



DEPARTMENT OF EDUCATION SERVICES

LOW INTEREST LOAN SCHEME FOR NON-GOVERNMENT SCHOOLS

GUIDELINES AND PROCEDURES

1 INTRODUCTION

- 1.1 The State Government provides funds through the Low Interest Loan Scheme (LILS) to assist non-government schools to undertake a wide variety of projects which will enable them to provide facilities at a similar level and standard to those provided in government schools of an equivalent size and type.
- 1.2 Section 186 of the *School Education Act 1999* provides the Minister for Education with the necessary powers to lend money to approved non-government schools for the purpose of undertaking capital works.
- 1.3 These guidelines apply to loans advanced since 1 July 1997. All loans advanced prior to that date will continue to be subject to the previous guidelines.

2 GENERAL CONDITIONS

- 2.1 Projects are classified according to the three categories listed in Column 1 of the table at Section 9 of these guidelines. Where a project has elements in more than one of these categories, the category for the purpose of calculating the interest rate and equity contribution applicable to the project will be determined by the Minister for Education.
- 2.2 The interest rate payable on loans is based on a "benchmark rate" which is negotiated from time to time by the Minister for Education following consultation with representatives of the peak non-government school authorities.

CLOSING DATE FOR APPLICATIONS

(Non-Catholic Schools)

31 OCTOBER

(of year prior to financial year the funds are required - e.g. 31/10/08 for 09/10 funding)

(Catholic Schools)

Contact Catholic Education Office for details

APPROVAL OF LOANS

Announced by end of February

Funds available from 1 July

- 2.3 The interest rate applicable to an individual loan is dependent upon how the relevant project is assessed according to the three categories referred to at clause 2.1.
- 2.4 The minimum rates of interest are shown in Column 4 of the table at Section 9 of these guidelines and are based on the maximum interest subsidies shown in Column 3. For example, where a project is classified as category 2, the interest rate will be 3.5% based on a “benchmark rate” of 9.5% and a subsidy of 6.0%. As the “benchmark rate” rises above 9.5%, the interest rate will increase. If the “benchmark rate” is lower than 9.5%, the minimum interest rate of 3.5% will apply. The minimum rate of 1.0% for a category 1 loan will increase as the “benchmark rate” rises above 9.0%.
- 2.5 The interest rates applicable to the Low Interest Loan Scheme are reviewed and adjusted in January each year.
- 2.6 The actual repayment amount will be reviewed and may be adjusted as necessary in accordance with movements in the “benchmark rate”.
- 2.7 For schools in Commonwealth recurrent funding categories 1 - 3, loans will be offered at the rate of interest for the appropriate category of project plus 1.5% per annum. This does not apply to projects assessed in LILS category 1.
- 2.8 Loans are repayable over not more than 15 years from the date of the first advance. At the time of making application for a loan, borrowers may elect to repay the loan over a term of less than 15 years.
- 2.9 Interest will accrue from the date of advance of loan funds and shall be paid quarterly, together with payments of principal, on the last day of February, May, August and November each year for the term of the loan.
- 2.10 Repayment of principal and interest, including accrued interest, shall commence on the last day of February of the year following the year in which the project is completed. Repayments are to be made by direct debit to the Department of Education Services.
- 2.11 Loans will only be available for approved projects in approved non-government schools as defined in section 3 below.
- 2.12 The maximum loan amount available under LILS to individual borrowers will be as follows:

	Existing	New
Primary Schools	\$3.9 million	\$7.6 million
Secondary Schools	\$7.6 million	\$16.5 million
Primary and Secondary Schools	\$7.6 million	\$19.8 million
Independent Kindergartens	\$0.5 million	\$0.8 million

These limits are indexed annually in line with movements in the *Output of the General Construction Industry (Non-Residential Building Construction) Index (ABS cat. 6427.0)*. The maximum loan amounts have been indexed to 1 January 2008.

Total borrowing by an individual borrower under LILS will be limited to the maximum figure shown above according to the type of school at the time of application, taking into account increases in the maximum loan amount available through indexation, as well as reductions to the principal on the borrower's existing loans through repayments. The maximum loan amount available to schools does not take into account loans approved for the provision of boarding facilities.

- 2.13 Borrowers will be expected to contribute a minimum amount towards the cost of each project for which a low interest loan is sought. The minimum equity contribution will depend on the category of the project and will be in accordance with Column 2 of the table at Section 9 of these guidelines. Where a Commonwealth capital grant is also approved for a project, the grant can be regarded as part of the borrower's equity in the project. Borrowers may elect to contribute more than the minimum equity contribution where it suits their financial circumstances to do so.

The Minister for Education has discretion to vary the equity contribution required for individual projects. Where a reduction in the level of contribution is sought, it will be necessary for a request to be made outlining the particular circumstances involved and including all relevant details of the school's budgets. A reduction in equity may be granted only in the most compelling of circumstances.

- 2.14 Borrowers will be expected to utilise their own funds and the Commonwealth's contribution (if these funds are available) towards the cost of the project before drawing on funds provided under LILS.
- 2.15 Approved loan funds will be advanced to borrowers on receipt of documentary evidence that the approved project has commenced and that costs have been incurred in respect of the approved project. Advances shall not exceed the total value of costs incurred by the borrower on the approved project. In the case of a building project, a *Certificate of Practical Completion*, or equivalent, should be forwarded as soon as possible after the approved project has been completed.
- 2.16 Applications are assessed on an annual basis. Applications that are not funded in a particular year may be resubmitted for consideration from a future allocation. Schools that proceed with a project using other funds will not be disqualified from future funding for that project, however, no guarantee can be given that LILS funds will be available from a future allocation. If a loan is not approved, the school must be able to proceed with any financial arrangements already made. If a loan is subsequently approved, the State will not be responsible for any bridging costs. This clause only applies to projects commenced from 1 January 2000 onwards.

3 APPROVED SCHOOLS AND PROJECTS

- 3.1 An approved school for the purpose of LILS is one that:
- is not operated for the profit of any person, company or organisation; and
 - in the case of an existing school is registered by the Minister for Education; or
 - in the case of a proposed school, is declared by the Minister for Education to be likely to be registered within ten months of its commencement.

- 3.2 Funding for the provision of kindergarten and pre-primary facilities is only provided for schools that have agreed to conform to the principles of the Western Australian Government's early childhood education program by:
- demonstrating curriculum linkage between the kindergarten and pre-primary educational programs as part of the provision of a continuous quality education system; and
 - adjusting the entry age into kindergarten from the year 2001 in line with the changes introduced at government schools.
- 3.3 An approved project is a project to purchase, construct, upgrade, modify, extend or replace buildings, building and site services, or other facilities or land to be used for school purposes, subject in all cases to the approval of the project by the Minister for Education. Loans are available to assist with the provision of teacher housing in areas outside the cities of Perth and Bunbury, the towns of Geraldton and Albany, and their environs. Loans are also available to assist with the provision of student boarding facilities.
- 3.4 In general, an approved project will be one which provides facilities, services and land of a type, standard or scale not exceeding that typically provided in or for a government school of a similar size and level of education, as determined by the Minister for Education.
- 3.5 Borrowers need to be aware that the Western Australian *Disability Services Act 1993*, the Commonwealth *Disability Discrimination Act 1992*, the Australian Standards and the Building Code of Australia all stipulate stringent requirements with respect to the provision of facilities for people with disabilities. Detailed information regarding action that should be taken to meet these requirements is contained in the Human Relations and Equal Opportunity Commission (HREOC) Advisory Notes on Access to Premises. It is expected that borrowers will have considered these requirements in the planning for projects submitted for consideration under LILS and taken any necessary steps to comply.
- 3.6 Except in cases in which the Minister for Education considers that exceptional circumstances exist, loans will not be approved where the sole or principal object of the project, or one of the principal objects, is to provide facilities for religious worship or for full fee paying overseas students, or where, in the Minister's opinion, the project will result in facilities which will not be used predominantly for school purposes.
- 3.7 Loans will not be approved for the purposes of meeting recurrent costs, loan repayments, or for the purchase of furniture and equipment. Generally, a loan will not be available to re-finance a bridging loan or for similar purposes, except in cases where a borrower has taken out bridging finance pending the assessment of a low interest loan application in circumstances covered by clause 2.16.
- 3.8 The Minister for Education may disallow an application for a loan on the grounds that the establishment of a new non-government school or the expansion of an existing one will affect the viability of a government school in the immediate locality.
- 3.9 In general, a condition of a loan approved for the purpose of purchasing land, or other property, will be that the borrower agrees to use that land or property for school purposes within four years of the date of the purchase. The Minister for Education may agree to extend this period in special circumstances.

4 LODGEMENT OF APPLICATIONS FOR LOANS

- 4.1 Applications for loans from non-Catholic schools are to be lodged with the Department of Education Services by 31 October of the year prior to the financial year in which the loan funds are required.
- 4.2 Applications from schools which are part of a system of schools for which the approved authority or governing body is the Catholic Education Office of Western Australia, the Anglican Schools Commission, the Swan Christian Education Association, or the Seventh Day Adventist Conference, should be lodged at the office of the appropriate system by the date specified by the system.
- 4.3 If an application is lodged after the due date, it may be regarded as an application for the following calendar year.
- 4.4 The State Government will not accept responsibility for expenses incurred by applicants in preparing or lodging their applications or the cost of bridging finance or bank charges incurred as a result of an applicant proceeding with a project before approval of a loan by the Minister for Education. This also includes finance raised for use pending receipt of a Commonwealth Government capital grant.
- 4.5 To assist in the long-term planning of capital provision under LILS, each loan application must be accompanied by a five-year capital development plan.

5 SECURITY

- 5.1 Borrowers approved to receive loans will be required, at the time of accepting the loan funds, to agree to repay the loan at the rate from time to time determined by the State and to provide such security for the loan as the State may require.
- 5.2 Borrowers in receipt of loans are not permitted to sell or otherwise dispose of facilities, land or other assets purchased, built or acquired with State loan funds without the prior approval of the Minister for Education.
- 5.3 In the event of a school closing or ceasing to use for school purposes facilities obtained with a low interest loan before it has repaid the loan, the borrower will be required to make arrangements satisfactory to the State Government for the repayment of the balance of the loan.
- 5.4 If a borrower in receipt of a loan does not make loan repayments at the required rate or time, the State Government may deduct from that school's State Government per-capita grants such amounts as the Minister for Education determines in satisfaction of the overdue loan repayments.
- 5.5 Borrowers in receipt of loans must secure all risks insurance for the full replacement value of all facilities and other assets purchased, built or acquired with State Government loan funds for the term of the loan.

6 LIMITS OF LOANS

The total value of loans approved in any year will be subject to State Government approval. Where the total value of loans sought under the scheme for any year exceeds the approved limit for that year, it will be necessary for projects to be prioritised according to criteria approved by the Minister for Education.

7 APPROVAL OF LOANS

The outcome of applications received by the closing date of 31 October in each year will be advised by the end of February of the following year. Funds for approved loans will be available as from 1 July.

8 ENQUIRIES

Further enquiries may be directed to:

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Loan Administrator
Department of Education Services
PO Box 1766
OSBORNE PARK WA 6916

Phone: 9441 1957
Fax: 9441 1950
E-mail: brett.lilleyman@des.wa.gov.au

9 PROJECT CATEGORIES, EQUITY REQUIREMENTS AND INTEREST RATES

Column 1	Column 2	Column 3	Column 4
Category	Minimum Equity Contribution	Maximum Interest Subsidy	Minimum Interest Rate
	%	%	%
<p>1. Projects that propose to provide:</p> <p>(a) a new non-government school; or</p> <p>(b) more student places in an existing approved non-government school within 5 years (or such longer period as the Minister may approve for a particular case) after the first day of January of the year in which the school had its first attendance of scholars,</p> <p>in an area of the State in which an increase in government school enrolments is projected and where the project complements plans for the provision of government school facilities in the area.</p>	10	8.0	1.0
<p>2. Projects which propose to provide:</p> <p>(a) a new non-government school; or</p> <p>(b) more student places in an existing approved non-government school,</p> <p>in an area of the State in which an increase in government school enrolments is projected and where the project does not complement plans for the provision of government school facilities in the area, or</p> <p>(c) projects which propose to upgrade an existing approved non-government school to government school standards but which do not propose to provide new student places, or</p> <p>(d) projects which propose to provide boarding facilities for students or housing for teachers at an existing approved non-government school.</p>	10	6.0	3.5
<p>3. Projects which propose to provide:</p> <p>(a) a new non-government school; or</p> <p>(b) more student places in an existing approved non-government school,</p> <p>in an area of the State in which government school enrolments are projected to be stable or declining.</p>	25	Nil	Benchmark Rate

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