



Victorian Bushfires Concessional Loans - Guidelines

The Victorian and Commonwealth Governments have announced concessional loans to support small business, primary producers and non-profit organisations impacted by the Victorian bushfires that commenced 21 November 2019.

These loans are available in the local council areas of Ararat, Alpine, Ballarat, East Gippsland, Glenelg, Golden Plains, Greater Bendigo, Indigo, Mansfield, Moyne, Northern Grampians, Pyrenees, Southern Grampians, Strathbogie, Towong, Wangaratta, Wellington and Wodonga and the Alpine Resorts of Mount Buller, Mount Hotham, Mount Stirling and Falls Creek.

The Victorian Bushfire Concessional Loans are jointly funded by the Commonwealth and Victorian State Government under the Disaster Recovery Arrangements.

Concessional Loans of up to \$500,000 are available to assist those entities which have suffered significant damage to their assets and/or significant loss of income.

The loans are intended to be used for the purposes of restoring and/or replacing damaged assets and/or to meet working capital expenses.

For the first two years, repayments will not be required and interest will not accrue. After this interest free period, the applicable concessional interest rate for loans is 0.82% for the 2019/20 financial year. This rate is subject to an annual review over the 10 year concessional interest rate period.

Eligibility criteria are contained in these Guidelines.

Please read these Guidelines before completing the Application Form.

Completed application forms, together with supporting documentation must be submitted by **31 August 2020** via:

Post: Rural Finance, PO Box 1313, Bendigo Central 3552

Email: governmentservices@ruralfinance.com.au

Fax: 5441 8901

For further information please contact Rural Finance on 1800 260 425.



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 Victorian Bushfires commencing 21 November 2019 (*eligible disaster* events, AGRN 882).

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 and

- a) the amount available is based on an assessment of the applicants' financial position, including any amount recoverable under an insurance policy; and
- b) cannot be more than the amount reasonably required.

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;
- c) repairing or replacing buildings;
- d) supplying stock to replace lost stock and maintain liquidity of the business;
- e) purchasing livestock to replace those that have been lost in the eligible disaster; or
- f) replanting, restoring, or re-establishing areas that were affected by the eligible 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 bills
- b) paying salaries or wages
- c) paying rent 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).



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) demonstrate that the business, primary production enterprise or non-profit organisation has the capacity to repay the loan;
- k) provide adequate security and loans should generally be secured by:
 - i. a mortgage of land and other assets satisfactory to Rural Finance (a division of Bendigo & Adelaide Bank Limited and the Victorian delivery agency); or
 - ii. any other security considered necessary, for example – a Specific Security Agreement over plant and machinery or a General Securities Agreement;
- l) 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
- m) 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 Business with a turnover of less than \$50 million, with 20 or more employees, will be considered on a case-by-case basis



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.

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 concessional loans 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 Rural Finance will not charge any interest rate higher than this rate during the 10 year concessional interest rate term

7. Term

7.1 The term of the concessional loan will be determined by Rural Finance and will be up to a maximum of ten years.

7.2 There will be an initial repayment holiday for a period of up to two years, during which repayments will not be required and interest will not accrue. The concessional interest rate period will be for a period of up to 10 years (including the initial repayment holiday period).

8. Repayments

8.1 After the repayment holiday, repayments of principal and interest are required. Amounts cannot be redrawn.

9. Loan reviews and reporting requirements

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

9.2 If information in the loan application is found to be untrue or misleading, action may be taken to recover the loan; penalties may also apply and the matter may be referred to law enforcement authorities of the relevant Australian, state or territory government.

10. Definitions

Administrating Agency means the responsible agency/department/body for assessing and administrating the loan applications.

Defined disaster area for an eligible disaster means the area that the appropriate Minister has defined for the purpose of activating Category B 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 the Victorian Bushfires commencing 21 November 2019 and the local government areas captured in the Australian Government Reference Number (AGRN) 882.



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. 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:
 - a. the sole owner must derive the majority of their income from the business unless the applicant can satisfy the *adminstrating 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
 - b. is a *small business* in development.

Business with a turnover of less than \$50 million, with 20 or more employees, will be considered on a case-by-case basis

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.

11. How to Apply

To apply for the Concessional Loan an application form will need to be completed and lodged before **31 August 2020**.

The application form and guidelines can be obtained from the Rural Finance website www.ruralfinance.com.au

The completed application form and required documentation are to be forwarded to:

Rural Finance

PO Box 1313

Bendigo Central 3552

or email governmentservices@ruralfinance.com.au

If you require further information please contact Rural Finance on 1800 260 425 or via email at governmentservices@ruralfinance.com.au