

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 2021 as required by chapter 5, part 4, and section 192 of *Local Government Regulation 2012*.

Borrowings are obtained from Queensland Treasury Corporation (QTC). Council maintains both long and short term borrowings. Borrowing approvals are subject to an annual approval process facilitated by the Department Local Government, Racing and Multicultural Affairs (DLGMRA).

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 for 2020/21 is \$120 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. Borrowings are repaid on a monthly basis in accordance with the terms and conditions set by QTC.

Planned long term borrowing requirements are set out below:

Year and Purpose of Borrowing	Amount	Term
2020/21 Capital Works Program	\$65M	15 years
2021/22 Capital Works Program	\$30M	15 years
2022/23 Capital Works Program	\$15M	15 years
2023/24 Capital Works Program	-	-
2024/25 Capital Works Program	\$80M	15 years
2025/26 Capital Works Program	\$80M	15 years
2026/27 Capital Works Program	\$12M	15 years
2027/28 Capital Works Program	-	-
2028/29 Capital Works Program	-	-
2029/30 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.

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

Year and Purpose of Borrowing	Current Balance	Term Remaining
2018/19 Borrowings	\$23M	9 years
2017/18 Borrowings	\$26M	8 years
2015/16 Consolidated Debt	\$60M	6 years
Holloways Beach Rock Wall Stage 1	\$63k	3 years
Holloways Beach Rock Wall Stage 2A	\$57k	4 years
Holloways Beach Rock Wall Stage 2B	\$107k	4 years

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.

General Manager Responsible for Review:

Chief Financial Officer



**ORIGINALLY ADOPTED: 21/06/2002
 CURRENT ADOPTION: 01/07/2020
 DUE FOR REVISION: 01/07/2021
 REVOKED/SUPERSEDED:**

**John Andrejic
 Chief Executive Officer**