

Borrowings overview

Town of Walkerville - debt ceiling information sheet

The Town of Walkerville will face new challenges, as well as new opportunities, which calls for consistent financial decisions and innovative and community-centered solutions.

Where Council identifies potential strategic projects that will deliver agreed economic, social or environmental benefits, Council's current debt ceiling should be considered in line with these projects.

Council is required to review the structure of its debt and investment on an annual basis to ensure that the debt ceiling in place is sufficient to allow Council to remain agile, with the ability to undertake projects as and when the opportunities are presented.

Council can only use debt to fund capital expenditure. The term of any debt shall not exceed the life of the asset that the debt has been used to fund.

Under Council's Financial Guiding Principles, it cannot increase loan borrowings (debt) beyond its current debt ceiling of \$9.5m without community consultation.

The current debt ceiling of \$9.5m came into effect in August 2018 (CNC50/18-19). The \$9.5m cap was aligned to new borrowings that Council took out in 2012/13 to fund the redevelopment of the Town of Walkerville Civic and Community Centre.

Current debt levels derive from renewing, upgrading and sustaining Council's assets. These are community assets and typically have very long lives (i.e. they are intergenerational).

As Council continues in perpetuity and funds intergenerational assets, debt should be considered in a different light to that of household or business debt. There is no pressing need to repay debt rapidly; rather, debt should be maintained at serviceable levels.

Council is seeking preliminary community feedback on whether ratepayers would be supportive of increasing the debt level from \$9.5m to \$12m as this would allow for greater opportunity to undertake larger projects or developments as they arise. For example, should Council wish to embark on a park upgrade or redevelopment of a public site, this would be limited at the current debt ceiling.

The Draft 2022/23 Annual Business Plan and Budget provides for a debt level as at 30 June 2023 of \$7.28m. Should the community be in favour of increasing the debt ceiling, no change would be made to the 2022/23 budget - any impacts would be factored into future financial years.