

Debt Policy 2016/2017

1. BACKGROUND AND CONTEXT

This policy on borrowings provides for responsible financial management on 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. This policy is in accordance with *Local Government Regulation 2012* Section 192.

2. PURPOSE AND SCOPE

For Council to adopt a Debt policy for borrowings for 2016/2017 that are considered as part of the long term financial plan for Whitsunday Regional Council.

3. POLICY PROVISIONS

As a general principle, Council recognises that loan borrowings for capital works are an important funding source for Local Government and that the full cost of infrastructure should not be borne entirely by present-day ratepayers but be contributed to by future ratepayers who will also benefit. Whilst recognising the importance of loan borrowings, Council should not place undue reliance upon loans as a source of income.

Council restrict all borrowings to expenditure on identified capital projects that are considered by Council to be of the highest priority, and which cannot be funded from revenue, as identified by the adopted budget. In no circumstances should council borrow funds for recurrent expenditure.

The basis for determination of the utilisation of loan funds will be as follows:

- Analysis of existing debt levels with a loan servicing cost target of less than 25% in any one year.
- Where a capital project for a service that is funded by utility or user charges e.g. water, sewer, waste, is determined to be funded by way of loans, the user charge should reflect the cost of providing the service including the loan servicing costs.
- Other specific capital projects, not funded by user charges, should only be considered for loan funding where the project is considered by Council to be beneficial to the majority of ratepayers.
- The term of any loan should not exceed the expected life of the asset being funded.

TEN YEAR LOAN PROGRAMME FORECAST

Council utilises loan borrowing to fund major capital and infrastructure works so that repayments are spread over the years to which the Capital Works will be utilised by ratepayers. The Debt Policy deals with the following areas:

- i. Ten Year Loan Programme Forecast and
- ii. Repayment Schedule

Budget 2016 / 2017

The following ten year programme is proposed by Council, although allocations in future years are revised on an annual basis in conjunction with the review of the Capital/Works Loan Program:

	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
	Proposed Budget	Estimated Budget	Estimated Budget	Estimated Budget	Estimated Budget	Estimated Budget	Estimated Budget	Estimated Budget	Estimated Budget	Estimated Budget
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Project										
Council										
	-	-	-	-	-	-	-	-	-	-
Water and Waste Water										
Bowen Waste Water Treatment Plant		10,000	10,000							
Whitsunday Coast Airport			10,000							
	-	10,000	20,000	-	-	-	-	-	-	-
Totals	-	10,000	20,000	-	-	-	-	-	-	-