

# DEBT POLICY 2024/2025

**Adopted Date**                    **29 June 2009**  
**Policy Number:**                **GRC 0021**  
**Policy Type:**                    **Statutory**  
**Responsible Officer:**        **Director Community & Corporate Services**  
**Department:**                   **Community & Corporate Services**

Version	Decision Number or CEO Approval	Decision Date	History
12.	Ordinary Meeting of Council (ref. OM-075/20)	27 May 2020	Adopted by Resolution
13.	Ordinary Meeting of Council (ref. OM-110/21)	26 May 2021	Adopted by Resolution
14.	Ordinary Meeting of Council (ref. OM-065/22)	25 May 2022	Adopted by Resolution
15.	Ordinary Meeting of Council (ref. OM-064/23)	24 May 2023	Adopted by Resolution
16.	Ordinary Meeting of Council (ref. OM-069/24)	22 May 2024	Adopted by Resolution

## 1. BACKGROUND

Section 192 of the *Local Government Regulation 2012* states that a local government must develop a policy about borrowings for the budgeted year, and the nine (9) years beyond the budget year. Furthermore, Council's borrowing activities are governed by the *Statutory Bodies Financial Arrangements Act 1982*.

## 2. PURPOSE

Each year, Council is required to prepare a Debt Policy, which outlines the extent of proposed borrowings for the budget year and nine years beyond the budget year, and the time over which the local government plans to repay existing and new borrowings. Council restricts borrowings to expenditure on identified capital projects that are considered by Council to be of the highest priority, and which cannot be funded from other sources of revenue. ***In no circumstances should Council borrow funds to finance recurrent expenditure of the operational activities of Council.***

### 2.1 SCOPE

This policy is effective from the date of Council's resolution and will apply to the financial year from 1 July 2024 to 30 June 2025. The policy applies to all of Council's directorates and provides guidance on the current financial year and the following nine (9) financial year's borrowing programs.

The purpose of establishing a Debt Policy is to:

- provide a comprehensive view of Council's long-term position and the capacity to fund infrastructure growth for the Goondiwindi region;
- increased awareness of issues concerning debt management;

- enhance the understanding between Councillors, Council Staff and community groups by documenting policies and guidelines; and
- demonstrate to government and lending institutions that Council has a disciplined approach to borrowing.

### **3. OBJECTIVES**

- 3.1** To adopt a policy on borrowings that provides 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.
- 3.2** To ensure an acceptable Debt Equity Ratio is maintained so that new borrowing is not excessive given the Council's ability to service resulting debt payments; and
- 3.3** To strive, so far as reasonably practical, to achieve inter-generational equity.

### **4. DEFINITIONS**

Loan Drawdowns means the time at which the loan is funded from QTC and provided to Council.

### **5. POLICY STATEMENT**

Goondiwindi Regional Council ("Council") recognises that the 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 also be contributed to by future ratepayers who will also benefit. Whilst recognising the importance of loan borrowings, Council will seek to reduce dependence on borrowings in order to minimise the impact on rating increases needed to fund the debt servicing and redemption.

Generally, Council will only borrow funds for the purpose of acquiring assets, improving facilities or infrastructure and/or substantially extending the useful life of income generating assets (e.g., water, sewerage and waste assets).

#### **5.2 Borrowing Application**

A business case must be presented for all capital projects to support any borrowing application/s.

#### **5.3 Repayments and Repayment Ability**

Borrowings will be undertaken for capital works only where the interest and debt principal repayments can be serviced and relevant financial ratios and measures are maintained within approved targets.

Council will discharge debts in the shortest possible time subject to overall budgetary constraints.

New loans will be taken up only if the subsequent increase in debt servicing payments allows the total debt servicing ratio to remain within corporate targets.

#### **5.4 Debt Term**

The term of new loans will be a maximum of twenty (20) years for borrowings. The debt term shall not exceed the finite life of the related asset.

#### **5.5 Borrowing Sources**

With the exception of finance or operational leases for light fleet, Council shall raise all external borrowings for the infrastructure capital projects from Queensland Treasury Corporation (QTC).

## **5.6 Proposed Borrowings**

Council does not intend to borrow anything in the current financial year and has total planned borrowing of \$7.0 million over the following nine (9) financial years as conveyed in Appendix A.

## **5.7 Risk Management**

Council is committed to the management of risk, so it is important that management policies, procedures and practices are in place to minimise Council's exposure to risk. Council will take into account Council's adopted Corporate Risk and Internal Audit Framework, Long-Term Financial Forecast and relevant financial sustainability ratios and measures.

## **5.8 Asset Management**

The regulation requires Councils to effectively plan and manage their infrastructure assets, focussing particularly on ensuring the sustainable management of the assets mentioned in the local government's asset register. This may require Council to consider borrowing to fund identified priority infrastructure projects.

## **5.9 Roles and Responsibilities**

Pursuant to Section 192 of the Regulation, detail of the proposed borrowing for the current year and the future nine (9) years will be prepared annually as part of the budget process.

All borrowings shall be obtained through Queensland Treasury Corporation (QTC) with applications outlining proposed borrowings to be forwarded for approval to the minister responsible for Local Government. Council shall continue to use the full range of QTC's fund management services in order to enhance the Council's loan/redemption procedures to meet Council's policy criteria.

Credit reviews will be undertaken periodically by QTC on behalf of the Minister for Local Government. Loan proceeds will be drawn down subject to cash flow requirements annually so as to minimise interest expense.

## **6. REVIEW DATE**

This Debt Policy applies for the 2024/2025 financial year. This policy will be reviewed annually and amended as, and when, required to meet the prevailing circumstances of Council.

## **7. LEGISLATIVE REFERENCE**

- *Local Government Act 2009 (Qld)*
- *Local Government Regulation 2012 (Qld)*
- *Local Government Financial Management (Sustainability) Guideline 2024*
- *Statutory Bodies Financial Arrangements Act 1982 (Qld)*
- *Statutory Bodies Financial Arrangements Regulation 2019 (Qld)*

## **8. RELATED DOCUMENTS**

- *Goondiwindi Regional Council Asset Management Policy*
- *Goondiwindi Regional Council Corporate Risk and Internal Audit Framework*
- *Goondiwindi Regional Council Investment Policy 2024/2025*
- *Goondiwindi Regional Council Revenue Policy 2024/2025*
- *Goondiwindi Regional Council Revenue Statement 2024/2025*

## **9. ATTACHMENT**

Appendix A – Proposed Borrowing Program

## Appendix A:

PROPOSED BORROWING PROGRAM											
FOR THE YEARS ENDED 2025 TO 2034											
Description	2025	2025	2027	2028	2029	2030	2031	2032	2033	2034	TOTALS
Water Treatment Plant - Part 1	-	-	-	-	-	\$3,500	-	-	-	-	\$3,500
Water Treatment Plant - Part 2	-	-	-	-	-	-	\$3,500	-	-	-	\$3,500
	-	-	-	-	-	\$3,500	\$3,500	-	-	-	\$7,000
Expressed in Millions											