

2026-27 Debt Policy

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| | Endorsed by Council: | SM26/ |
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Policy purpose

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 while maintaining financial sustainability.

The purpose of establishing this policy is to:

- Provide a comprehensive view of Council's long-term debt position and the capacity to fund infrastructure growth for the region
- 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

Policy scope

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

Policy statement

New 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) and for no more than 20 years.

New borrowings will be undertaken in accordance with the Queensland Treasury Corporation Guidelines, the *Statutory Bodies Financial Arrangements Act 1982 (Qld)* and Section 192 of the *Local Government Regulation 2012 (Qld)*.

Borrowing purposes

- Council will not utilise loan funding to finance operating activities or recurrent expenditure.
- Council undertakes full analysis of all funding options as outlined in Council's Long-Term Financial Forecast, including a forward program of capital works, to determine loan funding requirements.
- 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, as this increases the cost of providing capital infrastructure.

- Council endeavours to fund all capital renewal projects from operating cash flows and borrow only for new or upgrade capital projects, having regard to sound financial management principles and giving consideration to inter-generational equity for the funding of long-term infrastructure projects.
- Where capital expenditure is deferred from one year to the next, the drawdown of approved loan funds will be reviewed to minimise interest expenses.
- Borrowings for infrastructure that provide the opportunity for a return on assets will take priority over borrowings for other assets.

Debt term

Where capital projects are financed through borrowings, Council will repay the loans within a term not exceeding the life of those assets, and over a term that optimises cash flow efficiency. Loans undertaken for core Sunshine Coast capital investment are planned to be repaid within a 15-year period. Loans undertaken for Corporate Major Projects may have a term of greater than 15 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 will not exceed target parameters recommended by Queensland Treasury Corporation and *Local Government Regulation 2012 (Qld)*.

Borrowing sources

Council will raise all external borrowings at the most competitive rates available and from sources available as defined by legislation. Council will give consideration to the provision of loans from surplus cash reserves held by Council by way of an internal loan.

Internal loans

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

- All applications for internal loans will be made by reference to the Finance Branch for consideration in accordance with Council's Long-Term Financial Forecast.
- The term of the loan will be appropriate to the life of the asset being financed.
- In all cases, where business units are subject to the provisions of the National Competition Policy, the cost to the business unit will be no less than what would apply to an equivalent private sector business. The interest rate will be the sum of:
 - (a) the equivalent Queensland Treasury Corporation (QTC) borrowing rate for the proposed term,

- (b) the QTC administration charge, and
- (c) an additional margin above the QTC borrowing rate.
- The interest rate applicable to internal loans relating to operational activities of Council will be the actual borrowing cost from QTC including administrative charges.
- Council may, upon reasonable notice being given, require repayment of part or all of the balance of the loan at any time, which would require the business unit to convert the outstanding balance of the loan to an external facility.
- Provision for the repayment of the loan will be included in the annual budget for the business unit.

Working Capital

Council employs a working capital facility to assist with short-term cash flow requirements. This facility operates as a revolving line of credit to a maximum amount of \$50 million and is excluded from annual new borrowing limits.

Council will review its cash flow in line with annual budgets, long term forecasting and projected borrowings to ensure sufficient cash is available to meet financial commitments for each financial year and into the future.

Any approved working capital limit will only be used by Council for operational liquidity management purposes with all drawdowns repaid in full within six (6) months.

Policy review

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

The Finance Branch will review the cash flow requirements prior to loan proceeds being drawn down to minimise interest expenses.

Roles and responsibilities

| Role | Responsibility |
|---------------------------------|--|
| Council | Endorsement authority for setting this policy and for all material changes to this policy. Able to endorse non-material changes. |
| Chief Executive Officer (CEO) | Approval authority for any non-material change to this policy. |
| Executive Leadership Team (ELT) | Provides advice to the CEO and/or Council on setting this policy and all proposed changes to this policy. Provides feedback to the policy sponsor and policy holder regarding the scope of approaching reviews. |
| Chief Financial Officer | Policy sponsor. Approval authority for any minor non-material changes to this policy. |

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|---------------------------------------|---|
| Manager, Finance | Policy holder. |
| Coordinator Financial Services | Leads this policy’s development, including communication, implementation, review and reporting. |

Measurements of success

Council’s Financial Sustainability Indicators as outlined in the Financial Management (Sustainability) Guideline 2024 version 1, remain within target ranges and the provision of necessary infrastructure is not constrained through lack of capital funding.

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

| Financial sustainability measure | Target sought |
|--|-----------------------|
| Unrestricted Cash Expense Cover Ratio (months) | Greater than 2 months |
| Leverage Ratio (times per year) | 0 - 4 times |

Definitions

Refer to Council’s Policy Framework for definitions of common terms. The following contains definitions for terms specific to this policy. For otherwise undefined terms, the plain English meaning informs interpretation.

| Term | Definition |
|---------------------------|--|
| Business unit | A business activity within Council structure subject to the application of full cost pricing principles as defined under the National Competition Policy |
| 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 pay for that service). |
| QTC | Queensland Treasury Corporation |
| Surplus cash reserves | The amount of unrestricted cash exceeding the unrestricted cash expense cover ratio of 4.5 months |

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Appendix

| Policy information | | | | | |
|--------------------------|--|-------------|---------------------------|----------------|---|
| Title | 2026-27 Debt Policy | | | | |
| Purpose | The purpose of this policy is to ensure the sound management of Council's existing and future debt. | | | | |
| Document number | TBA | | | | |
| Corporate Plan reference | <table border="1"> <tr> <td>Goal</td> <td>Organisational excellence</td> </tr> <tr> <td>Pathway</td> <td>Develop a Long-Term Financial Sustainability Plan for Council to guide service levels and resourcing decisions for current and future generations</td> </tr> </table> | Goal | Organisational excellence | Pathway | Develop a Long-Term Financial Sustainability Plan for Council to guide service levels and resourcing decisions for current and future generations |
| Goal | Organisational excellence | | | | |
| Pathway | Develop a Long-Term Financial Sustainability Plan for Council to guide service levels and resourcing decisions for current and future generations | | | | |
| Category | Statutory | | | | |
| Subcategory | Financial | | | | |
| Approved | OM26/xx | | | | |
| Approval date | 18 June 2026 | | | | |
| Effective date | 18 June 2026 | | | | |
| Review schedule | A full review must be undertaken every year, and reviewed policy document must be provided to highest level approval authority for endorsement. Reviews may occur more regularly as required, having regard to a policy risk assessment. | | | | |
| Last review | 2026 | | | | |
| Next review | 2027 | | | | |
| Policy holder | The Manager responsible for this policy is: Manager, Finance | | | | |
| Approval authority | Council has authority to endorse material changes. CEO has approval authority for any non-material change to the policy. Chief Financial Officer has authority to approve minor non-material changes. | | | | |
| Related documents | | | | | |
| Legislation | <i>Local Government Act 2009</i> <i>Local Government Regulation 2012</i> <i>Statutory Bodies Financial Arrangements Act 1982</i> <i>Statutory Bodies Financial Arrangements Regulation 2019</i> | | | | |
| Policy | Financial Management (Sustainability) Guideline 2024 version 1 | | | | |
| Operational documents | Long-Term Financial Forecast | | | | |

| Version Control | | | | |
|-----------------|-----------------|--|----------------------|---------------|
| Version | Reason/Trigger | Change | Endorsed/Reviewed by | Date |
| 1.0 | Adopted | No | Council | 27 May 2021 |
| 2.0 | Annual adoption | No | Council | 26 May 2022 |
| 3.0 | Annual adoption | No | Council | 25 May 2023 |
| 4.0 | Annual adoption | New template, minor non-material changes to improve clarity. Human rights assessment undertaken. | Council | 30 May 2024 |
| 5.0 | Annual review | No | Manager Finance | 17 April 2025 |
| 5.1 | Annual adoption | No | Council | 21 May 2025 |
| 5.2 | Annual adoption | Include borrowings amount for 10 years in Appendix A and include a working capital facility paragraph. | Council | 7 July 2025 |
| 5.3 | Annual adoption | Updated working capital section. | Council | 1 June 2026 |

Appendix A

Schedule of proposed external borrowings

| \$'000 | Budget | | | Forecast | | | | | | |
|------------------------|----------|----------|----------|----------|----------|----------|----------|------|------|------|
| | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | 2036 |
| Sunshine Coast Council | \$21,103 | \$44,270 | \$11,700 | \$66,886 | \$15,000 | \$10,000 | \$15,600 | \$0 | \$0 | \$0 |

Note that Council operates a central treasury model and as such does not generally provide debt funding for specific projects or assets but rather uses debt funding to finance Council's balance sheet, with the exception being for strategic projects.