

SPECIAL BUDGET MEETING 25 JUNE 2018	6
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DEBT POLICY

K Robertson | 17/25/2-13 | #5740417

RECOMMENDATION:

That Council adopts the 2018/19 Debt Policy.

EXECUTIVE SUMMARY:

This report provides an update of the Debt Policy for adoption with the annual budget.

No changes have been made to the Debt Policy previously adopted in June 2017, other than:

- updating the amount of debt forecast to be taken on by Council
- minor changes to update the policy for the 2018/19 financial year

BACKGROUND:

Council's debt policy sets out long-term 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.

COMMENT:

New borrowings planned for the next ten financial years are as follows:

Year and Purpose of Borrowing	Amount	Term
2018/19 Capital Works Program	\$50M	15 years
2019/20 Capital Works Program	\$35M	15 years
2020/21 Capital Works Program	\$25M	15 years
2021/22 Capital Works Program	\$25M	15 years
2022/23 Capital Works Program	\$65M	15 years
2023/24 Capital Works Program	\$80M	15 years
2024/25 Capital Works Program	\$75M	15 years
2025/26 Capital Works Program	\$5M	15 years
2026/27 Capital Works Program	-	-
2027/28 Capital Works Program	-	-

The planned repayment of existing borrowings is as follows:

Year and Purpose of Borrowing	Current Balance	Term Remaining
2015/16 Consolidated Debt	\$78M	10 years
Holloways Beach Rock Wall Stage1	\$100k	5 years
Holloways Beach Rock Wall Stage 2A	\$81k	6 years
Holloways Beach Rock Wall Stage 2B	\$151k	6 years

OPTIONS:

Option 1: (Recommended)

It is recommended that Council adopts the 2018/19 Debt Policy.

Option 2:

Council does not endorse the 2018/19 Debt Policy and puts forward proposed amendments to the policy and corresponding changes to be made to Council's capital works programme.

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:

- Debt Policy



Jason Ritchie
Manager Finance



Lisa Whitton
Chief Financial Officer

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 2019 as required by chapter 5, part 4, and section 192 of *Local Government Regulation 2012*.

New borrowings planned for the next ten financial years are as follows:

Year and Purpose of Borrowing	Amount	Term
2017/18 Capital Works Program	\$47M	15 years
2018/19 Capital Works Program	\$50M	15 years
2019/20 Capital Works Program	\$35M	15 years
2020/21 Capital Works Program	\$25M	15 years
2021/22 Capital Works Program	\$25M	15 years
2022/23 Capital Works Program	\$65M	15 years
2023/24 Capital Works Program	\$80M	15 years
2024/25 Capital Works Program	\$75M	15 years
2025/26 Capital Works Program	\$5M	15 years
2026/27 Capital Works Program	-	-
2027/28 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 borrowings is as follows:

Year and Purpose of Borrowing	Current Balance	Term Remaining
2015/16 Consolidated Debt	\$78M	10 years
Holloways Beach Rock Wall Stage 1	\$100k	5 years
Holloways Beach Rock Wall Stage 2A	\$81k	6 years
Holloways Beach Rock Wall Stage 2B	\$151k	6 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'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: 25/06/2018

DUE FOR REVISION: 30/07/2019

REVOKED/SUPERSEDED:

John Andrejic
Chief Executive Officer

Draft Only