

BORROWING POLICY AND PROCEDURE 2023

1. PURPOSE

The purpose of this policy is to outline council’s Borrowing Strategy and provide guidance for the borrowing of funds.

2. SCOPE

This policy applies to loan borrowings used to fund infrastructure and other specific capital projects.

Council recognises that borrowings for capital works are an important funding source for Local Government. It provides the opportunity to bring unfunded projects forward and ensures generational equity so that the full cost of infrastructure is not borne entirely by present-day ratepayers.

3. DEFINITIONS

The following definitions apply to this policy:

Council	refers to Clarence City Council.
Lending institution	<p>Refers to either:</p> <ul style="list-style-type: none"> • a financial institution licensed by the Australian Prudential Regulatory Authority (APRA) to carry on banking business, including accepting deposits from the public. This includes: <ul style="list-style-type: none"> - banks - building societies, and - credit unions, or • Tascorp

4. POLICY STATEMENT

This policy:

- outlines council's financial management strategy for existing and future borrowings
- outlines the criteria to be reviewed when council is considering the use of debt
- seeks to minimise the cost of borrowing, and
- demonstrates care and diligence in borrowing funds as part of council's good governance.

5. RELATIONSHIP TO COUNCIL STRATEGIC PLAN

The following Strategic Plan goals are relevant and apply to this policy:

- *Governance - Formulating and maintaining a suite of policies to provide a framework for the establishment and implementation of council's plans, strategies, programs and services.*
- *Council's assets and resources - Making affordable and equitable rates and charges by ensuring consistency in the application of rates and charges across the community, and reflecting the true cost of providing services to the community.*

6. RELATED DOCUMENTS

LEGISLATIVE (ACTS, REGULATIONS AND STANDARDS)

- *Local Government Act 1993*
- *Tasmanian Trustee Act 1898*

7. POLICY REQUIREMENTS

PRINCIPLES

Borrowings are not a form of revenue and do not replace the need for council to generate sufficient operating revenue to service its operating requirements.

The term of a loan should not exceed the expected economic life of the asset being funded.

PURPOSES FOR BORROWING

Council may borrow funds for:

- capital projects approved under council's Long Term Financial and Asset Management Plans,
- land acquisitions,
- asset acquisitions for strategic property holding, and
- asset replacement, renewal and upgrade.

APPROVAL OF BORROWING

All borrowings will be subject to council approval through:

- the annual estimates process, or
- a specific decision of council where borrowings are sought outside of the annual estimates timeframe.

DETERMINATION OF LENDER

Once a borrowing has been approved by council, an 'Expression of Interest' (EOI) process will be conducted with appropriate lending institutions.

A quotation process will be conducted whereby at least three lending institutions will be invited to submit written quotations on council's borrowing requirements.

Written quotations must include:

- interest rate
- term of the loan
- repayment intervals
- repayment instalment amount, and
- any applicable fees.

DEBT COMMITMENT RATIO LIMITS

Council will maintain a Debt Commitment Ratio of not more than 30%.

The Debt Commitment Ratio is calculated as a percentage of rate revenue utilised to pay interest and redeem debt principal.

8. IMPLEMENTATION AND COMMUNICATION

The Chief Financial Officer is responsible for the implementation of this policy. This policy will be communicated via council's intranet.

9. ADMINISTRATIVE ARRANGEMENTS

TABLE OF AMENDMENTS

No.	Date	Brief Details
1		

APPROVAL

COUNCIL APPROVAL DATE	19 June 2023
REVIEW	Every 5 years
RESPONSIBLE POSITION	Chief Financial Officer
ECM REFERENCE	ECM_497617