

DEBT POLICY 2025/2026

SCOPE

This Policy applies in relation to all-cash borrowings by Council from external entities. The Policy has been developed, considering the provisions of section 192 of the *Local Government Regulation 2012*.

LEGISLATION

Local Government Regulation 2012

OBJECTIVE

To adopt a policy on borrowings that provides for responsible financial management on the loan funding of infrastructure by ensuring the level of Council indebtedness is within acceptable limits to Council, its ratepayers and interested external parties.

DEFINITIONS

Recurrent Expenditure	Expenditure of a similar nature that is repeated over a number of financial periods, e.g. operational and maintenance expenditure.
Loan Servicing Cost	Regular payment used to repay the outstanding debt within the expected loan term (this includes the interest and principal payments).
Book Debt	The value of debt for accounting purposes.
Market Value	The amount required to repay debt outstanding or the amount payable by QTC to pay the Offset Facility or Investment Fund.
Debt Pool	The mechanism used by QTC, whereby customers with similar expected loan terms are grouped. The objective is to further reduce customer's interest costs or the expected term to repay the loan.
QTC	Queensland Treasury Corporation

POLICY

As a general principle, Council recognises that loan borrowings for infrastructure are an important resource possessed by 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 income.

Council will restrict all borrowings to expenditure on identified capital projects that are considered by the Council to be of the highest priority, and which cannot be funded from revenue, as identified by the adopted budget. In no circumstances should Council borrow funds for recurrent expenditure.

The basis for the determination of the utilisation of loan funds will be as follows:

- Analysis of existing debt levels (excluding those relating to water, sewerage, and waste) with a loan servicing cost target not exceeding 20% of general own-source revenue in any one year.
- Where a capital project for a service that is funded by utility or user charges, e.g. water, sewer, 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 the Council to be beneficial to the majority of ratepayers.
- The term of any loan should not exceed the expected life of the asset being funded.

Ten-Year Loan Program Forecast

Council utilises loan borrowings to fund major infrastructure works so that repayments are spread over the years in which the assets will be utilised by ratepayers. The Debt Policy is integrated with the long-term financial forecast and deals with the following areas:

1. Ten Year Loan Program Forecast
2. Repayment Schedule

Council has reviewed its ten-year program and does not propose to utilise debt to fund major infrastructure works over that period. However, this decision will be revised annually in conjunction with the review of the long-term financial forecast and long-term asset management plan.

The Council currently has no debt, and the following table provides the scheduled debt and repayment profile for the next ten years.

Details	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
Opening balance of debt	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Repayments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Closing balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

PROCEDURE

Procedures as approved and issued by the Chief Executive Officer, and subject to further revision, amendment and issue under the authority of the Chief Executive Officer.

CERTIFICATION



CHIEF EXECUTIVE OFFICER
BANANA SHIRE COUNCIL

30 June 2025

DATE