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| <b>Corporate Plan Reference:</b> | <b>Theme No. 5. - Excellence</b><br><i>Objective 5.2 - Continue to deliver a financially sustainable Council that has the resources now and into the future to achieve its strategic objectives. This will be supported through the introduction of enhanced sustainability reporting and performance indicators, as well as ESG (environment social and governance) accounting practices as guided by statutory requirements</i> |
| <b>Endorsed by Council:</b>      | 23 June 2026                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Policy Author:</b>            | Director Corporate Services                                                                                                                                                                                                                                                                                                                                                                                                       |

## **POLICY BACKGROUND**

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

The policy will provide clear guidance for staff in the management of Council's debt portfolio and maintenance of appropriate debt and debt service levels.

This policy applies to all Councillors and Council staff and extends to all borrowing activities of Council and any controlled entities.

## **COUNCIL POLICY**

Council will utilise a debt management strategy based on sound financial management principles and ensure that relevant sustainability indicators will meet the target parameters recommended by Queensland Treasury Corporation (QTC) and outlined in section 178 of the *Local Government Regulation 2012* and the Financial Management (Sustainability) Guideline.

### **Borrowing Principles**

1. Legislation prevents Council from accessing loan financing to fund operating deficits.
2. Council will undertake a full analysis of all funding options as outlined in the Long-Term Financial Model, including a forward program of capital works, to determine any borrowing requirements.
3. Council recognises that infrastructure demands placed upon Council can often only be met through borrowings but will always be mindful of the additional cost incurred by the community when assets are acquired through borrowings.
4. Council will consider loan funding for capital renewal projects on a case-by-case basis, but predominately borrow only for new, expansion or upgrade capital projects, giving consideration to inter-generational equity particularly for the funding of long-term infrastructure projects.
5. Where capital expenditure is deferred from one year to the next, the drawdown of approved loan funds will be reviewed against ongoing funding requirements and the minimisation of future interest expenses.
6. Borrowings for infrastructure that provides a positive rate of return on investment will take priority over borrowing for other assets.

### **Debt Term**

Where capital projects are financed through borrowings, Council will repay the loan over a term which takes into consideration the expected life of those assets, and over a term that optimises cash flow efficiency.

Debt repayment terms will generally be no longer than 20 years.

If surplus funds become available, and where it is advantageous to Council, one-off loan repayments will be made to reduce the term of existing loans.

In an environment of fluctuating interest rates, and where there is a distinct economic advantage to Council, consideration will be given to renegotiating any outstanding loans to obtain the best long-term benefit to Council.

### **Repayment Ability**

Council will maintain close scrutiny of debt levels to ensure that relevant sustainability indicators do not exceed the target parameters recommended by Queensland Treasury Corporation (QTC) and the Queensland State Government Financial Management (Sustainability) Guideline.

### **Borrowing Sources**

Council will raise all external borrowings from the QTC.

Consideration will be given to the provision of loans to business activities and other specifically identified projects and activities from surplus cash reserves held by Council by way on an internal loan.

### **Proposed New Borrowings**

Pursuant to section 192 *Local Government Regulation 2012*, Council must prepare a debt policy each year that states the new borrowings planned for the current financial year and the next 9 financial years.

Council's Proposed Borrowings for the 2026/27 to 2035/36 financial years which total \$40.0m are outlined in the following table.

| <b>Financial Year</b> | <b>Doonan Landfill and Resource Recovery Facility<br/>\$'000</b> | <b>Noosa Main Beach Seawall Renewal<br/>\$'000</b> | <b>Total Borrowings<br/>\$'000</b> |
|-----------------------|------------------------------------------------------------------|----------------------------------------------------|------------------------------------|
| 2026/27               | 10,830                                                           |                                                    | 10,830                             |
| 2027/28               | 11,583                                                           |                                                    | 11,583                             |
| 2028/29               | 11,699                                                           | 2,250                                              | 13,949                             |
| 2029/30               |                                                                  | 3,620                                              | 3,620                              |
| 2030/31               |                                                                  |                                                    |                                    |
| 2031/32               |                                                                  |                                                    |                                    |
| 2032/33               |                                                                  |                                                    |                                    |
| 2033/34               |                                                                  |                                                    |                                    |
| 2034/35               |                                                                  |                                                    |                                    |
| 2035/36               |                                                                  |                                                    |                                    |

### **Leases**

Funding alternatives for asset acquisition also includes leasing. Leases are defined under accounting standard AASB 16 as a contract for the right of use over an asset for a temporary period of time.

Any low value (under \$10,000) or short term (under 12 months) leases are considered an operating expense. However, all other lease arrangements under AASB 16 are reported as a right-of-use asset with a corresponding liability in the balance sheet recognised with all other debt and loan borrowing instruments.

Any lease arrangement greater than \$2 million (other than any lease for office premises) is considered borrowings under the *Statutory Bodies Financial Arrangement Act 1982* and will require prior approval by the Queensland State Government before they are committed.

Council will undertake a lease versus buy analysis before entering into any lease contract.

### **Internal Loans**

The provision and approval of an internal loan will depend on the availability of surplus cash at the time of consideration and the capacity of either the business activity or operational activity to repay the loan.

All decisions regarding internal loans will be made by Council as part of the annual budget process.

The approval to establish an internal loan will only occur if Council's relevant sustainability indicators in its 10-year financial forecast are not compromised.

The term of any internal loan will be appropriate to the life of the infrastructure / asset being financed.

The interest rate for any internal loan will be the sum of:

1. the equivalent QTC borrowing rate for the proposed term
2. the QTC administration charge
3. an additional risk margin of no less than 1% above the QTC borrowing rate.

In all cases, where business activities are subject to the provisions of the National Competition Policy, the cost to the business will be no less than what would apply to an equivalent private sector business.

Provision for the repayment of an internal loan will be included in the annual budget for the business or operational activity.

### **GUIDING PRINCIPLES**

The purpose of establishing a Debt Policy is to:

- Comply with the requirements of section 192 of the *Local Government Regulation 2012*
- Provide a comprehensive view of Council's long term debt position and the capacity to fund infrastructure growth for the Shire
- Increase awareness of issues concerning debt management
- Enhance the understanding between Councillors, community groups and Council staff by documenting policies and guidelines
- Demonstrate to government and lending institutions that Council has a disciplined approach to borrowing.

### **ROLES AND RESPONSIBILITIES**

#### **Councillors**

Pursuant to section 192 of the *Local Government Regulation 2012* review the details and approve proposed borrowing for the current year and the future 9 years as prepared annually as part of the budget process.

#### **Chief Executive Officer (CEO) and Executive Team**

The CEO and Executive Team will endorse for Council adoption and provide leadership and commitment in complying with the Policy and relevant legislation and documents.

#### **External Authorities**

Applications outlining proposed borrowings will be forwarded to the Minister for Local Government, Water and Volunteers for approval.

Periodic Credit Reviews will be undertaken by the QTC on behalf of the State Government.

## **Financial Services**

Loan proceeds will be drawn down subject to cash flow requirements annually so as to minimise interest expenses.

All lease proposals will be referred to Financial Services for evaluation to assess alternatives for funding asset acquisition and to ensure statutory compliance.

## **MEASUREMENT OF SUCCESS**

Financial sustainability indicators remain within target ranges, and the provision of necessary infrastructure is not constrained through the lack of capital funding.

Details of outstanding loans will be reported annually in Council's Financial Statements and Annual Report.

## **DEFINITIONS**

**Business Activity** – A Council activity subject to the application of full cost pricing principles as defined in the *Local Government Act 2009* and *Local Government Regulation 2012*.

**Inter-generational equity** – This relates to the fairness of the distribution of the costs and benefits of a policy when costs and benefits are borne by different generations. (i.e. the principle whereby those who derive a direct benefit from the service or infrastructure provided actually pay for that service).

**Net financial liabilities ratio** – This is an indicator of the extent to which the net financial liabilities of Council can be serviced by its operating revenues. A ratio greater than zero (positive) indicates that total liabilities exceed current assets, whereas a ratio of less than zero (negative) indicates that current assets exceed total liabilities and therefore Council would appear to have the capacity to increase loan borrowings.

**Leverage Ratio** – This is an indicator of Council's ability to repay its existing debt. A higher leverage ratio indicates an increasingly limited capacity to support additional borrowings due to already high debt levels and/or decreasing operational performance, while a lower ratio indicates the converse.

## **RELEVANT POLICIES AND LEGISLATION**

*Local Government Act 2009*

*Local Government Regulation 2012*

*Statutory Bodies Financial Arrangements Act 1982*

*Statutory Bodies Financial Arrangements Regulation 2007*

Noosa Shire Council Financial Sustainability Policy

## **HUMAN RIGHTS COMPATIBILITY STATEMENT**

In developing this policy, the subject matter has been considered in accordance with the requirements of the Queensland Human Rights Act 2019. It is considered that the subject matter does not conflict with any human rights and supports a human rights approach to decision making by Council.

This policy should be read in conjunction with the Human Rights Act 2019 (QLD) and Council's Human Rights Policy.

**Version control:**

| Version | Reason/ Trigger    | Change (Y/N) | Endorsed/ Reviewed by       | Date       |
|---------|--------------------|--------------|-----------------------------|------------|
| 1.0     | Create new         |              | Manager Financial Services  | 23/12/2013 |
| 2.0     | Annual Review      |              | Manager Financial Services  | 02/06/2014 |
| 3.0     | Annual Review      | Y            | Manager Financial Services  | 02/06/2015 |
| 4.0     | Annual Review      | N            | Manager Financial Services  | 20/05/2016 |
| 5.0     | Annual Review      | Y            | Director Corporate Services | 19/05/2017 |
| 6.0     | Annual Review      | Y            | Council                     | 29/06/2018 |
| 7.0     | Annual Review      | Y            | Council                     | 06/07/2018 |
| 8.0     | Annual Review      | N            | Council                     | 28/06/2019 |
| 9.0     | Annual Review      | Y            | Council                     | 10/07/2020 |
| 10.0    | Refinancing Review | Y            | Council                     | 17/02/2021 |
| 11.0    | Annual Review      | Y            | Council                     | 30/06/2021 |
| 12.0    | Budget Review      | Y            | Council                     | 17/01/2022 |
| 13.0    | Annual Review      | Y            | Council                     | 28/06/2022 |
| 14.0    | Annual Review      | Y            | Council                     | 30/06/2023 |
| 15.0    | Budget Review      | Y            | Council                     | 17/08/2023 |
| 16.0    | Annual Review      | Y            | Council                     | 28/06/2024 |
| 17      | Annual Review      | Y            | Council                     | 28/06/2025 |
| 18      | Annual Review      | Y            | Council                     | 23/06/2026 |