

## BORROWING & OVERDRAFT POLICY

### POLICY OBJECTIVE

The broad objective of this policy is to make policy-based provision with respect to Wentworth Shire Council (Council) borrowings, so as to ensure that all such borrowings are strictly in accordance with the relevantly applicable legislative provisions.

### 1. POLICY STATEMENT

The intent of this policy is to ensure the sound management of Council's existing and future debt. Council recognises that loan borrowings are an important funding source for Local Government by providing the opportunity to bring unfunded projects forward and ensures that full cost of infrastructure is not borne entirely by present-day ratepayers.

### 2. POLICY COVERAGE

This policy applies to all borrowings of Council.

### 3. STRATEGIC PLAN LINK

Objective: 4.0 Wentworth is a caring, supportive and inclusive community that is informed and engaged in its future.

Strategy: 4.1 Provide strong and effective representation, leadership, planning, decision-making and service delivery.

### 4. DEFINITIONS AND ABBREVIATIONS

Term/Word	Definition
<b>Borrowing</b>	Cash received from another party in exchange for future payment of the principal, interest and other finance charges.
<b>Council</b>	Wentworth Shire Council
<b>Debt Service Ratio</b>	Is the measure of the level of debt servicing costs as a percentage of total revenue from ordinary activities. It indicates the ability to service debt and the risk associated with debt and interest commitments. The benchmark for this ratio is > 0% and < 20%.
<b>Loan Break Costs</b>	Costs associated with paying out a loan prior to the loan expiry date.
<b>OLG</b>	Office of Local Government

### 5. POLICY CONTENT

It is the policy of this Council that:

#### Principles

Loans will be used to fund infrastructure and other specific capital projects. At no time are loans to be used to fund annual operational expenditure;

The total amount of loan borrowings is to be sustainable in terms of Council's ability to meet future repayments and budgetary obligations;

Prior to undertaking any borrowing, Council shall assess its capacity to repay the loan ensuring the community is not burdened with unnecessary risk including interest rate changes;

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The total amount of loan borrowings will meet industry best practice in respect to Council's Debt Service Ratio;

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;

Any proposed borrowing amount must be included in Council Delivery Program and Annual Operational Plan;

All borrowings will be considered in line with Council's Long Term Financial Plan and Community Strategic Plan;

Before considering a loan, Council will take into account inter-generational equity considerations in terms of the ratepayers who benefit from the expenditure and therefore on a user pays basis, who should pay for the costs associated with such expenditure; and

Where possible that the structure of any borrowing is appropriate for the nature of the asset being funded.

### Limitations

The Local Government Borrowing Order prescribes current borrowing restrictions:

- Council shall not borrow from any source outside the Commonwealth of Australia nor in any currency other than Australian currency.

### Loan Terms

The repayment period of a loan should not exceed the useful life of the asset being funded, but in all cases shall not be for a period in excess of 20 years.

### Security

In accordance with the *Local Government Act 1993*, security for any loan will only be given over future Ordinary Rates of Council.

### Borrowing Redemption

When surplus funds exist, the decision to repay loan borrowings shall be made based on the facts available at the time giving due regard to minimising the overall cost to Council. Loans will only be paid out early if there is a significant financial benefit to Council.

### Internal Borrowings – Externally Restricted Funds

Internal loans from externally restricted funds must have approval from the Minister for Local Government before the loan can be drawn down.

### Internal Borrowings – Internally Restricted Funds

The use of internally restricted funds is not considered to be an internal loan by the OLG. The use of internally restricted cash for a purpose that is different from its original purpose requires a recession of a previous Council resolution.

Borrowings from internally restricted funds must be approved via a Council resolution and must be in accordance with this policy, a payment schedule to repay the internal borrowings will drafted to ensure repayments to internal reserves can be funded, as if it was an external loan.

### Overdraft

Council has an overdraft facility established with the Bendigo & Adelaide Bank. The overdraft facility is only used for short term unavoidable and essential cash flow purposes only.

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At no time is the overdraft facility to be used as an operating debt facility or to fund anything except unavoidable and essential short-term cash flow requirements.

Use of the overdraft facility is to be jointly approved by the General Manager and the Director Finance & Policy and must be reported to Council at the next available Council meeting.

### Reporting

Council is required to complete the Office of Local Government (OLG) Proposed Borrowing Return detailing projects to be funded for any borrowings each financial year.

A monthly reconciliation of all borrowings, will be completed by the Finance team and reported to Council as part of the monthly finance report.

## **6. RELATED DOCUMENTS & LEGISLATION**

### Legislation

- *Local Government Act (NSW) 1993*
- *Local Government (General) Regulation 2021*
- *Public Interest Disclosure Act 1994 (NSW)*
- *Government Information (Public Access) Act 2009 (NSW)*
- *Privacy & Personal Information Protection Act 1998 (NSW)*
- *Health Records & Information Privacy Act 2002 (NSW)*
- *Independent Commission Against Corruption Act 1998 (NSW)*
- *State Records Act 1998 (NSW)*

### Council Policies

- GOV001 - Gifts and Benefits Policy
- GOV004 – Internal Reporting Policy
- GOV005 – Procurement Policy
- GOV008 – Public Access to Information Held by Council Policy
- GOV020 – Code of Conduct Policy
- GOV022 – Legislative Compliance Policy
- GOV023 – Conflicts of Interest Policy

### Council Documents

- Legislative Compliance Framework
- Governance Framework
- Procurement Manual
- Privacy Management Plan
- Records & Information Management Policy (Operational)
- Gifts and Benefits Register
- Conflicts of Interest Register

## **7. ATTACHMENTS**

Nil.



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**8. DOCUMENT APPROVAL**

This document is the latest version of the official policy of the Wentworth Shire Council, as adopted by Council on 29 June 2022. All previous versions of this policy are null and void.

This policy may be amended or revoked by Council at any time.

A PDF copy of the signed document can be accessed from Council's record management system and Reliansys.



Signed: .....

30 June 2022

**General Manager Wentworth Shire Council**

**Date**