

CONCESSIONAL BUSHFIRE LOANS – GUIDELINES

This assistance is provided through a joint Disaster Recovery Funding Arrangement between States and Territories and the Commonwealth Government.

Guidelines

1. About the program

1.1 The objective of these loans provided under agreements between the Commonwealth and relevant State Governments, is to support small businesses, primary producers and non-profit organisations directly affected by the 2019-2020 bushfire disaster events (*eligible disaster* events commencing August 2019).

1.2 The Emergency Bushfire Response for Small Business, Primary Production Enterprises and Non-profit Organisations Concessional Loans are intended for entities which have suffered significant damage to their assets and/or a significant loss of income as a direct result of the *eligible disaster*. The loans are intended to be used for the purposes of restoring and/or replacing damaged assets and/or to meet *working capital* expenses.

2. Loan amount

2.1 Concessional loans of up to \$500,000 are available, with two categories available: a *Bushfire Working Capital* working capital loan of up to \$50,000 and a *Bushfire Recovery* Loan of up to \$500,000.

- a) the amount available for the *Bushfire Working Capital* or *Bushfire Recovery* loan, is based on an assessment of the applicant's financial position, including any amount recoverable under an insurance policy; and
- b) cannot be more than the amount reasonably required.
- c) *Bushfire Working Capital* Loans are intended to provide short-term cash support for businesses that have lost income as a result of the *eligible disaster*.
- d) *Bushfire Recovery* Loans are intended to provide funding for asset reinstatement and replacement and may also be applied to assist the business with working capital whilst it re-establishes its normal trading operations.
- e) Applicants may apply for a loan of up to \$500,000 and may apply for a loan under both tiers of funding up to this amount in total.

3. How funding may be used

3.1 Concessional loans are provided to re-establish the normal operations of the business. The loans are intended to be used for the purposes of restoring and/or replacing damaged assets and/or for working capital expenses that cannot be met due to a loss of income.

3.2 Asset replacement: Costs of restoring and/or replacing damaged small business, primary producer or non-profit organisation assets in accordance with current codes and standards. This includes costs such as:

- a) repairing or replacing damaged plant and equipment;
- d) repairing or replacing buildings and fences;
- e) supplying stock to replace lost stock and maintain liquidity of the business;
- f) purchasing livestock to replace those that have been lost in a disaster; or
- g) replanting, restoring, or re-establishing areas that were affected by the disaster (associated with a primary production enterprise).

3.3 Working capital: Essential expenses while the *business* returns to its normal level of trading, such as:

- a) paying business related bills
- b) paying salaries or wages
- c) paying rent, lease and rates
- d) paying for goods or services, including for example fuel, essential to carry-on the business
- e) buying fodder or water for livestock or produce (associated with a primary production enterprise); or
- f) transporting livestock or produce (associated with a primary production enterprise).

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4. Eligibility criteria

4.1 To be eligible for a loan the applicant must:

- a) be a *small business owner, primary production enterprise or a non-profit organisation*;
- b) hold an Australian Business Number (ABN) and have held that ABN at the time of the eligible disaster, or in the case of a non-profit organisation be an incorporated charity or non-profit entity which is registered with the Australian Charities and Not-for-profits Commission (ACNC) or an equivalent State regulatory body at the time of the eligible disaster;
- c) own a small business, primary producer enterprise or be a non-profit organisation located in the defined disaster area for the eligible disaster;
- d) have been engaged in carrying on the business, farming activity or be a non-profit organisation when affected by the eligible disaster;
- e) be primarily responsible for meeting the costs claimed in the application;
- f) be intending to re-establish or continue carrying on the business or non-profit organisation or conducting the farming activity within the same Local Government Area;
- g) have suffered:
 - i. significant damage to assets as a direct result of the eligible disaster; or
 - ii. significant loss of income as a direct result of the eligible disaster (such as a loss in trade due to evacuation, road closures and reduced visitor numbers);
- h) demonstrate that the business, primary production enterprise or non-profit organisation has reasonable prospects of long-term viability with the assistance provided;
- i) use the funds for the approved purpose only;
- j) indicate that they have no reasonable prospects of obtaining finance commercially to carry on the business, primary production enterprise or non-profit organisation and/or demonstrate that if the required assistance were obtained commercially, the business, primary production enterprise or non-profit organisation would be placed in financial difficulty;
- k) demonstrate that the business, primary production enterprise or non-profit organisation has the capacity to repay the loan;
- l) provide adequate security for the *Bushfire Recovery* loan, which should generally be secured by:
 - i. a mortgage of land and other assets satisfactory to the South Australian Government Financing Authority (SAFA); or
 - ii. any other security considered necessary, for example – a Specific Security Agreement over plant and machinery or a General Securities Agreement;
- m) demonstrate the business, primary production enterprise or non-profit organisation has not received another concessional loan for loss or damage that was related to the eligible disaster or where a concessional loan has been received it is replaced with a loan under this offering; and
- n) demonstrate excessive risks were not taken in carrying on the small business, non-profit organisation or primary production enterprise.

4.2 You may also be eligible for a loan if both of the following apply:

- a) the small business, primary production enterprise or non-profit organisation is located outside the defined disaster area for the eligible disaster but is operated at least sometimes on a regular basis in the area; and
- b) plant or equipment of the small business owner, primary producer or non-profit organisation is situated in the defined disaster area and has been damaged as a result of the eligible disaster.

4.3 Where an applicant's income from primary production is less than 50 per cent of their total income, the applicant may nonetheless be eligible for a loan if it can be demonstrated that:

- a) in the ordinary course of business the applicant would meet that requirement, but:
 - i. their primary production income is currently reduced due to drought; and/or
 - ii. due to long lead times to full production (eg. An orchard or vineyard is in early stages of development), the applicant expects to earn such an amount of income within a three year period; and
- b) the applicant's total off-farm income (per person) is less than \$100,000 gross per annum.



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4.4 Applications from businesses that employ 20 or more full time employees but have a turnover of less than \$50 million may also be considered following submission to the National Bushfire Recovery Agency via SAFA.

5. Evidence

5.1 Evidence of direct damage associated with the eligible disaster may include:

- a) a list of bushfire-related damage, supported by photographic evidence of the direct damage; and
- b) supporting evidence such as quotations.
- c) financial statements

5.2 Evidence of loss of income associated with the eligible disaster may include documentation of a large reduction in income as a result of the disaster, for example cancellation of bookings or comparisons to performance in comparable past periods.

6. Interest rate

6.1 The interest rate on each category of concessional loan will be reset on 1 July of every year at 50 per cent of the 10-year Commonwealth bond rate averaged from 1 April to 30 June of the preceding financial year (consistent with the Commonwealth Concessional Loan Interest Rate defined under the Disaster Recovery Funding Arrangements). For the 2019-20 financial year the interest rate is 0.82%.

6.2 SAFA will not charge any interest rate higher than this rate.

7. Term

7.1 For the *Bushfire Working Capital* loan – there will be a repayment holiday for a period of two years, during which time, repayments will not be required and interest will not accrue. Loan holders will have three years after the two year repayment holiday to make all repayments for a total loan term of five years.

7.2 For the *Bushfire Recovery* Loan, there will be a repayment holiday for a period of up to two years, during which time, repayments will not be required and interest will not accrue. Loan holders will have eight years after the two year repayment holiday to make all repayments, for a total loan term of ten years.

8. Repayments

8.1 After the repayment holiday, repayments of principal and interest are required. Amounts cannot be redrawn. SAFA may seek debt recovery in the event repayment commitments are not met.

9. Fees

9.1 No fees will be charged to borrowers, such as establishment fees, account maintenance fees or fees for early repayment however, costs for registering and discharging security documents and Government Stamp Duty will be borne by the applicant. As part of the assessment process, SAFA will obtain title searches to confirm ownership of the land offered as security. This cost will be borne by the applicant whether or not they take up the loan.

10. Security

Bushfire Working Capital loans require no security. *Bushfire Recovery* loans (\$50,000 to \$500,000) have security requirements as follows:

- a) Registered mortgage over land, preferably a first mortgage. Other security including a mortgage from another person may be considered.
- b) In assessing this requirement, SAFA will take into account all cash reserves, investments, undrawn overdraft balances plus loans with redraw facilities. Funds will be released upon completion of security requirements.

11. Loan reviews and reporting requirements

11.1 Loans will be subject to an annual review and the necessary financial information must be provided when requested each year.

11.2 If information in the loan application is found to be untrue or misleading, action may be taken to recover

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the loan; penalties may also apply and the matter may be referred to law enforcement authorities of the relevant Australian, state or territory government.

12. Definitions

Administering Agency means the responsible agency/department/body for assessing and administering the loan applications.

Business or businesses for the purpose of these guidelines, are taken to refer to primary producers, small businesses and not-for-profit organisations.

Defined disaster area for an eligible disaster means the area that the appropriate Minister has defined for the purpose of activating assistance under the Disaster Recovery Funding Arrangements.

Disaster Recovery Funding Arrangements means the funding arrangements as agreed between the Commonwealth and the State for providing financial assistance to communities affected by an eligible disaster (available on the Australian Government Disaster Assist Website).

Eligible disaster means bushfire

Loss of income means net income which would have been earned if the small business, primary production enterprise or non-profit organisation had not been interrupted by the eligible disaster based on past performance during similar periods. Net income takes into account the costs that would have been incurred to earn the income. Examples of what could result in a loss of income would be cancellation of bookings and where customers cannot physically reach the small business, primary producer or non-profit organisation due to damaged public infrastructure.

Long-term viability means the ability of a small business' or non-profit organisation's or primary producer's operation to continue to operate and be able to meet its liabilities as they become due. Long-term would generally be considered a period greater than three years.

Non-profit organisation means is an incorporated charity or non-profit entity which is registered with the Australian Charities and Not-for-profits Commission (ACNC) or an equivalent State regulatory body.

Primary producer means an individual, partnership, trust or company which:

1. has a right or interest in a farm enterprise, and
2. contributes a part of his, her or its labour and capital to the enterprise, and
3. derives at least 50 per cent of his, her or its income from the enterprise.

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Primary producers are defined as those that are listed under the ANZSIC Codes 01 (Agriculture), 02 (Aquaculture), 03 (Forestry and Logging), 04 (Fishing, Hunting and Trapping) and 05 (Agriculture, Forestry and Fishing Support Services).

Primary production enterprise means a business that is carried on by a primary producer and involves primary production, including the agricultural, apicultural, aqua-cultural, commercial wild-catch fishing, forestry, grazing and horticultural industries.

Small business means a business that:

- a) holds an Australian Business Number (ABN); and
- b) is not a *public company*, charitable business (charitable business means a business that does not operate to make a profit) or body corporate under the *Body Corporate and Community Management Act 1997*; and
- c) employs fewer than 20 *full time employees*. That is, the sum total of all standard hours worked by all employees (whether full-time or part-time) is less than the number of standard hours which would be worked by 20 full-time employees, as defined by the Australian Bureau of Statistics; or
- d) if operated by a sole trader and the business has no employees other than the sole owner:
 - i. the sole owner must derive the majority of their income from the business unless the applicant can satisfy the *administering agency* that the sole trader, immediately before an *eligible disaster*, derived that majority of income from the business and that the majority of income from the business and that the majority of the sole trader's income would have come from the *small business* again, were it not for the *eligible disaster*; or
 - ii. is a *small business* in development.

Small business owner means a sole trader, partnership, private company or trust that carries on a small business who spends the majority of his or her labour on, and derives the majority of his or her income from the small business.

Working capital means money that is necessary to continue the normal operations of the small business or primary production enterprise for up to one year.

Located Government Areas affected:

Kangaroo Island, Adelaide Hills, Mid Murray, Mount Barker, Murray Bridge, Kingston and Yorke Peninsula