



Gladstone Regional Council

Council Policy

Title	DEBT
Policy Number	P-2019-17
Business Unit/s	FINANCE GOVERNANCE AND RISK
Date of Adoption	
Resolution Number	
Review Date	
Date Repealed	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 Nil

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.

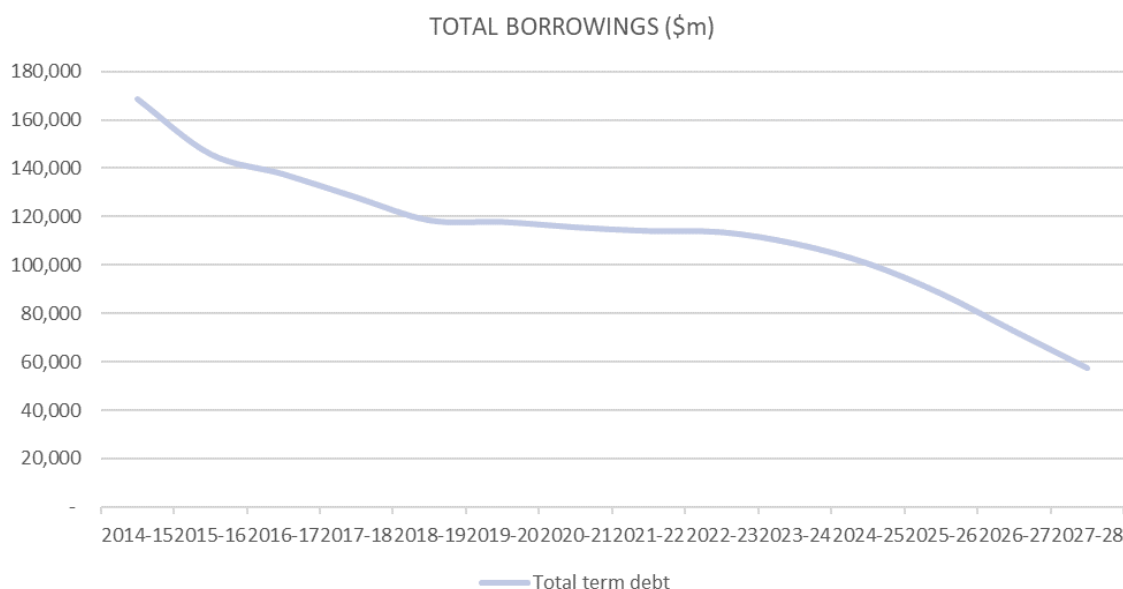
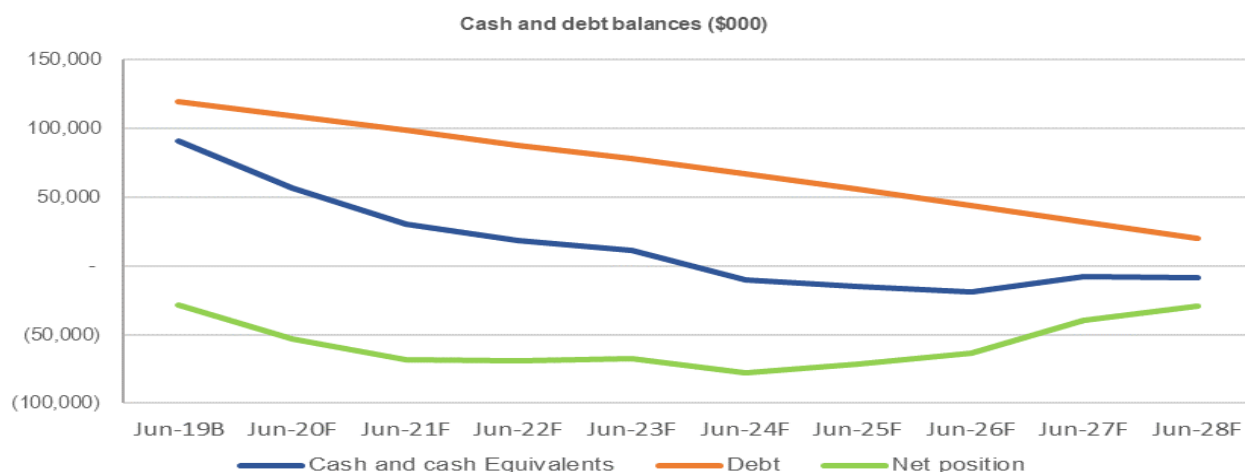
- 6.2 Where possible:
- a) external borrowings are to be limited to the funding of major items of physical infrastructure whose life will exceed the term of any loans; and
 - b) will occur where these works cannot be funded by Council's own resources.
- 6.3 Priority Infrastructure Plans have been developed 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~~ Forecast 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 Council will manage its financial assets, holistically, taking a treasury management approach to the management of its financial assets, and will establish a working capital facility through Queensland Treasury Corporation and manage the facility in accord with the approval parameters set by the Department of Local Government.
- 6.54 The current Long Term Financial Forecast identifies the need for a working capital facility and it is expected that this facility will negate the need for long term borrowings based on current capital requirements and anticipated funding for the 2019/2020 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	<u>Nil9.485m</u>
2020/2021	<u>Nil8.997m</u>
2021/2022	<u>Nil10.520m</u>
2022/2023	<u>Nil11.500m</u>
2023/2024	<u>Nil8.400m</u>
2024/2025	<u>Nil6.000m</u>
2025/2026	<u>2.191mNil</u>
2026/2027	Nil
2027/2028	Nil

- 6.56 Expected levels of borrowings balances over the 20189/201920 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.

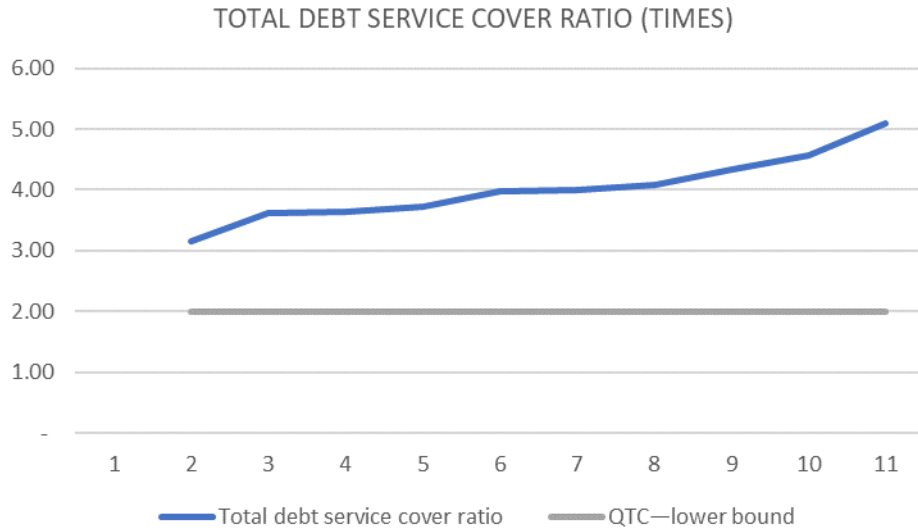
The two most relevant indicators relative to debt are:

- **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.

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

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

GRAPH 2

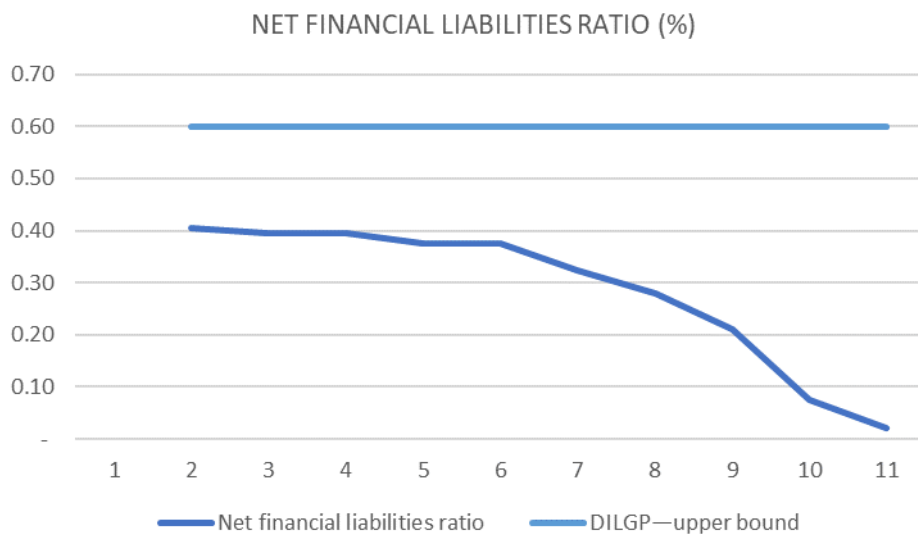


- **Net Financial Liabilities Ratio** indicates that Council has the capacity to fund its liabilities and appears to have the capacity to increase its loan borrowings. The target for the Net Financial Liabilities Ratio is < 60%.

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

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~~20~~. The attachment also sets out the expected loan balances and repayment periods.

7.0 ATTACHMENTS:

1. External Loan Summary 2019 / 2020

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	
Amendment 10			Formerly P-2018-15

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LEISA DOWLING
CHIEF EXECUTIVE OFFICER

ATTACHMENT 1

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EXTERNAL LOAN SUMMARY

LOAN	REPAYMENT PERIOD	LOAN EXPIRY	OPENING BALANCE	NEW BORROWINGS	DEBT SERVICE PAYMENT	FINANCE COSTS	PRINCIPAL REPAID	LOAN BALANCE
			1/07/2019	2019/2020	2019/2020	2019/2020	2019/2020	30/06/2020
General	11	15/03/2022	\$ 2,589,739	\$ -	\$ 1,039,033	\$ 156,973	\$ 882,060	\$ 1,707,679
(General) GEC Flat Floor 2012-13	19	15/12/2032	\$ 9,485,367	\$ -	\$ 975,725	\$ 475,645	\$ 500,081	\$ 8,985,286
General Total			\$ 12,075,106	\$ -	\$ 2,014,758	\$ 632,617	\$ 1,382,141	\$ 10,692,965
Airport	19	15/06/2030	\$ 48,698,626	\$ -	\$ 6,232,542	\$ 3,110,790	\$ 3,121,752	\$ 45,576,874
Airport Total			\$ 48,698,626	\$ -	\$ 6,232,542	\$ 3,110,790	\$ 3,121,752	\$ 45,576,874
Water Lake Awoonga	14	15/12/2025	\$ 409,407	\$ -	\$ 79,482	\$ 28,538	\$ 50,943	\$ 358,463
Water - Lake Awoonga Total			\$ 409,407	\$ -	\$ 79,482	\$ 28,538	\$ 50,943	\$ 358,463
Water Miriam Vale	18	15/09/2029	\$ 739,454	\$ -	\$ 98,537	\$ 45,758	\$ 52,779	\$ 686,675
Water - Miriam Vale Total			\$ 739,454	\$ -	\$ 98,537	\$ 45,758	\$ 52,779	\$ 686,675
Water - Agnes Water	21	15/03/2032	\$ 9,465,516	\$ -	\$ 1,029,831	\$ 499,898	\$ 529,933	\$ 8,935,583
Interest Free - Agnes Water Integrated Water and Sewerage	13	1/01/2024	\$ 4,420,964	\$ -	\$ 606,060	\$ -	\$ 606,060	\$ 3,814,904
Water - Agnes/1770			\$ 13,886,480	\$ -	\$ 1,635,891	\$ 499,898	\$ 1,135,993	\$ 12,750,487
Industrial Sewerage	9	15/09/2020	\$ 123,855	\$ -	\$ 105,161	\$ 7,795	\$ 97,366	\$ 26,489
Sewerage - Industrial Total			\$ 123,855	\$ -	\$ 105,161	\$ 7,795	\$ 97,366	\$ 26,489
Calliope Refuse	11	15/06/2022	\$ 1,284,733	\$ -	\$ 465,408	\$ 61,070	\$ 404,338	\$ 880,395
Sewerage - Calliope Refuse Total			\$ 1,284,733	\$ -	\$ 465,408	\$ 61,070	\$ 404,338	\$ 880,395
Sewerage Agnes 1770	17	15/03/2028	\$ 4,289,536	\$ -	\$ 630,158	\$ 245,081	\$ 385,077	\$ 3,904,458
Sewerage - Agnes/ 1770 Total			\$ 4,289,536	\$ -	\$ 630,158	\$ 245,081	\$ 385,077	\$ 3,904,458
Sewerage BITS	18	15/03/2029	\$ 9,586,017	\$ -	\$ 1,359,546	\$ 648,832	\$ 710,714	\$ 8,875,303
Sewerage - BITS Total			\$ 9,586,017	\$ -	\$ 1,359,546	\$ 648,832	\$ 710,714	\$ 8,875,303
Regional Landfill	17	15/06/2028	\$ 1,351,925	\$ -	\$ 209,259	\$ 101,226	\$ 108,033	\$ 1,243,892
Regional Landfill Total			\$ 1,351,925	\$ -	\$ 209,259	\$ 101,226	\$ 108,033	\$ 1,243,892
Sewerage Pipeline and Infrastructure	16	15/03/2028	\$ 26,855,529	\$ -	\$ 3,838,759	\$ 1,358,338	\$ 2,480,421	\$ 24,375,107
Sewerage - Curtis Island			\$ 26,855,529	\$ -	\$ 3,838,759	\$ 1,358,338	\$ 2,480,421	\$ 24,375,107
Grand Total			\$ 119,300,666	\$ -	\$ 16,669,502	\$ 6,739,944	\$ 9,929,558	\$ 109,371,109

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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	2,580,061
(General) GEC Flat Floor 2012-13	19	15/12/2032	\$ 9,939,846		\$ 975,725	\$ 500,478	\$ 475,247	9,464,452
General Total			\$ 13,343,141	\$ -	\$ 2,014,758	\$ 716,294	\$ 1,298,464	\$ 12,044,625
Airport	19	15/06/2030	\$ 51,485,951		\$ 6,232,542	\$ 3,307,506	\$ 2,925,036	48,560,919
Airport Total			\$ 51,485,951	\$ -	\$ 6,232,542	\$ 3,307,506	\$ 2,925,036	\$ 48,560,919
Water Lake Awoonga	14	15/12/2025	\$ 455,419		\$ 79,482	\$ 32,108	\$ 47,373	408,036
Water - Lake Awoonga Total			\$ 455,419	\$ -	\$ 79,482	\$ 32,108	\$ 47,373	\$ 408,036
Water Miriam Vale	18	15/09/2029	\$ 786,954		\$ 98,537	\$ 48,992	\$ 49,545	737,417
Water - Miriam Vale Total			\$ 786,954	\$ -	\$ 98,537	\$ 48,992	\$ 49,545	\$ 737,417
Water - Agnes Water	21	15/03/2032	\$ 9,945,827		\$ 1,029,831	\$ 527,604	\$ 502,227	9,443,325
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	\$ 12,766,115
Industrial Sewerage	9	15/09/2020	\$ 212,213		\$ 105,161	\$ 16,030	\$ 89,131	123,052
Sewer - Industrial Total			\$ 212,213	\$ -	\$ 105,161	\$ 16,030	\$ 89,131	\$ 123,052
Calliope Refuse	11	15/06/2022	\$ 1,664,295		\$ 465,408	\$ 82,183	\$ 383,225	1,281,087
Sewer - Glad - QAL Total			\$ 1,664,295	\$ -	\$ 465,408	\$ 82,183	\$ 383,225	\$ 1,281,087
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	1,347,157
Regional Landfill Total			\$ 1,447,416	\$ -	\$ 209,259	\$ 109,200	\$ 100,058	\$ 1,347,157
Sewerage Pipeline & Infrastructure	16	15/03/2028	\$ 29,147,517		\$ 3,838,759	\$ 1,484,397	\$ 2,354,362	26,793,107
Sewer - Curtis Island			\$ 29,147,517	\$ -	\$ 3,838,759	\$ 1,484,397	\$ 2,354,362	\$ 26,793,107
Grand Total			\$ 127,278,912	\$ -	\$ 16,669,502	\$ 7,287,751	\$ 9,381,752	\$ 117,897,159