

DEBT POLICY

PURPOSE

As a general principle, Council recognises that loan borrowings for capital works are an important funding source for Local Government and that the full cost of infrastructure should not be borne entirely by present-day ratepayers, but be contributed to by future ratepayers who will also derive benefits (i.e. intergenerational equity).

The purpose of establishing a Debt Policy is to:

- Provide a comprehensive view of the Gympie Regional Council's (Council) 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.

This policy must be reviewed and amended annually to ensure that the information contained in the policy remains current and relevant.

SCOPE

Council is required to prepare and adopt a debt policy in accordance with Part 4, S192 of the Local Government Regulation 2012.

The debt policy must outline:

- the new borrowings planned for the current financial year and the next nine (9) financial years; and
- the period over which the local government plans to repay existing and new borrowings.

Council's borrowing activities are governed by the Statutory Bodies Financial Arrangements Act 1982 Part 5.

POLICY STATEMENT

Borrowing will be considered as an appropriate funding source by the Council as part of its cash management strategy in the following circumstances:

- In the context of the strategic objectives of Council.
- In the context of long term financial forecasts and objectives.
- As an alternative funding source for asset additions.
- As a method of spreading the cost of long life (intergenerational) assets, and
- As a mechanism to fund temporary cash shortfalls.

PROCEDURES

All borrowings will be subject to Council approval on the recommendation of the Director of Corporate and Community Services. The nature of any borrowings (short or long term) and the interest rate (fixed or variable) will take into account the purpose of the borrowings and seek to minimise interest rate exposure. All borrowings will be considered in line with Council's Forward Financial Estimates.

As a guide, the following borrowing terms shall be applied:

Borrowings Amount Term

Less than \$500,000 1-5 years

\$500,000-\$1,000,000 10 years

Greater than \$1,000,000 15 years

Council policy is to borrow new loans for a period that maximises efficiency. It is planned to repay existing borrowings within 12 years.

If surplus funds become available and it is deemed to be financially beneficial to do so, one off loan repayments may be made to reduce the term of existing loans, or loan repayments made in advance to minimise interest charges.

Loan draw-downs will be timed so as to optimise cash flow and minimise interest expenses.

Borrowing Principles

1. Council will not utilise loan funding to finance operating activities or recurrent expenditure.
2. Council will undertake a full analysis of all funding options as outlined in the Long Term Financial Model, including a forward program of capital works, to determine loan funding requirements.
3. Council understands that when assets are acquired through borrowings, the cost of providing capital infrastructure, is increased.
4. Council will endeavour 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.
5. Where capital expenditure is deferred from one year to the next, the drawdown of approved loan funds will be reviewed to minimise interest expenses.
6. Borrowings for infrastructure that provides a positive rate of return on investment will take priority over borrowing for other assets.

Repayment Ability

Council has adopted the debt service ratio as the key indicator of council's ability to sustain its level of debt. Council will consider the appropriate debt service ratio as part of its annual budget deliberations.

Borrowing Sources

Council shall raise all external borrowings from Queensland Treasury Corporation.

Internal Controls

Borrowings must be approved by Council as part of its budget process.



Proposed Borrowings

Proposed borrowings for the financial years 2018/2019 to 2027/2028 are set out below. Council will review the requirements for borrowings throughout the 2018/2019 year.

	1	2	3	4	5	6	7	8	9	10
Program	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028
Waste Management	\$1,500,000									
Southside Sewerage	\$500,000									
Waste Management		\$3,500,000								
Southside Sewerage		\$1,000,000								
Southside Sewerage			\$1,500,000							
Library and Admin			\$10,000,000							
Library and Admin				\$10,000,000						
Southside Sewerage				\$1,500,000						
TOTAL	\$2,000,000	\$4,500,000	\$11,500,000	\$11,500,000	\$0	\$0	\$0	\$0	\$0	\$0