Strategic Outcome Supported: 10.1 – Provide strategically focused, open and accountable governance.

## OBJECTIVE

1. This Debt Policy document sets out the manner in which the Shire of Donnybrook Balingup (the "Shire") may establish and manage a debt portfolio. The objective of this Debt Policy is to ensure the sound management of the Shire's existing and future debt.
2. This Debt Policy outlines the Shire's debt strategy and provides for the responsible financial management of loan funding by ensuring that the level of indebtedness is maintained within acceptable limits and is managed appropriately.

## SCOPE

3. The purpose of this Debt Policy is to establish a set of principles for the efficient management of the Shire's existing and future debt.
4. This includes prudent interest rate risk management so that an appropriately structured and managed portfolio of debt funding may contribute to the growth and protection of the long-term economic value of the Shire.

## DEFINITIONS

5. **Debt** means Borrowings.
6. **CEO** means Chief Executive Officer.
7. **Shire** means Shire of Donnybrook Balingup.
8. **WATC** means Western Australian Treasury Corporation.

## POLICY STATEMENTS

### Minimise Risk

9. In general, the Shire is risk averse and seeks to reasonably minimise risk in all aspects of its operations.

### Minimise interest costs

10. Specifically, the Shire seeks to minimise interest costs without introducing undue volatility in annual interest costs.
11. The Council notes that there is a trade-off between minimising risk in the portfolio and minimising the interest costs of the portfolio.

### Compliance

12. The Shire will enter into contractual funding arrangements only where such activities and arrangements comply with the relevant legislative and non-legislative requirements.

## Lending Agreements

13. Any and all borrowing activities and contractual funding arrangements entered into by the Shire with Western Australian Treasury Corporation must be consistent with:

    a. The Shire's Master Lending Agreement with the Western Australian Treasury Corporation.

    b. The particular loan repayment schedule with the Western Australian Treasury Corporation/Lending Facilitity relevant to the specific loan.

## Conditions for Debt Raising

14. Debt funding may be used for capital works associated with the development of assets and infrastructure assets.

15. Debt funding must not be used to finance operating activities or recurrent expenditure.

## Lending Counterparties

16. In its evaluation of borrowing proposals, the Authority will consider counterparty risk, that is, the risk that the lender fails to perform in accordance with its contractual obligations under the terms of the loan.

17. The Shire will seek to reasonably minimise counterparty risk from lenders.

18. The Shire recognises that the Western Australian State Government has established a Central Borrowing Authority, the Western Australian Treasury Corporation for the purpose of providing funding to government including Local Government Authorities.

19. The Shire recognises the advantages of obtaining funding through a Central Borrowing Authority, such as WATC, which has very low counterparty risk and is able to provide significant benefits to its clients through its ability to access highly liquid funds in large volumes on behalf of its clients, and therefore provide lower-cost funding than is generally available from other lenders.

20. Contractual lending arrangements between the Shire and WATC may be in any form recommended by WATC and approved by the Council.

21. The Shire, at its discretion, may seek quotes from lenders other than WATC, and may proceed with funding in cases where another lender is able to provide lower-cost funding, and where the Shire believes that the degree of counterparty risk is acceptable.

## Borrowing Arrangements

22. When entering into borrowing arrangements, the Shire will seek to minimise interest costs over the medium and long-term without introducing undue volatility in annual interest costs, and subject to an acceptable degree of counterparty risk.

23. Borrowing arrangements will be entered into on a project-by-project basis, with particular loans assigned to particular projects.

24. Each project-specific loan will be entered into with the aim of obtaining the most competitive interest cost for the loan, subject to the preferred debt structure as determined by the Shire.

25. Where borrowings are required and approved as per the relevant provisions within the *Local Government Act 1995*, Council Policy EXE-CP2 Document Execution and Application of Common Seal must be adhered to.

26. Documentation of each specific loan will be in accordance with a lending agreement or other appropriate loan documentation that has been approved by the Council.

### Repayments

27. The Shire intends to maintain a repayment schedule consistent with 'principal and interest' repayment calculations.

28. The repayment schedules for new borrowings will be set on an individual basis as determined by the nature of the project, and other considerations such as expected revenue streams in future year.

### Review and Monitoring

29. The Shire's funding requirements and funding strategy will be periodically reviewed by the Council.

30. The Council agenda for each relevant Council Meeting will contain a report with advice to the Council as to the current debt position.

### Schedules of Planned Debt

31. The Shire's planning for anticipated borrowing requirements over future years will be consistent with the Department of Local Government's requirements for a 10-year financial plan.

32. The Council will review the Authority's anticipated borrowing requirements and relevant sustainability ratios in the preparation of each financial year's budget and for the period covered by the 10-year financial plan.

### Sustainability Ratios

33. The Council will, as a minimum, monitor the sustainability ratios prescribed by the *Local Government (Financial Management) Regulations 1996* as an input to its assessment of the financial management of its borrowings.

## DELEGATION AND AUTHORISATION

– Nil.

## LEGISLATION

- *Local Government Act 1995*
- *Local Government (Financial Management) Regulations 1996 (as amended)*
- *Trustees Act 1962 (as amended)*

In addition, borrowing activities and contractual funding arrangements entered into by the Authority must also comply with the following:

- *Australian Accounting Standards*

## APPENDIX

- Nil.

## GOVERNANCE

**Related Policy(s):**

- EXE-CP2 Documentation Execution and Application of Common Seal

**Related Procedure(s):**

- Nil.

**Revision Requirements and Version Control:**

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|---|---|---|---|
| **Responsible Department(s):** | Finance and Community | | |
| **Review to be conducted by:** | Director Finance and Community | | |
| **Revision Frequency:** | ☐ Annual (1yr) | ☒ Triennial (3yr) | ☐ Quinquennially (5yr) |
| **Current Version Date:** | 23/09/2026 | **Next Due:** | 09/2029 |

**Policy Version Details and Information:**

| #: | Synopsis: | Date: | Ref.: | Record: |
|---|---|---|---|---|
| 1 | Initial adoption of Policy. | 26/06/2013 | - | - |
| 2 | No review done - Only renumbered from 3.8 Debt. | 21/12/2021 | 213/21 | NPP8038 |
| 3 | Reviewed and reformatted to new template, with amendments made where necessary. | 23/09/2026 | 168/09-26 | MONARCH-1594159990-156 |