

# POLICY

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## DEBT POLICY

### APPROVALS

<b>POLICY NUMBER</b>	CORP-POL-027	<b>DOC.ID</b>	3199393
<b>CATEGORY</b>	Statutory		
<b>POLICY OWNER</b>	Financial Services		
<b>APPROVAL DATE</b>	26 June 2024	<b>RESOLUTION NUMBER</b>	8767

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## OBJECTIVE

To adopt a policy on borrowings for 2024-2025.

## SCOPE

This policy is in accordance with the *Local Government Regulation 2012*.

## DEFINITIONS

### TERM / ACRONYM

### MEANING

IRC

Isaac Regional Council

## POLICY STATEMENT

### POLICY PROVISIONS

To adopt a policy on borrowings that provides for responsible financial management on the loan funding of infrastructure capital projects by ensuring the level of Council indebtedness is within acceptable limits to Council, its ratepayers and interested external parties. This policy is in accordance with the *Local Government Regulation 2012*.

### PURPOSE OF BORROWINGS

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 benefit. Whilst recognising the importance of loan borrowings, Council should not place undue reliance upon loans as a source of capital income.

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

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

- Analysis of existing debt levels with a loan servicing cost target of less than 25% in any one year.
- Where a capital project for a service that is funded by utility or user charges e.g. water, sewerage, 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 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.

## REPAYMENT OF BORROWINGS

Unless otherwise stated, new borrowings will be repaid over 20 years, however may be reduced ahead of schedule when net sale proceeds of land and development loans are realised, or through a resolution of Council. All other repayments on borrowed funds will be made in accordance with the terms of the loan unless otherwise stated in the loan repayment schedule.

## TEN YEAR BORROWING PROGRAM FORECAST

Council utilises loan borrowing to fund major capital and infrastructure works so that repayments are spread over the years to which the Capital Works will be utilised by ratepayers.

The following ten-year borrowing program is proposed by Council, although allocations in future years are revised on an annual basis in conjunction with the review of the Capital Works / Loan Program:

Project	Loan Term	2024-25 '000	2025-26 '000	2026-27 '000	2027-28 '000	2028-29 '000	2029-30 '000	2030-31 '000	2031-32 '000	2032-33 '000	2033-34 '000
N/A	N/A	-	-	-	-	-	-	-	-	-	-

## REPAYMENT SCHEDULE

The loan portfolio of Council is raised solely with the Queensland Treasury Corporation. The Queensland Treasury Corporation maintains Council debt as the Book Debt plus a market provision, to market value the total liability outstanding. The provision is principally a result of past movements in the Market Value of the liabilities within each Debt Pool. If the Council was to liquidate this debt it would be required to pay the Market Value of the loan portfolio. The portfolio has been dissected so that loan borrowings in relation to Land Purchase in Moranbah and Land Development - Moranbah are maintained in separate accounts to more accurately reflect the cost of the provision of this infrastructure. This approach is needed otherwise the loan term is amalgamated and the average term for repayments lengthens.

It is proposed that Council consider maintaining a repayment schedule consistent with an interest and principal repayment calculation so that the exposure to interest rate fluctuations is minimised. This basis of repayment will continue to be assessed even though separate accounts have been established for Land Purchase - Moranbah and Land Development - Moranbah. The Budgeted Loan Portfolio of Council for 2024-2025 is as follows:

**TABLE (2)**  
**ISAAC REGIONAL COUNCIL**  
**BUDGET INTEREST AND REDEMPTION BY FUND AND FUNCTION**  
**FOR THE YEAR TO 30 JUNE 2025**

	A	B	C	D	(A – C)
FUNCTION DESCRIPTION	EST BOOK DEBT BALANCE 30/06/2024	QTC INTEREST	QTC REDEMPTION	REMAINING TERM (years)	EST BOOK DEBT BALANCE 30/06/2025
LAND DEVELOPMENT – MORANBAH	7,217,786.87	304,540.76	669,772.64	7.97	6,548,014.23
LAND PURCHASE – MORANBAH	9,358,901.73	460,114.52	903,615.16	7.47	8,455,286.57
LAND REHABILITATION – MORANBAH	2,191,650.31	47,656.98	107,408.29	15.97	2,084,242.02
COMMUNITY CENTRE – MORANBAH**	6,000,816.88	296,431.37	181,179.54	19.97	5,819,637.34
<b>TOTAL ALL FUNDS</b>	<b>24,769,155.79</b>	<b>1,108,743.63</b>	<b>1,861,975.63</b>		<b>22,907,180.16</b>

**NOTE:** This Policy will be reviewed each year with the adoption of the Budget.

\*\* *Loan repayment schedule may change upon drawdown of loan from QTC*

## AUTHORITIES AND ACCOUNTABILITIES

Delegations as per Isaac Regional Council Delegations Register.

The Chief Executive Officer is responsible for communicating, implementing, and enforcing the Debt Policy.

## LEGISLATIONS AND RELATED GUIDELINES

This policy complies with the requirements of *Local Government Regulation 2012*.