



Treasury Policy on Council Loan Borrowings FS-CP-704

(PUBLIC POLICY)

1 Policy History

Revision No.	Council Meeting Date	Minute No.	Adoption Date
1	24/08/2010	0296	24/08/2010
2	27/01/2015	15/005	27/01/2015
3	13/02/2018	18/046	16/03/2018
4	10/12/2019	19/387	17/01/2020
5	14/06/2022	22/151	15/07/2022

2 Policy Objective

To place a maximum limit on loan borrowings by individual funds to ensure Council limits its level of indebtedness to a manageable level whilst still providing a valuable source of funding for approved major capital works.

3 Policy Statement

- 3.1 Council shall limit its Debt Service Cover Ratio in total for all funds (General, Waste, Water & Sewer) to a minimum level of >4x as at 30 June for each completed financial year.
- 3.2 To ensure that the above Debt Service Cover Ratio is maintained at or above >4x, the total level of borrowings outstanding across all funds should be no greater than \$45 million as at 30 June for each completed financial year.
- 3.3 The General fund will limit its Debt Service Cover Ratio to a maximum level of >2x to ensure it can sustainably meet its debt obligations as they fall due.
- 3.4 Council shall not borrow funds for water supply works and provision shall be made in each annual budget for sufficient fees and charges to be levied that will meet the requirements of the Capital Works program to be completed with any reserve funds to be set aside into a Water Fund Reserve.
- 3.5 Council will revise downwards both the Debt Service Cover Ratio percentage and maximum borrowing limits as debt is reduced overall. Revisions should take place on a three (3) year cycle.
- 3.6 An indicative table to advise maximum borrowing limits and debt servicing cover ratios is as follows;

Fund name	Borrowing Limit allowable	Debt Service Cover Ratio limit
General	\$25.0 million	>2x
Waste	\$2.0 million	>4x
Water	\$ Nil	Nil



Sewer	\$18.0 million	>3x
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The amount each fund can borrow at any point in time will depend on the overall aggregate amount of borrowings which cannot exceed each individual borrowing limit or debt service cover ratio or the total aggregate limits as at 30 June each year as set out in this policy.

4 Definitions

None

5 Exceptions

None

6 Legislation

None

7 Related Documents

None

8 Directorate

Business Cultural and Financial Services