

## POLICY

<b>TITLE:</b>	Borrowing Policy		
<b>DIRECTORATE:</b>	Finance		
<b>ADOPTED BY:</b>	Council Resolution: OMC-24/355		
<b>DATE OF ADOPTION:</b>	29 November 2024	<b>DATE OF REVIEW:</b>	29 November 2026
<b>POLICY NUMBER:</b>	130		
<b>LEGISLATIVE REF:</b>	<i>Local Government Act 2019; Section 197</i> <i>Ministerial Guidelines No. 3 – Borrowing</i>		

### 1. INTRODUCTION

#### 1.1. Purpose

Under the Ministerial Guidelines of the *Local Government Act 2019 (Act)*, Council must establish a Borrowing Policy before any borrowing takes place, and all borrowings must occur in accordance with the Act and this policy.

The purpose of this policy is to establish the particular circumstances under which Barkly Regional Council (BRC) may use external debt as a source of funds; and the principles and obligations which apply in relation to borrowing.

#### 1.2. Scope

This policy applies to BRC Council or any individual with the delegated power to borrow money. Section 40 of the Act requires that if power to incur financial liabilities is delegated, the Council by resolution must fix reasonable limits on the delegate's authority.

#### 1.3. Definitions

**Borrowings** is defined in Section 196 of the Act and includes any form of financial accommodation, for example, an overdraft, loan, hire purchase agreement or financial lease but does not include:

- An overdraft of less than 2% of the Council's total revenue income for the preceding financial year obtained for a term of less than two months; or
- Transactions classified as a minor transaction such as credit card purchases and borrowings of up to \$300,000 in total (\$200,000 for subsidiary local government authorities).

A Council may, with the Minister's approval, give security for a borrowing in the nature of a mortgage or charge over property of the Council. The property over which a security is granted may consist of or include (present and future) general revenue of the Council.

**Minor Transaction** is defined in Section 8 of the Ministerial Guidelines as a borrowing transaction within a cumulative borrowing amount that is \$300,000 or less for a Council for a Region (\$200,000 for subsidiary local government authorities).

#### 1.4. Responsibilities

Management is responsible for ensuring that this Policy and its procedures are implemented across all BRC workplaces.

The CEO and Chief Operations Officer are responsible for the implementation of this Policy.

### 1.5. Policy Objectives

- 1) To ensure the sound management of Council's existing and future debt;
- 2) To clearly state when it may be appropriate to use debt;
- 3) To minimise the cost of borrowing; and
- 4) To comply with legislation including regulations and any Ministerial directions or guidelines.

## 2. POLICY STATEMENT

### 2.1 Policy

- 1) Debt funding may be appropriate in the following circumstances:
  - a. To fund the acquisition, construction, expansion or refurbishment of a major capital asset or other expansion in capital works for the Barkly region;
  - b. To reduce the ongoing cost of operating programs;
  - c. Where Council is satisfied that it can manage the risk and meet debt repayments in the context of long-term financial planning and financial sustainability; or
  - d. Where there are no other sources of funding available.
- 2) Borrowings will be limited to the funding of significant items of capital expenditure:
  - a. The life of which is expected to exceed the term of any funds borrowed and which cannot be funded from the revenue sources of the Council, or;
  - b. Major items of plant and equipment where the cost of borrowing (including the repayment of capital) will be matched over time by a reduction in the ongoing cost of the activity for which the loan is to be raises, or;
  - c. That cannot be funded from other sources (NT Government guidelines require Council to consider the use of internal cash reserves, or;
  - d. That is within the context of affordability, risk and financial sustainability.
- 3) When considering borrowing, Council must:
  - a. By Council resolution, the Council must seek the Minister's approval to borrow money, and if the Minister's approval is required to borrow the money, that this is sought;
  - b. Appropriate types of financial institutions and the obtainment of funds on a competitive basis with regards to interest rate and other associated risks;
  - c. The ability to repay the debt as quickly as possible subject to budgetary constraints;
  - d. Maximum term for all loans to 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 normally exceeding twenty (20) years;
  - e. Whether small loans (<\$1 million) can be funded from existing cash reserves;
  - f. The impact of and alternatives to debt, including special rates and charges;
  - g. The affordability of the proposal having regard to the Council's long-term financial sustainability and the ability of Council to meet the proposed debt servicing obligations;
  - h. Whether the return on a loan for commercial purposes can service the debt redemption, including consideration of community service obligations; and
  - i. Debt should not be used as a substitute for current revenue in maintaining or replacing existing assets and infrastructure, or for covering (directly or indirectly), the cost of interest on debt.

- 4) Ministerial approval is not required for an advance on an overdraft if:
  - a. The terms of the advance do not exceed two (2) months; and
  - b. The amount of the advance does not exceed 2% of the Council's total revenue for the last financial year for which the Council has an audited financial statement; or
  - c. the transaction is classified as a 'minor transaction'; \$200,000 or less, or
  - d. A transaction classified as a minor transaction under guidelines issued by the Minister.
- 5) Additional factors to be considered when Council is considering new borrowings include:
  - a. Items to be funded by new borrowings will normally be identified in the Corporate Plan and Budget for the year in which the funds are proposed to be borrowed. This condition may be waived in circumstances where an emergency or urgent situation requires the use of borrowings and those borrowings comply with all other policy requirements, subject to Council approval.
  - b. Where due to circumstances it is no longer appropriate to use the loan for the original purpose, Council will ensure it complies with legislative requirements for changing the purpose, and the Department of Local Government will be notified prior to any decision being made.
  - c. Where Council raises funds from new borrowings, the funds will only be used for the purpose for which the loan was raised.
  - d. If a borrowing is undertaken and the final cost is less than budgeted, these funds may be reallocated by Council Resolution, subject to gaining any necessary approvals. If unexpended loan funds are not reallocated, they will be placed in a Reserve until such time as a suitable use of the funds is identified.
  - e. Where a loan was raised by Council to obtain an asset and the loan has not been repaid when the asset is sold, the Council will first apply the proceeds of the sale to the repayment of the loan source unless the Council by Resolution determines otherwise.
  - f. Where 'internal' borrowing from an existing cash backed reserve occurs in lieu of external borrowing, Council will consider the appropriateness of internal repayment back to the reserve at the opportunity cost to Council of the funds utilised.
- 6) Debt will be carried in the accounts in accordance with the Australian Accounting Standards.
- 7) Council will review, at least annually, its borrowings and major capital funding.

## 2.2 Debt Servicing Ratio

- 1) The Debt Servicing Ratio (DSR) is the ratio of cash available to invest principal and lease payments. The ratio should not exceed the maximum of 5%.
- 2) BRC's DSR will depend on whether Council at that time is adopting:
  - a. A strategy of growth with its supporting infrastructure, technological upgrade or capital intensification of services; or
  - b. The status quo in the provision of services to the community.
- 3) Council's current and future revenue and expenditure patterns must be considered before undertaking an expansionary borrowing strategy. Council must be able to fund all recurrent expenditures associated with maintaining existing levels of service and current levels of debt servicing before increased levels of debt are undertaken from recurrent revenues.

### 3. RELEVANT POLICIES

Policies to be read in conjunction with this Policy are:

- 1) Financial Management
- 2) Debtor Management
- 3) Delegations Manual
- 4) Record of Debts

### 4. IMPLEMENTATION AND REVIEW

#### 4.1. Implementation

All personnel involved in borrowing will be trained in this Policy, and it will be published on the Barkly Regional Council website.

#### 4.2. Review

This policy will be reviewed on or before 29 November 2026.

### 5. VARIATIONS, REVOCATIONS AND/OR CHANGES

Barkly Regional Council reserves the right to revoke and/or amend this policy from time to time as is considered necessary to better manage its business and/or to comply with any legislative requirements.

### 6. APPROVAL

This policy is approved.

Chris Kelly  
Chief Executive Officer

  
Signature

29 Nov 2024  
Dated

**END**