

POLICY NUMBER: 0016

DEPARTMENT: Corporate Services

EFFECTIVE DATE: 1 July, 2015

UNIT: Finance

1.0 Purpose and Scope

The purpose of this policy is to ensure compliance with the *Local Government Regulation 2012* and to document Council's plans in relation to the use of debt.

2.0 Reference

Local Government Act 2009

Local Government Regulation 2012

3.0 Definitions

The Act shall mean the *Local Government Act 2009*

The Regulation shall mean the *Local Government Regulation 2012*

4.0 Policy Statement

Council does recognise that loan borrowings for capital works is an important funding source and that the full cost of infrastructure should not be borne entirely by present day ratepayers and instead be contributed to by future ratepayers. In saying this, Council will in general, seek to minimise its dependence on borrowings in order to reduce future revenue needed to be committed to debt servicing and redemption charges.

Generally Council will only borrow funds for the purpose of acquiring assets, improving facilities or infrastructure and/or substantially extending the useful life of income generating assets (eg water, sewerage, waste and airport). In very limited circumstances Council may borrow for general infrastructure where there is a significant long term benefit to the community. Council may borrow to meet strategic needs or to take advantage of opportunities for development providing there is a demonstrable return in economic and/or social terms. All projects considered for debt funding must have a whole of life cost assessment completed before being considered for approval.

Business units of council should be capable of financially funding their own debt commitments in accordance with National Competition Policy.

Where necessary a review of borrowing needs can be made during the year and this policy amended accordingly.

Where borrowings are to be repaid by special rates, the revenue and repayments will be matched as far as is practical. Borrowings may be repaid early should revenue exceed scheduled repayments. Borrowings will only be made in accordance with the adopted budget.

Borrowings will only be from the Queensland Treasury Corporation (QTC) or, if from another organisation, with the approval of the QTC and Department of Local Government.

Projected new borrowings for the next ten years are:

Projected New Borrowings - 10 year plan										
Project	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Emerald Airport Runway Overlay	3,000,000									
Disaster Management Emerald Levee's				3,000,000	10,000,000	10,000,000	3,000,000			
Bluff Water Treatment Plant					9,500,000					
Blackgully Sewerage Treatment Plant		10,000,000	8,000,000							
Waste - New Regional Landfill Site Land Purchase			1,500,000	1,000,000						
Emerald Waste Processing Centre Land Purchase					1,000,000	1,500,000				
Emerald Waste Processing Centre Site Establishment & Construction								2,000,000	2,000,000	
Regional Landfill (new site) Site Establishment & Construction										
TOTAL	3,000,000	10,000,000	9,500,000	4,000,000	20,500,000	11,500,000	3,000,000	2,000,000	2,000,000	-

The following table summarises loan balances at the start and end of the year and the projected movements over the 2015/2016 year:

	Closing Balance 30/06/2015	2015/2016 Movements			Estimated Closing Balance 30/06/2016
		Interest	Redemption	New Loans	
Community Facilities	6,387,653	350,764	(288,699)		6,098,954
Roads Network	7,622,498	522,678	(371,408)		7,251,090
Plant/Fleet	1,351,257	82,769	(130,551)		1,220,706
Business Units					
-Airport	16,629,675	883,768	(745,266)	3,000,000	18,884,409
-Quarry	10,734,155	501,143	(807,156)		9,926,999
-Saleyards	498,005	23,460	(19,534)		478,471
-Waste	966,847	53,034	(43,681)		923,166
-Water	21,978,312	780,888	(1,267,339)	-	20,710,973
-Sewerage	2,417,649	150,495	(107,637)		2,310,012
Total	68,586,051	3,348,999	(3,781,271)	3,000,000	67,804,780

Repayment Term

All external loans will be raised at the most competitive rates available, in accordance with the requirements of the legislation.

Loan terms applying to each asset type would normally be in accordance with the following:-

General	5 – 20 years dependant on asset
Water & Sewerage	20 years
Waste	10 – 20 years dependant on asset
Business Activities	5 – 20 years dependant on asset

Loan Drawdowns

In order to minimise finance costs, loans drawdowns should be deferred as long as possible after taking into consideration Council's overall cash flow requirements.

5.0 Policy Review

All policies will be reviewed at least bi-annually or when any of the following evaluations occur:

- Relevant legislation, regulations, standards and policies are amended or replaced; and
- Other circumstances as determined from time to time by the Chief Executive Officer or through a resolution of Council.

This policy is nominated to be reviewed on 1st July, 2016.