



Policy Title	Borrowing Policy
Policy Category	Public
Number & Version	SVC-FIN-PO-106-01
Policy Owner	Chief Financial Officer
Approval by	Council
Effective date	
Date for review	September 2021

1. STRATEGIC PURPOSE

The intent of this policy is to detail the principles upon which Council bases its decisions when considering any type of expenditure to be funded by borrowing. The policy seeks to ensure that Council's borrowing policy and related procedures are publicly transparent and meet best business practice criteria.

2. POLICY STATEMENT

This policy applies to all borrowing of Council. It is intended to govern the objectives, procedures and controls in relation to Council's borrowing decisions and processes.

Council has a strong preference for certainty in relation to debt repayment, management of risk, and to minimise administrative complexity.

3. DEFINITIONS

Borrowing – take and use (money) from an external party under an agreement to pay it back later

Loan – a sum of money that is expected to be paid back with interest

Capital Asset – an asset with a useful life longer than one year that is not intended for sale in the regular course of operations

4. CONTENT

Pursuant to Part 12 of the Local Government Act 1993, Council may borrow at any time for any purpose allowed under the Act. This policy has been developed to ensure compliance with legislative requirements under sections 621 – 624 of the Local Government Act 1993 (the Act), sections 229 – 230 of the Local Government (General) Regulation 2005 and a

borrowing order signed by the Minister Local Government (Office of Local Government Circular to Councils NO: 09.21).

I. Use of debt

Council will not use long-term debt to finance current operations. Debt may be used to fund capital expenditure that provides future service benefits and long-term debt will only be used for income producing capital assets or those assets that can be matched to a revenue stream. Consequently, repayments for the borrowings will be funded from the revenue streams generated by the asset acquisition in question.

Council will utilise long-term borrowing only for capital improvement projects that cannot be financed from existing sources. Capital projects are to be only undertaken after a thorough process of evaluation, including whole-of-life-costing, sustainability and risk assessments and project prioritisation.

II. Terms

When Council finances capital projects through borrowings it will generally pay back the loans in a term not exceeding 20 years. However, in certain circumstances, particularly for assets with very long useful lives; borrowings may be for a longer period whereby repayments would match the income stream of the asset in question.

III. Considerations

Council continually ensures repayment schedules are well within Council's operating capability so as to ensure the community is not burdened with unnecessary risk. Consideration must be given to the long-term financial forecast before planning new borrowings. Where Council finds itself in a strong liquidity position it shall consider replacing borrowings with cash. However, the intergenerational responsibility element of any loan funding will also be considered.

IV. Responsibilities/accountabilities

Accountability for debt management shall be the responsibility of the Executive Leadership Team.

Specific responsibilities:

Mayor and Councillors – approval of proposed borrowings

Chief Financial Officer – responsible to ensure debt is appropriately accounted for in the financial accounts and balances are reported to Council quarterly

Finance Officers – responsible for loan tenders and administration of loans

5. ASSOCIATED LEGISLATION

Local Government Act 1993

Local Government Regulation 2005

Local Government Revised Borrowing Order 09-21

Australian Accounting Standards

Code of Accounting Practice

6. ASSOCIATED COUNCIL DOCUMENTS

Asset Management Policies and Procedures
Financial Statements
Long term financial plan

7. HISTORY

Date	Action	Name	Policy Number	Resolution Date	Resolution Number
21/04/2020	Review	Borrowing Policy	Fin .13		