



Borrowings Policy

Reference Number:	3.6
Type:	Council
Category:	Corporate Services
Relevant Community Plan Outcome:	<ul style="list-style-type: none">• Our values, leadership and collaborative approach are bold and courageous and enables us to deliver value for our Community and create a leading liveable City• The management of our city is progressive, responsive and sustainable to ensure a united and unique place for future generations• Open and accountable governance
Responsible Officer(s):	Manager Financial Services
First Issued/Approved:	July 1996
Minutes Reference:	CoS 07/08/2023, Item 4.29
Last Reviewed:	August 2023
Next Review Due:	August 2024
Applicable Legislation:	Local Government Act 1999 Local Government (Financial Management) Regulations 2011
Related Policies:	
Related Procedures:	

1. Purpose

This Policy indicates Council's approach to the use of borrowings as a funding source.

2. Scope

This Policy covers when it is appropriate for Council to use debt and the guide to appropriate benchmarks.

3. Policy Statement

Council regards debt as an appropriate mechanism to achieve the provision of certain services to its community in line with its strategic directions.

Debt will be considered as a viable funding source in the following circumstances:

1. In the context of the strategic objectives of Council.
2. In the context of long term financial forecasts and objectives.
3. As funding for long term infrastructure asset creation.
4. As a means of spreading the cost of infrastructure over the life of the asset and the ratepayers who can use it.
5. As a mechanism to fund temporary cash shortfalls.

Council has responsibility for in excess of \$1 billion of infrastructure assets. The use of debt is an important funding source for asset acquisition and renewal and is a useful mechanism for allocating the costs of such asset renewal and rehabilitation over a time frame that reflects when residents will benefit from the assets.

Short term debt can be a useful mechanism to meet short term cash needs.

Short term borrowing may be used to sustain the cash flows of Council having regard to anticipated receipts and expenditures and the annual cash flow budget. For this purpose, Council may operate an overdraft on its bank account and/or a cash advance facility from a financial institution.

Council's management of debt will focus on the net debt situation (borrowing less investments) and consequently sound cash management practises will dictate that Council will not borrow at higher interest rates when significant funds are invested at lower interest rates.

Council will manage its finances holistically in accordance with its overall financial sustainability strategies and targets. This means council will:

- Maintain target ranges for both its net financial liabilities and interest cover ratios;
- Not retain and quarantine money for particular purposes unless required to do so by legislation or agreement with other parties;
- Borrow funds in accordance with requirements set out in its Long Term Financial Plan;
- Apply any funds that are not immediately required to meet approved expenditure (including funds that are required to be expended for specific purposes but are not required to be kept in separate bank accounts) to reduce its level of borrowings or to defer and / or reduce the level of borrowings that would otherwise be required.

All loan borrowings will be subject to Council approval on the recommendation of the General Manager Corporate Services and /or Manager Financial Services. The nature of any borrowings (short or long term) and the interest rate (fixed, variable, inflation linked) will take into account the purpose of the borrowings and seek to minimise interest rate exposure.

As a guide debt levels are to be assessed within the limits of a net financial liabilities ratio less than 100% and interest cover ratio of less than 10% as per Council's Long Term Financial Plan.

All borrowings will be through the Local Government Finance Authority (LGFA) in the first instance unless Council deem it appropriate to go to tender via Council Resolution.

The Corporate Services Committee will receive on a yearly basis a status report on borrowings, including the impact of borrowings on Council's Long Term Financial Plan.

4. Definitions

N/A