

**Further Additional Information**

# **Ordinary Meeting**

**Thursday, 28 January 2021**



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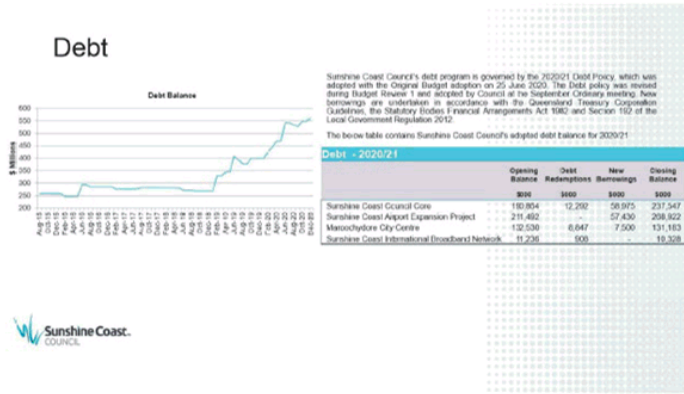
## Related Report / Additional Information Request

<b>Meeting:</b>	Ordinary Meeting	<b>Date:</b>	28 January 2020
<b>Requesting Councillor:</b>	Councillor J Natoli		
<b>Item:</b>	8.3 Financial Performance Report		
<b>Circulation</b>	27 January 2020		
<b>Officer (title):</b>	Acting Chief Financial Officer	<b>Approving GE (title):</b>	Acting Group Executive Business Performance

In response to a question raised by Councillor J Natoli, please note the following additional information for your consideration.

**Question:**

- The chart shows a rapid increase in debt. Is a debt approaching 0.6 billion sustainable even given record low-interest rates?
- How well has the council planned for servicing debt once interest rates start increasing as they will?
- What does SCRC Core include? Even if you know, it would be nice to have it itemised at the meeting.
- Why the additional borrowings in relation to the airport? Why have additional borrowings been required?
- When does the airport debt reduce (ie once the Palisade payment occurs)? Has COVID had any impact on the repayment quantum or timeframe?
- Why are debt redemptions for the Broadband Network so low?





**Response:**

**Q1: The chart shows a rapid increase in debt. Is a debt approaching 0.6 billion sustainable even given record low-interest rates?**

A: Council's adopted budget and budget reviews include the adoption of 10 year long term financial statements. Included in the budget documentation are separate 10 year long term financial statements for Council's Region Shaping Projects. The long term financial statements include forecasts for Council's debt. Council's debt application includes the long term financial statements which are reviewed by Queensland Treasury Corporation (QTC). QTC provide a recommendation to the State Government in regards to Council's debt application and long term financial statements prior to approval of debt drawdown.

Council's total debt level peaks at June 2021.

**Q2: How well has the council planned for servicing debt once interest rates start increasing as they will?**

A: Council's debt borrowings are for a fixed term and fixed interest rate. The interest rate provided for the loan is based on the available rate at the time of the loan draw down. This provides certainty to the repayment schedule of loans and reduces the impact of fluctuating interest rates. An increase to interest rates in the future will only impact new borrowings.

**Q3: What does SCRC Core include? Even if you know, it would be nice to have it itemised at the meeting.**

A: Council's core debt contains a combination of debt funding for Council business units and other key projects. Note that Council operates a central treasury model and as such does not generally provide debt funding for specific projects or assets but rather uses debt funding to finance Council's balance sheet, with the exception being for strategic projects.

**Q4: Why the additional borrowings in relation to the airport? Why have additional borrowings been required?**

A: The airport expansion project is funded through borrowings from QTC. The drawdown of debt occurs several months after expenditure due to the debt agreement with QTC. The final draw down for the airport expansion project is likely to occur in March 2021 following completion of the project in December 2020. There are no additional loans associated with the airport expansion project outside of what was planned in the 2020/21 budget.

**Q5: When does the airport debt reduce (ie once the Palisade payment occurs)? Has COVID had any impact on the repayment quantum or timeframe?**

A: The agreement with Palisades requires payment to the value of \$290 million on the 30 June 2022. Council will also receive a \$15 million deferred lease premium, including applicable interest. The loans associated with the airport expansion project will be settled once payment has been received. There have been no discussions with Palisades in regards to altering the payment date or value.



**Q6: Why are debt redemptions for the Broadband Network so low?**

A: The Sunshine Coast International Broadband Network was funded through a combination of Council cash, State Government grant funds and debt. The total debt for the project was \$12 million, with drawdowns occurring over 2 years based on the required expenditure. The debt accounts are for a term of 12 years with a weighted average interest rate of 1.68%. The redemption payment for these loans are lower due to the lower total debt.