

Debt Policy

Policy type	Council
Function	Corporate Services
Policy Owner	Finance
Effective date	1 July 2024

1. Purpose

To establish the policy framework for how Council borrows money to fund budgeted capital expenditure and states:

- a) new borrowings planned for the 2024-2025 financial year and the next nine (9) financial years; and
- b) the period over which Council plans to repay existing and new borrowings.

2. Scope

This policy applies to all forms of borrowing undertaken by Council.

The Debt Policy is reviewed annually and adopted with the Budget for the next financial year in line with the *Local Government Regulation 2012* Section 192.

3. Policy

3.1 External Loans

- a) Council will use borrowings/debt in addition to revenue, grants, subsidies or specific reserves to fund capital works;
- b) Council will endeavour to fund capital renewal projects from operating cash flows and borrow for new or upgrade capital projects, having regard to sound financial management principles and giving consideration to inter-generational equity;
- c) Council continually evaluates its financing options to ensure it assesses the relative risks and benefits, including the performance of its finances
- d) Council maintains a working capital fund to effectively manage cash balances throughout the year in order to delay the drawdown of long term debt.
- e) Borrowing will be undertaken in accordance with Queensland Treasury Corporation guidelines and the *Statutory Bodies Financial Arrangements Act 1982*;
- f) Borrowing will be for a period which is less than or equal to the estimated useful life of the related asset(s) however in the case of road, water, waste and sewerage infrastructure with useful lives ranging from 20 to 60 years the term will be limited to between 7 and 20 years unless otherwise recommended by the Queensland Treasury Corporation;

- g) Detailed capital works and Asset Management Plans for the next 10 years together with the 10-year financial forecast (Long Term Financial Plan) will provide the basis for determination of funding options;
- h) Council will use the Queensland Treasury Corporation for the management of its long-term debt facilities
- i) Current borrowings have the following maturing dates:

	Original Borrowing Amount \$	Outstanding Amount as at 31 May 2024 ** \$	Original Terms (Years)	Maturity Date
Workshop and Fleet/Waste	3,000,000	1,691,042	7	2027/2028
Port Hinchinbrook STP	7,000,000	7,000,000	20	2043/2044
Hyatt Street Reservoir	2,756,920	2,756,920	20	2043/2044
TOTAL	12,756,920	11,447,962		

*** Latest statement received is dated 31 May 2024*

It is proposed that the loan repayments will be undertaken in accordance with the above table based on the date of maturity.

- j) Borrowing planned for the next 10 financial years will be based on estimated new capital expenditure provided to Queensland Treasury Corporation and the Department of State Development, Infrastructure, Local Government and Planning;
- k) Proposed new debt for the next 10 years is outlined in Appendix A.

3.2 Internal Loans

- a) The provision of internal loans will depend on the availability of Council funds and the capacity of the internal business unit to repay the loan;
- b) The term of the loan will be limited from 5 to 20 years unless otherwise resolved by Council.
- c) In all cases, where business units are subject to the provisions of the National Competition Policy, the cost to the business unit will be no less than what would apply to an equivalent private sector business. The interest rate will be the sum of:
 - (i) the equivalent QTC borrowing rate for the proposed term;
 - (ii) the QTC administration charge; and
 - (iii) an additional margin (if required).

APPENDIX A

Year	Program	Amount \$	Original Terms (Years)	Final Repayment Year
2024/2025	Waste	1,656,421	20	2044/2045
2025/2026				
2026/2027				
2027/2028	Waste	693,579	20	2047/2048
2028/2029				
2029/2030				
2030/2031				
2031/2032				
2032/2033				
2033/2034				
	TOTAL	\$2,350,000		

Related forms, policies and procedures	Long Term Financial Plan
Relevant legislation	<i>Local Government Regulation 2012</i> <i>Statutory Bodies Financial Arrangements Act 1982</i> <i>Statutory Bodies Financial Arrangements Regulation 2019</i>
Reference and resources	Queensland Treasury Corporation

Policy Number	10732		
Approved by	Council Resolution B1603	Approval date	18 July 2016
Approved by	Council Resolution B1703	Approval date	26 June 2017
Approved by	Council Resolution B1804	Approval date	26 June 2018
Approved by	Council Resolution B19004	Approval date	27 June 2019
Approved by	Council Resolution B20009	Approval date	7 July 2020
Approved by	Council Resolution LG0854	Approval date	12 November 2020
Approved by	Council Resolution B20028	Approval date	25 June 2021
Approved by	Council Resolution B20046	Approval date	29 June 2022
Approved by	Council Resolution B20060	Approval date	28 June 2023
Approved by	Council Resolution B20070	Approval date	26 June 2024
Review date	Annually		