

# Internal Loan Borrowing Policy

---

|                          |                         |
|--------------------------|-------------------------|
| <b>Reference number:</b> | POL 020                 |
| <b>Approval date:</b>    | 17 October 2022         |
| <b>Policy owner:</b>     | Chief Financial Officer |
| <b>Next review:</b>      | September 2025          |

Internal loans allow Council to utilise funding from cash reserves to finance activities for which there would otherwise be a need for borrowings from a third party. Internal loans allow Council to maintain a certain level of flexibility and affordability to respond to unexpected funding requirements.

Internal loans shall:

- be made only from current available Council reserves and only to the extent that cash funds are available within that reserve at the time of making the loan
- not be made for the purposes of sewerage fund or domestic waste management operations and projects
- be made on a fixed interest *credit foncier* basis unless otherwise determined by Council resolution
- be made at an interest rate that is the current Reserve Bank of Australia (RBA) cash rate
- not be made for a term of greater than 10 years
- be documented by resolution of the Council
- be accounted for within Council's general ledger

New internal loans shall be made by Council resolution, the recommendation for which shall set out the purpose of the loan and the principal amount, the term of the loan and the interest rate applicable.

Repayments of internal loans shall require only the general authorisation contained in the adoption of Council's Operational Plan.

## Purpose

To establish Council policy in relation to the operation of the internal loans reserve, including types of projects to be funded, interest rates and associated matters.

## Scope

This policy applies to all new internal loans.

## Policy Provisions

### Funding

Internal loan reserve is funded by principal and interest payments being returned to the reserve when they are due. Council reserves the right to place surplus bottom line savings each year to the Internal Loans Reserve to provide a flexible and affordable means of funding unexpected projects.

### Legislative Context

The voting of money for expenditure on its works, services or operations (which includes transfers of funds to or from reserves) is a matter that Council is not permitted to delegate (section 377 Local Government Act, 1993).

Council may, with Ministerial approval, borrow funds by way of internal loan from externally restricted reserves, such as the sewer reserve, pursuant to section 410 of the Local Government Act, 1993.

Requirements for the affixing of the common seal are set out in regulation 48 of the Local Government (General) Regulations 2021.

### Responsibilities

Council's Chief Financial Officer is responsible for the oversight, implementation and utilisation of Internal Loans.

### Reporting Requirements

The movements and balance of the Internal Loans Reserve are reported to Council each year as part of the annual Financial Statements reporting requirements.

### Approval Arrangements

Funding approvals are by way of Council resolution.

### Review procedures

Internal loans reserve transfers are reviewed each year via Council's Integrated Planning and Reporting process.

### Related Documents

- Local Government Act 1993
- Local Government (General) Regulations, 2021
- Local Government Code of Accounting Practice and Financial Reporting
- Wagga Wagga City Council Operational Plan
- Wagga Wagga City Council Long Term Financial Plan

## Definitions

| Term                   | Definition   |
|------------------------|--|
| Current cash rate      | means the cash rate as set by the Reserve Bank of Australia (RBA) each quarter.        |
| Credit foncier loan    | means a loan to be repaid by equal instalments covering both principal and interest.   |
| Internal loans reserve | means the reserve fund established for the purposes of Council's internal loan scheme. |

## Revision History

| Revision number | Council resolution | Council meeting date |
|-----------------|--------------------|----------------------|
| 1               | Res. No. 04/243    | 23 August 2004       |
| 2               | Res. No. 09/077    | 27 July 2009         |
| 3               | E-team             | 18 June 2013         |
| 4               | Res No: 13/244.1   | 26 August 2013       |
| 5               | Res No: 17/279     | 28 August 2017       |
| 6               | Res No: 22/354     | 17 October 2022      |