



Debt Policy

To establish the policy framework for Council to borrow money to fund budgeted capital expenditure

Category	Office of CFO – Finance	Policy number: FIN007
Related forms, policies and procedures	Long Term Financial Plan	
Key words	Borrowing, debt, loans	
Relevant legislation	<ul style="list-style-type: none"> • <i>Local Government Regulation 2012</i> • <i>Statutory Bodies Financial Arrangements Act 1982</i> • <i>Statutory Bodies Financial Arrangements Regulation 2019</i> 	
References and resources	Queensland Treasury Corporation	

Review due by	Finance	Date: Annually
Approved by	Council Resolution B20046	Date: 29 June 2022
Approved by	Council Resolution B20028	Date: 25 June 2021
Approved by	Council Resolution LG0854	Date: 12 November 2020
Approved by	Council Resolution B20009	Date: 7 July 2020
Approved by	Council Resolution B19004	Date: 27 June 2019
Approved by	Council Resolution B1804	Date: 26 June 2018
Approved by	Council Resolution B1703	Date: 26 June 2017
Approved by	Council Resolution B1603	Date: 18 July 2016

DEBT POLICY

1. Purpose

To establish the policy framework for Council to borrow money to fund budgeted capital expenditure and will state:

- (a) new borrowings planned for the current financial year and the next ten (10) financial years; and
- (b) the time over which the local government plans to repay existing and new borrowings.

2. Scope

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

3. Procedure

3.1 External Loans

- (a) Council will borrow in circumstances where there are insufficient funds available from revenue, grants, subsidies or specific reserves primarily established to fund capital works;
- (b) Council will endeavour to fund all capital renewal project 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 for the funding of the long term infrastructure projects;
- (c) Borrowing will be undertaken in accordance with Queensland Treasury Corporation guidelines and the *Statutory Bodies Financial Arrangements Act 1982*;
- (d) 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 longer terms are recommended by the Queensland Treasury Corporation;
- (e) 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;
- (f) Council will use the Queensland Treasury Corporation for the management of its long term debt facilities;
- (g) Current debt of \$3.0M has the following maturing dates:

	Amount Outstanding as at 30/06/2021 \$	Original Terms (Years)	Maturity Date
Workshop & Fleet/Waste	3,000,000	7	2027/2028
TOTAL	3,000,000		

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

- (h) Borrowing planned for the next 10 financial years will be based on estimated new capital expenditure provided to Queensland Treasury Corporation;
- (i) 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 excess Council funds and the capacity of the internal business unit to repay the loan;
- (b) All applications for internal loans will be made by reference to the Finance Section for consideration in accordance with the Long Term Financial Plan;
- (c) The term of the loan will be limited to 5 to 20 years unless determined otherwise.
- (d) 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 as determined by Finance (if required)

Appendix A

Year	Program	Amount (\$)	Original Terms (Years)	Final Repayment Year
2022/2023		-		
2023/2024	Drainage (Mission Beach CBD)	2,750,000	10	2033/2034
2024/2025		-		
2025/2026	Waste	2,350,000	10	2035/2036
2026/2027		-		
2027/2028		-		
2028/2029		-		
2029/2030		-		
2030/2031		-		
2031/2032		-		
	TOTAL	\$5,100,000		