

SUPPLEMENTARY AGENDA



Meeting of Council

To be held via Zoom

On

Monday 22 November 2021 at 7:00 PM

14 Supplementary Items

14.1 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 \$25.00 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 \$25.00 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 updated 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 cash flow requirements, a procurement process was undertaken for a borrowing level of \$40.00 million and a report was prepared for Council and presented on 3 November 2021. Council resolved to accept the recommended offer, however the terms and conditions of the offer as agreed by Council were unable to be met.

Since that time, Council's cash flow forecasts have been amended due to the revised timing of payments (refer Confidential Attachment 1) and the CEO has determined that borrowings of

\$25.00 million are required at this stage to assist in funding the approved \$127.98 million capital works program. Officers have undertaken a fresh procurement process based on this borrowing level. 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.

A further report will be presented to Council in the first quarter of next calendar year relating to the requirement for the remaining budgeted borrowings of up to \$25.03 million.

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 \$25.00 million are required prior to January 2022, when the Treasury Corporation of Victoria (TCV) Local Council Lending Framework becomes available.

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 Council's 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. CLIMATE CHANGE CONSIDERATIONS

Implementation of the recommendation is considered to have no direct implications or has no direct impacts upon Council's Net Zero 2030 target, the Community Net Zero 2040, exposure to climate risks or climate change adaptation.

5. ENVIRONMENTAL/AMENITY CONSIDERATIONS

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

6. 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.

7. SOCIAL IMPLICATIONS

There are no direct social implications arising from this report.

8. RELEVANCE TO KNOX COUNCIL PLAN 2021-2025

Civic Engagement & Integrity

Strategy 5.3 - Ensure our processes are transparent and decisions are accountable.

9. 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.

10. CONFIDENTIALITY

Attachments are included in the confidential agenda, as it contains confidential information pursuant to Council's Governance Rules and Section 66 of the Local Government Act 2020, as it relates 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.