



STATUTORY POLICY

Debt



MAPOON ABORIGINAL SHIRE COUNCIL
1 Main Street Mapoon, Qld 4874

Debt Policy

Policy Purpose

The purpose of this policy is to outline Council's debt strategy and provides for responsible financial management on loan funding by ensuring the level of Council indebtedness is within acceptable limits.

Scope

This policy applies to all loan instruments of the Council and applies for the 10 years commencing 1 July 2017, and may be amended as budget assumptions change during the year.

Related Policies and Legislation

Local Government Act 2009

Local Government Regulation 2012

Statutory Bodies Financial Arrangement (SBFA) Act 1982.

Policy Statement:

Council will only undertake financing for its assets and operations where its long term financial forecast indicates Council can make the principle and interest repayments without reducing the essential services to the community.

In those circumstances where Council's financial position allows for the establishment of debt the following must also be considered before entering into a loan agreement.

- Council will restrict all debt to expenditure on identified capital projects that are considered by Council to be of the highest priority and which cannot be fully funded by revenue, grants and subsidies.
- Debt used to acquire assets for business activities, which generate income of net worth, be limited to a maximum loan term of twenty (20) years.
- Debt used to acquire assets for social and other non-business activities, which do not generate income of net worth, be limited to a maximum loan term of five (5) years.
- Council intends to maintain a repayment schedule consistent with an interest and principal repayment calculation so that the exposure to interest rate fluctuations are minimised.
- Council will continually evaluate its financing options to ensure it assesses the relative risks and benefits, including the performance of its finances.

Current and Future Planned Debt

Year	2016 / 17	2017 / 18	2018 / 19	2019 / 20	2020 / 21	2021 / 22	2022 / 23	2023 / 24	2024 / 25	2025 / 26
New Debt	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Current Debt Redemption Repayments	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Current Debt Interest Payments	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Table 1. 10 year planned debt

Debt Control Requirements

The following controls must be applied to any proposed debt:

- Approval must be granted by the Queensland Treasurer in relation to debt
- The debt portfolio of Council is raised solely with the Queensland Treasury Corporation (QTC)
- Council will endeavour to keep the net financial liabilities ratio to a positive value of not greater than 30%. This indicates that Council has the capacity to fund its liabilities and appears to have the capacity to increase its debt
- The interest coverage ratio indicates the extent to which Council's operating revenues are committed to interest expenses. Council's aim is to maintain a ratio between 0% - 10%

Review

This policy is to be reviewed annually in conjunction with the budget and adopted with the budget in accordance with the legislated requirements