



Gladstone Regional Council

Council Policy

Title	DEBT
Policy Number	P-2018-15
Business Unit/s	FINANCE GOVERNANCE AND RISK
Date of Adoption	24 JULY 2018
Resolution Number	S/18/3481
Review Date	24 JULY 2018
Date Repealed	

1.0 PURPOSE:

Under section 192 of the *Local Government Regulation 2012*, Council must prepare and adopt a debt policy for a financial year. This policy sets out how Council will maintain responsible financial management of the loan funding of infrastructure capital projects by ensuring the level of Council indebtedness is within acceptable limits to Council, its ratepayers and interested external parties.

2.0 SCOPE:

This Policy applies to the use of loan borrowings to fund infrastructure and other important capital projects.

3.0 RELATED LEGISLATION:

- *Local Government Act 2009*; and
- *Local Government Regulation 2012*.

4.0 RELATED DOCUMENTS:

- *Financial Management (Sustainability) Guideline 2013*.

5.0 DEFINITIONS:

- **Council** means Gladstone Regional Council.

6.0 POLICY STATEMENT:

- 6.1 Council will review at least annually its forward projections for reserves, borrowings and major capital funding and any decision to undertake external borrowings taking into account an examination of projected reserves for the fund relative to the works to be financed and the community's ability to service that debt.

6.2 Where possible:

- a) external borrowings are to be limited to the funding of major items of physical infrastructure whose life will exceed the term of any loans; and
- b) will occur where these works cannot be funded by Council's own resources.

6.3 Priority Infrastructure Plans have been developed as part of the new Gladstone Regional Council Planning Scheme and there is also a continual review of Long Term Asset Management Plans for all asset classes. The outcomes of these plans and reviews are incorporated into Council's Long Term Financial Plan to identify funding gaps for the construction of new and replacement infrastructure over the life of the financial plan. It is these funding gaps that are considered for funding via debt.

6.4 The current Long Term Financial Forecast identifies the following borrowings for the 2018/2019 financial year and the nine subsequent years, as indicated in Table 1 below:

TABLE 1

Financial Year End	Indicative Borrowing (\$)
2018/2019	Nil
2019/2020	9.485m
2020/2021	8.997m
2021/2022	10.520m
2022/2023	11.500m
2023/2024	8.400m
2024/2025	6.000m
2025/2026	2.191m
2026/2027	Nil
2027/2028	Nil

6.5 Expected levels of borrowings balances over the 2018/2019 year and the following 9 years are set out in Graph 1 below:

GRAPH 1



6.6 With respect to the management of debt, in line with the Long Term Financial Plan, Council's borrowings will be managed and planned, cognisant of the long term impacts of the debt using the following financial sustainability indicators as established in the *Financial Management (Sustainability) Guideline 2013*. These indicators are reviewed and taken into consideration when adopting this policy.

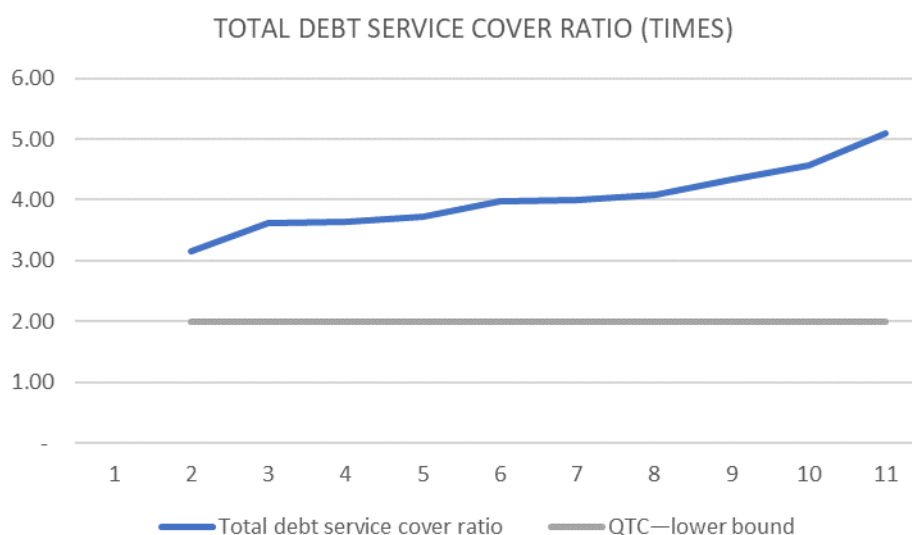
The two most relevant indicators relative to debt are:

- **Debt Service Cover** - indicates the extent to which Council can cover its debt servicing obligations, from Council's operating result prior to depreciation and interest. The target for Debt Service Cover is a minimum of 2 times.

$$\text{Debt Service Cover} = \left\{ \frac{\text{Net Operating Result} + \text{Depreciation} + \text{Interest Expense}}{\text{Total Debt Servicing Costs}} \right\}$$

The expected Debt Service Cover is set out in Graph 2 below:

GRAPH 2

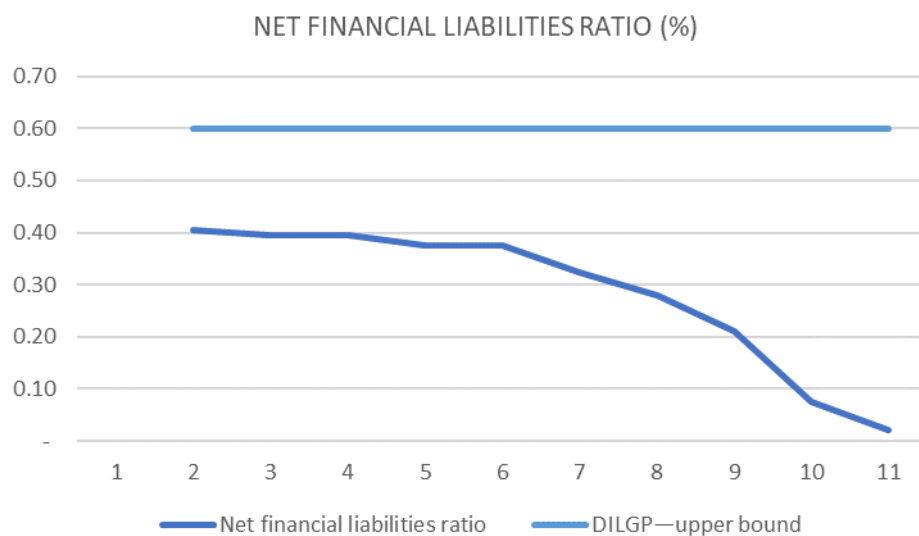


- **Net Financial Liabilities Ratio** - indicates that Council has the capacity to fund its liabilities and appears to have the capacity to increase its loan borrowings. The target for the Net Financial Liabilities Ratio is < 60%.

$$\text{Net Financial Liabilities Ratio} = \left\{ \frac{\text{Total Liabilities less Current Assets}}{\text{Total Operating Revenue}} \right\}$$

Expected Net Financial Liabilities Ratio is set out in Graph 3 below:

GRAPH 3



6.7 This debt policy proposes that long term loans as set out in Attachment 1 will be in place as at 30 June 2019. The attachment also sets out the expected loan balances and repayment periods.

7.0 ATTACHMENTS:

1. External Loan Summary 2018/2019

8.0 REVIEW MECHANISM:

This policy will be reviewed when any of the following occur:

1. The related legislation or governing documents are amended or replaced; or
2. Other circumstances as determined by resolution of Council or the CEO; or
3. Annually in conjunction with budget adoption.

TABLE OF AMENDMENTS			
Document History	Date	Council Resolution No.	Notes (including the prior Policy No, precise of change/s, etc)
Originally Approved	06 July 2010	10/123	
Amendment 1	05 July 2011	G/11/596	
Amendment 2	06 December 2011	G/11/80	
Amendment 3	18 September 2012	G/12/1238	
Amendment 4	01 July 2013	S/13/1606	
Amendment 5	02 July 2014	G/14/2060	
Amendment 6	06 July 2015	S/15/2465	
Amendment 7	05 July 2016	S/16/2830	
Amendment 8	04 July 2017	S/17/3090	
Amendment 9	24 July 2018	S/18/3481	

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ROSLYN BAKER
CHIEF EXECUTIVE OFFICER

ATTACHMENT 1

LOAN	REPAYMENT PERIOD	LOAN EXPIRY	OPENING BALANCE	NEW BORROWINGS	DEBT SERVICE PAYMENT	FINANCE COSTS	PRINCIPAL REPAYED	LOAN BALANCE
			1/07/2018	2018/2019	2018/2019	2018/2019	2018/2019	30/06/2019
General	11	15/03/2022	\$ 3,403,295		\$ 1,039,033	\$ 215,816	\$ 823,217	2,580,078
(General) GEC Flat Floor 2012-13	19	15/12/2032	\$ 9,939,846		\$ 975,725	\$ 500,478	\$ 475,247	9,464,599
General Total			\$ 13,343,141	\$ -	\$ 2,014,758	\$ 716,294	\$ 1,298,464	\$ 12,044,677
Airport	19	15/06/2030	\$ 51,485,951		\$ 6,232,542	\$ 3,307,506	\$ 2,925,036	48,560,915
Airport Total			\$ 51,485,951	\$ -	\$ 6,232,542	\$ 3,307,506	\$ 2,925,036	\$ 48,560,915
Water Lake Awoonga	14	15/12/2025	\$ 455,419		\$ 79,482	\$ 32,108	\$ 47,373	408,045
Water - Lake Awoonga Total			\$ 455,419	\$ -	\$ 79,482	\$ 32,108	\$ 47,373	\$ 408,045
Water Miriam Vale	18	15/09/2029	\$ 786,954		\$ 98,537	\$ 48,992	\$ 49,545	737,409
Water - Miriam Vale Total			\$ 786,954	\$ -	\$ 98,537	\$ 48,992	\$ 49,545	\$ 737,409
Water - Agnes Water	21	15/03/2032	\$ 9,945,827		\$ 1,029,831	\$ 527,604	\$ 502,227	9,443,600
Interest Free - Agnes Water Integrated Water and Sewerage	13	1/01/2024	\$ 3,928,650		\$ 606,060	\$ -	\$ 606,060	3,322,590
Water - Agnes/1770			\$ 13,874,478	\$ -	\$ 1,635,891	\$ 527,604	\$ 1,108,287	\$ 12,766,190
Industrial Sewerage	9	15/09/2020	\$ 212,213		\$ 105,161	\$ 16,030	\$ 89,131	123,082
Sewer - Industrial Total			\$ 212,213	\$ -	\$ 105,161	\$ 16,030	\$ 89,131	\$ 123,082
Calliope Refuse	11	15/06/2022	\$ 1,664,295		\$ 465,408	\$ 82,183	\$ 383,225	1,281,070
Sewer - Glad - QAL Total			\$ 1,664,295	\$ -	\$ 465,408	\$ 82,183	\$ 383,225	\$ 1,281,070
Sewerage Agnes 1770	17	15/03/2028	\$ 4,641,402		\$ 630,158	\$ 267,080	\$ 363,078	4,278,324
Sewer - Agnes/ 1770 Total			\$ 4,641,402	\$ -	\$ 630,158	\$ 267,080	\$ 363,078	\$ 4,278,324
Sewerage BITS	18	15/03/2029	\$ 10,220,127		\$ 1,359,546	\$ 696,356	\$ 663,191	9,556,936
Sewer - BITS Total			\$ 10,220,127	\$ -	\$ 1,359,546	\$ 696,356	\$ 663,191	\$ 9,556,936
Regional Landfill	17	15/06/2028	\$ 1,447,416		\$ 209,259	\$ 109,200	\$ 100,058	1,347,357
Regional Landfill Total			\$ 1,447,416	\$ -	\$ 209,259	\$ 109,200	\$ 100,058	\$ 1,347,357
Sewerage Pipeline & Infrastructure	16	15/03/2028	\$ 29,147,517		\$ 3,838,759	\$ 1,484,397	\$ 2,354,362	26,793,155
Sewer - Curtis Island			\$ 29,147,517	\$ -	\$ 3,838,759	\$ 1,484,397	\$ 2,354,362	\$ 26,793,155
Grand Total			\$ 127,278,912	\$ -	\$ 16,669,502	\$ 7,287,751	\$ 9,381,752	\$ 117,897,161