

DEBT POLICY

Relevant Legislation: Local Government Act 2009
Local Government Regulation 2012
Authorised: Council Ordinary Meeting
Reviewed: July 2014
To be reviewed: July 2015
Responsible Officer: Director Corporate & Community Services

STATUTORY

Council's policy is to:

- Only borrow loan monies for new, or upgrades to, major capital assets and to repay those loans prior to the end of the useful life of the asset.
- Ensure that Council's total commitment in respect of loan redemption (principal and interest) shall not annually exceed 30% of its total anticipated annual income from rates and utility charges and the Financial Assistance Grant.

Borrowings will only be undertaken if:

- all alternative options for undertaking the project without borrowing have been investigated and proved less advantageous to Council;
- the benefit received from undertaking the borrowing is greater, over the life of the borrowing, than the costs of borrowing;
- repayments will be met from project income or other untied income of Council (not grant funding);
- only those projects identified in strategic planning documents or other approved plans shall be eligible for funding through borrowings.

1 Summary of Outstanding Balances

Total Outstanding QTC Loans 30/06/14 (QTC projection) \$ 1,424,137

2 *Repayment of Existing and Proposed Borrowings*

- (a) Repayment terms of existing loans are as follows:
- | | |
|--------------------------|-------------------------|
| Airport Account | Period up to 1.5 years |
| Airport Runway Upgrade | Period up to 17 years |
| Airport Terminal Upgrade | Period up to 4.5 years |
| Staff Accommodation | Period up to 1.75 years |

3 *Budgeted Loan Movement 2014/15*

The following table shows the expected movement in loans during the 2014/15 financial year:

Loan Details	Balance	Repayments 2014/15		Balance	Repayments as % of Rates
	2013/14	Principal	Interest	30-06-15	12/13
Staff Accommodation	20,916	20,916	463	0	0.75%
Horn Island Airport - Seal Tarmac Area	11,371	11,371	185	0	0.75%
Horn Island Airport - Extension Stage 1	509,216	210,414	26,048	298,802	4.86%
Horn Island Airport - Runway Upgrade	882,634	34,193	52,578	848,441	1.79%

4 *Loan Balances*

The following table shows the expected movement in loan balances from 2015/16 to 2019/20 although allocations in future years are revised on annual basis in conjunction with movements in interest rates.

Loan Details	Term in Years	2015/16	2016/17	2017/18	2018/19	2019/20
Staff Accommodation	0	---	---	----	-----	-----
Horn Island Airport - Seal Tarmac Area	0	---	---	----	-----	-----
Horn Island Airport - Extension Stage 1	1.5	223,705	75,096	----	----	---
Horn Island Airport - Runway Extension	16	36,191	38,592	40,995	43,544	46,135

Torres Shire Council does not anticipate any borrowings for the financial years 2014/15 to 2023/25. However, this policy will be reviewed annually to align with Council's Long Term Financial Forecast.