

Policy

Title: Council Borrowings

Category: Corporate Governance

Date Last Adopted: 1 December 2025

1. Objectives

This policy sets out the circumstances in which Council will undertake borrowings and manage its loan portfolio. The purpose of this policy is to provide clear direction on the authority of Council or Council officers to make borrowing decisions.

2. Background

Borrowing is a legitimate and responsible financial management tool when used to fund major infrastructure projects, as it spreads the payments for such assets across the generations who will benefit.

Borrowings will be considered as part of Council's long-term financial planning strategy.

The *Local Government Act 1993* establishes the following parameters for Council borrowings:

- Section 78 requires the Treasurer's approval to enter into borrowings; and
- Section 80(1) requires that the annual payments to service the total borrowings does not exceed 30 per cent of revenue for the preceding financial year, except with the approval of the Minister.

3. Policy

General

Borrowings should only be considered for the acquisition, upgrade or construction of assets that are not able to be funded from revenue, and which have been identified as a priority within Council's Plans. Borrowings to fund operational expenditure would only be considered in exceptional circumstances that are beyond the control of the Council, for example to respond to a natural disaster, and would require a Council resolution.

The following principles are to be applied when considering borrowings:

- Where appropriate, borrowings for infrastructure projects require a fully costed and evaluated business case, with all alternatives considered and the outcomes identified. The business case must demonstrate that the borrowing is capable of being accommodated within the Council's Long Term Finance Plan (LTFP);
- The term of the borrowing will 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.

Leases

Leasing is a form of financing and therefore any consideration of entering into a lease for assets should follow the Council Borrowing Policy.

Council will undertake a lease versus buy analysis for assets:

- Which diminish in value quickly (IT and gym equipment);
- Where assets will be disposed of in a short timeframe; and/or
- Where the lease option transfers responsibilities to the asset owner for maintenance and disposal.

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 where 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 – fixed or variable;
 - Term of the loan;
 - Repayment intervals;
 - Repayment installment amount;
 - Any applicable fees;
 - Loan break cost; and
 - The ADI's exposure to the Fossil Fuel industry.
- Appropriate and acceptable documentation must be provided to Council by any prospective lender during the quotation/tender process.

- 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.

Provision of Information to Council

Where Council officers recommend entering into borrowings as part of the annual Budget Estimates, any business case will be provided to the Council, along with any updates to the Council's LTTP.

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.

4. 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 Corporate Services
Policy first adopted by the Council:	18/12/2017
History	
Amended by Council	23/09/2019
Approved by Council	24/08/2020
Amended by Hobart Workshop Committee	01/12/2025
Next Review Date:	August 2027
File Reference:	F17/164690