
FP012 – Borrowing – Debt Management

1. Intention

To set out the circumstances in which Council may consider borrowings to fund the acquisition, renewal or construction of specified assets and to provide guidance on the appropriate terms of any such borrowing.

2. Scope

This policy applies to Elected Members and employees of the Shire of Waroona.

3. Statement

This policy recognises that loan borrowings for capital works are an important funding source for local government and that the full costs of infrastructure should not always be borne by present day ratepayers, but be contributed to my future ratepayers who will also benefit and use such infrastructure. This is known as “Intergenerational Equity”.

Council will restrict all borrowings to expenditure on identified capital projects that are considered to be of the highest priority, and which cannot be fully funded from other sources and accordingly have been identified in Council’s Corporate Business Plan and Long Term Financial Plan.

3.1 Principles

The following principles will apply in regards to the use of borrowings as a funding source and are to be considered in the formulation of annual budgets.

- In no circumstances will Council borrow funds for operating expenditure or recurrent capital expenditure.
- Borrowings will only be considered for projects which are to benefit the majority of ratepayers/residents.
- Term of the loan must not exceed the expected life of the asset being funded.
- Borrowings will only be considered for projects within identified strategic objectives of Council (Strategic Community Plan and supporting documents)
- Borrowings will not be considered as a funding source if the borrowing will increase Council’s Debt Service Ratio to more than 10%. This ratio is measured as follows: “principal plus interest costs divided by available operating revenue.”
- Council may during budget deliberations elect to pay outstanding debt early with the use of untied surplus funds at year end (if available).

4. Legislative and Strategic Context

The *Local Government Act 1995* and the associated subsidiary legislation provide the broad framework within which this policy operates.

5. Review

This policy is to be reviewed as required.

6. Associated Documents

Nil.

Division	Finance				
Policy Number	FP012				
Contact Officer	Director Corporate Services				
Related Legislation	Local Government Act 1995 Local Government (Financial Management) Regulations 1996				
Related Shire Documents	Strategic Community Plan Corporate Business Plan Annual Budget				
Risk Rating	Low	Review Frequency	As required	Next Review	When required
Date Adopted	18/12/2018				OCM18/12/126

Amendments		
Date	Details of Amendment	Reference
22/06/2021	Updated as part of major review and reformatted.	OCM21/06/071
Previous Policies		
FIN024 – Borrowing – Debt Management 3.18 – Recovery of Debts		