Council Policy

Council Policy Name: **Loan Facilities**

Responsible Directorate: **Finance and Corporate Services** **Version:** **Adopted**

1. PURPOSE

1.1. This Policy provides guidance in the use of loan facilities which may be used to fund the acquisition, construction or renewal of assets.

2. SCOPE

2.1. This Policy is applicable to all loan facilities taken out by the City, including Self-Supporting Loans.

3. DEFINITIONS

Term	Meaning
Debt Service Cover Ratio	Adjusted Operating Surplus divided by Debt Service costs as per the Local Government Financial Indicator Ratios
Economic Life	the estimated period during which an asset is expected to be economically usable by one or more users, with normal repairs and maintenance
Policy	this City of Busselton Council policy titled "Loan Facilities"
Self-Supporting Loans	loans taken out by City where the repayments are made by a third party

4. STRATEGIC CONTEXT

Strategic Theme	Objective
LEADERSHIP	16. Provide effective governance and organisational leadership.

5. POLICY STATEMENT

5.1. The City will use loan facilities to fund projects in a responsible manner as part of its long term financial planning, having regard to intergenerational equity issues.

5.2. Priority for loan funding will be given to projects that will deliver community and economic benefit; generate revenue to offset associated loan repayments; or can be funded from contributing revenue streams other than General Rates.

5.3. The term of any loan facility is not to exceed the Economic Life of the asset.

5.4. Loan facilities are not to be used to save for future asset acquisition, construction or renewal.

5.5. Loan facilities will not be utilised to fund operating expenditure.

5.6. The repayment method for a loan facility will typically be via principal and interest repayments. Interest only payments or capitalisation can be considered where a financial benefit can be demonstrated, for example for a property acquisition / subdivision where the impact on the rate base is lesser during the initial phases and the full debt can be acquitted from the disposal of the land under development.

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5.7. The City will not borrow funds if the Debt Service Cover Ratio is outside of the benchmark score prescribed by the Department of Local Government, Industry Regulation and Safety.

Self-Supporting Loans

5.8. Any application for a Self-Supporting Loan will be considered on its individual merits with the application to include the following information:

a. the requested amount and over what term;
b. project scope;
c. total cost of the project (project budget) including all funding sources;
d. demonstrated capacity to meet loan repayments;
e. total number of registered members of the association;
f. benefits the project will bring to the association's members and the broader community; and
g. acknowledgement that the applicant is responsible for reimbursement to the City of Busselton of full costs associated with the loan and that the third party will enter into a loan repayment agreement with the City of Busselton.

6. RELATED DOCUMENTATION / LEGISLATION

6.1. Local Government (Financial Management) Regulations 1996, part 2, section 50

7. REVIEW DETAILS

Review Frequency		**3 yearly**		
Council Adoption	**DATE**	21 October 2026	**Resolution #**	C2610/286
Previous Adoption	**DATE**	18 October 2023	**Resolution #**	C2310/128

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