



2.3 Borrowings Policy

Council Resolution:	2024/11/19/009
Date to take effect:	19/11/2024
Policy Custodian:	Chief Executive Officer
Review Date:	November 2027
Version (Revision Number)	1.1

Purpose

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

Scope

2. 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:

a) fund the acquisition, construction, expansion or refurbishment of a major capital asset or other expansion in capital works; or

b) 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.

Definitions

3. For the purposes of this policy the following definitions apply:

Term	Definition
Borrowing	Any type 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).



Policy Statement

4. Borrowing purposes

Coomalie Community Government Council (Council) has a responsibility to ratepayers to employ the funds raised from Borrowings in an efficient and productive manner.

Council may apply to the Minister to borrow funds for Capital projects or one-off Special projects.

Council will not borrow funds to meet recurrent operational requirements except for minor transactions (including credit cards).

Where the Council raises funds through borrowings, the funds will only be used for the purpose for which the loan was raised.

5. Borrowing considerations

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

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.

Items that shall be funded through external borrowings will have undergone public consultation and align with the intent of the Shire Plan. This condition may be waived where an emergency or urgent matter requires borrowings, and those borrowings comply with all other policy conditions.

The structure, terms and repayment schedule of any proposed borrowings will be analysed to manage cash flows and minimise the risk to the Council.

The Council will identify the affordability of proposals having regard to the long-term financial impacts of borrowing and the ability of Council to meet the proposed debt servicing obligations.

6. Type and source of borrowing


Internal borrowing from reserves may be considered as part of any borrowing strategy.

Borrowings will only be in Australian dollars.

Borrowings will be sourced at the most competitive rate from sources available with an appropriate financial credit rating. Financial institutions need to be Australian Prudential Regulation Authority listed.

7. Debt term

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 (20) years.



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, Council will first apply the proceeds of the sale to the repayment of the loan.

8. Approval for borrowing

Council requires approval from the Minister for Local Government to undertake external borrowing unless it is a minor transaction, which is \$300 000 or less for a Council.

Such an application needs to consider any Ministerial or Department borrowing guidelines and must be accompanied with a detailed business case.

Associated Documents

Delegations Policy

References and Related Legislation

- Local Government Act 2019* (Part 10.3)
- Local Government (General) Regulations 2021*
- Ministerial Guideline 3: Borrowing
- Australian Accounting Standards

DOCUMENT HISTORY 2.2 Borrowings Policy	
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Amended:	
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