

DEBT POLICY

(STATUTORY POLICY)

1. Scope

The Debt Policy (this 'Policy') applies to the use of loan borrowings to fund infrastructure and other important capital projects.

2. Purpose

This Policy provides Council with a contemporary Debt Policy for responsible financial management on the loan funding of infrastructure capital projects by ensuring the level of Council indebtedness is within acceptable limits to Council, its ratepayers and interested external parties.

3. Related Documents

Local Government Act 2009
Local Government Regulation 2012
Statutory Bodies Financial Arrangements Act 1982

4. Definitions

To assist in interpretation, the following definitions shall apply:

Council	Livingstone Shire Council.
The Act	<i>Local Government Act 2009.</i>
The Regulation	<i>Local Government Regulation 2012.</i>
SBFAA	<i>Statutory Bodies Financial Arrangements Act 1982.</i>

5. Policy Statement

As a general principle, Council recognises that loan borrowings for capital works are an important funding source for Local Government and that the full cost of infrastructure should not be borne entirely by present-day ratepayers, but be contributed to by future ratepayers who will also derive benefits (i.e. intergenerational equity). Whilst recognising the importance of loan borrowings, Council should not place undue reliance upon loans as a source of income.

Council will restrict all borrowings to expenditure on identified capital projects that are considered by Council to be of the highest priority and which cannot be funded from revenue, as identified by the adopted budget. Under no circumstances should Council use long-term debt to finance operating activities or recurrent expenditure. A working capital facility or overdraft may be utilised to assist in funding short term cash flow requirements that may arise.

The basis for determination of the utilisation of loan funds will be as follows:

- Borrowings are considered to be a financial funding last resort and only as a tool to be used in a strategic perspective to achieve the provision of services to the community;
- Borrowings for infrastructure that provides a return on assets will take priority over borrowing for other assets. Where a capital project for a service that is funded by utility or user charges e.g. water, sewer or waste, is determined to be funded by way of loans, the user charge should reflect the cost of providing the service including the loan servicing costs;
- Other specific capital projects, not funded by user charges, should only be considered for loan funding where the project is considered by Council to be of long term benefit to the majority of ratepayers;
- Prior to undertaking any borrowing, Council shall assess its capacity to repay the loan, to ensure that the community is not burdened with unnecessary risk and rate/charge increases;
- The term of any loan should not exceed the expected life of the asset being funded;
- All borrowings will be considered in line with Council's long term financial forecast.

TEN YEAR LOAN PROGRAMME FORECAST

Council utilises loan borrowings to fund major capital and infrastructure works. Repayments are spread over a long period of up to twenty years (20) as capital works projects all have long useful lives. This Policy includes the following information:

- 1) New borrowings for the current and the next nine (9) financial years; and
- 2) A repayment schedule for all new and existing borrowings.

The following ten (10) year program is proposed by Council, although allocations in future years are revised on an annual basis in conjunction with the review of Council's short and long term budgets:

**TABLE (1)
TEN YEAR BORROWING AND REPAYMENT SCHEDULE**

Financial year	New borrowing amount (\$)	Loan redemption amount (\$)	Repayment period (years)
2021-22	-	5,282,000	-
2022-23	-	5,562,000	-
2023-24	-	5,851,000	-
2024-25	-	6,170,000	-
2025-26	-	6,499,000	-
2026-27	-	6,846,000	-
2027-28	-	7,209,000	-
2028-29	-	7,598,000	-
2029-30	-	5,831,000	-
2030-31	-	1,107,000	-

REPAYMENT SCHEDULE

The loan portfolio of Council is raised solely with the Queensland Treasury Corporation. The Queensland Treasury Corporation maintains Council debt as the book debt plus a market provision, to market value the total liability outstanding. The provision is principally a result

of past movements in the market value of the liabilities within each debt pool. If the Council was to liquidate this debt it would be required to pay the market value of the loan portfolio.

Council intends maintaining a repayment schedule consistent with an interest and principal repayment calculation so that the exposure to interest rate fluctuations are minimised. The budgeted loan portfolio of Council for 2021-22 is as follows:

**TABLE (2)
BUDGETED INTEREST AND REDEMPTION
FOR THE PERIOD TO 30 JUNE 2022**

	A	B	C	D	E
					(A – C + D)
FUNCTION DESCRIPTION	EST BALANCE 01-07-2021	ADMIN & INTEREST	REDEMPTION	NEW ADVANCES	EST BOOK DEBT BALANCE 30-06-2022
Water and Sewerage	23,032,936	1,059,902	1,733,892	0	21,299,044
Waste	8,879,622	482,965	872,066	0	8,007,556
Other Infrastructure	33,328,442	1,597,133	2,676,042	0	30,652,400
TOTAL	65,241,000	3,140,000	5,282,000	0	59,959,000

6. Changes to this Policy

This Policy will be reviewed when any of the following occur:

1. As required by legislation - this Policy is to be reviewed at least annually in conjunction with the budget;
2. The related information is amended or replaced; or
3. Other circumstances as determined from time to time by the Council.

7. Repeals/Amendments

This Policy repeals the former Livingstone Shire Council Policy titled 'Debt Policy (v8)'.

Version	Date	Action
1	14/01/2014	Adopted
2	22/07/2014	Amended Policy Adopted
3	24/07/2015	Amended Policy Adopted
4	12/07/2016	Amended Policy Adopted
5	27/06/2017	Amended Policy Adopted
6	24/07/2018	Amended Policy Adopted
7	11/07/2019	Amended Policy Adopted
8	28/07/2020	Amended Policy Adopted
9	16/03/2021	Amended Policy Adopted
10	29/06/2021	Amended Policy Adopted

**CALE DENDLE
CHIEF EXECUTIVE OFFICER**

Debt Policy

Adopted/Approved: Adopted, 29 June 2021
Version: 10

Portfolio: Office of the CEO
Business Unit: Finance and Business Excellence