

Loan Borrowing Policy



Responsible Division	Financial Services
Responsible Business Unit/s	Financial Services
Responsible Officer	Manager Financial Services
Affected Business Unit/s	Financial Services
Document Ref	3698600

Purpose

To provide guidance for the prudent borrowing of funds to ensure:

- transparent and accountable decision-making by the City; and
- the City's financial resources are appropriately managed.

Policy Statement

a) While the City's preferred position is to minimise debt, should that not be practical, the City recognises that it may be necessary to borrow funds for the acquisition or construction of assets and other strategic projects. In these cases, the following principles for loan borrowings apply:

- New borrowings should only occur when Council deems the annual debt service expense to be affordable in the context of the annual budget process and Council's long-term financial capacity.
- Borrowings will only be considered for the following items, in order of priority:
 1. Cash flow support to fund future underground power programs in the city;
 2. If the debt is self-supporting including interest and principal, or the City has the capacity to repay the interest on the debt and accumulate cash reserves that will ensure full principal repayment upon loan maturity.
 3. To fund new or major upgrades to City assets or strategic land acquisitions
- Council to maintain a debt service cover ratio in alignment with any benchmarks introduced by the Department of Local Government, Sport and Cultural Industries.
- New borrowings will only be considered where a comprehensive business case has been approved by Council.

b) Annual Loan Borrowing Program

As part of the Annual Budget process, Council shall initially determine its proposed loan borrowing program and disclose any proposed new money borrowings. Council will only consider external loan borrowings from the Western Australian Treasury Corporation (WATC).

The Chief Executive Officer has the authority to accept loan offers from the WATC subject to the borrowing amount being previously approved by Council and the requirements of this policy being adhered to.

c) Internal Loans

An internal loan from reserve funds is a funding option that can be considered by Council to finance projects in lieu of borrowing externally, however the same principles will apply.

d) Community Group Self-Supporting Loans

A Community Group self-supporting loan may be considered by Council where the applicant is able to satisfy the following conditions:

- The group is a registered not-for-profit organisation and has appropriate Public Liability insurance cover. Loans will not be awarded to individuals, organisation's that operate for commercial purposes, or for projects/events that are run for commercial purposes.
- The group is free of any debt to Council in relation to lease fees, rates, or other debts.
- The community organisation must have constructed facilities on Council-owned freehold land or reserved land administered by the Council, the lease on which is not to expire within five years of the loan being granted.
- A loan will only be provided to fund the augmentation, extension or improvement of facilities. Requests associated with meeting ongoing salary, rent, day-to-day operational costs or commercial undertakings, will not be considered.
- The improvement must provide a benefit to the community and be for the purpose of enhancing the activity of the sporting or community group.
- Applications should align with the City of Bayswater's Strategic Management Plan/Community Infrastructure Strategic Plan.
- The improvement is for a permanent structure or improvement, or an item considered to be fixed to a structure. Minor repairs and moveable items/plants will not be funded.
- The Council must be satisfied that the group has the capacity to service the debt and there is a minimum risk of default.
- The group must provide the following information to Council:
 - three years audited financial statements (with the latest statement no more than 12 months old);
 - detailed 10-year cash flow projection; and
 - current membership details and member numbers for the prior three (3) years.
- Audited financial statements are to be provided on an annual basis during the life of the loan to provide support that the group has financial capacity to service the loan.
- The loan funding for the project varies across various Councils, ranging from 25% to 80% funding of the overall project cost.

- Any group making an application for amounts over \$5,000 under this Policy will be required to attend either a Briefing Session or Council meeting to present their application and respond to Elected Members' questions or information requirements.

This policy is to be reviewed as part of the annual budget process, or as required in the event of legislative changes.

Definitions

Nil.

Related Legislation

Local Government Act 1995 (WA)

Local Government (Financial Management) Regulations 1996

Local Government Loan Application Guidelines published by the Western Australian Treasury Corporation

Australian Accounting Standards

Related Documentation

Nil.

Relevant Delegations

Risk Evaluation	Moderate
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Council Adoption	27 November 2018
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Review/Modified	23 June 2020
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Review/Modified	31 October 2023
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Review/Modified	
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