



BOULIA SHIRE COUNCIL

DEBT POLICY

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Summary:	Details of Council's current and proposed borrowings:- to provide Council with a debt management strategy based on sound financial management guidelines
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Date revoked:	n/a
Related documents:	Nil
Responsible Section:	Finance
Responsible Officer:	Director of Corporate & Financial Services
Legislation:	Local Government Act 2009 s104 (5) (c) ii, Local Government Regulation 2012, s192



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OBJECTIVE

Local Government Regulation 2012, Section 192 requires the local government to prepare and adopt a debt policy each financial year.

The Policy must include the following elements:-

- (a) new borrowings planned for the current financial year and the next nine financial years; and
- (b) the time over which it is planned to repay existing and proposed borrowings.

SCOPE

This Policy applies to all of Council's borrowings. It does not apply to leasing or hire purchase arrangements except insofar as such arrangements are required to be considered as borrowings by relevant legislation and Financial Accounting Standards.

BACKGROUND AND CONSIDERATIONS

Boulia Shire Council recognises the desirability of establishing contingency funds sufficient to fund future developments, particularly for water and sewerage, and to use these funds when appropriate to avoid external borrowings for relatively minor acquisitions and developments. Council may, however, determine to borrow funds not just on the basis of immediate need, but for strategic reasons and/or because it is economically advantageous to do so.

The level of debt in individual programs and in total for the Shire is a matter for Council to decide from time to time but due recognition will be given to:-

- (a) the type and extent of benefits to be obtained from the borrowing including the length of time the benefits will be received
- (b) the beneficiaries of the acquisition or development
- (c) the impact of interest and redemption payments on both current and forecast rates revenue
- (d) the current and future capacity of the rate base to pay for borrowings and the rate of growth of the rate base
- (e) likely movements in interest rates for variable rate borrowings
- (f) other current and projected sources of funds such as headwork's
- (g) competing demands for funds

It is recognised that, as infrastructure such as water and sewerage are usually funded in advance of community requirements and borrowings are repaid by future users, it is appropriate to utilise debt to fund future infrastructure capacity. The appropriate mix of sources of funds will depend on the factors mentioned above.

Capital expenditure on general community facilities are usually funded from such revenue sources as general rates, special rates, grants, subsidies and borrowings. Borrowings for these developments should be limited to what can be repaid by the existing rate base and, in general, should be over a shorter period so that current users substantially contribute to the debt servicing and redemption.



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Debt on existing facilities should not become a burden on future generations who may not receive benefits from these facilities. Again, the appropriate combination of debt and revenue will depend upon the type of development and the Shire's circumstances at the time.

GENERAL POLICY ON BORROWINGS

Council will only borrow funds for the purpose of acquiring assets, improving facilities or infrastructure and/or substantially extending their useful life.

Council may borrow to meet strategic needs or to take advantage of opportunities for development providing there is a demonstrably good return in economic and/or social terms.

Where borrowings are to be repaid by special rates, the revenue raised, and repayments will be matched as far as is practical. Borrowings will be repaid early should revenue exceed scheduled repayments.

Borrowings will only be made in accordance with the adopted budget.

Borrowings will only be from the Queensland Treasury Corporation (QTC) or, if from another organisation, with the approval of the QTC and Department of Housing, Local Government, Planning and Public Works.

Borrowings will normally be for a maximum of ten years. Shorter borrowing periods and earlier repayments will be taken where possible and appropriate. If a longer term is appropriate, and this may be the case for some infrastructure assets such as water and sewerage, the term will not exceed the life of the asset or twenty years whichever is the shorter period.

SPECIFIC POLICY ON BORROWINGS

Planned Borrowings

Borrowings planned for the current financial year and the next nine financial years and the purpose of the new borrowings is as follows:-

Year	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Amount \$'000	\$2,000	0	0	0	0	0	0	0	0	0
Purpose	Regional Hub									

In our 2024/25 budget, we have allowed for borrowings that Council will approve an application for a loan for the Regional Community Precinct (Hub) to the value of \$2,000,000.



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The table below is the planned repayment schedule for the proposed new borrowings: -

Regional Community Precinct – The Hub

Financial Year	Interest & Admin Fee	Principal	Debt Service Payments
2024/25	\$110,252.38	\$56,218.02	\$166,470.40
2025/26	\$107,054.64	\$59,415.76	\$166,470.40
2026/27	\$103,675.00	\$62,795.40	\$166,470.40
2027/28	\$100,103.12	\$66,367.28	\$166,470.40
2028/29	\$96,328.06	\$70,142.32	\$166,470.38
2029/30	\$92,338.30	\$74,132.10	\$166,470.40
2030/31	\$88,121.57	\$78,348.83	\$166,470.40
2031/32	\$83,665.00	\$82,805.40	\$166,470.40
2032/33	\$78,954.93	\$87,515.47	\$166,470.40
2033/34	\$73,976.95	\$92,493.44	\$166,470.39
2034/35	\$68,715.81	\$97,754.59	\$166,470.40
2035/36	\$63,155.42	\$103,314.98	\$166,470.40
2036/37	\$57,278.74	\$109,191.66	\$166,470.40
2037/38	\$51,067.80	\$115,402.60	\$166,470.40
2038/39	\$44,503.56	\$121,966.84	\$166,470.40
2039/40	\$37,565.94	\$128,904.46	\$166,470.40
2040/41	\$30,233.71	\$136,236.69	\$166,470.40
2041/42	\$22,484.39	\$143,986.00	\$166,470.39
2042/43	\$14,294.31	\$152,176.09	\$166,470.40
2043/44	\$5,638.34	\$160,832.06	\$166,470.40

An indicative interest rate of 5.545% was used for the interest calculations in this schedule. Interest Rates are based on the knowledge that was at hand of writing this policy.

Debt Servicing Payments DSP's will be scheduled for quarterly repayments, covering the principal and interest. Term of 20 years will be applicable for the loan, ending 2043/44. Repayment estimates on current interest rate is approximately \$25,194 per quarter.



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Current Borrowings

QTC Loan - Council in April of the 2015/16 Financial year, Council took out a loan for \$1,264,771 for 20 years. The funds were borrowed for the Racecourse Levee, Airport Terminal and Airport Drag Strip.

The table below is the planned repayment schedule for the existing borrowings:-

Financial year	Interest and admin fees	Principal	Debt Service Payment
2024-25	\$33,542.60	\$61,354.44	\$94,897.04
2025-26	\$31,009.64	\$63,887.40	\$94,897.04
2026-27	\$28,372.10	\$66,524.94	\$94,897.04
2027-28	\$25,625.67	\$69,271.37	\$94,897.04
2028-29	\$22,765.85	\$72,131.19	\$94,897.04
2029-30	\$19,787.98	\$75,109.06	\$94,897.04
2030-31	\$16,687.16	\$78,209.88	\$94,897.04
2031-32	\$13,458.33	\$81,438.71	\$94,897.04
2032-33	\$10,096.21	\$84,800.83	\$94,897.04
2033-34	\$6,595.27	\$88,301.77	\$94,897.04
2034-35	\$2,949.80	\$106,737.72	\$109,687.52

This information is indicative only as interest rates are subject to fluctuations. Borrowing rates are expressed as an annual rate payable quarterly and include all fees and charges.

Principal and interest loans have assumed Debt Servicing Payments DSP's are paid on the 15th day of the last month of the quarterly repayment period.

Future budgets from 2024-25 to 2033-34 will have to allow for repayments of Interest & Principal of \$94,897.04 per year.

The last year of the loan in 2034-35 will need to allow for an amount of \$109,687.52.

Building Acceleration Fund / Minister for Economic Development Queensland

Council in May of the 2021/22 Financial year, Council took out a loan for \$476,735 for 15 years. The funds were borrowed for the Min Min Encounter Refurbishment. Note this is an interest free loan.

The table below is the planned repayment schedule for the existing borrowings:-

Payment	Repayment Date	Repayment amount
1	30/06/2025	\$32,000
2	30/06/2026	\$32,000
3	30/06/2027	\$32,000
4	30/06/2028	\$32,000
5	30/06/2029	\$32,000
6	30/06/2030	\$32,000
7	30/06/2031	\$32,000
8	30/06/2032	\$32,000
9	30/06/2033	\$32,000



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10	30/06/2034	\$32,000
11	30/06/2035	\$32,000
12	28/02/2036	\$28,735

Principal loans have assumed Debt Servicing Payments DSP's are paid on the 30th day of June repayment period.

Future budgets from 2024/25 to 2035/36 will have to allow for repayments of Principal of \$32,000 per year.

The last year of the loan in 2035/36 will need to allow for an amount of \$28,735.