

PURPOSE

- 1) Pursuant to section 192 of the *Local Government Regulation 2012* a local government must prepare and adopt a debt policy annually which documents borrowings planned for the new financial year and the following nine (9) financial years, including a repayment plan for existing and new borrowings. Council's borrowing activities are governed by the *Statutory Bodies Financial Arrangements Act 1982*.
- 2) 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.
- 3) This policy outlines the debt strategy of Council and provides for the responsible management of borrowings by ensuring the level of Council debt is within acceptable limits to Council, its ratepayers and interested external parties.

SCOPE

- 4) This policy will apply when 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).
Debt Servicing Capacity	The debt servicing capacity is calculated through the application of the leverage ratio in compliance with the Financial Management (Sustainability) Guideline 2024 (Department of Housing, Local Government, Planning and Public Works).
Intergenerational Equity	Meeting the needs of the present without compromising the ability of future generations to meet their needs.

POLICY

OBJECTIVES

- 5) To maintain the financial sustainability of Council through the responsible management of debt and new borrowings, ensuring an acceptable debt servicing capacity is maintained.
- 6) The annual preparation of the policy in accordance with statutory obligations, outlining:
 - 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

- 7) The level of debt in individual programs and in total is determined annually by Council as part of the budget process.

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.

- 8) It is recognised, 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.

POLICY STATEMENT

- 9) Council restricts borrowings to expenditure on identified capital projects (including the acquisition of assets) that are considered by Council to be of the highest priority, and which cannot be funded from other sources of revenue.
- 10) Prior to supporting new borrowings, Council will consider the principles of intergenerational equity to ensure fairness across present and future generations. Borrowings should be limited to what can be repaid by the existing rate base and, in general, should be over a shorter period so current users of the infrastructure substantially contribute to the debt servicing and redemption. Debt should not become a burden on future generations who may not receive benefits from these facilities.
- 11) 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 capital works. 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.
- 12) 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.
- 13) 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 ten (10) per cent of general rates revenue. Borrowings will only be made in accordance with the adopted budget.
- 14) Council's Leverage Ratio, as defined for a Tier 5 Council in the Financial Management (Sustainability) Guideline published by the State of Queensland (Department of Housing, Local Government, Planning and Public Works) 2024, will remain within the boundary of 0 to 3 times, both on an annual basis and a 5 year average
- 15) Borrowings will be from the Queensland Treasury Corporation or, if from another organisation, will be made with the approval of the Queensland Treasurer and the Minister for Department of Housing, Local Government, Planning and Public Works.
- 16) Borrowings will be undertaken for capital works only where the interest and debt principal repayments can be serviced and relevant financial ratios and debt servicing capacity measures are maintained.
- 17) New loans will be taken up only if the subsequent increase in debt servicing payments allows the total debt servicing capacity to remain within Council's targets and measures.
- 18) Debt management is undertaken within approved guidelines, in accordance with Council's Enterprise Risk Management Framework and the *Statutory Bodies Financial Arrangements Act 1982*.

NEW BORROWINGS

- 19) Council has no planned new borrowings in 2024/25 or the following nine financial years at the time of adoption of this policy.

CURRENT BORROWINGS AND REPAYMENT SCHEDULE

20) Refer Appendix 1

ROLES AND RESPONSIBILITIES

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

APPLICABLE LEGISLATION AND REGULATION

22) Applicable legislation and regulation:

- a) *Local Government Act 2009*
- b) *Local Government Regulation 2012*
- c) *Statutory Bodies Financial Arrangements Act 1982*
- d) *Statutory Bodies Financial Arrangements Regulation 2019*

RELATED DOCUMENTS

23) Related documents are:

- a) Council Annual Budget 2024-2025
- b) Council Annual Financial Statements 2024-2025
- c) Operational Plan 2024-2025
- d) Financial Management (Sustainability) Guideline 2024 (external)

RESPONSIBLE OFFICER

General Manager Corporate and Community

APPROVAL DATE

10 July 2024

REVIEW DATE

June 2025 (Annual Review)

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	Revised for 2018/2019
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
16	Budget Meeting	27/06/2022	Revised for 2022/2023
17	Budget Meeting	28/06/2023	Revised for 2023/2024
18	Budget Meeting	10/07/2024	Revised for 2024/2025

APPENDIX 1: BUDGETED LOAN MOVEMENTS 2024-2025 AND REPAYMENT SCHEDULE

Total Outstanding QTC loans as at 30th June 2025 (Projected) = \$ 1,332,536

Budgeted Loan Movements 2024-2025

Loan detail	Current Interest Rate	Opening Balance \$	Borrowing \$	Redemption \$	Closing Balance 30/06/2025 \$	Interest & Administration \$	2025 Total Repayments \$	Repayments % general rates
Mt Perry Special Levy	2.815%	100,334	-	32,511	67,823	2,483	34,994	0.29%
Water	3.622%	867,185	-	86,861	780,324	27,264	114,125	0.96%
Bridges	4.795%	534,844	-	50,455	484,389	24,748	75,203	0.63%
Total	3.744%	1,502,363	-	169,827	1,332,536	54,495	224,322	1.88%

Repayment Schedule

	Opening balance	Repayment	Interest charge	Administration charge	Closing Balance
2024_25	1,502,363	224,322	52,840	1,655	1,332,536
2025_26	1,332,536	224,322	45,743	1,457	1,155,414
2026_27	1,155,414	190,342	39,186	1,265	1,005,523
2027_28	1,005,523	155,348	34,197	1,105	885,477
2028_29	885,477	155,348	29,607	965	760,702
2029_30	760,702	155,348	24,827	819	631,000
2030_31	631,000	155,348	19,847	668	496,168
2031_32	496,168	155,348	14,659	511	355,990
2032_33	355,990	136,547	9,255	347	229,044
2033_34	229,044	80,145	5,850	232	154,980
2034_35	154,980	80,145	3,675	146	78,655
2035_36	78,655	80,145	1,433	57	0
Grand Total		1,792,706	281,118	9,225	