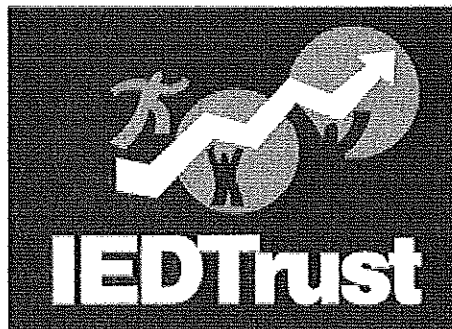


Indigenous Economic Development Trust

Trustee: Indigenous Business Australia



POLICY & GUIDELINES 2007-2009

Version 4.0 dated 16/12/2008

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1. INTRODUCTION

This policy and guideline document is designed to assist staff in the interpretation of various program elements, outline the process of delivery and eligibility criteria requirements of The Trust leasing product. It is intended to outline the policies and set out the governance process around the administration, reporting and expenditure of the IEDTrust. A breakdown of more detailed instructions can be found in the relevant operating procedures.

2. BACKGROUND

Indigenous Business Australia's (IBA) vision is for a nation in which Indigenous people share equitably in commercial and economic outcomes and for IBA to make a significant contribution to that outcome. IBA was established by the Aboriginal and Torres Strait Islander Commission Amendment Act 2001.

IBA was originally created to assist and enhance Aboriginal and Torres Strait Islanders' economic advancement, primarily through facilitating Aboriginal and Torres Strait Islander equity involvement in sound commercial ventures. The Act specifically requires that IBA engages in commercial activities.

The Indigenous Economic Development Trust (IEDTrust) in accordance with the Trust Deed of Agreement formally executed on 7 September 2007, was established to assist with formally DEWR's (now FaHCSIA's) National CDEP reforms to manage Commonwealth assets that support Indigenous economic development. Only assets that have been funded by the Australian Government and over which the Commonwealth holds a contractual or equitable interest can be transferred to the IEDTrust by the relevant Government agency. These assets may include buildings, vehicles, plant and equipment, machinery, computers etc.

IBA (as trustee for) the IEDTrust was appropriated funding to assist with the government's NTER reforms. The IEDTrust received a capital injection of \$5m (for Financial Year 07/08 only) to enable the purchasing of assets for organisations or individuals to lease for commercially viable businesses, and a departmental appropriation of \$1.82m. This was to be done with cooperation from IBA Enterprises'

NT Business Transition team. This arrangement was initially to apply for a period spanning two years (or while funded by NTER funding appropriation) while IBA investigated how to stimulate private sector involvement and normalise asset leasing in remote communities in the longer term. There was a decision to review the NT CDEP reforms and hence the original concept of the IEDTrust assisting with the management of CDEP assets and to provide finance by way of leasing in the N.T. was withdrawn by the Federal Government. All unspent funding was returned at the EOFY 07/08, and no further appropriation was granted.

3. POLICY STATEMENT 2007-2009

The IEDTrust is a national program which is delivered and tailored with the aim of developing economic sustainability and Indigenous business development opportunities of Indigenous people.

- o The IEDTrust program is aligned to the Commonwealth's objectives and priorities for Indigenous economic and business development.
- o The IEDTrust comprises an Asset Management and Leasing facility which are flexibly responsive and relevant to Indigenous Individuals, Partnerships, Organisations, Trusts and Companies.
- o The IEDTrust outcomes will be directed by IBA policies and IEDTrust regional needs (where applicable)
- o The outcomes of each regional IEDTrust project will clearly and directly relate to the performance measures regionally applied to the Program, considering regional economic conditions.

The IEDTrust is an important means of developing strategic alliances, collaborative partnerships, effective coordination and Program linkages, and as such, the IEDTrust:

- o Will demonstrate clear, transparent linkages with other IBA policies;
- o Will establish and demonstrate clear linkages, partnerships and relationships with other relevant Commonwealth, State and Local Government policies and Programs; and
- o Will be a key tool in encouraging strategic alliances, cooperative partnerships with the private sector, corporate leaders, and other industry groups.

The IEDTrust will be delivered through projects which will comprise activities that build individual and community economic capital bases.

- o The IEDTrust projects and activities will reflect IBA policies
- o The IEDTrust projects and activities will take into account issues such as cultural appropriateness
- o The IEDTrust activities will be inclusive of, and meet identified needs of women, men and youth and support stronger families.

The IEDTrust will have clear performance measures and an evaluation strategy.

- o The IEDTrust performance measures will be nationally determined, demonstrating consistency with IBA policy; and
- o Regional IEDTrust area reports will be consolidated into an annual IBA Investments evaluation report.

4. PROGRAM OBJECTIVES, GOALS AND STRATEGIES

4.1 Program Objectives

The primary objective of the the IEDTrust is to facilitate the acquisition and ongoing management of assets identified for transfer and the provision of Lease Finance, with a view to enhancing the development of commercially viable businesses by Aboriginal and Torres Strait Islander Indigenous Individuals, Partnerships, Organisations, and Companies.

4.2 Goal

The goal of the IEDTrust is:

- To effectively manage the Commonwealth assets identified for transfer that are currently held by Government Agencies or CDEP Organisations which have been defunded and to provide leasing finance so that these Organisations, (or individuals, partnerships or companies) may acquire new/used assets which will enable them to establish, consolidate or expand commercially viable businesses.

4.3 Strategies

The Trust will achieve its objective and goals through the following activities:

- Develop relevant strategic alliances with Local, State and other Commonwealth Government programs, the Finance industry and the private sector;
- Develop and deliver a tailored leasing product which will assist in bridging the gap between the financial needs of Aboriginal and Torres Strait Islander people and mainstream financial products and services; and
- Generate awareness and access to the IEDTrust Leasing product.

5. PROGRAM OUTLINE

5.1 Program Administration

5.1.1 Service Delivery

The IEDTrust leasing initiative is a national program which is delivered at the regional level.

The National Office is located in Canberra and is responsible for administering the IEDTrust and providing program administration, policy, asset management options and reporting to the IBA Board, the executive management.

5.1.2 Accessing Program Funds

Funding can only be considered following receipt of a fully completed application form. Applications will be assessed on their consistency with the objectives and focus of the program and against the eligibility criteria (as set out in these guidelines).

Program funds will only be approved to conduct a lawful business that does not involve the sale of takeaway alcohol, the sex industry, the production and distribution of pornography, and that is not culturally or socially inappropriate in the relevant local community.

Full details of eligibility and evaluation criteria for each product are outlined in Section 3 (Products and Services).

5.1.3 Decision Making

All funding decisions are made in accordance with the delegation in the National Office. All decisions are subject to the decision-making principles as required under the

Aboriginal and Torres Strait Islander Act (2005) and other IBA Board and Executive Instructions that are issued from time to time.

5.2 Program Outcomes/Outputs

Under accrual budgeting arrangements, the IEDTrust performance is measured against a number of output groups. The output group and performance measures as per the 2007/2008 Portfolio Budget Statements are shown below.

Performance Information for Outcome 1.3 the IEDTrust
<p>Quality:</p> <ul style="list-style-type: none">• 90% repayment rate on new finance leasing advances• 95% repayment rate on all building leases• 80% occupancy rate on all building leases <p>Quantity</p> <ul style="list-style-type: none">• Number of applications received, number of applications approved and value of applications approved

6. LEASING FINANCE

Purpose	To establish, consolidate or expand commercially viable businesses by the purchase/leasing of :- <ul style="list-style-type: none"> • New Equipment • Used Equipment • Property
Amounts	<ul style="list-style-type: none"> • Minimum \$5,000 • Maximum will be determined by the Program Manager taking into account the amount of funding available under the annual IEDTrust appropriation. • In establishing the maximum amount the following will be considered: <ul style="list-style-type: none"> - Cash flow; - Viability; and, - Management/Character.
Lease Types	<ul style="list-style-type: none"> • Finance Lease • Operating Lease (or Rental Lease) Refer Annex A
Lease Term	<ul style="list-style-type: none"> • Generally the terms will be between 2 to 7 Years • Variations to the lease terms may be approved by the Assistant General Manager Investments in special circumstances
Interest Rates	<ul style="list-style-type: none"> • Lease interest rates will be reviewed 6 monthly, in May and December and set by the Assistant General Manager Investments in line with Commercial interest rates. • The rate will be discounted at approx. 2.5% below the relevant Commercial interest rates. • Variations to the standard interest rate may be approved by the Assistant General Manager Investments in special circumstances • Lease interest rates will be set at the time of the lease approval and remain fixed for the duration of the lease
Repayments	<ul style="list-style-type: none"> • Repayment amounts will be set at the time of the lease approval and will be sufficient to repay the lease over the approved term, taking into consideration, applicant's residual/balloon payment at the end of the lease term, where applicable. • The due date for repayments will be the 1st

	<p>day of each month, with the initial payment due upfront, on settlement of the lease.</p> <ul style="list-style-type: none"> • The second payment is payable on the 1st day of the next clear month following settlement, (ie. Settlement on 14May, 2nd payment on 1July) • Subsequent payments are payable on the 1st day of each following month. • Repayments will be made by Direct Debit Authority (DD) from the borrowers bank account
<p>Risk Management Assessment</p>	<ul style="list-style-type: none"> • Risk Factors will be assessed based on Industry, Industry sector, Skills and the Nature of the Business • Risk Management will be used to assess viability and will be based on identified Risk Factors along with the Business structure and demonstrated cash flows.
<p>Qualifying Criteria</p>	<ul style="list-style-type: none"> • Availability of Program Funds • Acceptable Confirmation of Aboriginality • Satisfactory Credit Reference reports from all Individuals / Board members • Commercial viability must be demonstrated as detailed below
<p>Commercial Viability</p>	<ul style="list-style-type: none"> • A business must demonstrate commercial viability defined as a business that will: • Be managed by an individual or team with the necessary skills and experience • Be managed in accordance with best corporate governance practice • Pay all operating expenses, including living wages, loan repayments and taxes • Provide the business owner(s) a positive return over the life of the business on the capital they have invested. The return may be in the form of a profit, dividend or an increase in the commercial value of the business
<p>Insurance</p>	<ul style="list-style-type: none"> • All assets funded through the IEDTrust must be fully insured for the term of the lease and must include IEDTrust in the Insurance Policy
<p>Approval Process</p>	<ul style="list-style-type: none"> • Submission of an application on the prescribed form and with all required information attached • Appraisal to be conducted by IEDTrust staff • Decision of delegate will be advised to the

	<p>client by the IEDTrust Manager</p> <ul style="list-style-type: none"> • Security, if required, and settlement arrangements for approved leases will be managed by the IEDTrust Manager. • Settled leases will be managed by IEDTrust Manager
Concessions	<ul style="list-style-type: none"> • The delegate may approve a reduced interest rate on a lease facility where the concession is essential to the viability of the business
Funding	<ul style="list-style-type: none"> • Applicant's will be ineligible for funding from the IEDTrust if they have previously defaulted on an ATSIIC, ATSIIS, IBA, or Commonwealth loan or have not satisfactorily acquitted a previous grant.
The IEDTrust will NOT fund	<ul style="list-style-type: none"> • Non-commercial businesses • Non-commercial community infrastructure • Individuals / Organisations where Board members are bankrupt • Applications for unlawful businesses or businesses that are involved in the sale of take away alcohol, the sex industry or the production and distribution of pornography or are culturally or socially inappropriate in the relevant local community • Novated Lease Applications

FEES

Early repayment fees	There is no penalty fee for early repayment of the lease
Direct Debit fees	Are at the expense of the borrower

Annexure A

IEDTrust LEASE FINANCE types		
Type	Finance Lease	Operating Lease * aka Rental Agreement
Description	An Agreement to Lease equipment to be used for business use	An Agreement to Rent equipment to be used for business use. The asset is returned to the Financier at the end of the lease term
Ownership	Financier	Financier
Ownership - Tax perspective	Financier	Financier
Ownership at end of lease term	Lessee after full payment of the residual value	Financier
Residual (Balloon payment)	Yes	No
Depreciation	Financier	Financier
Tax - Interest on Lease- Claim by	Hirer claims full Lease payment as tax deduction	Hirer claims full rental as tax deduction
Responsibility for Maintenance/ Repairs	Lessee	Renter
Responsibility for Insurance	Lessee	Renter
GST on Monthly Payment	Yes	Yes
Stamp Duty	No- However the only State in Aust that imposes S/D is South Australia @ 0.50%.	No- However the only State in Aust that imposes S/D is South Australia @ 0.50%
Term of Facility	Term depends on the effective life of the asset (under Aust Taxation regulations) being leased- e.g. Vehicle/Technology/Other asset type. Note - consider a minimum Lease term not under 2 years.	
Interest rate	Fixed for term of lease	Fixed for term of lease