



Name	FIN13 Borrowing
Policy Type	Council
Responsible Officer	Director Corporate Services
Approval Date	21/09/2026
Review Date	20/09/2030

1. Purpose

This policy sets out the circumstances under which Council might use debt as a source of funds and principles to be applied in relation to borrowing.

2. Scope

Council is committed to operating in a financially sustainable manner and in accordance with its Long-Term Financial Plan and principles of financial sustainability.

Council considers that debt funding may be appropriate in the following circumstances:

- fund the acquisition, construction, expansion or refurbishment of a major capital asset or other expansion in capital works; or
- The Council is satisfied it can manage the risk and meet the debt repayments in the context of long-term financial planning and financial sustainability.

Debt will not be used to cover recurrent operating expenses.

Council generally prefers to minimise debt and financial risk.

3. Definitions

For the purposes of this Policy, the following definitions apply:

Borrowings	Any form of financial accommodation for example, an overdraft, a loan, hire purchase or instalment purchase agreement and the present value of future payments under a finance lease <i>consistent with section 196 of the Local Government Act 2019 (NT)</i>
Council	Council means Litchfield Council constituted under the <i>Local Government Act 2019 (NT)</i> .

4. Policy Statement

Council recognises that borrowing for capital works is an important funding source for Local Government and that the full cost of Infrastructure should not be borne entirely by present-day ratepayers, but be contributed to by future ratepayers who will also benefit.

External borrowings will be limited to the funding of significant items of capital expenditure:

- the life of which is expected to exceed the term of any funds borrowed;
- represents value for money;
- supports Council's strategic objectives;
- is affordable and sustainable over the life of the debt;
- does not expose Council to unacceptable financial risk;
- that cannot be funded from other sources; and
- fully documented in a detailed business case for Council consideration.

In accordance with section 197(1) of the Local Government Act 2019 (NT), Council must obtain the Minister's approval before entering into any borrowing arrangement, unless the borrowing is exempt under section 197(2) of the Act or Ministerial Guideline 3: Borrowing.

Ministerial approval is not required for an advance on overdraft if the term of the advance does not exceed two months and an amount of the advance does not exceed 2% of Council's total revenue for the last audited financial year. Ministerial approval is also not required for a transaction classified as a minor transaction under Ministerial Guideline 3: Borrowing. *Local Government Act 2019 (NT) S197 (2)*.

For the purposes of Ministerial Guideline 3, a minor transaction for a municipal council is a borrowing transaction within a cumulative borrowing amount of \$500,000 or less. The cumulative borrowing amount is calculated by adding together all existing borrowings that have not previously received Ministerial approval.

Council must have a Council resolution to borrow before entering into a borrowing arrangement *Local Government Act 2019 (NT) S197 (3)*

The Council resolution must specify:

- the amount to be borrowed,
- the proposed lender or provider of financial accommodation,
- the purpose of the borrowing,
- and the terms of the loan or financial accommodation.

Any request for Ministerial approval must be made before Council enters into the borrowing arrangement.

- Council resolution and the documentation required under Ministerial Guideline 3: Borrowing *includes*: repayment schedule,
- interest rate structure,

- fees and charges,
- affordability assessment,
- impact on Council's long-term financial plan and financial sustainability indicators,
- risk assessment,
- alternatives considered,
- and confirmation that the borrowing is consistent with Council's adopted budget and strategic objectives.

Borrowings are to be utilised for the purpose for which the loan was raised. If a borrowing is undertaken and the final cost is less than the total approved loan amount, resulting in unexpended loan funds, unexpended loan funds will be placed in a reserve until a suitable use of the funds is identified.

Where a loan is raised by Council to obtain an asset and the loan has not been repaid when the asset is sold, Council will consider, on the basis of costs and benefits, first applying the proceeds of the sale to the repayment of the loan source.

The debt repayment period must be no longer than the weighted average estimated useful life of the related assets purchased, or 20 years, whichever is the lesser.

5. Associated Documents

Litchfield Council Financial Policies and Procedures

Litchfield Delegation Manual

6. References and Legislation

The *Northern Territory Local Government Act 2019* sets out the requirements for Council borrowing in Part 10.3 Council or local government subsidiary borrowing.

Australian Accounting Standards

Ministerial Guidelines

Local Government General Instructions

7. Review History

Date Reviewed	Description of changes (Inc Decision No. if applicable)
12/11/2008	PA08/CAM/012
11/10/2012	PA12/CAM/012
13/12/2017	Update in line with Ministerial Guidelines and update to new policy number rescind LC04
21/06/2022	Update in line with <i>Local Government Act 2019</i>

1/09/2026	Minor formatting completed and policy review. Aligning to and referencing the <i>Local Government Act 2019</i> NT
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