

# 106 Debt

## Statutory Policy

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### 1. HEAD OF POWER

Section 104 (5) c (i) of the *Local Government Act 2009*  
Section 192 (1) of the *Local Government Regulation 2012*

### 2. INTENT

The purpose of the policy is to inform the financial 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 Council and provides for the responsible management of borrowings

### 3. SCOPE

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

### 4. DEFINITIONS

Nil

### 5. POLICY STATEMENT

#### 5.1 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.

## 5.2 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.

## 5.3 Summary of Outstanding Balances

Total Outstanding QTC Loans 30th June 2020 (Projected) \$2,322,192.

Budgeted Loan Movements 2019-2020

Loan Detail	Opening Balance	Movement in Year			Closing Balance	Repayments (% General Rates)
	1/07/2019	Borrowing	Redemption	Interest	30/06/2020	
Mt Perry Special Levy	249,887	-	28,256	6,738	221,630	0.34%
Water	1,383,363	-	204,026	49,853	1,179,337	2.48%
Bridges	754,001	-	39,756	35,447	714,246	0.73%
Gayndah depot	5,428	-	5,428	224	-	0.06%
Plant	529,013	-	322,033	15,879	206,980	3.30%
Sewerage	61,338	-	61,338	2,654	-	0.62%
<b>Total</b>	<b>2,983,030</b>	<b>-</b>	<b>660,838</b>	<b>110,794</b>	<b>2,322,192</b>	<b>7.53%</b>

## 6. ASSOCIATED DOCUMENTS:

100 Annual Budget 2019/2020  
200 Operation Plan 2019/2020

## 7. POLICY REVIEW

This policy will be reviewed annually in conjunction with the annual budget process.

## 8. POLICY OWNER

General Manager, Corporate and Community Services.

## 9. DATE ADOPTED

<b>Version</b>	<b>Meeting</b>	<b>Approval Date</b>	<b>History</b>
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	04/07/2017	Revised for 2017/2018
12	General Meeting	27/06/2018	Review
13	Budget Meeting	17/07/2019	Revised for 2019/2020