

SPECIAL BUDGET MEETING	2
22 JUNE 2022	

DEBT POLICY

K Robertson | 63/8/32-01 | #6962011

RECOMMENDATION:

That Council adopts the Debt Policy for 2022/23.

EXECUTIVE SUMMARY:

This report provides an update of the Debt Policy for adoption with the annual budget. This Policy was last adopted in June 2021 and this revision includes the following updates:

- Revised planned borrowings as per the 2022/23 Budget
- Current balance and term remaining on existing borrowings

BACKGROUND:

Council's Debt Policy sets out borrowings planned for the next ten financial years.

Each year as part of the budget process, long-term financial forecasting is completed to determine required levels of long-term debt to fund Council's capital works program as well as the Working Capital Facility (WCF) limit required by Council for the upcoming financial year to manage short term cash flows.

COMMENT:

Council's approved WCF limit is \$60M. New long term borrowings planned for the next ten financial years are as follows:

Year and Purpose of Borrowing	Amount	Term
2022/23 Capital Works Program	\$30M	15 years
2022/23 EDQ – Mt Peter	\$3M	13 years
2023/24 Capital Works Program	\$33M	15 years
2023/24 EDQ – Mt Peter	\$12M	12 years
2024/25 Capital Works Program	\$120M	15 years
2025/26 Capital Works Program	\$120M	15 years
2026/27 Capital Works Program	\$30M	15 years
2027/28 Capital Works Program	-	-
2028/29 Capital Works Program	-	-
2029/30 Capital Works Program	-	-
2030/31 Capital Works Program	-	-
2031/32 Capital Works Program	-	-

The planned repayment of existing long term borrowings is as follows:

Year and Purpose of Borrowing	Current Balance	Term Remaining
2021/22 Borrowings	\$30M	10 years
2020/21 Borrowings	\$27M	9 years
2019/20 Borrowings	\$49M	8 years
2018/19 Borrowings	\$14M	7 years
2017/18 Borrowings	\$20M	6 years
EDQ – Mt Peter (interest-free)	\$1M	5 years
2015/16 Consolidated Debt	\$41M	4 years
Holloways Beach Rock Wall Stage 2A	\$29K	2 years
Holloways Beach Rock Wall Stage 2B	\$56K	2 years
Holloways Beach Rock Wall Stage1	\$22K	1 years

The proposed Debt Policy makes reference to a planned loan from the Building Acceleration Fund (BAF) for trunk works at Mt Peter. This loan is administered by Economic Development Queensland (EDQ) on behalf of the State Government. The loan agreement is close being finalised and is required to be included in the debt policy to allow Council to draw down the loan once the agreement is executed.

OPTIONS:

Option 1: (Recommended)

It is recommended that Council adopts the Debt Policy for 2022/23.

Option 2:

Council does not endorse the 2021/22 Debt Policy and puts forward proposed amendments to the policy and corresponding changes to be made to Council's capital works program.

CONSIDERATIONS:

Risk Management:

Council's long term financial forecasting model is used to determine required and sustainable debt levels, keeping within key financial sustainability metrics.

Statutory:

Chapter 5, part 4, and section 192 of *Local Government Regulation 2012* requires Council to set a Debt Policy annually showing borrowings planned for the next ten financial years.

ATTACHMENTS:

Attachment 1: Debt Policy ([#622911v32](#)) Mark Up Version

Attachment 2: Debt Policy ([#622911v32](#)) Clean Version

Handwritten signature of Jason Ritchie in black ink.

Jason Ritchie
Executive Manager Finance

Handwritten signature of Lisa Whitton in black ink.

Lisa Whitton
Chief Financial Officer

Attachment 1: Debt Policy ([#622911v32](#)) Mark Up Version

CAIRNS REGIONAL COUNCIL



General Policy

DEBT POLICY

Intent: To provide Council with a debt management strategy based on sound financial management guidelines.

Scope: This policy applies to all borrowings of Cairns Regional Council including all of the commercialised business units of Council.

PROVISIONS

The following sets out the Debt Policy for the year ending 30 June 2022 as required by chapter 5, part 4, and section 192 of *Local Government Regulation 2012*.

Borrowings are obtained from Queensland Treasury Corporation (QTC), with the exception of capital projects funded under interest-free loan agreements with Economic Development Queensland (EDQ). Council maintains both long and short term borrowings. Borrowing approvals are subject to an annual approval process facilitated by the Department State Development, Infrastructure, Local Government and Planning.

Short Term Borrowings

Short term borrowings are provided through a Working Capital Facility (WCF). Council maintains a WCF to effectively manage cash balances throughout the year in order to delay the drawdown of long term debt. Any drawdowns from the facility are typically fully repaid within one year.

Councils WCF limit is \$60 Million.

Long Term Borrowings

Long term borrowings are utilised to fund the construction of long-term infrastructure assets that provide essential services and ongoing benefits to the community. QTC Borrowings are repaid on a monthly basis. EDQ loan repayments are made annually.

Planned long term borrowing requirements are set out below:

Year and Purpose of Borrowing	Amount	Term
2022/23 Capital Works Program	\$30M	15 years
2022/23 EDQ – Mt Peter	\$3M	13 years
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2028/29 Capital Works Program	-	-
2029/30 Capital Works Program	-	-
2030/31 Capital Works Program		
2031/32 Capital Works Program		

The default repayment term of new loans is 15 years however will be set on a case by case basis (up to a maximum of 20 years) to ensure best use of Council's surplus funds.

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Principles

- Council aims to finance capital works and new assets to the greatest extent possible from revenue, grants and subsidies.
- Financing of major infrastructure assets requires a strategic approach to evaluate the risk exposure of Council.
- Council should continually evaluate its financing options to ensure it assesses the relative risks and benefits, including the performance of its finances.
- Council will not use long-term debt to finance operating activities or re-current expenditure of Council.
- Council maintains a WCF to effectively manage cash balances throughout the year in order to delay the drawdown of long term debt.
- Council's long term financial model will provide the basis for determination of funding options.
- Council will only enter into finance lease agreements in line with the provisions contained in the *Statutory Bodies Financial Arrangements Act 1982* and the *Local Government Act 2012*.

♦♦♦♦♦

This policy is to remain in force until otherwise determined by Council.

[Director](#) Responsible for Review:

Chief Financial Officer

ORIGINALLY ADOPTED: 21/06/2002
CURRENT ADOPTION: 30/06/2021
DUE FOR REVISION: 01/07/2022
REVOKED/SUPERSEDED:

Mica Martin
Chief Executive Officer

#622911v30

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