

5.9. DEBT GENERAL POLICY

REPORT AUTHOR Tara Killeen, Chief Financial Officer

MANAGER Mark Stoermer, Chief Executive Officer

DEPARTMENT Finance and Corporate Services

RECOMMENDATION

That Council adopts the Debt General Policy 2021-22

EXECUTIVE SUMMARY

In accordance with the requirements of S192 *Local Government Regulation 2012*, Council is required to adopt a Debt General Policy each financial year.

BACKGROUND

The Debt General Policy provides Council with a debt management strategy based on sound financial management guidelines and has been developed in conjunction with Council's long-term financial forecast. There have been no changes to the Debt General Policy, other than administrative changes such as date changes.

PROPOSAL

The Debt General Policy 2021-22 is presented to Council for adoption.

FINANCIAL/RESOURCE IMPLICATIONS

There is a legislative requirement for Council to have in force a Debt General Policy. There are no budgetary implications identified from the annual review of the Debt General Policy.

There were no changes made to the policy.

RISK MANAGEMENT IMPLICATIONS

Complying with legislative requirements ensures Council mitigates any regulatory or reputational risk.

SUSTAINABILITY IMPLICATIONS

Economic: The Debt General Policy seeks to ensure a sustainable cash flow for the operation of Council. The Debt General Policy aims to ensure long term sustainable economic viability by limiting the nature of any proposed borrowings by Council.

Environmental: Nil

Social: Nil

CORPORATE/OPERATIONAL PLAN, POLICY REFERENCE

This report has been prepared in accordance with the following:

Corporate Plan 2019-2024 Initiatives:

Theme 5 - Robust Governance and Efficient Service Delivery

Strong governance and financial management are the foundations of the way in which Council will conduct its business and implement the initiatives of the Corporate Plan.

Goal 1 - We will conduct Council business in an open and transparent manner with strong oversight and open reporting.

Goal 3 - We will make sound financial decisions by ensuring robust strategic planning, financial management and reporting.

COUNCIL'S ROLE

Council can play a number of different roles in certain circumstances and it is important to be clear about which role is appropriate for a specific purpose or circumstance. The implementation of actions will be a collective effort and Council's involvement will vary from information only through to full responsibility for delivery.

The following areas outline where Council has a clear responsibility to act:

Regulator Council has a number of statutory obligations detailed in numerous regulations and legislative Acts. Council also makes local laws to ensure that the Shire is well governed. In fulfilling its role as regulator, Council will utilise an outcomes-based approach that balances the needs of the community with social and natural justice.

CONSULTATION

Internal: Finance and Corporate Services Team

External: Nil

COMMUNITY ENGAGEMENT

Nil

ATTACHMENTS

1. Debt General Policy [YJA5] [5.9.1 - 2 pages]

3. DEBT GENERAL POLICY

Purpose

To provide Council with a debt management strategy based on sound financial management guidelines.

Scope

This policy applies to all borrowings of Douglas Shire Council.

Policy Content

The following sets out the Debt General Policy for the year ended 30 June 2022 as required by Section 192 of the *Local Government Regulation 2012*.

Principles

1. Council aims to finance capital works and new assets to the greatest extent possible from revenue, grants and subsidies or any specific reserves primarily established to fund capital works.
2. It is Council's intention to fully fund depreciation (when possible) which requires a significant source of funding.
3. Long term borrowings for capital works and new assets should be limited, where possible, to assets that will provide an intergenerational benefit.
4. Council will review the projected ratios of interest and redemption as a percentage of rates revenue to set a target range.
5. Council will not use long-term debt to finance operating activities or recurrent expenditure of Council.
6. The repayment period for new borrowings will be set at 10 years or less, except in the case of borrowings for major long-life infrastructure assets or for capital works which have been levied to ratepayers as a special charge, where a repayment period will be determined on a case by case basis.
7. Detailed capital works and asset acquisition programs for the next 10 years together with the 10-year financial forecast will provide the basis for the determination of funding options.

Borrowings for the ten years ending June 2031

At this stage, Council's 10-year financial forecast does not include any planned borrowings, however this will be reviewed on an annual basis.

The repayment term of existing and new borrowings will be in accordance with the repayment schedule relevant to each loan.

Related Legislation

Local Government Act 2009

Local Government Regulation 2012

Policy Review

This policy is to be reviewed whenever legislation changes, or annually if no changes have been required to be enacted, at the direction of the Chief Executive Officer.

Policy Details

Policy Name	Debt General Policy
Policy Number	3
Policy Version	7
Document Number	810030
Endorsed by	Chief Executive Officer
Policy Type	Statutory
Approval Authority	Council
Date Adopted	30/3/2021
Time Period	Annually
Review Date	01/03/2022
Policy Department	Finance and Corporate Services
Link to Corporate Plan	Robust Governance and Efficient Service Delivery
Revoked/Superseded	

This policy is to remain in force until otherwise determined by Council.