



# Local Government bulletin

## 3 September 2009 – Ref: 16/09

### Local Government borrowings for 2009-10

#### Local Government and Planning Group

#### Purpose

This bulletin is to advise local governments of the procedure for borrowing applications for the 2009-10 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 Infrastructure and Planning.

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.

#### Key changes for 2009-10

Some key changes have been made to the borrowing program for 2009-10. These changes are summarised as follows:

- Application timeframes have been changed to encourage local governments to submit borrowing applications earlier in the financial year.
- Documentation is to be submitted to the department via post. Electronic submissions will no longer be accepted due to email size constraints.
- The department has developed a borrowing application checklist to help local governments prepare their applications. This checklist is to be signed and attached to all borrowing applications.
- The department encourages local governments to work closely with QTC in using or updating their financial forecast model.
- Some local governments will be required to undertake credit reviews with QTC which will assist in assessing debt carrying capacity.

#### Application timeframes

The department encourages local governments to seek borrowings as early as possible in the financial year. Once borrowing approval has been granted by the department, council can actively work with QTC in order to time their draw downs to their advantage.

The benefits to council of securing their borrowing approvals early in the financial year should also help council more appropriately plan their infrastructure program. Early approval means that council can rely on those borrowings to be made available to them up until 30 June 2010.



A local government's completed borrowing application must be received by the department with reasonable and sufficient time to process the application and obtain the requisite approvals. In order to ensure that borrowing applications are processed and funds are available prior to 30 June 2010 local governments must submit completed applications prior to close of business **Thursday 31 December 2009**. Applications received after this time will continue to be processed but cannot be guaranteed to be finalised by the department before 30 June 2010.

## Documentation required

The department requires the following information in order to assess borrowing applications:

- Completed and signed checklist (attached to this bulletin).
- QTC financial forecasting model completed in all respects.
- Adopted budget for 2009-10 (refer to part 4 section 518 of the *Local Government Act 1993*).
- Borrowing policy for 2009-10 (refer to section 8 of the *Local Government Finance Standard 2005*) which must be consistent with the amount being requested for borrowings in the financial forecast.
- Unaudited or audited financial statements and annual report (if available) for 2008-09.
- List of capital works projects for which the borrowing relates.
- Any other information the council considers relevant to the application.

Local governments should submit by mail the required documentation to the department in the following way:

- i. The completed and signed checklist at the front of the application.
- ii. CD copy of QTC financial forecasting model and any other soft documents.
- iii. Hard copy documents.

Any applications which do not contain all of the required documentation or the completed and signed checklist will not be considered complete and returned to council for their attention.

Please note that electronic applications will no longer be accepted by the department due to email size constraints. Local governments are therefore advised not to email their forecast model to the department as they may have done in previous years.

The borrowing application, including the financial forecast model, is required to be certified by the Mayor and the Chief Executive Officer. The certification is at the bottom of the attached checklist and confirms that the borrowings will be used for lawful, capital purposes and that a native title risk assessment has been conducted on any relevant land. Failure to sign this certification will constitute an incomplete application.

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, 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.

## QTC financial forecasting model

All local governments are to use the QTC financial forecasting model for their borrowing application. The forecast model is to include five years of historical values (2004-05 to 2008-09) and ten years of forecast values (2009-10 to 2018-19). Local governments which are yet to access the forecast model should contact QTC directly on 07 3842 4745.

QTC can directly assist local governments with using the model and undertake an informal review of council's model to ensure accuracy and completeness. Local governments are strongly encouraged to engage with QTC in using the model and seeking an informal review of their model prior to submitting it to the department. QTC can also assist local governments with their debt structuring which may further aid Council in preparing their forecast model. Local governments can contact QTC directly on 07 3842 4745 to discuss any of the above with them.

## QTC credit reviews

In 2009-10 some local governments will be required to undertake a credit review with QTC in order to enhance the borrowing process for these local governments. It is anticipated that these reviews will help expedite the process of borrowings for those local governments involved.

Local governments required to undertake a credit review will be contacted individually by the department via a letter to the Chief Executive Officer.

## Assessment, approval and draw down process

The department will assess 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.

When the assessment has been completed, the department will advise the local government and QTC as to whether the borrowings have been approved. If the borrowings are approved, the local government may then contact QTC directly to arrange draw down of the borrowings up to the approved amount. All borrowings will be approved for a maximum loan term of 20 years, however a local government may choose to draw down the loan over a shorter term.

While many local governments draw down the approved borrowings in the last few days of the financial year it may be beneficial for local governments to work with QTC to better align the timing of the borrowings to their cash flow requirements.

Borrowings approved in the 2009-10 financial year will not carry forward to subsequent financial years. Borrowings 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 borrowings subsequently be required in future financial years, it will be necessary for the local government to submit a new borrowing application which will be subject to assessment to determine whether borrowings requested will be approved.

## Further information

Any further enquiries on this matter should be addressed to:  
[lgenquiries@dip.qld.gov.au](mailto:lgenquiries@dip.qld.gov.au)

Applications should be addressed to:  
Regional Services  
Local Government and Planning Group  
Department of Infrastructure and Planning  
PO Box 15031  
City East  
Brisbane Qld 4002

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