

Policy

Title: Council Borrowing Policy

Category: Corporate Governance

Date Last Adopted: 24 August 2020

1. Purpose

This policy outlines Council's Loan Borrowing Strategy and provides guidance for the prudent borrowing of funds.

2. Objectives

- To detail Council's planned financial management strategy for existing and future debt;
- Provide guidance as to the information that must be taken into consideration when Council is considering the use of debt;
- Minimise the cost of borrowing;
- Have regard to the long term and cumulative effects of Council's decisions;
- Exercise reasonable care and diligence that a prudent person would exercise when borrowing funds.

3. Limitations

- Division 2 of part 8 of the Local Government Act 1993 applies.
- Per Section 78, State Treasurer approval is required to enter into borrowings.
- Per Section 80, annual servicing costs are not to exceed 30% of revenue (excluding specific purpose grants).

4. Borrowing Guidelines

- 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;
- Financing of major infrastructure assets requires a strategic approach to evaluate the risk exposure to Council;
- Council, where it is appropriate, may enter into a borrowing facility for a long term asset construction or purchase projects;

- There will be no long term debt to finance operating activities, non-capital projects or recurring expenditure of Council;
- The term of the loan should not exceed the expected economic life of the asset being funded, subject to the maximum periods below; and
- The maximum period for borrowing will be set at 15 years. Variations to this will require a resolution of Council.

5. Determination of the Appropriate Lending Institution

- Once borrowing has been approved by Council as part of the Annual Budget Estimates, a quotation process will be conducted whereby appropriate lending institutions (Authorised Deposit-taking 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 installment amount;
 - Any applicable fees; and
 - The ADI's exposure to the Fossil Fuel industry.
- Interest rates may be fixed or variable for the term of the loan;
- Appropriate and acceptable documentation must be provided to Council by any prospective lender during the quotation/tender process;
- The calculation for any loan break costs must be clearly set out in the loan documentation; and
- Subject to the preceding considerations, in making borrowing decisions, regard will be taken to a lending institution being environmentally and socially ethical. Subject to the terms of the borrowing being the same, preference will be given to lending institutions that do not invest in the fossil fuel industry.

6. Provision of Information to Elected Members

Details of all current borrowings are to be provided to any elected member upon request and are to be included in the quarterly financial report provided to the Finance Committee.

7. Legislation, Terminology and References

The following legislation, circulars or guidelines are relevant to Councils when considering loan borrowing:

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

Responsible Officer:	Director City Enablers
Policy first adopted by the Council:	18/12/2017
History	
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