



Procedure

Loans sought by Parents and Citizens' Associations

Audience

All state schools

Implementation Date: 01/07/2019

Version: 4.0

Purpose

This procedure details the Department of Education's (the department's) loan approval process for Parents and Citizens' Associations of state schools.

Overview

A [Parents and Citizens' Association \(P&C\)](#) at a Queensland Government school may borrow funds for the provision of resources or services for the benefit of students at the association's school.

P&Cs are classified as statutory bodies. Under the [Statutory Bodies Financial Arrangements Act 1982 \(Qld\)](#) (SBFA Act), a statutory body may borrow with the Treasurer's approval.

Further to this, the Treasurer has provided a general approval which allows P&Cs to enter into loans with Queensland Treasury Corporation (QTC) subject to approval by the department. The Treasurer also provides an automatic State Government Guarantee for these borrowings from QTC under the SBFA Act.

Finance Branch of the department will undertake an assessment of the information provided by the P&C to determine whether the loan is recommended for approval. The assessment focuses on the following factors in making a recommendation:

1. whether the P&C has the necessary upfront cash contribution for the project/s
2. whether the amount of borrowings sought can be repaid by the P&C.

The purpose for which the borrowings have been requested is not assessed by Finance Branch, however the project/s to be funded by the P&C borrowings must be capital in nature and provide resources or services for the benefit of students at the school.

To qualify for a QTC loan, generally the total cash contributions (from the P&C and/or other parties) and subsidies for the project must be at least 50 per cent of the total project cost.



In exceptional cases the required amount of contribution may be reduced below 50 per cent on request. These loans will be subject to approval by the Director-General.

The loan approval must be granted prior to commencement of the project to ensure sufficient funding is obtained for the project.

Where a P&C seeks a loan from a non-QTC lender, the approval and guarantee must be sought from the Minister for Education (the Minister) and are subject to certain conditions.

Responsibilities

Principal:

- provide support for the P&C loan application
- ensure the P&C seeks prior approval from the department/Minister, as appropriate, before entering into a loan agreement
- for built infrastructure projects, provide the P&C with contact details for the school's regional infrastructure manager/advisor.

Parents and Citizens' Association:

- initiate contact with Finance Branch to start the application process
- provide all relevant documentation to Finance Branch
- for built infrastructure projects, liaise with the school's regional infrastructure manager to determine and obtain the relevant approvals to comply with the department's requirements and the building regulations
- arrange drawdown of an approved loan with the lender
- for loans approved with conditions, provide documentation to Finance Branch as specified in the loan approval letter.

Finance Branch:

- assist the P&C with the application process
- assess each loan application to ascertain whether the P&C has the ability to meet loan repayments in addition to its normal operating costs
- for built infrastructure projects, obtain confirmation from the department's infrastructure services branch that the project is compliant with the department's requirements and the building regulations
- advise the P&C of the outcome of the approval sought
- advise the lender of approval
- for loans approved with conditions, review the documentation received periodically from the P&C (as specified in the loan approval) and take any action deemed necessary.

Infrastructure Services Branch:

For built infrastructure projects:

- to advise Finance Branch whether the P&C's project (being funded by the loan) has complied with the department's infrastructure requirements and all relevant departmental/regulatory approvals have been obtained.

Assistant Director-General and Chief Finance Officer:

- approve loans sought from QTC for 50 per cent or less of the total project cost.

Director-General:

- approve loans sought from QTC for more than 50 per cent of the total project cost.

Minister for Education:

- approve loans sought from lenders other than QTC, as delegated by the Treasurer
- provide a guarantee for non-QTC loans obtained for swimming pools and assembly/activity halls, subject to certain conditions (refer to the eligibility criteria in the 'Process' section below).

Treasurer:

- provide an automatic guarantee for P&C loans from QTC, provided that departmental approval has been granted
- provide a guarantee for non-QTC borrowings other than for the provision of a swimming pool or assembly/activity hall.

Process**1. P&C Meeting**

- At a P&C meeting, the P&C passes a decision to apply for a loan specifying the amount and term of the proposed loan.
- The [P&C Loan Calculator Tool](#) may assist the P&C in assessing the loan amount the P&C can afford to repay.

2. Assess whether the eligibility criteria for a loan is met

The P&C to determine whether the loan and the associated project satisfies the following eligibility criteria:

- the project to be funded by the P&C loan must be for capital purposes and provide resources/services for the benefit of students at the P&C's school
- generally at least 50 per cent of the total project cost must be funded by cash contributions including subsidies. In exceptional circumstances the required contribution may be reduced
- the term of the loan must not exceed the economic life of the asset being purchased/constructed

- the loan must be sought prior to commencement of the project to ensure sufficient funding is obtained for the project.

Where the proposed lender is not QTC, the following conditions apply to seek approval for a loan and guarantee from the Minister:

- the term of the loan must not exceed 10 years
- the loan must be for constructing a school swimming pool, school activity hall, or school assembly hall
- the interest rate charged on the loan is competitive relative to market interest rates
- the P&C has the funds available to meet 50 per cent of its contribution to the cost of the project to which the loan relates
- the P&C has the capacity to service and repay the loan
- for the guarantee, approval has been granted for the P&C to enter into the loan
- the guarantee is in the form agreed to between Queensland Treasury and the department.

3. P&C contacts Finance Branch to obtain information regarding a loan application

The P&C emails Finance Branch at Solutions@qed.qld.gov.au to request the information required for a loan application. The P&C should provide the following information to Finance Branch:

- description of the project to be funded by a loan
- cost of the project excluding GST
- the loan amount and term sought
- any initial queries the P&C has regarding loans.

4. Finance Branch provides loan information to P&C

Finance Branch to:

- provide the P&C with the information required including the [application checklist](#) and templates for a business case and financial forecast, as appropriate
- advise the P&C of any potential issues based on the proposed loan.

5. P&C to obtain and provide relevant information to Finance Branch

The P&C is required to email Solutions@qed.qld.gov.au to request approval for a loan and provide the following information to Finance Branch:

- evidence that a proposal to borrow funds has been accepted at a meeting of the P&C and is supported by the school Principal
- details of the loan sought including the amount, term and lender
- copy of a quote from the proposed lender indicating the loan amount, interest rate, term and annual repayment amount
- full details of the project, including total estimated cost and any subsidy sought/obtained

- Copy of the contractor's quote for the project cost, or where a tender is required, a copy of the Quantity Surveyor's cost estimate report
- where the loan is more than 50 per cent of the total project cost, provide details of the exceptional circumstances/supporting reasons
- copy of the joint development agreement where other organisations make significant contributions to the project
- copy of the association's audited financial statements for the previous three completed years
- current year-to-date financial statements of the association against budget
- current year approved budget of the association
- financial forecast of the association for the next three years
- bank statements indicating the association's current bank balances (including investments)
- details of any current loans held by the association
- details of the association's proposal for servicing the loan, supported by evidence of past fundraising
- details of the proposed contribution(s) to the project, which is generally at least 50 per cent of the total cost of the project
- statement that the association has on hand sufficient funds to contribute to the project and meet annual operating expenses.

This information is detailed in the [Information Checklist](#) for P&C loans.

6. Assessment and approval

Finance Branch will undertake the following:

- assess loan application to ascertain whether the P&C has the ability to meet loan repayments in addition to its normal annual operating costs, and that the project is eligible for a loan (criteria detailed above)
- for built infrastructure projects, seek confirmation from the department's infrastructure services branch that the project is compliant with the relevant requirements
- seek approval of the loan from the appropriate delegate
- in relation to non-QTC loans:
 - prepare a submission to the Minister, which includes a recommendation in respect of the approval or otherwise and guarantee of the loan
 - if the loan is approved, complete a standard guarantee document (available from Queensland Treasury) and include this in the submission for the approval of the Minister or Treasurer.

7. Notification of outcome

Finance Branch will:

- advise the P&C, in writing, of the outcome of the approval sought
- advise the lender, in writing, of the loan approval granted
- provide the signed guarantee document to the lender (where relevant)

- request the lender to provide a copy of the guarantee stamped by the Office of State Revenue (where relevant).

8. Drawdown of the loan

- P&C contacts the lender to arrange drawdown of the loan.

9. Reporting

Where the loan was approved with reporting conditions, the P&C must provide the relevant documentation to Finance Branch as specified in the loan approval letter.

Definitions

- Nil

Legislation

- [Education \(General Provisions\) Act 2006 \(Qld\)](#) Chapter 7
- [Statutory Bodies Financial Arrangements Act 1982 \(Qld\)](#) Part 5

Delegations/Authorisations

- [DoE Administrative Authorities](#) (DoE employees only):
 - Statutory body borrowings sought under the Treasurer's General Approval
 - Statutory body request to enter into financial arrangements under the SBFA Act.

Related policies

- Nil

Related procedures

- Nil

Guidelines

- Nil

Supporting information/websites

- [P&C Loans – Calculator Tools](#)

Contact

For further information, please contact:

Email: solutions@qed.qld.gov.au.

Review date

01/07/2022

Superseded versions

Previous seven years shown. Minor version updates not included.

- 2.0 FNM-PR-013: Loans Sought by Parents and Citizens' Associations
- 3.0 Loans Sought by Parents and Citizens' Associations

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