

**ORDINARY MEETING**

5 JUNE 2024

**14****DEBT POLICY**

63/8/32-01 | #7426247

**RECOMMENDATION:**

**That Council adopts an amendment to the Debt Policy for 2023/24.**

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**INTERESTED PARTIES:**

Not applicable

*Note: The identification of interested parties is provided on a best endeavours basis by Council Officers and may not be exhaustive.*

**EXECUTIVE SUMMARY:**

This report provides an update of the Debt Policy for 2023/24. This Policy was last adopted in June 2023 and this revision includes the following update:

- Temporary Increase of WCF limit from \$60M to \$120M

**BACKGROUND:**

Council's Debt Policy sets out 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 as well as the Working Capital Facility (WCF) limit required by Council for the upcoming financial year to manage short term cash flows.

Council has ongoing approval for a QTC working capital facility of \$60M to fund short-term cash flow requirements. An increase in this facility limit to \$120M until June 2025 will provide more flexibility in managing operational cash flow, given the timing of rates collections and grant funding payments for 2024/25 is yet to be formalised.

**COMMENT:**

As an interim measure whilst we deliberate our 2024/25 Budget and formalise the schedule of grant funding payments for the water security project, an increased working capital facility will allow Council more flexibility and the ability to defer additional drawdowns of unnecessary long-term debt.

**OPTIONS:**Option 1: (Recommended)

It is recommended that Council adopts this amendment to the Debt Policy for 2023/24.

Option 2:

Council does not endorse this amendment to the 2023/24 Debt Policy and the Working Capital Facility limit will remain unchanged.

**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:**

Attachment 1: Debt Policy ([#622911v36B](#)) Mark Up Version

Attachment 2: Debt Policy ([#622911v36B](#)) Clean Version



Jason Ritchie  
Executive Manager Finance



Lisa Whitton  
Director Finance & Business Services

## CAIRNS REGIONAL COUNCIL



## General Policy

**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 2023 as required by chapter 5, part 4, and section 192 of *Local Government Regulation 2012*.

Borrowings are obtained from Queensland Treasury Corporation (QTC), with the exception of capital projects funded under interest-free loan agreements with Economic Development Queensland (EDQ). Council maintains both long and short term borrowings. Borrowing approvals are subject to an annual approval process facilitated by the Department State Development, of Housing Infrastructure, Local Government, and Planning and Public Works.

**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.

Council utilises a WCF limit is up to \$60120 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. QTC Borrowings are repaid on a monthly basis. EDQ loan repayments are made annually.

Planned long term borrowing requirements are set out below:

Year and Purpose of Borrowing	Amount	Term
2023/24 Capital Works Program	\$45M	15 years
2024/25 Capital Works Program	\$61M	15 years
2024/25 EDQ – Mt Peter	\$6M	12 years
2025/26 Capital Works Program	\$82M	15 years
2025/26 EDQ – Mt Peter	\$9M	11 years
2026/27 Capital Works Program	\$33M	15 years
2027/28 Capital Works Program	\$22M	15 years
2028/29 Capital Works Program	\$8M	15 years
2029/30 Capital Works Program	-	-
2030/31 Capital Works Program	\$10M	15 years
2031/32 Capital Works Program	\$20M	15 years
2032/33 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
2021/22 Borrowings	\$27M	9 years
2020/21 Borrowings	\$24M	8 years
2019/20 Borrowings	\$43M	7 years
2018/19 Borrowings	\$12M	6 years
2017/18 Borrowings	\$17M	5 years
EDQ – Mt Peter (interest-free)	\$1M	4 years
2015/16 Consolidated Debt	\$31M	3 years
Holloways Beach Rock Wall Stage 2A	\$13K	1 years
Holloways Beach Rock Wall Stage 2B	\$27K	1 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*.

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**This policy is to remain in force until otherwise determined by Council.**

Director Responsible for Review: [Chief Financial Officer](#) [Director Finance & Business Services](#)

ORIGINALLY ADOPTED: 21/06/2002

CURRENT ADOPTION: ~~19/06/2023~~ [19/06/2023](#)

DUE FOR REVISION: 19/06/2024

REVOKED/SUPERSEDED:



**Mica Martin**  
Chief Executive Officer

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**REVOKED/SUPERSEDED:**

**John Andrejic  
Chief Executive Officer**