

FIN03	BORROWINGS POLICY
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Policy Type:	Finance
Policy Custodian:	Executive Director, Corporate Services
Review Date:	27/03/2027
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Purpose

To provide the appropriate parameters for Council to undertake borrowings without compromising the application of sound fiscal management, risk minimisation and good governance.

Scope

Council is committed to operating in a financially sustainable manner and in accordance with its Long-term Financial Plan.

Council considers that debt funding may be appropriate in the following circumstances:

- fund the acquisition, construction, expansion or refurbishment of a major capital asset or other expansion in capital works; or
- The Council is satisfied it can manage the risk and meet the debt repayments in the context of

long-term financial planning and financial sustainability. Debt will not be used to cover recurrent operating expenses. Council generally prefers to minimise debt and financial risk.

Policy Statement

1. Borrowing purposes

- 1.1. West Daly Regional Council has a responsibility to ratepayers to employ the funds raised from Borrowings in an efficient and productive manner.
- 1.2. West Daly Regional Council may apply to the Minister to borrow funds for Capital projects or one-off Special projects.
- 1.3. West Daly Regional Council will not borrow funds to meet recurrent operational requirements except for minor transactions (including credit cards).
- 1.4. Where West Daly Regional Council raises funds through borrowings, the funds will only be used for the purpose for which the loan was raised.

2. Borrowing considerations

The following factors will be considered before West Daly Regional Council applies to borrow:

- 2.1. The impact and alternatives to external borrowings, including alternative sources of revenue (e.g., special rates and charges), or borrowing from reserves are to be identified.
- 2.2. Items that shall be funded through external borrowings will have undergone public consultation and align with the intent of the Regional Plan. This condition may be waived where an emergency or urgent matter requires borrowings, and those borrowings comply with all other policy conditions.
- 2.3. The structure, terms and repayment schedule of any proposed borrowings will be analysed to manage cash flows and minimise the risk to Council.
- 2.4. West Daly Regional Council will identify the affordability of proposals having regard to the long-term financial impacts of borrowing and the ability of West Daly Regional Council to meet the proposed debt servicing obligations.

3. Type and source of borrowing

- 3.1. Internal borrowing from reserves may be considered as part of any borrowing strategy.
- 3.2. Borrowings will only be in Australian dollars.
- 3.3. Borrowings will be sourced at the most competitive rate from sources available with an appropriate financial credit rating. Financial institutions need to be APRA listed.

4. Debt term

- 4.1. Maximum term for all borrowings will be set at a level commensurate with the expected length of time a benefit would be derived from the resulting asset and evaluated on a case-by-case basis but not exceeding twenty years.
- 4.2. If external borrowings are used to purchase or construct an asset, the borrowing will be repaid over a period no longer than the physical life of the asset. Where the borrowings have not been repaid if the asset is sold, West Daly Regional Council will first apply the proceeds of the sale to the repayment of the loan.

5. Approval for borrowing

- 5.1. West Daly Regional Council requires approval from the Minister for Local Government to undertake external borrowing unless it is a minor transaction, \$300 000 or less for a council for a regional council. Such an application needs to consider any Ministerial or Department borrowing guidelines and must be accompanied with a detailed business case.



References

The *Northern Territory Local Government Act 2019* sets out the requirements for Council borrowing in Part 10.3 Council or local government subsidiary borrowing.

Australian Accounting Standards

Ministerial Guideline 3: Borrowing

Local Government (General) Regulations 2021

Definitions

In the context of this policy the following definitions apply:

Term	Definition
Borrowings	Any form of financial accommodation for example, an overdraft, a loan, hire purchase or instalment purchase agreement and the present value of future payments.
Minor Transaction	An amount specified by legislation. This is a total amount inclusive of all borrowings that have not been approved by the Minister and includes overdraft facilities, financial leases, secured or unsecured loans, bank overdrafts, lines of credit or any other credit facility (including all credit card transactions)

Review History

Date	Review details	Action/Resolution/Document ID
January 2019 - V2	Due in January 2022	30 January 2019 - 013/2019
27 March 2024 – V3.0	Due on 27 March 2027	27 March 2024 - OCM-2024/28/ID: 24830

Signature of Endorsement:	
Position:	A/Chief Executive Officer