

**BARCALDINE REGIONAL COUNCIL  
POLICY**

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<b>SYSTEM:</b>	Finance
<b>POLICY TITLE:</b>	<b>Debt</b>
<b>ADOPTED:</b>	25 June 2014
<b>POLICY NUMBER:</b>	<b>FS0</b>
<b>PURPOSE:</b>	To outline Council's plans for new loan borrowings for the next ten years, the purpose of those borrowings and the repayment terms for new and existing borrowings.

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## 1. Principles

- (a) *Existing Loans:* Council will, within budgetary limits, reduce the level of debt by continuing repayments as per adopted schedules set by Council's lending institution.
- (b) *New Loans:* Council will restrict the purpose of new loans to funding infrastructure assets only. The service provided by infrastructure assets benefits both present and future generations. Debt provides a mechanism for sharing the cost of that infrastructure between present and future generations.

The appropriate mix of debt to internal funding is intended to provide the lowest long-term level of rates which does not over-commit the future and which provides adequate flexibility of funding in the short term.

The term of any new loan will not exceed the life of the asset funded, up to a maximum term of 20 years.

## 2. Legislative Requirements

Section 192 of the *Local Government Regulation 2012* states that a Council must prepare a debt policy each financial year and that the Policy must state the following:

- (a) new borrowings planned for the current financial year and for the next nine financial years; and
- (b) the period over which it is planned to repay existing and proposed borrowings.

The Qld Treasury Corporation report *Financial Sustainability in Queensland Local Government* recommends that "local governments should consider an optimal funding mix for capital investment programs and borrow where appropriate. The prudent use of debt, particularly for commercialized activities, will provide financial discipline, flexibility and leverage to enable local governments to meet strategic objectives."

## 3. New Borrowings

### **a. New borrowings planned for the 2014-15 financial year**

Council has resolved to borrow up to \$1 million for the construction of the Alpha Swimming Pool during the 2014-15 financial year. The borrowings will only be activated if Council is unable to obtain funds from other sources for the project.

It is intended to repay the Alpha Swimming Pool loan over a period of 7 years.

### **b. New borrowings planned for the period 2015-16 to 2023-24**

There are no new borrowings currently planned for this period but borrowings may be necessary to fund essential infrastructure.

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**4. Repayment Periods**

Existing loan balances as at 30<sup>th</sup> June 2014 are:

<i><b>Purpose</b></i>	<i><b>Lender</b></i>	<i><b>Interest Rate</b></i>	<i><b>Loan Balance</b></i>	<i><b>Remaining Term</b></i>
Barcaldine Saleyards	QTC	6.74%	\$ 73,926.42	3 years
Barcaldine Water Infrastructure (Water Mains)	QTC	6.87%	\$ 1,037,821.24	14 years
Barcaldine Water Infrastructure (Pomona Bore)	QTC	6.63%	\$ 62,083.26	3 years
Barcaldine Sewerage Extension	QTC	4.24%	\$ 661,267.85	13 years
Barcaldine Stormwater Drainage	QTC	3.44%	\$ 606,645.12	6 years
Muttaburra Bore	QTC	3.44%	\$ 173,327.17	6 years
Aramac Sewerage	QTC	3.44%	\$ 168,127.36	6 years
<b>TOTAL LOAN BALANCES</b>			<b>\$2,783,198.42</b>	

Estimated Principal Repayments for 2014-15: \$275,336.32

Estimated Interest Charges for 2014-15: \$135,411.03

**5. Future Expected Loan Balances (including new borrowings for 2014-15):**

<b>Year:</b>	<b>Expected Balance as at 30 June:</b>
2015	\$3,507,862.10
2016	\$3,119,440.16
2017	\$2,673,219.49
2018	\$2,256,869.31
2019	\$1,830,691.22
2020	\$1,400,652.21
2021	\$1,128,902.90
2022	\$849,814.46
2023	\$712,924.20
2024	\$567,846.81

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