

AGENDA



Ad-Hoc Meeting of Council

To be held via Zoom

On

Wednesday 3 November 2021 at 6:30 PM

Order of Business

1 Apologies3

2 Declarations Of Conflict Of Interest.....3

3 Reports For Consideration3

 3.1 Loan Borrowings3

Bruce Dobson
Chief Executive Officer

- 1 Apologies
- 2 Declarations of Conflict of Interest
- 3 Reports for consideration

3.1 Loan Borrowings

SUMMARY: Chief Financial Officer, Navec Lorkin

The purpose of this report is to recommend the preferred finance provider for loan borrowings and associated terms for \$40.00 million, and to authorise the Chief Executive Officer to sign documents with the preferred lending institution to execute the borrowings.

RECOMMENDATION

That Council:

- 1. Note the Chief Executive Officer has determined the necessary borrowings required as per the latest cash flow forecasts amounts to \$40.00 million, however the Chief Executive Officer has discretion to amend that amount (to a maximum of \$50.03 million) if required, according to Council's resolution of 25 October 2021.**
- 2. Note the responses to Council's request for quotes for loan finance as set out in Confidential Attachment 1.**
- 3. Authorise the Chief Executive Officer to liaise with the preferred lending institution and to finalise negotiations and procure borrowings based on the terms and conditions and proposed next steps as set out in Confidential Attachment 2.**
- 4. Authorise the Chief Executive Officer to execute all relevant documents to give effect to the above resolutions.**
- 5. Pursuant to Section 125 of the Local Government Act 2020, to authorise the confidential information in Confidential Attachment 1 to be publicly available for the limited purpose of communicating the effect of this Resolution to the extent necessary to give effect to it.**
- 6. Authorise the Chief Executive Officer to determine, at their discretion, that the information in Confidential Attachment 1 is no longer confidential information for the purposes of Sections 66 and 125 of the Local Government Act 2020, including for the purpose of informing the community of the nature of Council's decision.**

1. INTRODUCTION

Section 104 of the Local Government Act 2020 (the Act) gives Council the power to borrow, on the basis that borrowings are included in the Budget or Revised Budget. Council can borrow up to this amount without needing to further revise the adopted 2021-22 Revised Budget.

Council's adopted 2021-22 Revised Budget includes loan borrowings of \$50.03 million and repayments of \$3.835 million in the 2021-22 financial year.

Although Council has made provision for these borrowings in the adopted budget, a resolution is required to authorise the Chief Executive Officer to draw down the borrowings.

At the meeting of Council on 25 October 2021, it was resolved to borrow up to \$50.03 million in the 2021-22 financial year. Based on Councils projected cash flow requirements the CEO has determined that borrowings of \$40.00 million are required to assist in funding the approved \$127.98 million capital works program. A further report will be presented to Council in the first quarter of next calendar year should the remaining budgeted borrowings of \$10.03 million be required.

In accordance with the resolution on 25 October 2021, a procurement process was undertaken whereby Officers wrote to five lending institutions to request quotes for borrowings of \$40.00 million. Quotes were requested for:

- Terms of 10, 15 and 20 years;
- Both fixed and variable rates for all terms;
- Quarterly repayments;
- Rates were to be as at 11.30am on Thursday 28 October 2021.
- Quotes were requested to be returned by 5pm on 28 October 2021.

Details pertaining to the content of the quotes are within Confidential Attachment 1.

The preferred lender and specific terms and conditions are within Confidential Attachment 2. As negotiations are not finalised, details remain as commercial in confidence until a contract is finalised.

2. DISCUSSION

The proposed borrowings are required to fund elements of the 2021-22 capital works program. Council's cash flow projections indicate borrowings of \$40.00 million are required prior to January 2022, when Treasury Corporation of Victoria (TCV) Local Council Lending Framework is available.

Council requested quotes from five lending institutions and received three quotes. All quotes were provided subject to credit approval.

The preferred borrowings option is the one most favourable to Council based on the interest rate and preferred terms and conditions and in line with Councils Loan Borrowing Policy approved in January 2021.

3. CONSULTATION

Loan borrowings have been included in the draft 2021-22 Budget which was publicly advertised and provided the opportunity for budget submissions. A hearing for budget submissions was held on 7 June 2021 and the budget was adopted on the 28 June 2021. A Revised 2021-22 Budget was adopted on the 23 July 2021.

4. ENVIRONMENTAL/AMENITY ISSUES

This report does not have any environmental or amenities issues for discussion.

5. FINANCIAL & ECONOMIC IMPLICATIONS

The total cost of these borrowings have been factored into Council's adopted 2021-22 Revised Budget and Council's adopted Financial Plan 2021-2031.

Council's adopted 2021-22 Revised Budget includes loan repayments of \$3.835 million and loan interest payments of \$0.743 million. Principal repayments and borrowing costs have been factored into Council's adopted Financial Plan 2021-2031.

6. SOCIAL IMPLICATIONS

There are no direct social implications arising from this report.

7. RELEVANCE TO KNOX COUNCIL PLAN 2021-2025

Civic Engagement & Integrity

Strategy 5.2 - Manage our resources effectively to ensure financial sustainability and improved customer experience.

8. CONFLICT OF INTEREST

The officers contributing to and responsible for this report have no conflicts of interest requiring disclosure under Chapter 5 of the Governance Rules of Knox City Council.

9. CONCLUSION

The quotes received for the 2021-22 borrowings totalling \$40.00 million have been assessed and a preferred lending institution identified (see Confidential Attachments 1 and 2).

10. CONFIDENTIALITY

Attachments are included in the confidential agenda, as they contain confidential information pursuant to Council's Governance Rules and Section 66 of the Local Government Act 2020, as they relate to:

- Council business information, regarding:
 - Offers received and under consideration from lending institutions; and
 - Council's preferred loan borrowing terms and conditions;the premature disclosure of which would prejudice Council's position when negotiating a final loan contract with Council's preferred lending institution; and
- private commercial information, that if released, would unreasonably expose financial providers to disadvantage because it would release information regarding their competitive loan offerings which is not generally available to their competitors.

Report Prepared By: Chief Financial officer, Navec Lorkin

Report Authorised By: Chief Executive Officer, Bruce Dobson

Attachments

Confidential Attachments 1 and 2 have been circulated under separate cover.