

Wagga Wagga City Council

EXTERNAL LOANS BORROWING POLICY

REFERENCE NUMBER	POL 019		
ORIGINAL APPROVAL DATE	August 2004		
RESPONSIBLE MANAGER	Manager Finance		
RESPONSIBLE DIRECTOR	Finance		
<p>This document is to be reviewed: every four years or in the first 12 months of the new term of Council, whichever occurs first. Next review date: September 2020</p>			
Revision number	Issue Date	Council resolution	Council meeting date
1	23/8/2004	Res. No. 04/243	23 August 2004
2	27/7/2009	Res. No. 09/077	27 July 2009
3	May 2013	E-Team	18 June 2013
4	August 2013	Res No: 13/224.1	26 August 2013
5	August 2017	Res No: 17/279	28 August 2017

PART 1: INTRODUCTION

External loan borrowings are an important source of funding for Council's capital works. However, there are legislative requirements that must be complied with, and repayment commitments must be managed to avoid adverse annual budget effects.

1.1 Policy Statement

External loan borrowings (other than borrowings for the purposes of sewerage fund, domestic waste management or declared business operation), by Council shall

- comply with the Borrowing Order made from time to time by the Minister of Local Government
- be in accordance with Council's Operational Plan prepared pursuant to section 404 of the Local Government Act 1993 (as amended).
- be drawn down in amounts for either individual or combined capital expenditure projects
- carry principal and interest repayment commitments such that Council's total repayment commitments do not exceed the benchmarks of consolidated debt servicing ratio of equal to or greater than 2.0 and interest cover ratio of equal to or greater than 4.0.

External loan borrowings for the purposes of sewerage fund, domestic waste management or declared business operations shall

- comply with the Borrowing Order made from time to time by the Minister of Local Government
- be in accordance with Council's Operational Plan
- be drawn down in amounts for either individual or combined capital expenditure projects

Refinancing of borrowings shall

- comply with the Borrowing Order made from time to time by the Minister of Local Government
- be for no longer term than the remainder of the notional term of the original money borrowing unless resolved by Council

1.2 Policy Objectives

To ensure that Council's loan borrowing procedures and commitments

- comply with relevant legislation
- stay within optimum levels for annual budget and other financial purposes.

1.3 Scope of Policy

This policy applies to all borrowings from external sources.

1.4 Definitions

Capital expenditure projects those projects identified as capital projects in Council's Operational and Long Term Financial Plan

Debt Service Cover Ratio (DSCR) Operating results before interest & depreciation

Principal repayments (as per statement of cash flows)
+ Borrowing interest costs (as per income statement)

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments. Benchmark = Greater than 2.0x

Declared business operations means operations declared by Council for the purposes of the implementation of National Competition Policy.

Interest Cover Ratio Operating results before interest & depreciation

Borrowing interest costs (as per income statement)

This ratio indicates the extent to which a Council can service its interest bearing debt and take on additional borrowings. It measures the burden of the current interest expense upon a Council's operating cash. Benchmark = Greater than 4.0x

Notional term relates to the full term of a loan which has a fixed rate for only a portion of that term.

Operational Plan means the operational plan prepared pursuant to section 404 of the Local Government Act 1993 (as amended)

Refinancing means borrowings related to the re-negotiation of a maturing loan where the *notional term* has not been completed.

1.5 Legislative Context

The borrowing of money is a matter that Council is not permitted to delegate (Section 377 Local Government Act).

1.6 Related Documents

Local Government Act 1993 (as amended)

Local Government (General) Regulations

Local Government Code of Accounting Practice and Financial Reporting

Minister of Local Government Borrowing Order pursuant to section 624 of the Act (Appendix A11, Code of Accounting Practice)

Wagga Wagga City Council's Operational Plan

Wagga Wagga City Council's Long Term Financial Plan

Division of Local Government Capital Expenditure Guidelines

1.7 Responsibilities

Elected Council is responsible for formulating, reviewing and revising Council policy. Due to the existence of sections 435-438 of the Local Government Act, elected members have a direct interest in enforcing the provisions of this policy.

1.8 Reporting Requirements

Council is required to complete a proposed loan borrowings request for the Division of Local Government each year. If there is an increase in the amount of borrowings required for the year, Council must pass a resolution to this effect and notify the Division of Local Government of the increase.

1.9 Approval Arrangements

A Council resolution is required prior to the drawing down of funds.

1.10 Review procedures

Council will review the level of borrowings each year during the Integrated Planning and Reporting process to ensure that benchmark levels are maintained.