

# Local Government Borrowings, Working Capital Facilities, and Refinancing

## Purpose

This content is to advise local governments of the procedure for submitting borrowing, Working Capital Facility (WCF), and/or refinancing applications for the 2022-23 financial year.

## Key Dates

Submission Date	Submission Requirements
<b>COB 31 August 2022</b>	Completed 10-year financial forecast (with FY2023 as the budget year) is to be submitted electronically to QTC via QTC's new Financial Forecasting Tool. Please contact <a href="mailto:clients@qtc.com.au">clients@qtc.com.au</a> if you require access to the tool.
<b>Prior to COB 28 February 2023</b>	Completed borrowing / WCF / refinancing application and supporting documentation can be submitted to the Department at <a href="mailto:lgborrowings@dsdilgp.qld.gov.au">lgborrowings@dsdilgp.qld.gov.au</a> . Please note, that the department has access to your long-term financial forecast previously submitted to QTC, therefore you do not need to resubmit this. If your long-term financial forecast has changes you want considered with your application, please update your forecast in QTC's Financial Forecasting Tool.
<b>COB 28 February 2023</b>	Final Submission Date: This is the final date for submission of borrowing / WCF / refinancing applications for 2022-23 to ensure the timely assessment of requests and drawdown of any approved borrowings.
<b>30 June 2023</b>	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. For those local governments with large capital expenditure programs over the next one to three

years and where there are significant intended borrowings, it is recommended to retain allocated and surplus cash in a suitable investment.

## Submitting your Financial Forecast

Your Local Government's 10-year financial forecast should be submitted electronically using QTC's new Financial Forecasting Tool. The tool provides a number of benefits including:

- » a new Financial Forecast Template (in Excel format) that aligns with new Accounting Standards reporting requirements (AASB-15 and AASB-16) and includes improved data validation and other user-focused enhancements to help with your forecasting, and
- » online, secure submission with status updates as QTC progresses with reviewing your Forecast.

Your long-term financial forecast should include five years of historical values as well as ten years of forecast values beginning from the current budget year. To register for access to the QTC Financial Forecasting Tool, please email QTC at [clients@qtc.com.au](mailto:clients@qtc.com.au).

The Department encourages local governments to work closely with QTC in using or updating the QTC Financial Forecasting Tool.

## Applying for Borrowings

### Documentation

A local government applying for borrowings must complete **Part A** of the 2022-23 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 2022-23 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 2023; and
- » approval does not carry forward to subsequent financial years and will lapse on 30 June 2023.

Should a local government require different approval terms, this must be clearly specified on the application checklist. 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 2022-23 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 2022-23 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.

## Applying for Refinancing of Existing Borrowings

### Documentation

A local government applying to refinance some or all of its existing QTC borrowings must complete **Part C** of the 2022-23 Borrowings Application Checklist and have it certified by the Mayor and Chief Executive Officer. The certification confirms that the new borrowings requested will be used solely for the purpose of refinancing the council's existing QTC debt.

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

### Conditions

Key conditions attached to any Loan Refinance approved in the 2022-23 financial year include:

- » Reinvestment of any operational savings from refinancing must be used to improve financial sustainability, service delivery, capital investment and/or job creation for the benefit of the local community.
- » 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.

The Department's standard approval for refinancing includes a maximum borrowing term of 20 years and an option to negotiate an interest-only period with QTC of up to six months. Should a local government require different approval terms, this must be clearly specified on the application checklist.

## Application Submission Process

The **final submission date** for all applications is **close of business on 28 February 2023**. Applications for the 2022-23 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, WCFs and/or refinancing prior to this date to allow for the early assessment and timely drawdown of any approved funds prior to 30 June 2023.

Local Governments are required to submit completed applications and any required attachments (excluding your long-term financial forecast which has previously been submitted to QTC) electronically to the Department at **lgborrowings@dasilgp.qld.gov.au**. Please note, that the Department has access to your long-term financial forecast previously submitted to QTC, therefore you do not need to resubmit this. If your long-term financial forecast has changes you want considered with your application, please update your forecast in QTC's Financial Forecasting Tool.

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, WCFs, and refinancing will be assessed in order of receipt by the Department after the assessment period commences on 30 October 2022. 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 2022-23 financial year, which may impact the assessment timeframe of any submitted borrowing, WCF, and/or refinancing 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, WCFs, and refinancing 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 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 forecasts and applications for borrowings, WCFs, and/or refinancing in advance of submission dates.

Following assessment and determination of the outcome of a borrowing, WCF, or refinancing 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 FY2023 will lapse at 30 June 2023).

## Customer Feedback

The Department welcomes feedback from local governments and other stakeholders to inform its ongoing program development and improvement processes.

Any feedback about this program should be directed to **lgborrowings@dasilgp.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:

Financial Analysis, Assurance & Systems  
Local Government Division  
Department of State Development, Infrastructure, Local Government and Planning  
E: **lgborrowings@dasilgp.qld.gov.au**

# 2022-23 Local Government Borrowing Program

## Application Checklist

This checklist contains three sections, **Part A**, **Part B**, and **Part C**.

Please complete the relevant section/s for the type of financing arrangement you are applying for.

The signed original is to be retained by the local government with an electronic (scanned) copy of the application checklist and any supporting documentation emailed to the Department.

## Summary

Please complete the relevant sections of the table below with the summary details of your application and leave other areas blank.

Financing Arrangement/s Sought:		
Borrowings (Part A)	Working Capital Facility (Part B)	
Amount	New Facility Limit (\$)	
Refinancing (Part C)	<input type="checkbox"/> New Ongoing Facility <input type="checkbox"/> New Fixed-Term Facility <input type="checkbox"/> Expiry Extension <input type="checkbox"/> Limit Increase	
Total (\$)		Type (all that apply)
ERA (\$)		
Is the ERA being capitalised (borrowed)? <input type="checkbox"/> Yes <input type="checkbox"/> No	Expiry (if applicable)	

## Submission Contact Details

Name		
Position		
Phone / E-mail		

# Application Declarations

Please complete the relevant declarations for Part A, Part B and/or Part C below (depending on the type/s of financial arrangement sought).

## Part A – Borrowings

I declare:

	Approved borrowings will only be used for capital purposes.
	Planned borrowings correspond with the adopted 2022-23 debt policy.
	Any non-standard approval terms requested are clearly specified on the application form.
	A current 10-year financial forecast, which has been reviewed for completeness and reasonableness has been/will be submitted electronically to QTC via its Financial Forecasting Tool.
	A brief explanation of large fluctuations in growth rates / forecast line items of the submitted 10-year financial forecast has been provided.
	The forecast level of restricted cash (both internal and external) has been accurately represented in the submitted 10-year financial forecast.
	Asset registers and asset management plans are in place for all asset classes.
	Projects proposed for funding form part of the long-term asset management plan, and whole of life project costs have been considered and included in the 10-year financial forecast.
	A native title risk assessment has been conducted on any relevant land.

## Part B – Working Capital Facilities (WCF)

I declare:

	Any approved WCF will only be used for operational liquidity management purposes.
	The WCF will maintain a floating balance in line with its nature as a cash management tool.
	A current QTC Cash Flow Monitoring Tool has been submitted electronically to QTC via its Financial Forecasting Tool (in addition to the 10-year financial forecast). with projected cash balances aligned to the financial forecasts.
	A brief explanation of assumptions and large fluctuations in forecast line items of the submitted QTC Cash Flow Monitoring Tool has been provided.
	<b>(For ongoing WCFs)</b> A current 10-year financial forecast, which has been reviewed for completeness and reasonableness, has been/will be submitted electronically to QTC via its Financial Forecasting Tool.
	<b>(For ongoing WCFs)</b> A brief explanation of large fluctuations in growth rates / forecast line items of the submitted 10-year financial forecast has been provided.
	The applicant acknowledges the Department reserves the right to immediately cancel any approved WCF if Council fails to comply with its attached conditions.

## Part C – Refinancing

I declare:

	Approved borrowings will only be used to refinance existing QTC debt.
	Planned borrowings correspond with the adopted 2022-23 debt policy.
	Any non-standard approval terms requested are clearly specified on the application form.
	A current 10-year financial forecast, which has been reviewed for completeness and reasonableness, has been/will be submitted electronically to QTC via its Financial Forecasting Tool.
	A brief explanation of large fluctuations in growth rates / forecast line items of the submitted 10-year financial forecast has been provided.
	The forecast level of restricted cash (both internal and external) has been accurately represented in the submitted 10-year financial forecast.

## Mayor and Chief Executive Officer (CEO) Sign-Off

In signing this application, the Mayor and CEO (or authorised delegate) verify that the information contained within both **Part A**, **Part B**, and **Part C** is true and correct, the financing arrangements sought will be used for lawful purposes, and the signatories below are authorised to make this application.

<b>Mayor sign-off</b>		
<b>CEO sign-off</b>		
	<i>Signature</i>	<i>Print name and date</i>



# Part A - Borrowings

## Required Documentation

Please attach the following documentation to your application for borrowings for 2022-23:

	Adopted 2022-23 Debt Policy
	Adopted Long-Term Asset Management Plan
	This checklist (completed and signed)

### Adopted 2022-23 Debt Policy

Any borrowings requested for 2022-23 must be consistent with the adopted debt policy. Should the total borrowings sought exceed the amount provided for in the adopted debt policy, local governments must adopt an updated debt policy which reflects the new amount.

### Adopted Long-Term Asset Management Plan

A local government applying for borrowings for 2022-23 must submit a copy of its current adopted Long-Term Asset Management Plan. The capital projects (or classes of assets) for which borrowings are sought must be consistent with this plan. This may necessitate the inclusion of additional explanatory notes.

The Department will not approve borrowings for capital expenditure which are not consistent with the adopted Long-Term Asset Management Plan.

## Requested Borrowings Breakdown

This section assists the Department understand to which major project areas the proposed borrowings will be allocated. Please include a short description of all projects for which borrowings are being sought (multiple smaller projects with similar characteristics may be grouped together to minimise repetition).

Major project areas	(\$)	Details of borrowing purpose
Water		
Sewerage and waste		
Roads, drainage and bridges		
Buildings and community assets		
Specific purpose		

Should any non-standard approval conditions be requested by a local government for the borrowings requested, a supporting document should be included with the application clearly specifying the terms requested.

# Part B – Working Capital Facilities

## Required Documentation

Please attach the following documentation to your application for a new (ongoing or fixed term), extended, or increased working capital facility (WCF):

	Confirmation that your current QTC Cash Flow Monitoring Tool has been submitted electronically to QTC via its Financial Forecast Tool (in addition to the 10-year financial forecast).
	This checklist (completed and signed)

### QTC Cash Flow Monitoring Tool

The QTC Cash Flow Monitoring Tool template can be obtained from QTC<sup>1</sup>, and must be completed and submitted as part of an application for a new (ongoing or fixed term), extended, or increased WCF. Further supporting documentation or notes may be provided to explain any assumptions or large fluctuations in the forecasts.

The cash flow forecast must show monthly cash balances over the period sought for a fixed term WCF and the intended use of the facility over time. Where an ongoing facility is sought, a local government must provide three years of monthly cash flow forecast information.

The Department encourages local governments to engage with QTC in completing the Cash Flow Monitoring Tool.

## Requested Facility Details

Please complete this section with the relevant details of the WCF sought:

<b>Desired Total Facility Limit (\$)</b>	
<b>Facility Type Requested</b>	<input type="checkbox"/> New Ongoing Facility <input type="checkbox"/> New Fixed-Term Facility <input type="checkbox"/> Existing Facility Expiry Date Extension <input type="checkbox"/> Existing Facility Limit Increase
<b>Facility Purpose</b>	
<b>Previous Facility Limit (if applicable)</b>	
<b>New Expiry Date (if applicable)</b>	

### Ongoing Facilities

Should a local government seek to establish an ongoing WCF limit, a completed 10-year financial forecast the Cash Flow Monitoring Tool must be submitted electronically to QTC via its Financial Forecasting Tool. Projected cash balances in the 10-year financial forecast must align with forecast balances in the Cash Flow Monitoring Tool.

The appropriateness and serviceability of a local government’s ongoing WCF will be reviewed annually by QTC and the Department. Where a local government is not complying with the conditions of its approved WCF, the Department reserves the right to immediately cancel the WCF.

<sup>1</sup> The QTC Cash Flow Monitoring Tool is available on QTC Link.

# Part C – Refinancing

## Required Documentation

Please attach the following documentation to your application for refinancing of existing QTC debt:

	Adopted 2022-23 Debt Policy
	This checklist (completed and signed)

### Adopted 2022-23 Debt Policy

Any refinancing requested for 2022-23 must be consistent with the adopted debt policy. Should the total refinancing sought exceed the amount provided for in the adopted debt policy, local governments must adopt an updated debt policy which reflects the new amount.

## Requested Refinancing Breakdown

This section assists the Department understand to which loans are to be refinanced. Please identify the relevant QTC loan account number/s as well as the estimated Early Repayment Adjustment (ERA) to be incurred (if any) from the proposed refinancing. You may insert additional rows where needed.

QTC Loan Account #	Book Value as at 30 June 2022 (\$)	Estimated ERA (\$)	Amount of ERA to be capitalised/borrowed? (\$)
#1			
#2			
#3			
#4			
#5, etc.			

Should any non-standard approval conditions be requested by a local government for the debt to be refinanced, a supporting document should be included with the application clearly specifying the terms requested.

## Refinancing Benefits Analysis

Local governments are encouraged to work proactively with QTC to identify opportunities to refinance existing borrowings to take advantage of favourable interest rate differentials and unlock additional operational funds. QTC can assist councils with modelling proposed refinancing scenarios prior to submitting an application to the Department.

The Department strongly encourages local governments to reinvest any operational savings from refinancing into improving their financial sustainability, service delivery, capital investment and/or job creation for the benefit of the local community.