

PURPOSE

- 1) The purpose of the policy is to inform the financial planning framework within which Council operates and sets 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.

SCOPE

- 2) This policy will apply wherever Council is considering borrowing funds externally. It does not apply to hire purchases or leasing arrangements.

DEFINITIONS

Term	Definition
Council	Means North Burnett Regional Council (NBRC)
Intergenerational Equity	Meeting the needs of the present without compromising the ability of future generations to meet their needs.

POLICY

OBJECTIVES

- 3) 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.

PRINCIPLES

- 4) 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 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 capital expenditure will consider the principles of intergenerational equity to ensure fairness across present and future generations. 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 of the infrastructure 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 the time.

POLICY STATEMENT

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.

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.

ROLES AND RESPONSIBILITIES

- 5) The Chief Executive Officer, and/or delegate are responsible for ensuring that this policy is understood and adhered to by all employees involved in borrowings for Council.

APPLICABLE LEGISLATION AND REGULATION

- 6) Applicable legislation and regulation:
 - a) Section 104 (5) c (i) of the *Local Government Act 2009*
 - b) Section 192 (1) of the *Local Government Regulation 2012*

RELATED DOCUMENTS

- 7) Related documents are:
 - a) Annual Budget 2021/2022
 - b) Operational Plan 2021/2022

RESPONSIBLE OFFICER

General Manager Corporate and Community

APPROVAL DATE

30/06/2021

REVIEW DATE

30/06/2022

REVISION HISTORY

Version	Meeting	Approval Date	History
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
14	General Meeting	24/06/2020	Revised for 2020/2021
15	Budget Meeting	30/06/2021	Revised for 2021/2022

APPENDIX 1: BUDGETED LOAN MOVEMENTS 2021/2022

Total Outstanding QTC Loans as at 30th June 2022 (Projected) = \$ 1,821,462

Budgeted Loan Movements 2021 - 2022

Loan Detail	Current Interest Rate	Opening Balance	Movement in Year			Closing Balance	Repayments (% General Rates)	2022 Repayments
		1/07/2021	Borrowing	Redemption	Interest	30/06/2022		
Mt Perry Special Levy	2.815%	192,570	-	29,887	5,107	162,683	0.36%	34,994
Water	3.622%	1,106,241	-	76,279	37,847	1,029,963	1.17%	114,125
Bridges	4.795%	672,549	-	43,732	31,470	628,817	0.77%	75,202
Plant	2.325%	104,689	-	104,689	1,526	- 0	1.09%	106,215
Total	3.862%	2,076,049	-	254,587	75,950	1,821,462	3.38%	330,537

Total Debt Service Ratio %
(Indicative Benchmark < 8%)

0.86%