

Name:	Borrowing		
Type:	Council Policy		
Owner:	Chief Executive Officer		
Responsible Officer:	Executive Manager Finance		
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1 PURPOSE

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

2 PRINCIPLES

City of Palmerston recognises that borrowing is an important funding method that may be utilised in order to meet Council's long-term strategic objectives, whilst addressing intergenerational equity and long-term financial sustainability.

3 DEFINITIONS

For the purposes of this Policy, the following definitions apply:

Term	Definition
Borrowings	Any form of financial accommodation for example, an overdraft, a loan, hire purchase or instalment purchase agreement.
Minor Transaction	An amount of \$200,000 or less. 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).

4 POLICY STATEMENT

4.1 Borrowing Purposes

City of Palmerston has a responsibility to ratepayers to employ the funds raised from borrowings in an efficient and productive manner.

City of Palmerston may apply to the Minister to borrow funds for capital projects or one-off special projects.

City of Palmerston will not borrow funds to meet normal operational requirements except for minor transactions.

Where City of Palmerston raises funds through borrowings (Internal or External), the funds will only be used for the purpose for which the loan was raised.

4.2 Borrowing Considerations

The following factors will be considered before City of Palmerston 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 be identified in the Municipal Plan and Long-Term Financial 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 cashflows and minimise the risk to Council.
- City of Palmerston will identify the affordability of proposals having regard to the long-term financial impacts of borrowing and the ability of City of Palmerston to meet the proposed debt servicing obligations.

4.3 Borrowing Conditions

4.3.1 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 APRA listed.

4.3.2 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 years.
- Small borrowings (<\$3 million) will have a maximum term of ten years.
- If external borrowings are used to purchase or construct an asset, the borrowings 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, City of Palmerston will first apply the proceeds of the sale to the repayment of the loan.
- Internal borrowings must be repaid and may attract interest.

4.4 Approval for Borrowing

City of Palmerston requires approval from the Minister for Local Government to undertake external borrowing. Such an application needs to consider any Ministerial or Department borrowing guidelines and be accompanied with a detailed business case including, but not limited to:

- Details of the purpose of the borrowing including an assessment of various alternative funding sources.
- Details of the proposed loan including; proposed loan value, intended term of the borrowing, type of the principal and interest repayments, total cost of borrowing and conditions attaching to any securitisation.
- Forward cash estimates as provided in the long-term financial plan detailing the capacity and ability to service the debt.
- A report on the current financial position and projected financial performance for the financial year.
- Council minutes approving the intention to borrow and approving the CEO to secure a loan.

- Council minutes approving the loan application to the Minister.

4.5 Reporting Requirements

As part of the monthly financial report the following information regarding both internal and external borrowing will be provided:

- Original borrowings per loan
- Total annual interest paid per loan
- Total annual principal repayments paid per loan
- Balance outstanding on each loan
- Relevant financial ratios

In the event of a loan payment default, the Council must be notified by the Chief Executive Officer.

5 ASSOCIATED DOCUMENTS

- 5.1 City of Palmerston Municipal Plan
- 5.2 City of Palmerston Long-Term Financial Plan

6 REFERENCES AND RELATED LEGISLATION

- 6.1 *Local Government Act*
- 6.2 Guideline 5 - Borrowing