

Debt - Statutory Policy

Effective Date	1 July 2024
Policy Owner	Chief Financial Officer
Link to Corporate Plan	Sustainable Organisation
Review Date	Special Meeting of Council Adopt 2025-26 Budget
Related Legislation	1. <i>Local Government Regulation 2012, and;</i> 2. <i>Statutory Bodies Financial Arrangements Act 1982.</i>
Related Documents	1. Financial Management and Investment Strategy Policy and; 2. Investment Policy.

Policy Version	Approval Date	Adopted/Approved
1	20/06/2024	Special Meeting of Council Adopt 2024-25 Budget

*This policy may not be current as Council regularly reviews and updates its policies. The latest controlled version can be found in the policies section of Council's intranet or Website. **A***
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Debt - Statutory Policy

1. PURPOSE

The purpose of this policy is to ensure sound financial management through, where necessary, the judicious use of debt.

2. SCOPE

This policy applies to Council's debt management, in accordance with the *Local Government Regulation 2012* and the *Statutory Bodies Financial Arrangements Act 1982*.

3. POLICY

Council will utilise debt funding (other than a working capital facility) to fund capital works only. Council will:

- (1) only use debt where it has adequate capacity to meet debt service obligations arising from the drawdown of this debt funding;
- (2) as a general rule, only borrow to fund new or upgrades to revenue producing capital infrastructure; and
- (3) only use debt to fund new or upgrades to social infrastructure in exceptional circumstances. Under no circumstances will debt be used to fund the replacement of social infrastructure.

Borrowing Purposes

When seeking funding for capital works, Council will, wherever possible, use its existing cash reserves after giving due consideration to its liquidity requirements. At a minimum, Council will hold adequate cash reserves to meet both its capital and operational funding obligations for at least one month after the end of the discount period for the collection of rates and utility charges (other than volumetric charges for water).

The use of debt will be subject to maintaining legislative and Council imposed financial ratios and measures and targets. Refer also to Council's *Financial Management and Investment Strategy Policy*.

Repayments and Repayment Ability

Borrowings will be undertaken for new capital works or capital works upgrades where the interest and debt principal repayments can be serviced, and the legislative ratios are met. The benchmarks are set by Council in its *Financial Management and Investment Strategy Policy* or by the Department of State Development Infrastructure, Local Government and Planning in its 2024 Guideline to Financial Management (Sustainability). These benchmarks are utilised by the Queensland Audit Office and Queensland Treasury Corporation in considering the financial sustainability of a local government. Council will discharge debts in the shortest possible time subject to overall *budgetary constraints*.

Debt Term

The debt term shall not exceed the lesser of twenty (20) years or the finite life of the related asset.

Interest Rate

In instances where it has the capacity to do so, Council should carefully consider the current and expected interest rate environment before making a decision as to how long interest rates should be set. For example, if current interest rates are considered high, consideration should be given to setting interest rates for a shorter term than the length of the loan. Conversely if interest rates are considered low, consideration should be given to more closely matching the interest rate to the term of the loan.

Borrowing Sources

Council shall raise all external borrowings at the most competitive rates available and from sources as defined by legislation. As a principle, this will be Queensland Treasury Corporation.

Proposed Borrowings

Council proposes no new borrowings over the forecast period (ten years).

Current Borrowings

Council currently has no borrowings.