
DEBT POLICY

INTENT

To outline parameters for borrowing and debt levels within the context of Cook Shire Council's Long Term Financial Forecast (LTFF) and annual budget.

To comply with the *Local Government Act 2009* by ensuring that Council:

- a) specifies new borrowings planned for the financial year and the next nine (9) financial years;
- b) identifies the purpose of the new borrowings;
- c) specifies the time over which it is planned to repay existing and proposed borrowings.

SCOPE

Borrowings are those funds which Council obtains from external sources by loans, overdraft or other financial arrangements that impose an obligation for repayment.

POLICY STATEMENT

Criteria for Borrowings

As a general principle, Council recognises that loan borrowings for capital works projects 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 benefit. Whilst recognising the importance of loan borrowings, Council should not place undue reliance upon loans as a source of funding.

Council will restrict all borrowings to expenditure on identified capital works projects that are considered by Council to be of the highest priority and which cannot be funded from revenue,

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as identified by the adopted budget. Under no circumstances should Council borrow funds for recurrent expenditure.

Council regularly assesses the long term financial sustainability of all financial decisions by undertaking 10 year financial modelling. Council's borrowing program will be based on a sustainable financial outlook and will only be undertaken where Council can demonstrate that repayments can comfortably be met.

When borrowing for infrastructure, the term of the loan shall not exceed the finite life of the related asset.

Existing Borrowings:

Purpose	Term (years)	Book Value Estimated 30/6/2022
Working Capital Facility	Overdraft	Fluctuates
Consolidated Loans	12 years	\$1,265,415.00
Housing Project	15 years	\$890,763.18
Child Care Facility	15 years	\$538,996.33

Proposed Borrowings:

Proposed borrowings for the financial years 2023/24 to 2032/33 are set out in the schedule below:

Year	Purpose	Amount
Year 1 – 2023-24	Residential Construction	upto \$2,000,000
Year 2 – 2024-25	No Borrowings	Nil
Year 3 – 2025-26	No Borrowings	Nil
Year 4 – 2026-27	No Borrowings	Nil
Year 5 – 2027-28	No Borrowings	Nil
Year 6 – 2028-29	No Borrowings	Nil
Year 7 – 2029-30	No Borrowings	Nil
Year 8 – 2030-31	No Borrowings	Nil
Year 9 – 2031-32	No Borrowings	Nil
Year 10 – 2032-33	No Borrowings	Nil

Loan Repayment Terms

Repayment terms for new loans is upto 20 years.

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Market Value and Refinancing

The loan portfolio of Council is raised solely with Queensland Treasury Corporation (QTC) primarily utilising QTC's fixed rate loan product. A fixed rate loan is a loan where the interest rate does not fluctuate for the term of the fixed period. A fixed rate loan provides rate certainty; however, an early repayment adjustment applies for any unscheduled repayments.

The amount required to extinguish a fixed rate loan at any point in time is the market value of the loan. The market value reflects the remaining cash flows required to repay the debt, valued at the current market rates of interest. An early repayment adjustment reflects the difference between the loan balance and the market value of a fixed rate loan. The adjustment can be a loss or a gain depending on whether market rates for the remaining term are lower or higher than the original fixed rate.

Council intends maintaining principal and interest repayment schedules consistent with the fixed rate terms of individual loans so exposures to early repayment adjustment losses are minimised. However, in circumstances where the early repayment adjustment will result in a gain to Council, consideration will be given to early repayment of the relevant loan facilities, subject to evaluation of Council's financial position at the time.

KEY RESPONSIBILITIES

RESPONSIBLE OFFICER	RESPONSIBILITY
Council	Approval of the Debt Policy each year as part of the budgeting process for the next financial year. Approval of the Long Term Financial Forecast each year.
Director Organisational Business Services	Development of the Long Term Financial Forecast and the Annual Operational budget in conjunction with the Chief Financial Officer, Executive Team and Council.
Chief Financial Officer	Development of the Long Term Financial Forecast and the Annual Operational budget in conjunction with the Director Organisational Business Services, Executive Team and Council.
Accountant	Review and reconciliation of loan funding on a monthly basis.

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REFERENCES, LEGISLATION AND GUIDELINES

Local government Act 2009

Local Government Regulation 2012

IMPLEMENTATION/COMMUNICATION

This policy will be communicated as part of the budget adoption process as well as being placed on Council's website.

APPROVED BY

Adoption annually by Council.

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REVIEW

SPONSOR:	Director Organisational Business Services
OFFICER RESPONSIBLE FOR REVIEW:	Chief Financial Officer
ADOPTION DATE:	23 May 2023
REVIEW DATE:	As required by legislation - no later than 30 June 2024 in conjunction with the budget.

THIS POLICY IS TO REMAIN IN FORCE UNTIL OTHERWISE DETERMINED BY COUNCIL

AMENDMENT HISTORY

VERSION	AMENDMENT DETAILS	AMENDMENT DATE	APPROVAL
2.0	Minor Amendments	20/05/2019	
3.0	Minor Amendments	25/05/2020	
12.0	Minor Amendments	08/06/2021	Council Resolution 2021/125
13.0	Adopted by Council Resolution	24/05/2022	2022/107
14.0	Minor Amendments	23/05/2023	2023/101

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