

Our Vision

Nambucca Valley ~ Living at its best

Our Mission Statement

'The Nambucca Valley will value and protect its natural environment, maintain its assets and infrastructure and develop opportunities for its people.'

1.0 Policy objective

To ensure that Council's operating and capital expenditure capacity is not restricted by servicing debt.

2.0 Related legislation

Local Government Act 1993
Local Government Regulations 2005

3.0 Definitions

Nil

4.0 Policy Content

- 4.1 That loan borrowings are only to be utilised for financing Capital Improvements.
- 4.2 That loan repayment terms should reflect the anticipated life of the capital improvement in order that the cost of the benefit derived by the community is equitably shared.
- 4.3 That Council's debt service cover ratio, operating revenue less operating expenditure, exceeds 2X, except after careful cost benefit analysis and careful assessment, Council may resolve to accept a lower ratio to fund strategic projects.
- 4.4 That net debt service costs are the principal and interest loan repayments, overdraft interest and other debt repayment costs applicable during a year.

Discussion

Council as a developing area relies on loan funds to finance capital improvements and this policy is aimed at ensuring that Council is capable of servicing its debt, taking into consideration anticipated borrowings in the years to come.

There has been a lot of conjecture as to an appropriate level of debt within Local Government, without a consensus as to what is appropriate. It would be ideal to be debt free, however in reality this could only be achieved by a general purpose Council through windfall revenue. Local Government is a service provider and Council, being a multi-purpose Council in a developing rural area, must satisfy the community needs and expectations in relation to capital improvements and infrastructure assets. Primarily this can only be planned with loan funds.

It is generally considered that a debt service ratio below 2X would create problems with respect to operating revenue and restrict the opportunities to undertake capital improvements. Although discretion should be allowed when situations arise that benefit the community's future and a thorough cost benefit analysis has been made and appropriate public consultation has taken place.

Internal borrowing

- Funds can be borrowed internally, within the Section 94 Reserve, only for the purpose of other Section 94 works. These funds cannot be used to fund works that are not part of the Section 94 works schedule; and
- Funds can be used from Internally Restricted Revenues, as an Internal Loan, as a replacement for an external loan borrowing, on the basis that the interest rate to be charged is pegged at 0.25% below the external rate. All of these borrowings must be approved by Council resolution, and cannot be delegated, and also be in accordance with this policy, as if it was an external loan.

5.0 History

Department:	Corporate Services	Last Reviewed	Resolution Number
Policy Category	Organisational	27 Sept 18	445/18
Endorsed By:	AGMCS		
Approval Authority:	General Manager		
Policy Owner:	Finance		
Contact Officer:	Manager Finance		
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First Adopted:	4 April 2004		
Resolution No:	?		
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