



Name	FIN13 Borrowing
Policy Type	Council
Responsible Officer	General Manager Business Excellence
Approval Date	19/07/2022
Review Date	18/07/2026

**1. Purpose**

This policy sets out the circumstances under which Council might use debt as a source of funds and principles to be applied in relation to borrowing.

**2. Scope**

Council is committed to operating in a financially sustainable manner and in accordance with its Long-Term Financial Plan and principles of financial sustainability.

Council considers that debt funding may be appropriate in the following circumstances:

- fund the acquisition, construction, expansion or refurbishment of a major capital asset or other expansion in capital works; or
- The Council is satisfied it can manage the risk and meet the debt repayments in the context of long-term financial planning and financial sustainability.

Debt will not be used to cover recurrent operating expenses.

Council generally prefers to minimise debt and financial risk.

**3. Definitions**

For the purposes of this Policy, the following definitions apply:

Borrowings	Any form of financial accommodation for example, an overdraft, a loan, hire purchase or instalment purchase agreement and the present value of future payments under a finance lease.
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**4. Policy Statement**

Council recognises that borrowing for capital works is an important funding source for Local Government and that the full cost of Infrastructure should not be borne entirely by present-day ratepayers, but be contributed to by future ratepayers who will also benefit.

External borrowings will be limited to the funding of significant items of capital expenditure:

- the life of which is expected to exceed the term of any funds borrowed;
- that cannot be funded from other sources; and
- that are within the contexts of affordability, risk and financial sustainability.

Borrowings are to be utilised for the purpose for which the loan was raised. If a borrowing is undertaken and the final cost is less than the total approved loan amount, resulting in unexpended loan funds, unexpended loan funds will be placed in a reserve until a suitable use of the funds is identified.

Where a loan is raised by Council to obtain an asset and the loan has not been repaid when the asset is sold, Council will consider, on the basis of costs and benefits, first applying the proceeds of the sale to the repayment of the loan source.

Repayment of the debt period to be no longer than the weighted average estimated useful life of the related assets purchased, or 20 years whichever is the lesser.

**5. Associated Documents**

- Litchfield Council Financial Policies and Procedures
- Litchfield Delegation Manual

**6. References and Legislation**

The *Northern Territory Local Government Act 2019* sets out the requirements for Council borrowing in Part 10.3 Council or local government subsidiary borrowing.

- Australian Accounting Standards
- Ministerial Guidelines
- Local Government General Instructions

**7. Review History**

Date Reviewed	Description of changes (Inc Decision No. if applicable)
12/11/2008	PA08/CAM/012
11/10/2012	PA12/CAM/012
13/12/2017	Update in line with Ministerial Guidelines and update to new policy number rescind LC04
19/07/2022	Update in line with <i>Local Government Act 2019</i>