

1. Policy intent

The Debt Policy details the principles upon which Council bases its decisions when considering the type of expenditure to be funded by borrowing for the financial years 2023–24 to 2032–33, the total current and projected borrowings and the ranges of periods over which they will be repaid.

2. Scope

This Policy applies to all borrowings of Council.

3. Background/supporting information

This Policy has been prepared in accordance with:

- 3.1 *Local Government Act 2009*
- 3.2 *Local Government Regulation 2012*
- 3.3 *Statutory Bodies Financial Arrangements Act 1982*

4. Policy statement

- 4.1 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.
- 4.2 Council will not use long-term debt to finance current operations.
- 4.3 The basis for determination of the utilisation of loan funds will be as follows:
 - a. Borrowings are considered to be a tool to be used in a strategic perspective to achieve the provision of services to the community.
 - b. Long term debt should only be used for income producing assets or those assets that can be matched to a revenue stream. Consequently, repayments for the borrowings will be funded from the revenue streams generated by the asset acquisition in question. Consideration must also be given to the long-term financial forecast before planning new borrowings.
 - c. Council will utilise long-term borrowing only for capital improvement projects that cannot be financed from existing sources.
 - d. Capital projects are to only be undertaken after a thorough process of evaluation (including whole of life costing, sustainability and risk assessment), prioritisation and review.
 - e. 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 such as water, sewer or waste services, is determined to be funded by way of loans. The user charge will reflect the cost of providing the service including the loan servicing costs.

- f. 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.
- g. The term of any loan should not exceed the expected life of the asset being funded. When Council finances capital projects through borrowings it will generally pay back the loans in a term not exceeding 20 years. However, in certain circumstances particularly for assets with long useful lives, borrowings may be for a longer period whereby repayments would match the income stream of the asset in question. Existing loans will be paid back within the fixed term provided for in the loan agreement.
- h. Council will continue to ensure repayment schedules are well within Council's operating capability so as to ensure the community is not burdened with unnecessary risk.
- i. All borrowings will be considered in line with Council's long-term financial forecast.

5. Borrowings

For the 2023-24 financial year, borrowings are planned in order to support the delivery of a Ravenshoe Water Infrastructure project. Prior year borrowings continued to be paid down. The balance of existing loans as at 30 June 2023 is \$4,869,150.

The following table outlines the existing and forecast borrowings anticipated for the next ten years.

Loan Description	Loan Commencement Date	Loan Finalisation Date	Balance of Prior year Borrowings	Future Planned Borrowings
Existing Borrowings				
Roadworks	30 June 2004	30 June 2024	4,280	
Buildings – Tinnaburra Caravan Park	28 June 2007	30 June 2027	32,740	
Malanda Falls Caravan Park	30 June 2009	30 June 2029	252,850	
Malanda Sewerage Treatment Plant	29 June 2011	31 March 2031	2,681,310	
Ravenshoe Sewerage Treatment Plant	30 May 2017	31 March 2037	1,897,970	
Total Existing Borrowings as at 30 June 2023			\$4,869,150	
Future Planned Borrowings				
Ravenshoe Water	31 March 2024	31 March 2044		11,000,000
Atherton Water	31 March 2025	31 March 2045		5,000,000
Atherton Sewerage Treatment Plant	31 March 2029	31 March 2039		10,000,000
Total Future Planned Borrowings				\$26,000,000

6. Responsibility

Council is responsible for the adoption, amendment and repeal of the Policy and the Chief Executive Officer is responsible for the development and amendment of any associated procedures and guidelines relevant to the Policy.

7. Review

It is the responsibility of the Manager Finance to monitor the adequacy of this Policy and recommend appropriate changes.

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

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

This Policy is to remain in force until otherwise amended/repealed resolution of Council.

This Policy repeals the former Tablelands Regional Council Policy titled Debt Policy adopted 30 June 2022.