



Local Government Borrowings and Working Capital Facilities

Purpose

This content is to advise Local Governments of the procedure for submitting borrowing and/or Working Capital Facility (WCF) applications for the 2020-21 financial year.

Key Dates

Submission Date	Submission Requirements
COB 31 August 2020	Completed Local Government Forecasting Model (LGFM) (with FY2021 as the budget year) is to be submitted electronically to QTC at clients@qtc.com.au and the Department at lgborrowings@dlgrma.qld.gov.au .
Prior to COB 26 February 2021	Completed borrowing / WCF application and supporting documentation can be submitted to the Department at lgborrowings@dlgrma.qld.gov.au .
COB 26 February 2021	Final Submission Date: This is the final date for submission of borrowing / WCF applications for 2020-21 to ensure the timely assessment of requests and drawdown of any approved borrowings.
30 June 2021	Final date for drawdown of any approved borrowings. Please advise QTC in advance to ensure timely access to any approved funds.

Establishing Financing Needs

To promote the sustainable management of assets and financial resources, a Local Government should establish its need for both short-term and long-term funding arrangements before applying for any type of financing from QTC. **Please note:** The Department will only approve long-term borrowings for capital purposes.

Before considering its funding arrangements, a Local Government should review its long-term asset management plan, its long-term financial forecasts and its surplus cash to identify any funding shortfalls. The nature and timing of these funding shortfalls should inform the type of financial arrangement being sought i.e. short-term operating liquidity or long-term debt for capital purposes.

Balance sheet management

As part of its ongoing commitment to improving the financial sustainability of the Local Government sector, the Department encourages Local Governments to exercise good financial management practices when determining how best to fund their capital expenditure programs. This includes considering the use of surplus cash, i.e. cash that is significantly above what is required to be held

to meet minimum liquidity requirements (including forecast operating cycle and estimated contingency buffers), to fund planned capital projects in lieu of new borrowings.

Other options to improve balance sheet management include using surplus cash to reduce existing debt, providing internal loans to business units, and/or applying for a temporary or ongoing WCF to manage operating liquidity requirements.

Applying for Borrowings

Documentation

A Local Government applying for borrowings must complete **Part A** of the [2020-21 Borrowings Application Checklist](#) and have it certified by the Mayor and Chief Executive Officer. The certification confirms that the borrowings will be used for lawful, capital purposes and a native title risk assessment has been conducted on any relevant land.

Please ensure that all of Part A is completed and all required information is included.

Borrowing application assessment process

Borrowing Applications will be reviewed and assessed on a case-by-case basis, including the consideration of the following:

- the capacity of the Local Government to repay its existing and forecast borrowings;
- the consistency of the Local Government's long-term asset management plans with its long-term financial forecasts (see further detail below);
- the availability of surplus cash (if any) that could be used to fund the Local Government's capital projects. In assessing the level of surplus cash, consideration will be given to the Local Government's minimum liquidity requirements (that is, the level of cash required to meet its immediate and short-term financial obligations), externally restricted cash and other planned capital expenditure over the forecast period;
- the amount of equity being contributed by the Local Government to fund its capital expenditure program; and
- the purpose for which the borrowing has been requested.

Examination of a Local Government's long-term asset management plans and future capital infrastructure investment requirements will be undertaken to assist the Department make an informed decision about the borrowing request. If there is no asset management plan, or the asset management plan does not provide enough information to support the Department's assessment, the Department will hold discussions with the Local Government to obtain additional supporting information.

Conditions

Key conditions attached to any borrowings approved in the 2020-21 financial year include:

- a borrowing term of up to 20 years (however a shorter term may be chosen);
- borrowings must be drawn down prior to 30 June 2021; and
- approval does not carry forward to subsequent financial years and will lapse on 30 June 2020.

Any undrawn approved borrowings will be forfeited, and a new borrowing application will need to be submitted and re-assessed for future borrowing requirements.

Applying for a Working Capital Facility

Documentation

A Local Government applying for a new, extended, or increased WCF must complete **Part B** of the [2020-21 Borrowings Application Checklist](#) and have it certified by the Mayor and Chief Executive Officer. The certification confirms that the WCF will be used for liquidity management purposes only, and any temporary facility will have a zero balance by the expiry date.

Please ensure that all of Part B is completed and all required information is included.

Conditions

Key conditions attached to any WCF approved in the 2020-21 financial year include:

- the balance of the facility must be contained within the approved facility limit at all times, including all drawn down amounts, capitalised interest costs and fees and charges incurred therein.
- for those facilities with an expiry date, the balance of the facility must be nil at that date.
- any other conditions imposed by QTC and/or the Department.

Should the Local Government become aware of any reason which may affect its ability to comply with the above conditions, it must immediately inform the Department.

Application Submission Process

The **final submission date** for all applications is **close of business on 26 February 2021**. Applications for the 2020-21 Local Government Borrowing Program will not be accepted after this date, except for extraordinary circumstances.

The Department encourages Local Governments to submit applications for borrowings and/or WCFs prior to this date to allow for the early assessment and timely drawdown of any approved funds prior to 30 June 2021.

Local Governments are required to submit completed applications and any required attachments electronically to the Department at lgborrowings@dlgrma.qld.gov.au.

Applicants will receive an electronic acknowledgement from the Department to confirm receipt of the application and the anticipated decision date. Should the anticipated decision date be delayed, the Department will advise the Local Government accordingly.

Assessment and Approval Process

Applications for borrowings and WCFs will be assessed in order of receipt by the Department after the assessment period commences on 30 October 2020. All assessments will be subject to QTC's borrowing recommendations.

Selected Local Governments will be required to participate in a detailed QTC credit review in the 2020-21 financial year, which may impact the assessment timeframe of any submitted borrowing and/or WCF application. As part of its review, QTC may request information from a Local Government about how previously approved borrowings were allocated.

The Department will assess applications for borrowings and WCFs for completeness and reasonableness to determine whether the Local Government has adequate financial capacity to maintain and service its proposed financing arrangements. In undertaking its assessment, the Department will consider the advice provided by QTC and may also request further information from the Local Government.

The Department is committed to assessing applications for funding in a timely manner, with most simple applications being assessed within 10 business days from the Department's receipt of QTC's recommendation. Should an application require additional assessment time, the Department will contact the applicant within 10 business days to advise of the current status and anticipated assessment timeframe.

The quality and defensibility of the forecasts supplied by a Local Government may impact on the turnaround time for processing applications. Local Governments are strongly encouraged to work with the Department and QTC in developing and submitting their LGFMs and applications for borrowings and/or WCFs.

Following assessment and determination of the outcome of a borrowing or WCF application, if the application is approved by the Department, the Local Government may work with QTC to determine an appropriate timeframe for the drawdown of any approved borrowings. There is no requirement for approved borrowings to be drawn down immediately (noting borrowing approvals granted in FY2021 will lapse at 30 June 2021).

Customer Feedback

The Department welcomes feedback from Local Governments to inform its program development and improvement processes.

Any feedback about this program should be directed to lgborrowings@dlgrma.qld.gov.au in the first instance, with the Department providing an electronic acknowledgement of receipt.

Further Information

Any further enquiries on this matter should be addressed to:

Finance and Funding
Local Government Division
Department of Local Government, Racing and Multicultural Affairs
P: (07) 3452 6719
E: lgborrowings@dlgrma.qld.gov.au.