

Debt Policy 2024/25

Policy Type:	<input checked="" type="checkbox"/> Council <input type="checkbox"/> Operational
Policy Owner:	Director Organisational Services
Effective Date:	1 July 2024
Strategic Alignment:	Section 192 <i>Local Government Regulation 2012</i>
Review Timeframe:	June 2025

1 Purpose

The purpose of this policy is to identify, as part of its annual budgetary process, the borrowings planned for the 2024/25 financial year and the next (9) financial years and the time over which Council plans to repay new and existing borrowings in accordance with the requirements of the *Local Government Act 2009*.

2 Scope

This policy applies to all Councillors, employees and contractors working for Council regardless of whether they are permanent, temporary, full-time, part-time or casual. For the purposes of this policy, the term contractor includes on-hired temporary labour services (agency staff) and sub-contractors.

The policy applies to all forms of borrowings undertaken by Council.

3 Policy Statement

When considering the funding of future capital works, Council's objective is to minimise the cost of its financing activities. Where other more cost-effective sources of funding are available, these should be utilised in preference to the drawing down of additional debt.

4 Principles

- 4.1 Council will not utilise loan funding to finance operating activities or recurrent expenditure.
- 4.2 Borrowings should be directed towards new or upgrade capital projects with funding for capital renewals to be sourced from general revenue where possible.
- 4.3 Preference will be given to borrowings for projects that provide a return to Council.
- 4.4 All external borrowings shall be obtained through the Queensland Treasury Corporation (QTC) using its full range of fund management services.
- 4.5 The term for new borrowings shall not exceed the estimated useful life of the asset. Due to the long lives of most infrastructure assets, Council will typically borrow at a maximum term of 20 years.

- 4.6 Where capital expenditure is deferred from one year to the next, the drawdown of approved loan funds will be reviewed to minimise interest costs.
- 4.7 Where cash balances are sufficient, Council will draw down its loan borrowings at the end of the financial year.
- 4.8 Cash balances are monitored on a daily basis. If a cash flow shortfall is identified, Council may bring forward the timing of its loan draw down to ensure that the delivery of the capital program is not compromised.
- 4.9 The current cash balances of Council are key in determining the most appropriate financing decisions. Where surplus cash funds are identified, consideration will be given to the use of internal loans. Internal loans will be managed in accordance with the following guidelines:
- 4.9.1 The interest rate applicable to internal Council loans will be the actual borrowing costs from QTC including administration charges.
- 4.9.2 Business units subject to the provisions of the National Competition Policy shall also pay an additional margin above the QTC borrowing rate.
- 4.9.3 The term of the loan shall not exceed the estimated useful life of the asset.
- 4.9.4 Council may, upon reasonable notice being given, require repayment of part or all of the balance of the internal loan. This would require the business unit to convert the outstanding balance of the loan to an external facility.
- 4.10 Principal and interest repayments on internal loans are to be met from the Council's normal operational budgets in the same manner that external debt is financed by the Council.
- 4.11 Borrowing decisions should be based upon careful consideration of the impact on Council's financial sustainability ratios. In particular the following ratios should be analysed based on Council's preferred target range:

Measure	Qld Government Target Range	Council Target Range
Unrestricted cash expense cover	Greater than 2 months	Between 4 - 7 months
Leverage	0-4 times	Below 4.0 times
Operating surplus	Greater than 0%	Between 2% and 5%

- 4.12 The decision on Council's ultimate levels of debt will require a balance between the levels of service provided, affordability for the community, and Council's long-term financial sustainability.
- 4.13 The extent of new borrowings, their purpose and term has been resolved by the Council and has been projected outwards for nine (9) financial years from the

planned 2024/25 borrowing requirements. The proposed borrowing schedule for both external and internal loans is outlined below.

Schedule of Proposed External Borrowings

	2024/25 \$	2025/26 \$	2026/27 \$	2027/28 \$	2028/29 \$
Roads and Drainage	7,000,000	10,543,150	7,000,000	7,000,000	7,000,000
Parks	7,991,600	8,261,842	880,074	0	0
Sport and Community Infrastructure	23,894,795	35,853,276	51,129,958	47,413,875	48,338,102
Trunk Infrastructure Network	0	8,862,390	17,935,328	15,688,295	36,276,077
Water and Sewerage	155,497,302	32,500,000	45,500,000	85,850,456	18,339,000
TOTAL	194,383,697	96,020,658	122,455,360	155,952,626	109,953,179

	2029/30 \$	2030/31 \$	2031/32 \$	2032/33 \$	2033/34 \$
Roads and Drainage	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
Parks	0	0	0	0	0
Sport and Community Infrastructure	33,219,541	37,743,139	25,062,049	25,484,231	26,733,000
Trunk Infrastructure Network	36,870,065	37,470,321	31,501,199	26,387,434	11,328,700
Water and Sewerage	22,211,000	89,751,000	108,412,000	16,000,000	30,496,000
TOTAL	99,300,606	171,964,460	171,975,248	74,871,665	75,557,700

4.14 Council will assess borrowing strategies for Trunk Infrastructure with the expectation that a flexible loan arrangement will be established. Unless otherwise noted all other borrowings are to be repaid over a 20-year term. Council's existing borrowings expected repayment terms vary from 2 years to 20 years.

Schedule of Proposed Internal Borrowings

	2024/25 \$	2025/26 \$	2026/27 \$	2027/28 \$	2028/29 \$
Water and Sewerage	0	0	0	0	0

	2029/30 \$	2030/31 \$	2031/32 \$	2032/33 \$	2033/34 \$
Water and Sewerage	0	0	0	0	0

The quantum of internal borrowings will be dependent upon actual cash balances.

4.15 In accordance with the above policy strategy and criteria, the Council will borrow \$194,383,697 from the Queensland Treasury Corporation during the 2024/25 financial year. Whilst market conditions and any other principles agreed to between Queensland Treasury Corporation and Logan City Council may change the term or quantum of repayments over time, the term over which new borrowings will be undertaken will be such that loan debt will be managed in accordance with the effective life of the class of assets acquired.

5 Application of this Policy

The principles outlined in this policy are to be applied in the management of Council's borrowing requirements.

6 Reporting

Council's Long Term Financial Forecast as adopted with the Annual Budget will reflect a sustainable long-term outlook.

7 Roles and Responsibilities

The Chief Executive Officer, Directors and the Finance Manager are responsible for ensuring that this policy is adhered to.

8 Human Rights

Under the *Human Rights Act 2019* (Qld), Council must not make a decision without considering and assessing the potential impact to human rights and giving consideration to any impacts before making a decision. Council does not consider that any human rights are impacted by this policy.

9 Definitions

The following definitions apply to this Policy.

Term	Definition
Council	Logan City Council
Financial Statements	means the definition outlined in s176 of the Local Government Regulation 2012
Long term financial forecast	means the definition outlined in s171 of the Local Government Regulation 2012
Measures of Financial Sustainability	means the definition outlined in s169 (6) of the Local Government Regulation 2012
The Act	means the Local Government Act 2009
The Regulation	means the Local Government Regulation 2012

10 Document Control

Version Control	File No.	Document No.	Council Min No.	Description of Change	Effective Date
1.0	1005516-1	14537166	230/2021	Creation	21/06/21
2.0	1005516-1	14537166	52/2022	Substantive Amendment Updated (budget 2022/2023)	20/06/22
3.0	1005516-1	14537166	50/2023	Substantive Amendment Updated (budget 2023/2024)	19/06/23
4.0	1005516-1	14537166	61/2023	Minor Amendment	26/07/23
5.0	1005516-1	14537166	117/2023	Substantive Amendment	06/12/2023
6.0	1005516-1	14537166	7/2024	Substantive Amendment	24/01/2024
7.0	1005516-1	14537166	103/2024	Substantive Amendment Update (budget 2024/25)	01/07/2024