



Queensland Government

Department of **Local Government,
Sport and Recreation**

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Local Government Collaboration

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Local Government Bulletin

Local Government Borrowings for the 2007/08 financial year

Purpose

The purpose of this bulletin is to advise local government entities of the procedure for preparing borrowing applications for the 2007/08 financial year.

Background

The *Statutory Bodies Financial Arrangements Act 1982* provides that statutory bodies must have the Treasurer's approval to obtain borrowings. Under a general approval of 23 May 2003, the Treasurer's approval is granted for local governments to borrow from Queensland Treasury Corporation (QTC) subject to the approval of the Department of Local Government, Sport and Recreation.

The separate approval of the Treasurer is required for borrowings other than from QTC. The process for approval of non-QTC borrowings is not covered in this Bulletin.

Global Borrowing Limit Allocation

At this time, all local governments should have provided the Department with their intended borrowings for the 2007/08 financial year. These figures are used to determine the Global Borrowing Limit for the year and are used as part of the State's planning processes.

Local governments should advise the Department if the estimated borrowing requirement changes at any time.

Documentation Required

The documentation to be provided by local governments for the 2007/08 borrowing program is to be consistent with the outcomes of the local government reform process, with each local government categorised as one of the following:

- **Continuing Local Government:** a local government whose external boundaries were not changed.
- **Adjusted Local Government:** a local government whose local government area was changed by the inclusion of an area in it, or exclusion of an area from it.
- **Amalgamated Local Government:** a new local government area which consists of wholly or partly abolished old local government areas (i.e. regional councils).

Continuing Local Governments and Adjusted Local Governments

In exercising discretion to approve loan applications from continuing local governments and adjusted local governments, the Department will consider the following information:

- QTC financial forecasting model, to be signed by the Chief Executive Officer (CEO) and Mayor following the March 2008 elections;
- adopted budget for 2007/08 (refer to sections 53-55 of the *Local Government Finance Standard 2005*);
- borrowing policy for 2007/08 (refer to section 8 of the *Local Government Finance Standard 2005*) which must be consistent with the amount being requested for loan borrowings in the financial forecast;
- audited financial statements and annual report for 2006/07;
- list of capital works projects for which the borrowing relates (for example - roadworks \$1.5m; sewerage \$0.7m and bridges \$0.8M = \$3.0m total loan borrowings) and:
- any other relevant information.

For continuing and adjusted local governments, the QTC Financial Forecasting Model is to include five years of actual data (2002/03 to 2006/07) and ten years of forecast data (2007/08 to 2016/17). Data included for the previous five years should be consistent with and reconcilable to the annual financial statements.

Amalgamated Local Governments

In exercising discretion to approve loan applications from amalgamated local governments, the Department will consider the following information:

- QTC financial forecasting model, to be signed by the Chief Executive Officer (CEO) and Mayor following the March 2008 elections.
Amalgamated local governments should contact QTC in the first instance for support in preparing an amalgamated financial forecast model to submit to the Department;
- Draft or adopted budget for 2007/08 (refer to sections 53-55 of the *Local Government Finance Standard 2005*). Should the new local government not have a draft or adopted budget for 2007/08 to submit with their borrowing application, copies of the former local governments budgets will be required;
- audited financial statements and annual report for 2006/07 for each of the abolished local governments;
- list of capital works projects for which the borrowing relates (for example - roadworks \$1.5m; sewerage \$0.7m and bridges \$0.8M = \$3.0m total loan borrowings); and:
- any other relevant information.

Assessment, Approval and Draw down Process

The Department assesses the financial forecast to determine whether the local government has the capacity to meet its intended loan servicing commitments. It is the responsibility of the local government to ensure the financial forecast is accurate. The Department may request further information to assist in substantiating the forecast.

If a local government revises its financial forecast as part of the assessment process, details of each change should be clearly outlined to the Department.

A project should be identified as a “significant project” separately in the detailed list of capital works projects if:

- it constitutes more than 50% of a local government’s capital expenditure in any one year;
- is more than \$10 million in value; or
- the council has been requested to do so by the Department.

A brief explanation of each significant project should be provided with the application.

The Department will advise the local government and QTC whether the loan borrowings have been approved. The local government may then contact QTC directly to arrange draw down of the loan borrowings up to the approved amount with all borrowings to be applied to lawful capital purposes. All borrowings are approved for a maximum loan term of 20 years, however a local government can choose a shorter term if it wishes.

Local governments are advised that loan borrowings approved in the 2007/08 financial year do not carry forward to subsequent financial years. Any loan borrowing approvals which are not drawn down on prior to 30 June 2008 will be unavailable to the local government in future years. Should loan borrowings subsequently be required in future financial years, it will be necessary for the local government to submit a new loan borrowing application which will be subject to assessment.

Transition of Approvals for Amalgamated and Adjusted Local Governments

Section 19 of the *Local Government Reform Implementation Regulation 2008* provides that existing authorisations of abolished local governments continue in force for the new local governments until they are either revoked or end.

Section 28 of the *Local Government Reform Implementation (Transferring Areas) Amendment Regulation (No. 1) 2008* provides that existing authorisations of a transferring area continue in force in the transferring area and in relation to the receiving local government, until they are either revoked or end.

For the purposes of both Regulations (above) an authorisation means;

An approval, consent, licence, permission, registration or other authority issued under an Act by any entity.

Amalgamated or adjusted local governments with loan borrowings approvals for 2007/08 in the name of the abolished local government or in respect of the transferred area, are able to borrow loan funds through QTC using the existing approvals for the 2007/08 financial year. Please be advised that the terms and conditions relating to the draw down of loan borrowings are in accordance with the processes detailed above.

Further information

Any further enquiries on this matter should be directed to Miss Natalee Jennings, Governance Branch, Local Government Collaboration, on telephone 3225 8653 or email natalee.jennings@dlgpsr.qld.gov.au. The Department's postal address is PO Box 15031, City East, Queensland, 4002.

All recent Local Government Bulletins issued by the Department are available on our website at www.lgp.qld.gov.au/Default.aspx?ID=3295. You can also subscribe free of charge on the Department's website to receive Bulletins by email.

Peta Jamieson
A/Executive Director
Local Government Collaboration