

POLICY NAME

Borrowing Policy

DATE ADOPTED

Click here to enter a date.

ECM NUMBER

Click here to enter text.

REVIEW DATE

June 2021

RELATED DOCUMENTS

Borrowing Strategy

POLICY NUMBER

Click here to enter text.

COUNCIL MINUTE NUMBER

Click here to enter text.

POLICY TYPE

Council

RESPONSIBLE DEPARTMENT

Financial Services

1. Purpose

This policy outlines the circumstances under which borrowings will take place. Council will restrict all borrowings to expenditure on identified capital projects that are considered by Council to be of the highest priority, and which are unable to be funded from revenue. Under no circumstances will Council borrow funds for recurrent expenditure. Council will comply with the provisions of the Local Government Act in relation to internal loans.

2. Objectives

The objective of Council's Borrowing Policy is to:

- Ensure that all borrowings (both internal and external) are in accordance with legislative requirements.
- Minimise the cost of borrowings.
- Ensure the total amount of loan borrowings is sustainable in terms of ability to meet future repayments and budgetary obligations.

3. Legislative Requirements

All borrowings are to be made in accordance with:

- Local Government Act 1993 Section 621
- Local Government (General) Regulation 2005 (NSW)
- Ministers Revised Borrowing Order
- Local Government Circular 09-21

4. Policy Statement

4.1 Overview

Council will seek to minimise costs within legislation and sustainability.

4.2 Scope

This Policy applies to all members of Council staff who are involved in borrowing funds for Council.

4.3 Delegation of Authority

As stated in the Department of Local Government Circular to Councils 09-21 dated 29 May 2009 (Attachment A):

Councils are reminded that under their Charter they are to have regard to the long term and cumulative effects of their decisions. Accordingly, councils must exercise reasonable care and diligence that a prudent person would exercise when borrowing funds. The borrowing of money is not a function that council can delegate. It is expected that councillors would have a full understanding of the terms and conditions of borrowing arrangements before entering into any contract.

Councils can borrow funds under section 621 of the Local Government Act 1993. The intention to borrow must be outlined in the Council's draft Operational Plan.

Councils must also send notice to the Office of Local Government the loan borrowing program each year.

If, during the year, Council is required to increase its proposed borrowings or change the purpose of the initial request, a council resolution must be passed prior to drawing down of any funds. If there is an increase, Council must also notify the updated amounts.

The General Manager has the authority to accept loan offers, subject to the borrowing amount being previously approved by Council and the requirements of this policy being adhered to.

Authority to negotiate and accept the final terms and conditions offered to Council for approved borrowings are currently delegated to: Director of Corporate Services and the Financial Services Manager.

4.4 Responsibility for Implementing and Reviewing this policy and Reporting of Borrowings

The Financial Services Manager is responsible for implementing this Loan Borrowing Policy, ensuring loan payments are made in line with repayment schedules and borrowing costs and balances are reconciled and reported in accordance with the Australian Accounting Standards as at 30 June each year.

The Loan Borrowing Policy will be reviewed on a regular basis, at least once every 2 years or as required in the event of legislative changes. Any amendment to this Policy must be by way of Council resolution.

5. Authorised Borrowings

(Refer to attachment B for the Ministerial Borrowing Order dated 13 May 2009)

A Council shall not borrow from any source outside the Commonwealth of Australia nor in any other currency other than Australian currency.

6. Internal Borrowings

- Internal loans funded from externally restricted cash are loans that must have Ministerial approval prior to being entered into, in accordance with section 410(3) of the Local Government Act 1993 (see attachment C); and
- Funds can be used from internally restricted revenues instead of external borrowings and are not considered an internal loan. Internal borrowings must be approved by Council resolution, and cannot be delegated, and also made in accordance with this policy, as if it was an external loan; and
- Funds can be borrowed internally, within the Section 7.11 Reserve, only for the purpose of other Section 7.11 works. The funds cannot be used to fund works that are not part of the Section 7.11 schedule.

7. Overdraft Facilities

Council has an overdraft facility with its nominated bank. The overdraft facility is to be utilised only on a contingency basis, minimised by employing careful cash management practices that ensure sufficient cash at bank to satisfy daily expenditure requirements.

8. Borrowing Strategy

Refer to the Councils Borrowing Strategy (attachment D) which sets out a number of additional actions required when considering new borrowings.