Debt (Borrowing) Policy

1. Purpose

This Policy provides a framework for responsible financial management by ensuring the amount of funds borrowed for capital expenditure is within acceptable limits to Council, its ratepayers and interested external parties.

Section 192 of the *Local Government Regulation 2012 (Qld)* states that a local government must prepare and adopt a debt policy for each financial year which states:

1. the new borrowings planned for the current financial year and the next 9 financial years; and
2. the period over which the local government plans to repay existing and new borrowings.

2. Scope

The Policy applies to all forms of existing and proposed borrowings by Council, both External and Internal.

3. Principles

3.1.1 Council recognises that loan borrowings for capital works are an important source of funding and that the full cost of infrastructure should not be borne entirely by present-day ratepayers but instead be contributed to by future ratepayers who will also benefit from such infrastructure to ensure inter-generational equity.

3.1.2 Whilst recognising the importance of loan borrowings in facilitating long term infrastructure projects, Council also recognises that excessive borrowings create high risk and increases the cost of providing capital infrastructure. As such, total borrowings should be managed by Council within limits as dictated by prudent financial management practices and to limit future revenue commitments required for interest payments and loan repayments.

3.1.3 The decision on Council's ultimate levels of debt will require a balance between the levels of service provided, affordability for the community, and Council's long-term financial sustainability.

4. Policy Statement

4.1 Purpose of Borrowings

4.1.1 Council will generally only borrow money, and apply borrowed money, to fund outlays on identified capital projects which cannot be, or Council considers undesirable to be, funded through other sources, as identified by the adopted Budget.

4.1.2 Preference will be given to borrowings for projects that provide a return to Council.

4.1.3 Borrowings may be made:

4.1.3.1 To finance the cost of new or significant upgrade capital works and asset acquisitions, which cannot be funded through other source

4.1.3.2 Funding for capital renewals will be sourced from general revenue where possible

4.1.3.3 For genuine emergency purposes

4.1.3.4 To establish a commercial debt structure for a commercial business unit

4.1.4 It is not the intention of Council to borrow funds for operating activities or recurrent expenditure. However, where required, Council may undertake short term borrowing, seek credit or financial accommodation (e.g. through an overdraft or capital facility) to meet cash flow requirements or emergencies that may arise. Such borrowings are generally to be repaid within the same financial year or in the immediately following financial year.

4.1.5 The basis for determining the utilisation of borrowing to fund a particular project will be guided by the following:

4.1.5.1 If applicable, any requirements under the Statutory Bodies Financial Arrangements Act and/or any requirements of the Minister for Local Government, the Treasurer and/or the Queensland Treasury Corporation.

4.1.5.2 Detailed capital works programs and Asset Management Plans for the next 10 years together with the 10-year financial forecast (Long Term Financial Forecast) will provide the basis for determination of funding options for the assets and their overall whole of life costs including any loan servicing costs.

4.1.5.3 Analysis of existing total debt levels and debt servicing costs based upon careful consideration of the impact on Council's financial sustainability ratios. In particular, the following ratios should be analysed based on Council's preferred target range:

Measure	QLD Government Target Range	Council Target Range
Unrestricted cash expense cover	Greater than 4 months	Between 4 – 9 months
Interest Coverage Ratio	N/A	Above 4 times
Leverage Ratio	0 – 3 times	Below 3.0 times
Operating Surplus	Greater than 0%	Between 2% and 6%
Debt Service Cover Ratio	Greater than 2.0 times	Greater than 4.0 times
Net Financial Liabilities Ratio	Greater than 60%	Greater than 10%

4.1.6 Where a capital project for a service that is funded by a Significant or Prescribed Business Activity is financed through borrowings, the relevant user charge should reflect the full cost of providing the service, including the loan servicing costs. In all cases, where business activities are subject to the provisions of the National Competition Policy, the cost to the business activity will be no less than what would apply to an equivalent private sector business.

4.1.7 Projects which are 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.

4.1.8 Where necessary, a review of borrowing needs can be made during the year and this Policy amended accordingly.

4.1.9 In order to minimise finance costs, loan drawdowns should be deferred as long as possible, after taking into consideration Council's overall cash flow requirements.

4.2 Repayment Term

4.2.1 The term of loan repayment should:

4.2.1.1 not exceed the expected useful life of the asset(s) being funded;

4.2.1.2 generally, not exceed twenty (20) years for any individual loan and

4.2.1.3 if applicable, meet any requirements of the Minister for Local Government, the Treasurer and/or the Queensland Treasury Corporation.

4.3 Existing and Future Borrowings

4.3.1 Details of the existing borrowings of Council (as at the specified date) and the proposed future borrowing incorporated in the Long-Term Financial Forecast are detailed in the below Appendix A.

4.4 Internal Borrowings

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

4.4.2 The surplus cash may be sourced from unrestricted cash, however borrowings from externally and internally restricted funds may also be considered subject to specific restraints applicable to these funds.

4.4.3 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 following confirmation that Council's relevant sustainability indicators in the 10-year financial forecast will not be compromised including Council's Unrestricted Cash Expense Cover Ratio remaining above the target in *Local Government Sustainability Framework*.

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

4.4.5 The interest rate will be the sum of:

4.4.5.1 the equivalent QTC borrowing rate for the proposed term;

4.4.5.2 the QTC administration charge; and

4.4.5.3 an additional margin (if required).

4.4.6 Council may, upon reasonable notice being given, require repayment of part or all of the balance of the internal loan. This would require the business unit to convert the outstanding balance of the loan to an external facility.

4.4.7 Principal and interest repayments on internal loans are to be met from the Council's normal operational budgets in the same manner that external debt is financed by the Council.

5. Related Policies and Legislation

Local Government Act 2009 (Qld) (Act)
Local Government Regulation 2012 (Qld) (Regulation)
Statutory Bodies Financial Arrangements Act 1982 (Qld) (SBFAA)
Statutory Bodies Financial Arrangements Regulation 2019
Local Government Sustainability Framework
Local Government Financial Management (Sustainability) Guideline 2024
Council's 2026/27 Budget
Council's Long Term Financial Forecast

6. Definitions

CEO refers to the Chief Executive Officer of the Whitsunday Regional Council appointed in accordance with the Act, or any person acting in that role.

Council refers to the Whitsunday Regional Council.

Interest Coverage Ratio refers to the ratio calculated by dividing net interest expense by total operating revenue and multiplying the result by 100.

Leverage Ratio: refers to the ratio that indicates Council's ability to repay its existing debt relative to operating performance and is calculated by dividing the Book Value of debt by the Operating Result adding back Depreciation and Amortisation and Finance costs.

Operating Surplus Ratio: refers to an indicator of the extent to which operating revenues generated cover operational expenses. Any operating surplus would be available for capital funding or other purposes including loan repayments. This is calculated by dividing the Operating Result by Total Operating Revenue (excluding capital items such as capital grants, gains on disposals and other capital revenue)

Unrestricted Cash Expense Cover Ratio: refers to the ratio that indicates the unconstrained liquidity available to a council to meet ongoing and emergent financial

demands, which is a key component to solvency. It represents the number of months a Council can continue operating based on current monthly expenses.

Net Financial Liabilities Ratio: Indicates the percentage of Councils operating income used to cover its net financial liabilities (loans & leases). A lower ratio suggests that council can more easily cover its debts with its operating income, whereas a higher ratio indicates that council may have limited capacity to increase debt and might face difficulties servicing existing debt.

7. Review

30 June 2027

8. Policy Owner

Manager Financial Systems & Services

9. Appendix

Appendix A – Existing and Future Borrowings

Details of Existing External Borrowings

Existing Borrowings as at 30 June 2026

Loan	Loan Balance ($)	Final Due Date	Remaining Term (Years)	Repayments
81092 - WRC - Gen7 08/09	1,880,709	15 Jun 2029	3	Quarterly
81090 - WRC - Gen8 09/10	1,458,847	15 Jun 2030	4	Quarterly
81089 - WRC - Gen8 AMSU	1,487,639	15 Sep 2030	5	Quarterly
81093 - WRC - STP Projects	11,593,122	13 Feb 2032	6	Quarterly
81094 - WRC - WTP Projects	5,717,451	15 Jun 2032	6	Quarterly
313905 - WRC - WCA Run 19/20	17,193,118	15 Jun 2039	13	Quarterly
313906 - WRC - Bowen STP 19/20	7,017,599	15 Jun 2039	13	Quarterly
385316 - WRC - Bowen Cell3 19/20	644,592	15 Jun 2028	2	Quarterly
385317 - WRC - Bowen STP 20/21	4,190,167	15 Jun 2040	14	Quarterly
New Loan - Waste	7,855,433	15 Jun 2034	8	Quarterly
TOTAL	**59,038,677**			

Budgeted Loan Balances

	Amount ($)
Estimated Balance as at 30 June 2026	59,038,677
Budgeted Borrowings in 2026/27	38,646,500
Budgeted Repayments in 2026/27	6,854,472
Budgeted Balance as at 30 June 2027	90,830,705

Budgeted Interest Payments in 2026/27	2,072,621

Details of Proposed External Borrowings

There are proposed borrowings for Sewer and General Fund in 2026/27 financial year for delivery or projects over the 2026/27 and 2027/28 financial years, outer year borrowings will be refined as projects are scoped further

Financial Year	Program	Amount* $	Proposed Terms (Years)	Final Repayment Year
2026/2027	Sewer	$4,306,500	10	2036/2037
	General	$4,500,000	15	2041/2042
	General	$14,200,000	20	2046/2047
	General	$15,640,000	20	2046/2047
2028/2029	Waste	$ 4,000,000	8	2036/2037
	Sewer	$1,302,000	10	2038/2039
2029/2030	Waste	$ 4,000,000	8	2037/2038
2030/2031	Airport	$3,000,000	10	2040/2041
	Waste	$ 2,000,000	8	2038/2039
	Waste	$3,200,000	8	2038/2039
2031/2032	Sewer	$3,904,000	10	2041/2042

2034/2035	Sewer	$2,502,500	20	2054/2055
TOTAL		**$62,555,000**		

***Note**: The proposed 10-year borrowings are based on best information as at the time of adopting this policy The Actual Borrowing may vary from the proposed program depending on changing circumstances including this year, the development of a future Waste Strategy, Asset Management Plans and Network Plans are being developed for key infrastructure which may identify future loan borrowings at which stage, this Policy will be reviewed and amended by Council.*

Details of Proposed Internal Borrowings

There are currently no proposed internal borrowings at this point in time.