

Policy

SG1 – Borrowings

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| Type: | Strategic |
| Legislation: | <i>Local Government Act 1995</i> |
| Procedure: | NA |
| Delegation: | NA |
| Other related documents: | NA |

Objective

To outline the requirements for borrowing funds in accordance with the *Local Government Act 1995*.

Policy

The City of Fremantle Council has a planned approach to the use of borrowings and makes borrowing decisions as part of its budget approval process. The parameters for the borrowing of funds is as follows:

1. Debt service ratio

- (a) The council's debt service ratio should not exceed beyond 10 per cent.
- (b) Debt service ratio means =
$$\frac{\text{Debt Service Cost}}{\text{Available Operating Revenue}}$$
- (c) *Available operating revenue* means the operating revenue plus any contributions towards the repayment of money borrowed which have not been included in the operating revenue; and minus specific purpose grants, contributions and donations of a capital nature.
- (d) *Debt service cost* means all principal and interest expenses for borrowings under section 6.20 of the *Local Government Act 1995*.

2. Debt funding

Council is to consider debt funding in the following circumstances:

- (a) Where council wishes to undertake one off infrastructure developments or upgrades that would otherwise produce a spike in the budget.
- (b) Where council wishes to bring forward infrastructure expenditure such as the footpath replacement program currently proposed in future years in order to provide immediate benefit to existing residents and ratepayers.
- (c) Where council wishes to undertake infrastructure developments for the purpose of raising net revenue or reducing net costs.
- (d) Where council wishes to undertake infrastructure development for the purpose of funding sustainability project(s) with long term implications.

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| Responsible directorate: | Corporate services |
| Reviewing officer: | Manager finance and administration |
| Decision making authority: | Council |
| Council item number: | <Type Number press Tab> |
| Policy adopted: | 27 January 1998 "<Council number>" |
| Policy amended: | 6 April 1999. (SP153) 14 July 2003 (SDRCP0306–33) 28 November 2007 (SGS0711–10) |
| Next review date: | "<Year of next review>" |