

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. References (legislation/related documents)

Legislative reference

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>

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 generally 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.

5.1 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 (20) years as capital works projects all have long useful lives.

This Policy includes the following information:

- a) New borrowings for the current and the next nine (9) financial years; and
- b) 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-term and long-term budgets:

TABLE (1)
TEN YEAR EXTERNAL BORROWING AND REPAYMENT SCHEDULE

Financial year	New borrowing amount (\$)	Loan redemption amount (\$)	Repayment period (years)
2024-25	-	6,171,938	-
2025-26	-	6,501,117	-
2026-27	-	6,848,166	-
2027-28	-	7,210,776	-
2028-29	-	7,599,697	-
2029-30	-	5,915,774	-
2030-31	-	979,569	-
2031-32	-	1,047,785	-
2032-33	-	1,084,489	-
2033-24	-	1,122,478	-

5.2 Repayment Schedule

The external 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 external loan portfolio of Council for 2024-25 is as follows:

TABLE (2)
BUDGETED EXTERNAL INTEREST AND REDEMPTION
FOR THE PERIOD TO 30 JUNE 2025

	A	B	C	D	E
					(A - C + D)
FUNCTION DESCRIPTION	EST BALANCE 01-07-2024	ADMIN & INTEREST	REDEMPTION	NEW ADVANCES	EST BOOK DEBT BALANCE 30-06-2025
Water and Sewerage	17,601,642	774,935	2,018,860	0	15,582,782
Waste	6,129,947	322,528	1,032,503	0	5,097,444
Other Infrastructure	24,810,922	1,152,307	3,120,577	0	21,690,345
TOTAL	48,542,510	2,249,770	6,171,940	0	42,370,508

5.3 Internal Loans

Consideration will be given to the provision of internal loans to significant and other business activities and other specifically identified projects and activities from general cash reserves held by Council.

The establishment of internal loans will depend upon the availability of excess Council funds as well as the capacity of the significant and other business activities to repay the loan.

Internal loans will be subject to the following guidelines:

- 5.3.1 The term of the internal loan shall not exceed the life of the asset being financed and will be limited to a maximum of 20 years (whichever is the lesser term).
- 5.3.2 The interest rate applicable to internal Council loans will be the actual borrowing costs from QTC including administration charges
- 5.3.3 Business units subject to the provisions of the National Competition Policy shall also pay an additional margin above the QTC borrowing rate (when required) to ensure the cost to the business unit will be no less than what would apply to an equivalent private sector business.

5.3.4 The provision for the interest and redemption payments of internal loans will be included in the annual budget for the business unit in the same manner that external debt is financed by the Council.

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 Livingstone Shire Council Policy titled 'Debt Policy (v12.0)'.

Version	Date	Action
1.0	14/01/2014	Adopted
2.0	22/07/2014	Amended Policy Adopted
3.0	24/07/2015	Amended Policy Adopted
4.0	12/07/2016	Amended Policy Adopted
5.0	27/06/2017	Amended Policy Adopted
6.0	24/07/2018	Amended Policy Adopted
7.0	11/07/2019	Amended Policy Adopted
8.0	28/07/2020	Amended Policy Adopted
9.0	16/03/2021	Amended Policy Adopted
10.0	29/06/2021	Amended Policy Adopted
11.0	26/07/2022	Amended Policy Adopted
12.0	13/06/2023	Amended Policy Adopted
13.0	16/01/2024	Amended Policy Adopted
14.0	23/07/2024	Amended Policy Adopted

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