



Queensland Government

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

Distribution:

- CEO
- Deputy CEO
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Service Delivery Division

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Local Government Bulletin

Local Government Borrowings for 2008/09

Purpose

The purpose of this bulletin is to provide advice on the procedure for borrowing applications and to provide the Financial Forecasting Model to be used for the 2008/09 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

As at 31 January 2008, all local councils have provided the Department with a five-year capital works program which identifies the intended new borrowings for the 2008/09 financial year. The Department has consolidated these proposed borrowings (the Global Borrowing Limit) to represent Queensland local governments' combined loan requirements for the State's planning purposes.

Local governments should advise the Department if their proposed borrowing changes at any time through the financial year.

Documentation Required

The documentation to be provided for the 2008/09 borrowing program is dependent upon whether the local government is a continuing/adjusted or new local government. Consistent with the outcomes of the local government reform process, each local government will be categorised as either:

- Continuing Local Government: a local government unaffected by the structural reform process, that is, the external boundaries were not changed;
- Adjusted Local Government: a local government whose local government area was adjusted by the inclusion of an area in it or exclusion of an area from it (that is Banana Shire Council, Ipswich City Council, Gold Coast City Council and Logan City Council); or
- New Local Government: a local government established on 15 March 2008 as a result of the structural reform of local government.

In exercising discretion to approve loan applications, the Department requires the following information for **continuing and adjusted local governments**:

- QTC financial forecasting model completed in all respects;
- adopted budget for 2008/09 (refer to part 4 section 518 of the *Local Government Act 1993*);
- borrowing policy for 2008/09 (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;
- unaudited or audited financial statements and annual report (if available) for 2007/08;
- list of capital works projects for which the borrowing relates, and:
- any other information the council considers relevant to the application.

In the case of loan applications from **new local governments**, the Department requires the following information:

- QTC financial forecasting model completed in all respects;
- adopted budget for 2008/09 (refer to part 4 section 518 of the *Local Government Act 1993* and section 32 of the *Local Government Reform Implementation Regulation 2008*);
- borrowing policy for 2008/09 (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 reports (if available) for the former councils for the financial period 1 July 2007 to 14 March 2008;
- list of capital works projects for which the borrowing relates, and:
- any other information the council considers relevant to the application.

For all local governments, the QTC Financial Forecasting Model is to include five years of historical values (2003/04 to 2007/08) and ten years of forecast values (2008/09 to 2017/18). For **continuing and adjusted local governments** the values for the historical five years should be consistent with and reconcilable to the associated financial statements. For **new local governments** the values for the historical five years should be a consolidation of the former Council's values for this period. Local governments who are yet to access the QTC model and require it for a loan application, or who would like an updated version or require assistance in using the QTC model, should contact QTC directly on 3842 4745.

For consistency, please enter the forecasts on a "nominal growth" basis. Nominal growth is defined as economic growth including inflation (i.e. a portion of growth is for inflation and a portion is real growth in excess of inflation).

The financial forecast model is required to be sighted and signed by the Mayor and the Chief Executive Officer. In doing so, both must certify that the loan borrowings will be used for lawful, capital purposes and that a native title risk assessment has been conducted on any relevant land.

The wording below should be appended to the [Key Statistics and Ratios page](#):

In signing this financial forecast, the Mayor and CEO verify that the financial projections are the realistic intention of Council and that all loan funds will be applied to lawful, capital purposes and that a native title risk assessment has been conducted on any relevant land.

Signed & Dated : _____
Mayor CEO

Application Timeframes

Local governments seeking loan borrowings for the 2008/09 financial year should submit the required documentation to the Department as follows:

- i. Send the signed, hard copy of the application to the postal address below. This should include a CD with a copy of the forecasting model and any other soft documentation submitted*; and
- ii. Send an electronic copy of the completed QTC financial forecast model by email to the email address below*.

*** Please note** that due to email size restrictions it is requested that models be compressed prior to sending or if these are greater than 8MB in total that these be sent to the Department on CD. The Department takes no responsibility for models that are sent in excess of 8MB that do not reach the intended recipients.

The local government’s completed financial forecast and all required documentation must be received by the Department with reasonable and sufficient time to process the applications and obtain the requisite approvals. In order to ensure loan applications are processed and available prior to 30 June 2009 local governments are encouraged to apply prior to **Friday, 3 April 2009**.

Assessment, Approval and Draw down Process

The Department assesses the financial forecast to determine whether the local government has the capacity to meet its proposed loan servicing commitments. The Department may request further information to assist in substantiating the forecast or the local government’s financial position.

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

A project that constitutes more than 50% of a local government’s capital expenditure in any one year, or has a value greater than \$10 million, or has been specifically identified and requested by the Department, should be identified separately in the detailed list of capital works projects as a “significant project” and a brief explanation of the project should be provided.

When the assessment has been completed, the Department will advise the local government and QTC as to whether the loan borrowings have been approved. If the loan borrowings are 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 to draw down the loan from QTC over a shorter term if it wishes.

While many local governments draw down the approved borrowings in the last few days of the financial year, where loans are not tied to individual project approvals it may be beneficial for local governments to better align the timing of the borrowings to the cash flow requirements. Local governments are advised that loan borrowings approved in the 2008/09 financial year do not carry forward to subsequent financial years. Any loan borrowing approvals which are not drawn down prior to the end of the financial year will be unavailable to the local government in future years. Should undrawn 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 to determine whether loan borrowings will be approved.

Further information

Any further enquiries on this matter should be directed to Natalee Jennings, Governance Branch, Program Office, on telephone 3225 8653 or via email natalee.jennings@dlgsr.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 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.

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