



Attachment 1 to Item 10.4.1.

Borrowing Policy

Date of meeting: 29 July 2025

Location: Council Chambers

Time: 6:30pm



Borrowing Policy

Adopted by Council at the Ordinary Meeting
Held on [date]

DRAFT COUNCIL POLICY

Division:	Financial Services	Policy Number:	Enter No
Branch:	Corporate Services	Adopted Date:	10 July 2018
Responsible Officer:	Chief Financial Officer	Next Review Date:	July 2029
Director:	Director Corporate Services	Version:	002



Table of Contents

1. TITLE	2
2. PURPOSE	2
3. SCOPE.....	2
4. BACKGROUND.....	2
5. POLICY DETAILS	2
5.1 BORROWING FRAMEWORK	2
5.2 INTERNAL BORROWINGS	3
5.2.1 Externally Restricted Funds	3
5.2.2 Internally Allocated Funds	3
5.3 DEBT MANAGEMENT PRINCIPLES	3
5.4 BORROWING PROCEEDURE.....	3
5.5 PERIODIC REVIEW.....	4
5.6 REPORTING	4
5.7 OVERDRAFT	4
6. ROLES AND RESPONSIBILITY.....	5
7. DEFINITIONS	5
8. RELATED DOCUMENTS.....	6
8.1 Legislation	6
8.2 Related policies.....	6



1. TITLE

Borrowing Policy.

2. PURPOSE

The purpose of the Borrowing Policy is to provide guidance and set out the requirements for the prudent borrowing of funds.

3. SCOPE

This Policy applies to all internal and external borrowing of funds including the use of an overdraft facility.

4. BACKGROUND

Council acknowledges the utility of borrowing where appropriate and financially responsible. Council will consider the use of borrowing in the development of its Long Term Financial Plan. The core objective of the Borrowing Policy is to ensure the sound management of Council's existing and future debt.

This core objective can be achieved with consideration to the following prudent measures:

- Meeting Office of Local Government guidelines in respect to Council's Debt Service Coverage Ratio and Debt Service Ratio.
- Minimising the cost of borrowings via a structured procurement program.
- Ensuring the cost of any expenditure can be recovered at the time that the benefits of that expenditure accrue (intergenerational equity).
- Ensuring the total amount of borrowings is sustainable in the context of Council's ability to meet future repayments and budgetary obligations.

5. POLICY DETAILS

5.1 BORROWING FRAMEWORK

- Council will only borrow externally from Australia and in an amount denominated in AUD.
- All borrowings will be undertaken in accordance with legislative provisions.
- All borrowings must be considered within the context of the strategic objectives of Council and its Long Term Financial Plan.
- All borrowings are subject to Council approval. Any proposed borrowings must be included in Council's Operational Plan and Revenue Policy. In the event borrowings not identified in the Revenue Policy are required during the financial year, a separate Council approval is required.
- If necessary external advice may be sought in relation to borrowings and interest risk management.
- Borrowings will only be considered after all alternative financing options have been investigated and proven less advantageous to Council.
- Borrowing levels must be within the parameters of a debt service ratio of less than 20% and subject to meeting repayment obligations with a debt service coverage ratio above 2.0x.
- The nature of borrowings (short vs. long term) and the interest rate (fixed or variable) will take into account the purpose of the borrowings and seek to minimise interest rate exposure.
- The term of the applicable loan will not exceed the expected economic life of the asset being funded.
- Council will not borrow money to fund operating expenditure. This type of expenditure should be funded through operating revenue streams.
- Council will not borrow to fund the acquisition, replacement or renewal of assets that is expected to occur on an annual basis or similar basis at approximately the same level each year (recurrent capital works), to maintain existing service levels. This type of expenditure should be funded through operating revenue streams.



5.2 INTERNAL BORROWINGS

When borrowing funds, Council will in the first instance, where appropriate and advantageous for Council, seek to use its own surplus cash funds.

5.2.1 Externally Restricted Funds

Internal Loans from Externally Restricted Reserves must have Ministerial Approval before the Internal Loan can be drawn, in accordance with Section 410(3) of the Local Government Act 1993.

Funds can be borrowed internally within the Section 7.11 Reserves only for the purpose of other Section 7.11 works. These funds cannot be used to fund works that are not part of the Section 7.11 works schedule.

A repayments schedule to repay internal borrowings will be drafted to ensure repayments to Externally Restricted Reserves can be funded.

5.2.2 Internally Allocated Funds

Funds can be used from Internal Allocations, as an internal loan, as a replacement for an external loan borrowing where the cost of using external funds acquired through borrowings is greater than the foregone earnings on funds that are surplus to current requirements.

The use of Internal Allocations for a purpose that is different from its original purpose requires Council approval.

A repayments schedule to repay internal borrowings will be drafted to ensure repayments to Internally Restricted Reserves can be funded.

Under no circumstances shall funds be borrowed from Trust Accounts.

5.3 DEBT MANAGEMENT PRINCIPLES

The following debt management principles shall apply to all Council borrowings:

- The term of borrowing shall be set having due regard to the economic life of the asset being acquired or constructed. Council will not generally borrow funds to acquire an asset that has an economic life of less than ten years.
- In accordance with Section 623 of the Local Government Act 1993, the only security that will be offered in return for borrowings shall be the general funds of Council.
- Council will not enter into any standalone derivative transactions in connection with its borrowings.

5.4 BORROWING PROCEDURE

Once a borrowing has been approved by Council, a quotation process will be conducted with appropriate lending institutions. Authorised Deposit Taking Institutions (including TCorp) will be invited to submit written quotations on Council's borrowing requirement.

Written quotations must include:

- Interest Rate – Fixed Rate or Variable Rate as advised.
- Term of the Loan.
- Repayment Intervals (monthly, quarterly etc.).
- Repayment instalment amount.
- Any applicable fees.
- Calculation for any loan break costs.
- For fixed rate loans, procedures for recalculation of rates consequent on market movements between bid date and drawdown date.



Appropriate and acceptable documentation must be provided to Council by any prospective lender during the quotation process.

The offer that offers the most financial benefit to Council will be selected.

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

5.5 PERIODIC REVIEW

The Director Corporate Services in conjunction with the Chief Financial Officer will periodically review the debt portfolio to ascertain if any action is necessary to match evolving financial requirements and optimise debt cost. This may include debt consolidation, change to lower cost providers and other changes to loan terms.

5.6 REPORTING

Within seven days after a Council borrows money under a loan contract, the General Manager must notify the Office of Local Government of the borrowing.

Council is required to complete the Office of Local Government Borrowing Return detailing projects to be funded for any borrowings for the financial year, on an annual basis.

A report providing details on borrowings held by Council will be submitted to Council on a quarterly basis each year as part of either the Quarterly Budget Review or Annual Financial Statements process. The report will include:

- The name of the loan provider and a descriptive name of the purpose of the loan.
- Level of debt outstanding at the beginning and end of the financial year.
- The interest rate of the loan and whether it is Fixed or Variable.
- Principal reduction for the financial year
- Interest paid for the financial year. year.
- A comment column advising details of the loan. Including expected time of discharge

If there are no loans a note is to be added advising that Council currently has no active loans.

A separate report providing details on whether Council had to utilise its overdraft facility is also to be included. The note will include relevant details as to the use and cost of the overdraft. If Council has not utilised the overdraft during the current financial year then a note advising that "Council has not utilised its overdraft facility in this current financial year".

Borrowing costs and borrowings will be treated in the annual Financial Statements and all financial reporting in accordance with Australian Accounting Standards.

5.7 OVERDRAFT

Council will maintain an overdraft facility with their main banking partner to provide funding flexibility.

At no time is the overdraft facility to be used as an ongoing debt facility or to fund anything except short term cash flows after considering the cost of accessing invested funds.



6. ROLES AND RESPONSIBILITY

Position	Roles and Responsibilities
Council	Approve all Internal and External Borrowings in accordance with its strategic objectives and the Long-Term Financial Plan.
General Manager	<p>Complete the Office of Local Government Borrowing Return on an annual basis.</p> <p>Document proposed Borrowings in the Annual Operational Plan – Revenue Policy.</p> <p>Accept loan offers, providing borrowing has been endorsed by Council and is in accordance with this Policy and legislative provisions.</p> <p>Ensure documents are developed and maintained as required to meet all compliance requirements and to aid the efficient running of the Council.</p>
Director Corporate Services	<p>Periodically review the Debt portfolio.</p> <p>Submit Quarterly Borrowings Report to Council as part of the Quarterly Budget Review or Annual Financial Statements.</p> <p>Sign off on borrowings operational transactions.</p>
Chief Financial Officer	<p>Periodically review the Debt portfolio.</p> <p>Submit Quarterly Borrowings Report to Council as part of the Quarterly Budget Review or Annual Financial Statements.</p> <p>Sign off on borrowings operational transactions.</p> <p>Ensure documents are developed and maintained as required to meet all compliance requirements and to aid the efficient running of the Council.</p> <p>Review and update the Borrowing Policy when and as required, but no longer than every four years.</p>

7. DEFINITIONS

Term	Definition
Debt Service Coverage Ratio	<p>This ratio measures the availability of operating cash to service debt including interest, principal and lease payments.</p> <p>The Office of Local Government benchmark for this ratio is greater than 2.0x.</p> <p>The ratio is calculated by [Operating results excluding fair value adjustments and net gain/loss on sale of assets, before capital, excluding interest and depreciation/amortisation] divided by [Principal repayment from the Statement of Cash Flows and interest on loans].</p>



Term	Definition
Debt Service Ratio	<p>The debt service ratio measures the proportion of general income that is used to repay debt and interest charges.</p> <p>The Office of Local Government benchmark for this ratio is greater than 0% and less than 20%.</p> <p>The ratio is calculated by [Cost of debt service, total interest and principal repayments] divided by [Operating revenue excluding capital grants and contributions].</p>
Economic Life	The period from initial borrowing to a future point of time where the asset financed requires major refurbishment in order for it to continue delivering the service at its original standard.
External Borrowings	Includes raising and obtaining, in any way, money, credit and other financial accommodations from sources external to Council.
Internal Borrowings	Monies transferred within Council to cover identified projects, where the money is to be repaid to the restricted fund from a specified source.

8. RELATED DOCUMENTS

8.1 Legislation

- Local Government Act 1993 – Part 12 – Loans – Sections 621 to 624; Section 377
- Local Government (General) Regulation 2021 NSW – Clauses 229 and 230
- Local Government Circular 09-21
- Minister's Borrowing Order

8.2 Related policies

- Revenue Policy
- Investment Policy
- Restricted Assets Corporate Policy
- Procurement Policy

