

Wagga Wagga City Council

INTERNAL LOANS BORROWING POLICY

POLICY REFERENCE NUMBER	POL 020		
ORIGINAL APPROVAL DATE	August 2004		
RESPONSIBLE MANAGER	Manager Finance		
RESPONSIBLE DIRECTORATE	Finance		
This document is to be reviewed: every four years or in the first twelve months of the new term of Council, whichever occurs earliest. Next review date: September 2020			
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: 13/244.1	26 August 2013
5	August 2017	Res No: 17/279	28 August 2017

PART 1: INTRODUCTION

Internal loans allow Council to utilise funding from cash reserves to finance activities for which there would otherwise be a need for borrowings from a third party. Internal loans allow Council to maintain a certain level of flexibility and affordability to respond to unexpected funding requirements.

1.1 Policy Statement

Internal loans shall

- be made only from current available Council reserves and only to the extent that cash funds are available within that reserve at the time of making the loan
- not be made for the purposes of sewerage fund or domestic waste management operations and projects
- be made on a fixed interest *credit foncier* basis unless otherwise determined by Council resolution
- be made at an interest rate that is the current Reserve Bank of Australia (RBA) cash rate
- not be made for a term of greater than 10 years
- be documented by resolution of the Council
- be accounted for within Council's general ledger

New internal loans shall be made by Council resolution, the recommendation for which shall set out the purpose of the loan and the principal amount, the term of the loan and the interest rate applicable.

Repayments of internal loans shall require only the general authorisation contained in the adoption of Council's Operational Plan.

1.2 Policy Objectives

To establish Council policy in relation to the operation of the internal loans reserve, including types of projects to be funded, interest rates and associated matters.

1.3 Scope of Policy

This policy applies to all new internal loans.

1.4 Definitions

Current cash rate	means the cash rate as set by the Reserve Bank of Australia (RBA) each quarter.
Credit foncier loan	means a loan to be repaid by equal instalments covering both principal and interest.
Internal loans reserve	means the reserve fund established for the purposes of Council's internal loan scheme.

1.5 Legislative Context

The voting of money for expenditure on its works, services or operations (which includes transfers of funds to or from reserves) is a matter that Council is not permitted to delegate (section 377 Local Government Act).

Council may, with Ministerial approval, borrow funds by way of internal loan from externally restricted reserves, such as the sewer reserve, pursuant to section 410 of the Local Government Act.

Requirements for the affixing of the common seal are set out in regulation 48 of the Local Government (General) Regulations.

1.6 Related Documents

Local Government Act 1993 (as amended)

Local Government (General) Regulations

Local Government Code of Accounting Practice and Financial Reporting

Wagga Wagga City Council Operational Plan

Wagga Wagga City Council Long Term Financial Plan

1.7 Responsibilities

Council's Manager Finance is responsible for the oversight, implementation and utilisation of Internal Loans.

1.8 Reporting Requirements

The movements and balance of the Internal Loans Reserve are reported to Council each year as part of the annual Financial Statements reporting requirements.

1.9 Approval Arrangements

Funding approvals are by way of Council resolution.

1.10 Review procedures

Internal loans reserve transfers are reviewed each year via Council's Integrated Planning and Reporting process.

PART 2: GENERAL PROVISIONS

2.1 Funding

Internal loan reserve is funded by principal and interest payments being returned to the reserve when they are due. Council reserves the right to place surplus bottom line savings each year to the Internal Loans Reserve to provide a flexible and affordable means of funding unexpected projects.

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