

Council Borrowing Policy

Policy Number	16/04/2025/CO
Policy Category	Finance
Responsibility	General Manager – People and Corporate Services
Date to Take Effect	18 September 2025
Legislative Reference	NT Local Government Act and Regulations
Policy Reference	
Next Review Due	June 2029
CEO Adoption	

1. Purpose

This policy provides guidance in relation to the purpose of borrowing and details the conditions under which borrowing can be used as a source of finance by the East Arnhem Regional Council. This policy provides a set of guiding principles to ensure the sound management of the existing and future debt of East Arnhem Regional Council (EARC).

2. Application

The objectives of the policy are to ensure the following

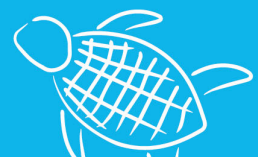
- funds are available as required to meet approved outlays
- risks are acknowledged and responsibly managed
- the net interest costs associated with borrowing and investing are reasonably minimised over the long term
- outstanding debt is repaid as quickly as possible resulting in gross debt being minimised and
- the borrowing activities of the Council comply with the provisions of the Local Government Act.

3. Definitions

Minor Transaction

A 'minor transaction' for the purposes of the Local Government Act and Minister's Guideline 3 is an amount of \$300,000 or less. This amount 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.

Minor transactions do not require ministerial approval.



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Credit cards transactions are included under “minor transactions”. If a credit card statement is not paid in full against a monthly statement, the council must be advised. The credit card facility limit is included in the “minor transaction” amount.

An advance on overdraft is included under “minor transactions” if the term of the advance does not exceed 2 months AND the amount of the advance does not exceed 2 % of the total revenue of the Council for the last financial year for which financial statement has been audited.

Council means the East Arnhem Regional Council (EARC)

CEO means the Chief Executive Officer of EARC.

4. Principles

4.1 Borrowing Purpose

Council policy is to only borrow for capital expenditure on core service activities, which will improve services to ratepayers.

External debt will not be used as a substitute for revenue to maintain or replace existing assets or to finance operational expenditure or pay interest on existing borrowings.

Where internal sources of revenue are not sufficient to finance a Council requirement the Council may be required to rely upon external sources of finance such as long-term external debt. However, long term debt could be subject to various risks and so there is a need to define the purpose of raising such a debt as well as the conditions under which such a debt could be raised.

As per the Local Government Act, Council borrows money if the Council obtains any form of financial accommodation, which can include an overdraft, lease, hire purchase agreement or an instalment purchase arrangement.

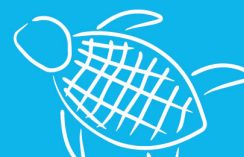
External debt and the related capital expenditure projects should be in line with the Council's strategic and annual plan, unless the funds are used in an emergency for some other project which otherwise meets the criteria for external borrowing as per this policy.

Where funds have been borrowed for a specific purpose, it will be ensured that those funds are used only for that purpose.

In the event that the borrowed funds turn out to be surplus for the purpose for which these were raised, the Council will consider repayment of such funds. But if these funds could be used for some other capital expenditure project which could meet the criteria for external borrowing as per the provisions of this policy, the Council will consider and if thought beneficial, approve such utilisation in a meeting of the Council.

Each long-term borrowing in the books of the Council will be identified with a particular project.

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



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4.2 Debt Term

Council Policy is to borrow new loans for a period that maximises efficiency. It is planned to repay borrowings over the physical life of the asset as determined by the ATO depreciation guidelines, with a loan renewal period if desired of every 5 years.

In case the physical asset is sold and the external loan in relation to that asset is still unpaid, the sales proceeds will be used to pay off this debt, unless decided otherwise by the council in its meeting prior to an alternate use.

4.3 Borrowing Sources

The Council will consider external borrowing only if the requirement cannot be met by internal sources of funding. For example:

- The Council will consider available funds which are not immediately required to fund the approved expenditure, so that these funds can be used to reduce the level of borrowings, including the use of internal cash reserves or investments.
- The Council will consider the impact of and alternatives to borrowing, such as separate rates and charges.

The Council will consider the affordability of the proposals particularly with regards to the Council's long term financial sustainability as indicated by the impact of the proposal on the Council's net financial liabilities as well as Interest cover ratios.

The Council will give due consideration to the structure of the current or proposed borrowings and to the term and the nature of the borrowings like short term or long-term borrowing, fixed or variable interest rate borrowing, possibility of interest rates re-setting arrangements etc.

The Council will raise all external borrowings at the most competitive rates available and from sources available and as defined by legislation.

The life of the capital asset and the period for which benefits are expected to be derived from the asset would be longer than the term of the repayment of the external borrowing.

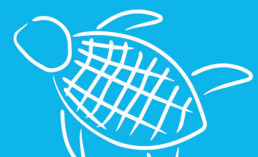
4.4 Security and Ministers approval for Borrowing

The Local Government Act and Minister's Guideline 3, provides that the Council may, subject to the approval of the Minister, give security for the debt in the form of a mortgage or charge over the property of the Council.

The property over which a security is granted may consist of or include (present and future revenue) of the Council.

Council must seek the Minister's approval to borrow money above the minor transaction level. Any request must include the following:

- A formal letter setting out the request,
- A business case,
- If applicable details on security,
- The status of all other borrowings.



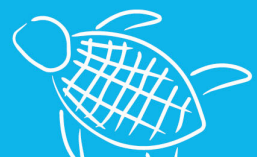
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4.5. Implementation and Delegation

The Local Government Act prohibits the Council delegating powers to officers for borrowing money. Therefore, Council must approve all borrowings by way of resolution. Council will assess each borrowing request as separate transactions. Those borrowing transactions approved by Council are subject to ministerial approval depending on whether the transaction is defined as a minor transaction (see definitions in section 3 of this document).

The General Manager – People and Corporate Services will ensure Council is provided on an annual basis a report detailing the following:

- Total borrowings
 - Debt Service Ratio
 - Debt to Revenue Ratio and
 - Net Financial Liabilities to Revenue Ratio.
- and for each loan:
- the purpose for which the loan was received
 - security provided for the loan
 - the financial institution making the loan
 - the type of loan
 - the original loan amount
 - payments made in the reporting period
 - the current outstanding balance on the loan
 - the current interest rate.



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5. Version Control

Version	Decision Number	Adoption Date
00	Report 12.5 b)	Jan 27, 2010
01	Res 035/ 2014	Mar 26, 2014
02	Res 021/ 2017	Jan 18, 2017
03	Res 007/2020	Feb 24, 2020
04	Res 2025/95	Sept 18,2025

