

Policy Name	Borrowings
Policy Type	Finance
Policy Number	FIN03
Version	2
Approval Date	January 2019
Renewal Date	January 2022



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SUMMARY

West Daly Regional Council is committed to sound management of the existing and future debt of Council. The objectives are to:

- ensure funds are available as required to meet approved delays;
- ensure risks are acknowledged and responsibly managed; and
- outstanding debt is repaid as quickly as possible resulting in gross debt being minimised.

POLICY STATEMENT

The only borrowing that can take place is to provide capital expenditure on core service activities, with the intention of improving services to ratepayers.

If surplus funds become available, and it is financially expedient to do so, one off loan repayments will be made to reduce the term of existing loans.

Loan drawdowns will be spaced so as to optimise cash flow and minimise interest expenses.

The debt service ratio is to be the key indicator of Council's ability to sustain its level of debt. It is considered a target of 25% is appropriate considering the current growth phase of Council. Two other indicators should also be considered, viz. Debt to Revenue (no higher than 80%) and Net Financial Liabilities to Revenue (no higher than 80%).

New loans are to be borrowed for a period that maximises efficiency. Repayments will occur over the physical life of an asset as determined by Australian Tax Office depreciation guidelines, with a renewal every 5 years.

Borrowings shall be raised at the most competitive rates available and from available sources as defined by legislation and with a financial credit rating acceptable to NT Treasury.

Darwin Office

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The Chief Executive Officer shall report to Council on an annual basis detailing the loan portfolio.

REFERENCES

Local Government Act

FURTHER INFORMATION:

Chief Executive Officer

Darwin Office

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