory
Project timeline (e.g. Gantt Chart)	Mandatory
Applicable permits if available including Cultural Heritage Management Plans, Environmental Effects Statement, etc	Preferable
Letters of support from relevant stakeholders indicating how they support or benefit from the project	Preferable
A business case or cost benefit analysis that may have been completed for the project	Preferable
Key project governance, management and milestone management documentation	Preferable
Relevant sections of council reports/plans/strategies/community consultation that demonstrates support for the project (please do not attach entire documents)	Preferable
Evidence of stakeholder and community consultation	Preferable
Aerial Images or plans showing location of proposed project	Preferable
Facility schedule of use	Preferable

Financial Supporting Documentation	
Financial Statements (Audited for the previous 3 years, and projected and approved by the council for the next 4 years): <ul style="list-style-type: none"> comprehensive income statement. balance sheet. cash flow statement. 	Mandatory
Cash flow projection for the project being financed.	Mandatory
Business structure - this should include a corporate structure diagram where necessary.	Mandatory
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). Failure to declare existing or planned loans may lead to loan cancellation/default.	Mandatory
Schedule of any security taken by any lenders/creditors (form of security, details of any other covenants including negative pledge and financial covenants).	Preferable

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

3.3 How do I submit my application?

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

These must be received by the department no later than 2pm, 23 March 2021.

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

It is important that applicants provide true and correct information in their application and during the period of the loan. Providing false details or omitting required information may result in the loan being cancelled or the borrower being in default.

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 0411 752 071 or email CILS@djpr.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 (refer to section 3.5).
- 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) as outlined in section 6.2.
- The applicant will then enter into a loan agreement with TCV which will outline additional terms and conditions of the loan.

3.5 Credit Assessment

All applications endorsed by the Minister for Local Government will be subject to a credit assessment by DTF. Supporting documentation will be required by DTF (refer to Section 3.2) to enable this process, and in some instances, there may be a requirement that further documentation is supplied.

The credit assessment will determine an organisation's financial viability, security and capacity to repay the loan and service the interest cost. Should the applicant meet the credit assessment criteria and requirements, DTF will recommend a state guaranteed loan.

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)



4. Timelines

The Community Infrastructure Loans Scheme timelines.

Loans Scheme applications open	9 February 2021
Project discussion & site visit	Before applications close
Loans Scheme applications close	2pm, 23 March 2021
Assessment and decision making	March 2021 -May 2021
Announcements	June 2021
Project delivery agreement executed	July 2021
Loan Agreements executed	By January 2022
Construction Commencement	Project required to commence within 18 months from the execution of the project delivery agreement
Construction Completion	Project required to be delivered within 36 months from execution of the project delivery agreement

5. Loan Information

5.1 Interest Rates

Loans through the CILS are financed through TCV who will finalise loan terms with the borrower on behalf of DTF.

Utilising TCV's borrowing rates as of **25 November 2020**, the table below provides approximate interest rates that may be offered to borrowers at certain subsidy levels with a subsidy of 50% offered. It is important to note that the TCV's borrowing rates are subject to market fluctuations and therefore the actual interest rate offered will be dependent on the TCV's borrowing rate at the date of transaction execution.

Maturity	TCV Interest Rate (%)	50% Subsidy
11am Loan Facility	0.265	0.1325
1 Year*	0.20	0.10
2 Years*	0.24	0.12
3 Years*	0.29	0.145
4 Years*	0.34	0.16
5 Years*	0.40	0.20
6 Years*	0.47	0.235
7 Years*	0.57	0.285
8 Years*	0.67	0.335
9 Years*	0.78	0.39
10 Years*	0.88	0.44
15 Years*	1.34	0.67

*Credit Foncier Loan Facility

5.2 Loan Structure

The loan facilities to be provided by TCV will be:

11am Loan Facility

Borrowers will be provided with 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 or 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).

Construction must be completed within 36 months from execution of the project delivery agreement.

Credit Foncier Loan Facility

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. The regular instalments will be payable on the first business day of the month and will be direct debited from the applicant's nominated bank account by TCV on the payment date.

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. Funds drawn on the 11am loan facility will be refinanced with the credit foncier loan on the forward settlement date. The forward settlement date of the credit foncier loan should be scheduled prior to or on the date of expected construction completion.



6. Conditions that apply to successful loan applications

6.1 TCV loan agreement

The council will be required to enter into a standard TCV loan agreement **within 6 months** from the execution of the Project Delivery Agreement. The loan agreement sets out the terms and conditions of the loan and is non-negotiable.

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

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. Ongoing financial covenants will include maintaining an interest cover ratio of not less than 2:1, and maintaining interest bearing loans and borrowings below 60 per cent of own source revenue (see Section 3.5).

6.2 Project Delivery Agreement

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

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

6.3 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.

Councils are to extend an invitation to the CILS team to participate in any Project Control Board meetings that occur throughout the duration of the project.

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, DJPR reserves the right to direct TCV to cancel the loan and recoup the prepayment 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.

6.4 Drawdown process

The 11am Loan Facility (Interest only) will allow borrowers to draw down on the loan during the design phase and construction period as project expenses are 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. The Project Delivery Agreement will set out the process for how borrowers will submit a draw down request to LGV.

For each drawdown, council will be required to provide:

- Online project report signed by the council CEO providing an update on the status of the project;
- Financial Ledger (CPA certified) providing evidence of the project expenses; and
- Drawdown notice notifying the drawdown amount required.

6.5 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

6.6 Local Jobs First Policy

The Local Jobs First Policy (LJF Policy) issued under the Local Jobs First Act 2003 supports businesses and workers by ensuring that small and medium size enterprises are given a full and fair opportunity to compete for both large and small government contracts, helping to create job opportunities, including for apprentices, trainees and cadets. The LJF Policy is implemented by Victorian Government departments and agencies to help drive local industry development.

The Local Jobs First Policy applies to projects where the value of the loan is above the threshold values of:

- \$3 million or more in metropolitan Melbourne, and
- \$1 million or more in regional Victoria

Detail on this policy can be found at <https://economicdevelopment.vic.gov.au/victorian-industry-participation-policy>.

Local Jobs First requirements will be included into all Project Delivery Agreements where these thresholds apply.

6.7 Privacy

The Department of Jobs, Precincts and Regions is committed to protecting your privacy. We collect and handle any personal information about you or a third party in your application, for the purpose of administering your loan application and informing the public of successful applications.

In order for us to administer your application effectively and efficiently, we may need to disclose your personal information with others for the purpose of assessment, consultation, and reporting. This can include departmental staff, Members of Parliament and their staff, external experts, such as members of assessment panels, or other government departments. If you intend to include personal information about third parties in your application, please ensure that they are aware of the contents of this privacy statement.

Any personal information about you or a third party in your correspondence will be collected, held, managed, used, disclosed or transferred in accordance with the provisions of the Privacy and Data Protection Act 2014 (Vic) and other applicable laws.

To obtain a copy of the Department of Jobs, Precincts and Regions Privacy Policy, please email [CILS @ecodev.vic.gov.au](mailto:CILS@ecodev.vic.gov.au)

For information about how to access information about you held by the Department of Jobs, Precincts and Regions, please email [CILS @ecodev.vic.gov.au](mailto:CILS@ecodev.vic.gov.au)



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