

## **PURPOSE**

The purpose of the policy is to identify the planning framework within which Council operates and set out the principles used by Council in determining borrowing schedules.

This policy outlines the Debt Strategy of the North Burnett Regional Council and provides for the responsible management of borrowings made by Council from external sources.

Council is required to produce a Debt Policy under section 104 (5) (c) of the *Local Government Act 2009* and section 192 of the *Local Government Regulation 2012*.

### **Local Government Regulation 2012 192:**

(1) *A local Government must prepare and adopt a debt policy each financial year.*

(2) *The debt policy must state –*

- a. *The new borrowings planned for the current financial year and the next 9 financial years; and*
- b. *The period over which the local government plans to repay existing and new borrowings.*

## **SCOPE**

This policy will apply whenever Council is considering borrowing funds externally. It does not apply to leasing or hire purchase arrangements

## **POLICY STATEMENT**

### **Background and Considerations**

Council recognises the desirability of establishing reserves sufficient to fund future capital, particularly for water and sewerage, and to use funds when appropriate to avoid external borrowings for relatively minor acquisitions and developments. Council may, however, determine to borrow funds on the basis of immediate need, as well as for strategic reasons and/or because it is economically advantageous to do so. The level of debt in individual programs and in total is a matter for Council to decide from time to time. Due recognition will be given to:

- The type and extent of benefits to be obtained from borrowing – including the length of time the benefits will be received;
- The beneficiaries of the acquisition or development;
- The impact of interest and redemption payments on both current and forecast rates revenue;
- The current and future capacity of the rate base to pay for borrowings and the rate of growth of the rate base;
- Likely movements in interest rates for variable rate borrowings;
- Other current and projected sources of funds such as headworks; and
- Competing demands for funds.

It is recognised that, as infrastructure such as water and sewerage are usually funded in advance of community requirements, and borrowings are repaid by future users, it is appropriate to utilise debt to fund future infrastructure capacity. The appropriate mix of sources of funds will depend on the factors mentioned above.

Capital expenditure on general community facilities is usually funded from such revenue sources as general rates, special rates, grants, subsidies and borrowings. Borrowings for these developments should be limited to what can be repaid by the existing rate base and, in general, should be over a shorter period so that current users substantially contribute to the debt servicing and redemption. Debt on existing facilities should not become a burden on future generations who may not receive benefits from these facilities. Again, the appropriate combination of debt and revenue will depend upon the type of development and the Council's circumstances at a time.

## Scope for Borrowings

Council will only borrow funds for the purpose of acquiring assets, improving facilities or infrastructure and/or substantially extending their useful life.

Council may borrow to meet strategic needs, or to take advantage of opportunities for development, providing there is a demonstrable extension to the useful life of the assets. If necessary, Council may borrow funds to finance special projects where funding has been approved, the money is not yet received, and Council's working capital cash will not cover the project.

All redemption and interest charges on borrowings, including those relating to water, sewerage and plant are to be repaid from revenue generated in the area related to the capital expenditure funded.

Where borrowings are to be repaid by special rates, the revenue and repayments will be matched as far as is practical. Borrowings may be repaid early should revenue exceed scheduled repayments.

Repayments will not exceed twenty per cent of general rates revenue.

Borrowings will only be made in accordance with the adopted budget.

Borrowings will be from the Queensland Treasury Corporation (QTC) or, if from another organisation, will be made with the approval of the Queensland Treasurer and Department of Local Government, Racing and Multicultural Affairs

Borrowings will be for a maximum term of twenty years. Shorter borrowing periods will be taken where possible and appropriate. The term of any loan will not exceed the life of the asset.

## Summary of Outstanding Balances

Total Outstanding QTC Loans 30th June 2019 (Projected) 5,610,397.

## Budgeted Loan Movements 2018-19

Loan Detail	Opening Balance	Movement in the Year			Closing Balance	Repayments (% Gen Rates)
	Jul-19	Borrowing	Redemption	Interest		
Depot	12,170		6,742	794	6,222	0.08%
Roads					-	0.00%
Bridges	791,906	300,000	37,905	37,297	1,091,298	0.76%
Plant	834,142		305,129	32,783	561,796	3.39%
Water	1,575,695	300,000	192,332	61,547	1,744,910	2.55%
Sewerage	118,640	600,000	57,302	6,690	668,028	0.64%
Special Levy - Mt Perry	285,697		28,299	7,745	265,143	0.36%
Mingo		1,273,000			1,273,000	
<b>Total</b>	<b>3,618,250</b>	<b>2,473,000</b>	<b>627,709</b>	<b>146,856</b>	<b>5,610,397</b>	<b>7.78%</b>

## New Borrowings

Year	Bridges	Water	Sewerage	Plant & Software	Other	Total
Borrowing term	20 years	20 years	20 years	5 years	10 years	
	\$	\$	\$		\$	\$
2019/20	500,000	250,000	250,000		100,000	1,100,000
2020/21	500,000	250,000	250,000		100,000	1,100,000
2021/22	500,000	250,000	250,000		100,000	1,100,000
2022/23	500,000	250,000	250,000		100,000	1,100,000
2023/24	500,000	250,000	250,000		100,000	1,100,000
2024/25	500,000	250,000	250,000		100,000	1,100,000
2025/26	500,000	250,000	250,000		100,000	1,100,000
2026/27	500,000	250,000	250,000		100,000	1,100,000
2027/28	500,000	250,000	250,000		100,000	1,100,000

## RELEVANT LAW

Local Government Act 2009

Local Government Regulation 2012 (LGR)

## RELATED POLICIES AND PROCEDURES

Nil

## RELATED FORMS

Nil

## DEFINITIONS

Nil

## APPROVAL

Council approved this policy on 27 June 2018.

## REVIEW

This policy will be reviewed every two years by Manager Finance, Corporate and Community, and is due for review in July 2020.

## REVISION HISTORY

Version	Meeting	Date	History
1	Policy & Strategy Meeting	06/05/2008	Created for 2008/2009
2	Budget Meeting	23/06/2009	Revised for 2009/2010
3	Budget Meeting	28/07/2010	Revised for 2010/2011
4	Budget Meeting	23/06/2011	Revised for 2011/2012
5	Budget Meeting	07/08/2012	Revised for 2012/2013
6	Policy & Strategy Meeting	16/07/2013	Revised for 2013/2014
7	Budget Meeting	08/07/2014	Revised for 2014/2015
8	Budget Meeting	07/07/2015	Revised for 2015/2016
9	Budget Meeting	06/07/2016	Revised for 2016/2017
10	Policy & Planning Meeting	05/04/2017	Revised for Q2 2016/2017

11 Budget Meeting  
12 General Meeting

04/07/2017  
27/06/2018

Revised for 2017/2018  
Review