

# DEBT POLICY 2023/2024

**Adopted Date** 29 June 2009

**Policy Number:** GRC 0021

**Policy Type:** Statutory

**Responsible Officer:** Director Community & Corporate Services

**Department:** Community & Corporate Services

Version	Decision Number or CEO Approval	Decision Date	History
12.	Ordinary Meeting of Council (ref. OM-075/20)	27 May 2020	Adopted by Resolution
13.	Ordinary Meeting of Council (ref. OM-110/21)	26 May 2021	Adopted by Resolution
14.	Ordinary Meeting of Council (ref. OM-065/22)	25 May 2022	Adopted by Resolution
15.	Ordinary Meeting of Council (ref. OM-064/23)	24 May 2023	Adopted by Resolution

## 1. BACKGROUND

Section 192 of the *Local Government Regulation 2012* states that a local government must develop a policy about borrowings for the budgeted year, and the nine (9) years beyond the budget year. Furthermore, Council's borrowing activities are governed by the *Statutory Bodies Financial Arrangements Act 1982*.

## 2. PURPOSE

Each year, Council is required to prepare a Debt Policy, which outlines the extent of proposed borrowings for the budget year, and nine years beyond the budget year, and the time over which the local government plans to repay existing and new borrowings.

## 3. OBJECTIVES

- 3.1** To adopt a policy on borrowings that provides for responsible financial management on the loan funding of Infrastructure capital projects by ensuring the level of Council indebtedness is within acceptable limits to Council, its ratepayers and interested external parties;
- 3.2** To ensure an acceptable Debt Equity Ratio is maintained so that new borrowing is not excessive given the Council's ability to service resulting debt payments; and
- 3.3** To strive, so far as reasonably practical, to achieve inter-generational equity.

## 4. DEFINITIONS

N/A

## 5. POLICY STATEMENT

As a general principle, Council recognises that loan borrowings for capital works are an important funding source for Local Government and that the full cost of these items should not be borne entirely by present-day ratepayers but be contributed to by future ratepayers who will also benefit. Whilst recognising the importance of loan borrowings, Council should not place undue reliance upon loans as a source of income. Council restrict all borrowings to expenditure on identified capital projects that are considered by Council to be of the highest priority, and which cannot be funded from revenue, as identified by the adopted budget. ***In no circumstances should Council borrow funds for recurrent expenditure.***

### 5.1 Borrowing Purposes

Borrowings will only be used to finance capital works that will provide services now and into the future. No borrowings will be used to finance recurrent expenditure and the operational activities of the Council.

When seeking funding for capital works, Council will, wherever possible, use its existing cash reserves. The use of any existing cash reserves will be subject to maintaining all relevant financial ratios and measures within adopted targets.

### 5.2 Borrowing Application

A business case must be presented for all capital projects to support any borrowing application/s.

### 5.3 Repayments and Repayment Ability

Borrowings will be undertaken for capital works only where the interest and debt principal repayments can be serviced and relevant financial ratios and measures are maintained within approved targets.

Council will discharge debts in the shortest possible time subject to overall budgetary constraints.

New loans will be taken up only if the subsequent increase in debt servicing payments allows the total debt servicing ratio to remain within corporate targets.

### 5.4 Debt Term

The term of new loans will be a maximum of twenty (20) years for borrowings. The debt term shall not exceed the finite life of the related asset.

### 5.5 Borrowing Sources

With the exception of finance or operational leases for light fleet, Council shall raise all external borrowings for the infrastructure capital projects from Queensland Treasury Corporation (QTC).

### 5.6 Proposed Borrowings

Council's existing borrowing program for the current financial year and the proposed borrowing program for the next nine (9) financial years are provided in Appendix A.

## 6. REVIEW DATE

This Debt Policy applies for the 2023/2024 financial year. This policy will be reviewed annually and amended as, and when, required to meet the prevailing circumstances of Council.

## 7. RELATED DOCUMENTS

N/A

## 8. ATTACHMENT

### Appendix A – Proposed Borrowing Program

#### PROPOSED BORROWING PROGRAM FOR THE YEARS ENDED 2024 TO 2033

Description	YEARS										TOTALS
	2024	2025	2025	2027	2028	2029	2030	2031	2032	2033	
Water Treatment Plant - Part 1	-	-	-	-	-	-	\$ 3,500	-	-	-	\$ 3,500
Water Treatment Plant - Part 2	-	-	-	-	-	-	-	\$ 3,500	-	-	\$ 3,500
	-	-	-	-	-	-	\$ 3,500	\$ 3,500	-	-	\$ 7,000

Expressed in Millions