

COUNCIL POLICY

Title	Debt Policy
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Category	Finance
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1. Policy Purpose

The purpose of this policy is to ensure compliance with section 104(5)(c) of the *Local Government Act 2009* (Qld) and section 192 of the *Local Government Regulation 2012* (Qld), which require council to prepare and adopt a debt policy for each financial year. This debt policy sets out:

- a) The new borrowings planned for the current financial year and the next nine financial years;
- b) The period over which council plans to repay existing and new borrowings; and
- c) Guidelines to ensure sound and prudent debt management.

2. Definitions

To assist in interpretation, the following definitions apply:

Business Unit	Has the same meaning as defined in the <i>Local Government Act 2009</i> (Qld)
Commercial Business Unit	Means a Significant Business Activity which is commercialised pursuant to section 18 of the <i>Local Government Regulation 2012</i> (Qld)
Council	Means Central Highlands Regional Council.
Department	Means the Department of Housing, Local Government, Planning and Public Works
LG Act	Means the <i>Local Government Act 2009</i> (Qld)
LG Regulation	Means the <i>Local Government Regulation 2012</i> (Qld)
Local Government Area	Has the same meaning as defined in the <i>Local Government Act 2009</i> (Qld)
Operational Plan	Means council's annual operational plan
QTC	Means the Queensland Treasury Corporation
SBFA Act	Means the <i>Statutory Bodies Financial Arrangements Act 1982</i> (Qld)
Significant Business Activity	Has the same meaning as defined in section 43(4) of the <i>Local Government Act 2009</i> (Qld) and which meets the threshold identified in section 19 of the <i>Local Government Regulation 2012</i> (Qld).

3. Related Legislation

- *Local Government Act 2009* (Qld)
- *Local Government Regulation 2012* (Qld)
- *Statutory Bodies Financial Arrangements Act 1982* (Qld)

4. Related Documents

- Long-Term Financial Plan
- Application of Competition Policy
- Annual Budget

5. Policy Statement

5.1 Borrowing Purposes

Council recognises borrowings (debt) as an important funding source for capital works and that the full cost associated with the acquisition of long-life assets or significant renewal and upgrade of existing assets should not necessarily be borne entirely by present day ratepayers. Rather, to ensure intergenerational equity, funding of these activities should also be contributed to by future ratepayers who have access to the services.

The mix of debt to internal funding is intended to provide a balance between minimising long-term costs while providing adequate flexibility of funding in the short-term. Council will generally seek to minimise its dependence on borrowings to reduce the need to commit future revenue to debt servicing and redemption. Council will also try to align borrowings to specific capital projects, to ensure transparency and accountability is maintained.

The specific principles Council will apply in determining whether borrowings should be accessed are:

- To finance the portion of the cost of new long-life assets or significant renewal and upgrade of existing assets as part of council's capital program which are not funded by grants and subsidies, and where surplus funds from normal council operating revenues such as rates, fees and charges are not available;
- For strategic needs identified in the Operational Plan or to take advantage of opportunities for development providing there is a demonstrable return in economic and/or social benefits to the community;
- For short-term working capital that may be required for a genuine emergency or other hardship, and which is to be repaid within the same or following financial year; and
- That Council will not use long-term borrowings to finance recurrent expenditure and the operational activities.

The above principles also apply to Significant Business Activities of Council. In addition, in relation specifically to a commercialised Business Unit established by council, Council may also access borrowings to establish a commercial debt structure.

5.2 Borrowing Process and Source

Part 5 of the SBFA Act permits local government entities to borrow with the Treasurer's approval. Under a general approval dated 23 May 2003 and issued by the Treasurer under the SBFA Act, the Department may grant approval for local governments to borrow from QTC.

The Department will generally only allow borrowings from QTC for capital purposes with separate approval of the Treasurer being required for borrowings and facilities not sourced from QTC.

Council is not able to negotiate interest rates with QTC as these rates are calculated using market interest rates at the time of pricing the borrowing.

Council may also apply for a Working Capital Facility (the Facility) from QTC to be used for short-term liquidity management purposes as an alternative to holding excess surplus cash and to accommodate fluctuations experienced in the ordinary course of business. The application and approval process for the Facility is similar to that of capital borrowings.

5.3 Proposed and Current Borrowings

Council regularly monitors debt levels to ensure that the net financial liabilities key sustainability ratio remains within the acceptable target range of less than 60%, and the debt continues to be serviceable.

As per section 192 of the LG Regulation, council's debt policy must detail its proposed borrowings and repayments for the current financial year and for the next nine financial years. Council does not intend to borrow any funds for the duration of the long-term financial plan.

Details of council's repayment program over the period from 1 July 2024 to 30 June 2034 are proposed in Table 1.

Table 1:

10 Year Borrowing and Repayment Program				
Financial year	Existing borrowing amount - start of financial year \$000	New borrowing amount - start of financial year \$000	Redemption amount - to be paid during financial year \$000	Repayment period
2024-25	70,184	-	6,316	4 - 19 years
2025-26	63,868	-	6,621	3 - 18 years
2026-27	57,247	-	6,939	2 - 17 years
2027-28	50,308	-	7,269	1 - 19 years
2028-29	43,039	-	6,770	1 - 18 years
2029-30	36,269	-	5,630	1 - 17 years
2030-31	30,639	-	4,341	1 - 16 years
2031-32	26,298	-	4,029	1 - 15 years
2032-33	22,269	-	2,753	1 - 14 years
2033-34	19,516	-	2,840	1 - 13 years

Table 2: Council's repayment program

Council's budgeted borrowings portfolio for 2024-25 is identified in Table 2.

	Estimated closing balance	2024-25 Movements			Budgeted closing balance
	30 June 2024	Interest	Less Redemption	Plus New Borrowings	30 June 2025
	\$000	\$000	\$000	\$000	\$000
General	30,592	1,302	(2,316)	-	28,276
Business Activities:					
Airport	18,004	590	(2,057)	-	15,947
Waste	2,482	128	(134)	-	2,348
Water	13,867	598	(1,400)	-	12,467
Sewerage	5,239	215	(409)	-	4,830
Total	70,184	2,833	(6,316)	-	63,868

5.4 Repayment Term

Terms of any borrowing must not exceed the lesser of:

- The planned life of the asset for which the funds have been borrowed; and
- 20 years.

5.5 Borrowing Term

Council borrowings must be subject to the following terms:

- Fixed interest rates to reduce susceptibility to interest rate sensitivity; and
- An option for early repayment adjustment for any unscheduled payments or early repayment of the borrowing.

The decision to repay borrowings early if cash surplus to council's requirements becomes available will only be made in accordance with a debt repayment analysis conducted by QTC. Council intends to hold all current borrowings and proposed borrowings to term.

5.6 Borrowing Drawdowns

To minimise finance costs, drawdowns of borrowings must be deferred as long as possible to the end of the relevant financial year, taking into consideration council's overall cash flow requirements. QTC requires that new borrowings which have been approved for each financial year are drawn down prior to 30 June as approval does not carry forward to subsequent financial years.

6. Compliance and Review Mechanism

- (1) This Policy will be reviewed when any of the following occur:
- a. The related legislation or governing documents are amended or replaced; or
 - b. Other circumstances as determined by resolution of Council or the CEO.



Table of Amendments			
Document History	Date	Council Resolution No	Notes (including the prior policy number, precise of change/s, etc.)
2023-24 Debt Policy	28/06/2023	SM 2023 / 06 / 28 / 018	Full review of policy
2024-25 Debt Policy	26/06/2024	SM 2024 / 06 / 26 / 019	Full review of policy



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 Ross Musgrove
Acting CHIEF EXECUTIVE OFFICER