

Central Coast Council

Borrowings Policy

Date Adopted: 22/07/2025

Revision: 1

Central
Coast
Council



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1. Policy Objectives

- 1.1. To provide an effective, accountable, and transparent framework for decision making, with respect to undertaking borrowings, in accordance with the *Local Government Act 1993 (the Act)*, *Local Government (General) Regulation 2021 (the Regulation)*, and the 13 May 2009 (**Borrowings Order**).
- 1.2. To ensure funding of long dated assets achieves intergenerational equity, that is, that current and future ratepayers both contribute towards the assets they utilise now and in the future.

2. Policy Scope

- 2.1. This Policy applies to all employees who actively manage, or supervise employees who actively manage, Council's internal and external borrowing of funds (including the use of an overdraft facility).

3. Policy Statement

- 3.1. This Policy establishes an effective, accountable, and transparent framework for decision making with respect to managing Borrowings undertaken by Council.
- 3.2. Borrowings must be conducted in a manner that is financially prudent, ensuring that debt levels and servicing costs are manageable and sustainable.

4. Borrowings

- 4.1. Council recognises that loan borrowings for capital works are an important financing mechanism for local government. Loan borrowings provide the opportunity to bring projects forward and to ensure that the full cost of infrastructure is not borne entirely by present day ratepayers.

4.2. Permissible Reasons to Borrow

Council is only to consider borrowings:

- 4.2.1. To accelerate capital works projects in Council's Long Term Financial Plan where bringing works forward is cost effective and results in asset management savings over the life of the asset.
- 4.2.2. For the creation or major refurbishment of a significant infrastructure asset which is unable to be funded from Council's planned long term expenditure.
- 4.2.3. To enable capital works funded from developer contributions, with repayments from future contributions.
- 4.2.4. For land or other asset acquisition for strategic property holdings.

- 4.2.5. Council will not borrow funds for (except through an overdraft as per 4.7):

- 4.3. Council will **not** borrow funds for (except through an overdraft as per 4.7):
 - 4.3.1. General operating costs, maintenance activities or other service provision that does not require major assets.

4.4. Internal Borrowings

When borrowing funds, Council will in the first instance, where appropriate and advantageous for Council, seek to use its own surplus cash funds.

Externally Restricted Funds

- 4.4.1. Internal Loans from Externally Restricted Reserves must have Ministerial Approval before the Internal Loan can be drawn, in accordance with Section 410(3) of the Local Government Act 1993.
- 4.4.2. Funds can be borrowed internally within the Section 7.11 Reserves only for the purpose of other Section 7.11 works. These funds cannot be used to fund works that are not part of the Section 7.11 works schedule.
- 4.4.3. A repayments schedule to repay internal borrowings will be drafted to ensure repayments to Externally Restricted Reserves can be funded and are made as scheduled to ensure timely replenishment of the Plan borrowed from.

Internally Restricted Funds

- 4.4.4. Where it is identified that Council holds Internally Restricted Reserves that are not required in the short term, those funds can be used as a replacement for an external loan borrowing where the cost of using external funds acquired through borrowings is greater than the foregone earnings on funds that are surplus to current requirements.
- 4.4.5. The use of Internally Restricted Reserves for a purpose that is different from its original purpose requires Council approval.
- 4.4.6. Under no circumstances shall funds be borrowed from Trust Accounts.

4.5. Approach to Borrowings

When considering borrowings, the following requirements will be met:

- 4.5.1. New borrowings are made in accordance with relevant legislation
- 4.5.2. Other measures such as changing the planned timing of project cash flows, internal borrowing, or seeking grants from government or other sources are considered.
- 4.5.3. It is determined that borrowings are the most appropriate and cost-effective way to provide the cash to enable the delivery of the project/s. Proposals for borrowings must include a detailed business case and cashflow analysis showing:

- (a) For building or purchasing infrastructure - that full funding costs can be repaid over the life of the asset
- (b) For economic investments - that the investment in a new asset decreases existing costs or provides new revenue in excess of its funding costs (i.e., positive Net Present Value)
- (c) The future impact on the Long-Term Financial Plan, having regard for the Council's ability to service debt and the whole of life operating costs of the project.

4.5.4. The annual debt service expense is affordable in the context of the annual Operational Plan and Council's Long Term Financial Plan, within current budget constraints and allows for current service levels to be maintained.

4.5.5. Debt Service Cover ratio is maintained as per the industry benchmark of greater than 2 times.

4.5.6. All borrowings must be repaid within the assessed economic life of the asset that it was used to fund.

4.5.7. The total of the loan borrowings is sustainable in terms of Council's ability to meet future repayments and budgetary obligations.

4.5.8. The risk and cost of borrowing is minimized via a structured procurement program.

4.5.9. The spread of debt maturities is within the set funding /refinancing risk limits.

4.5.10. Council will review all loans at least annually. Current and future loans will be considered as part of the ongoing review of Council's Long Term Financial Plan, to identify potential early repayment of loans, and future borrowings requirements. We will consider any actions necessary to match our evolving financial requirements and optimize debt cost. This may include:

- (a) Debt consolidation
- (b) Change to lower cost providers
- (c) Other changes to loan terms

4.6. Interest Rates Parameters

Council will obtain professional advice regarding determining the period for which the interest rate should be fixed. The factors that will be considered shall include:

4.6.1. The level of the interest rate when compared to the long term average official interest rate.

4.6.2. Recent movements in the official interest rate.

4.6.3. The term of the loan

4.7. Overdraft

- 4.7.1. Council may have an overdraft facility with its transactional Bank
- 4.7.2. An overdraft facility is only used for short term unavoidable and essential cash flow purposes. The use of the overdraft facility will normally occur when the cost of surplus funds held in interest bearing deposits, for which the transfer to cash will incur, a significant penalty and is largely not cost effective.
- 4.7.3. The use of the overdraft facility will generally be avoided through careful cash management practices to ensure sufficient funds are available to fund daily expenditure requirements.
- 4.7.4. At no time is the overdraft facility to be used as an ongoing debt facility or to fund anything except short term cash flows.

5. Responsibilities

Compliance, monitoring and review

- 5.1.** Pursuant to section 223 of the Act, the elected Council is responsible for ensuring Council is, as far as possible, financially sustainable. Therefore, it is the responsibility of the elected Council to ensure this policy is designed to achieve that.
- 5.2.** Pursuant to section 335 of the Act, the Chief Executive Officer is responsible to conduct the day-to-day management of Council in accordance with the strategic plans, programs, strategies, and policies adopted by the elected Council. Therefore, the Chief Executive Officer is responsible for implementing the elected Council's decisions in accordance the borrowings management practices as outlined in this Policy.
- 5.3.** The Responsible Accounting Officer is responsible for reporting and reviewing borrowings.
- 5.4.** The Chief Financial Officer is responsible for compliance with this Policy and its review at least once a year or as required in the event of legislative changes. This Policy may also be changed as a result of other amendments that are to the advantage of Council and in the spirit of this Policy. Any amendments to this Policy must be by way of Council resolution

Reporting

- 5.5.** Council is required to complete the Office of Local Government Borrowing Return detailing projects to be funded from any borrowings for the financial year, on an annual basis.

Records management

- 5.6.** Staff must maintain all records relevant to administering this protocol in accordance with Council's [Information and Records Management Policy](#).

6. Policy Definitions

Act	means the <i>Local Government Act 1993 (NSW)</i>
Borrowing	means cash received from another party in exchange for future payment of the principal, interest, and other finance charges.
Borrowing Costs	means interest and other costs that an entity incurs in connection with the borrowing of the funds
Council	means Central Coast Council
Debt Service Cover Ratio	<p><i>Operating result before capital (excluding interest and depreciation/impairment/amortisation).</i></p> <p><i>Principal repayments plus borrowing costs</i></p>
Delegated Authority	means any function, duty or power vested in the Council by the Act, that the Council may, within the terms of the Act, delegate to a Council member, Committee of the Council, Chief Executive Officer, employee or person or class of persons approved for the purpose.
Major Banks	<p>means Australian banking groups:</p> <ul style="list-style-type: none"> • Australia and New Zealand Banking Group Limited • Commonwealth Bank of Australia • National Australia Bank Limited • Westpac Banking Corporation <p>This includes ADI subsidiaries whether or not explicitly guaranteed, and brands (such as St George). Council may ratify an alternative definition from time to time.</p>
Overdraft facility	means a loan that is not drawn down completely when approved but allows for a series of timed borrowings over a period up to the maximum of the facility.
Year	means from July 1 to June 30 (financial year).

7. Policy Administration

Business Group	Corporate Services
Responsible Officer	Chief Financial Officer
Policy Review Date	Four years from date of adoption
File Number / Document Number	D16796474
Relevant Legislation (reference specific sections)	<p>This Policy supports Council's compliance with the following legislation:</p> <ul style="list-style-type: none"> ▪ <i>Local Government Act 1993 (NSW)</i> ▪ <i>Local Government (General) Regulation 2021 (NSW)</i> ▪ Ministerial Borrowing Order (13 May 2009)
Link to Community Strategic Plan	<p>Theme 4: Responsible</p> <p>Goal G: Good governance and great partnerships</p> <p>R-G3: Provide leadership that is transparent and accountable, makes decisions in the best interest of the community, ensures Council is financially sustainable and adheres to a strong audit process.</p>
Related Policies / Protocols / Procedures / Documents (reference document numbers)	<ul style="list-style-type: none"> ▪ Australian Accounting Standards ▪ Code of Conduct ▪ Delegations Register ▪ Information and Records Management Policy ▪ Local Government Code of Accounting Practice and Financial Reporting

9. Policy Authorisations

No.	Authorised Function	Authorised Business Unit / Role(s)
TBA	Management of Investments	Finance

10. Policy History

Revision	Date Approved / Authority	Description Of Changes
1	TBA	New Policy adopted (separation of the previous Policy for Investment and Borrowings Management Policy)