

Applying for an approval to borrow money

Legislative requirements

Borrowing by councils is legislated under sections 122, 123, 124 and 125 of the *Local Government Act* (the Act). In brief, the Act stipulates:

- A council may borrow money but only with the Minister's approval (to be given only after consultation with the Treasurer).
- The Minister's approval is not required for a transaction classified as a minor transaction under guidelines issued by the Minister. For ministerial guidelines on borrowings please visit the department's website at: <https://dhcd.nt.gov.au/publications-and-policies/local-government-legislation>.
- A council may, with the Minister's approval, give security for a borrowing in the nature of a mortgage or charge over property of the council (after consultation with the Treasurer).
- Borrowings include any form of financial accommodation for example, an overdraft, hire purchase agreement and the present value of future repayments under a finance lease.

Application procedure

To seek an approval to borrow money, councils should forward a formal letter and application to borrow money, including a business case, to the Minister of Housing and Community Development.

It is recommended the business case put by council include the:

- identified need
- transaction costs and the maximum borrowing amount being sought
- financial options (for example partially funded from grant funding, from reserve, from borrowings) and council's preferred option/s and reasoning
- details on council's financial capacity to service the debt
- repayment schedule showing principal and interest repayments
- quotes/finance proposals from lending institutions in support of borrowing parameters used in the repayment schedule
- details on what security council will give to secure the loan (for example against rates collected)
- forward cash estimates which include the loan repayments
- details on how council will manage its borrowing risk (for example if a variable loan then at what point will council fix the repayment or payout the debt from reserves etc.)
- copies of council minutes showing council's resolution to borrow and the borrowing conditions

Other information recommended the council incorporate in the application to borrow money, include:

- evidence that any future ongoing operational costs have been considered and accounted for in council's future plans (for example incorporated in the long term budget)
- copies of the audited annual financial statements and recent monthly financial reports
- details on the types of reports council will review to monitor this borrowing

The above list is not meant to be exhaustive and the council is encouraged to include all relevant information to support its application.

It is recommended the council consult with staff from the Local Government Sustainability and Compliance unit of this department for an initial assessment to ensure the application meets all the information requirements necessary for it to be assessed. Information can be emailed to:

lg.compliance@nt.gov.au

The final application to borrow money will be assessed by the department and recommendations made to the Minister and referral to the Treasurer.

Additional consultation with the council may be sought during the assessment process.

The council should allow for an adequate period of time to achieve all steps in the process. The council can assist the processing of the application by ensuring all information requirements have been met and any further request for information from the department is promptly provided.

For further enquiries

E: lg.compliance@nt.gov.au

P: 08 8924 3644

Disclaimer

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