



Croydon Shire Council

DEBT POLICY


Document Control

Responsible Officer:

Finance Manager

CEO Signature:

Date:


20 June 2024

Category (tick):

- ☒ **Policy** *Council resolution required*
☐ **Procedure** *CEO approval required*
☐ **Guideline** *CEO approval required*

Approval date	Head Policy #	Reference Number	Reason/Comment	Next review
13/7/23	NA	POL STAT 06	Annual Review	June 2024
20/7/24	NA	POL STAT 06	Annual Review	June 2025

1. Purpose

The purpose of this policy is to ensure the sound management of Council's existing and future borrowings.

2. Scope

This policy applies to all borrowing activities of the council.

3. Background

Council has a responsibility to operate in a financially sustainable manner. In developing a Long Term Financial Plan, borrowing is identified as an alternative source for funding major capital projects. In accordance with the *Local Government Regulation 2012*, Section 192 Debt Policies, Council must prepare and adopt by resolution a Debt Policy for a financial year.

The policy must state:

- a) The new borrowings planned for the current financial year and the next 9 financial years; and
- b) The period over which the local government plans to repay existing and new borrowings.
- c)

4. Legislation

Local Government Act 2009

Local Government Regulation 2012

Statutory Bodies Financial Arrangements Act 1982

s. Definitions

Debt - an amount of money borrowed by one party from another. Many organisations use debt as a method of funding large purchases that they otherwise could not afford out of cash reserves.

QTC - Queensland Treasury Corporation

6. Policy

The debt policy aims to provide Council with a debt management strategy based on sound financial management guidelines.

6.1 Key Principles

- Council will in general, seek to minimise its dependence on borrowings in order to minimise future revenue committed to debt servicing and redemption charges.
- Council will not utilise loan funding to finance operating activities or recurrent expenditure.
- Council will only borrow funds for the purpose of acquiring assets, improving facilities, services or infrastructure and/or substantially extend their useful lives.
- Borrowings for infrastructure that provides a return on assets will take priority over borrowing for other assets.
- 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 possible, Council will make earlier repayments to reduce the borrowing period.

6.2 Debt Term

Borrowings will only be made to fund capital expenditure, for a period less than or equal to the estimated useful life of the asset(s). For long term assets the borrowing period will not exceed more than twenty years.

6.3 Source of Borrowing

Council will source all external borrowings from the Queensland Treasury Corporation (QTC) in accordance with the Queensland Treasury Corporation Guidelines, the *Statutory Bodies Financial Arrangements Act 1982*.

6.4 Proposed Borrowings

Croydon Shire Council does not intend to borrow funds for the 2024/2025 financial year nor the upcoming 9 financial years.

7. Related Documents

- Corporate Plan
- Operational Plan
- Budget