



11 May 2023

SUPPLEMENTARY AGENDA:

- (1) **CORPORATE AND COMMUNITY**
CC30/2023 Loan Execution.....2

SUBJECT: *LOAN EXECUTION*
RESPONSIBLE OFFICER: *Chief Financial Officer - Matthew Plumridge*

SUMMARY

This report seeks a Council resolution in accordance with Section 377(1) (f) of the *Local Government Act 1993* to borrow the funds for various programs and projects identified in the 2022-26 Delivery Program and to affix the Council Seal to the TCorp loan documentation.

RECOMMENDATION

- 1. That Council raise a loan facility with NSW Treasury Corporation in the amount of \$4,363,049 for a maximum period of ten (10) years with a fixed interest rate of 4.35% for the period of the loan, repayable by semi-annual instalments of principal and interest.**
- 2. That Council authorise the Mayor and General Manager to execute the documents relating to the Loan Agreement including affixing of the Council Seal.**

BACKGROUND

The ability to borrow funds is governed by the provisions of Sections 621-624 of the Local Government Act 1993. Council is not able to delegate the function of borrowing money in accordance with Section 377(1) (f) of the Local Government Act 1993. Information in regards to loan borrowings was included in adopted Operational Plans, and to satisfy Tcorp requirements a resolution of Council to borrow the funds and affix the Seal to the loan documentation is now required.

REPORT/PROPOSAL

The adopted Delivery Program included the proposed loan borrowing program in the amount of \$4,363,049 for the following projects:

a. Drainage and floodplain management	\$951,000
b. Pathway construction program	\$1,300,000
c. Cessnock airport upgrade	<u>\$2,112,049</u>
Total:	<u>\$4,363,049</u>

The anticipated loan repayments are included in the 2022-23 Operational Plan.

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The table below details current loans held by Council:

Loan	Interest Rate	Maturity Date	Purpose	Principal	Estimated Balance 30/6/2023
208	4.99%	Jun 2024	LIRS Bridges	1,500,000	185,844
209	4.99%	Jun 2024	Drainage	500,000	61,948
210	3.13%	Nov 2027	Drainage / Bridges	2,959,806	1,446,474
211	1.23%	Oct 2030	Drainage / Bridges / Parks	2,947,553	2,244,196
Total					3,938,461

Should Council elect not to borrow the funds identified in the loan program an alternative source of funds would be required to be identified.

Council’s budget strategy is for all expenditure to be matched with a source of funds. Council needs to be mindful of the effect of alternate funding sources and the potential impact on long-term financial sustainability. The loan repayments have been factored into Council’s operational budgets and the loan borrowing is the preferred course of action due to the following considerations:

1. Works and borrowings are part of the budget as adopted by Council;
2. Cash flow implications on Council if the revenue from the loan funds are not received;
3. Loss of investment revenues as the funds when received are usually invested;
4. Adverse impact on the unrestricted current ratio if reserves or unrestricted cash is utilised; and
5. Reallocation of funds from another project may adversely affect that specific program of works.

Timing of the borrowing drawdown will be finalised before the end of the current financial year and was determined around the cashflow requirements of Council.

OPTIONS

N/A

CONSULTATION

Director Corporate and Community Services
 Management Accountant

STRATEGIC LINKS

a. Delivery Program

This report is a part of the organisation’s governance framework – in line with the community’s desired outcome of: *Civic Leadership and Effective Governance*.

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The identified projects form part of the infrastructure programs within the Delivery Program under the community's desired outcome of *Accessible infrastructure, services and Facilities* and link directly to the goal of *Protecting and enhancing the natural environment, Improving the Road Network and Deliver prioritised on-ground capital works and maintenance programs.*

b. Other Plans

Nil

IMPLICATIONS

a. Policy and Procedural Implications

Loans are taken in accordance with Council Policy F12.2 "Loan Borrowings".

b. Financial Implications

Loan repayments are factored into Council's operating budget. Loan funds provide funding for the projects identified in the borrowing program as detailed in the Delivery Program.

c. Legislative Implications

Council is unable to delegate the function of borrowing of money in accordance with Section 377 (1) (f) of the *Local Government Act 1993*. Loan borrowings are authorised under Sections 621 to 624 of the *Local Government Act 1993*.

d. Risk Implications

The projects to be funded under the loan are identified within Council's Delivery Program and have been outlined to the community to be completed.

If the budgeted funds are not received, Council will likely be exposed to overdraft and cash flow risks associated with funding of the works identified within the loan program. Alternative funding sources will need to be identified which may impact on the service levels able to be provided to other areas of Council's operation.

e. Other Implications

Nil

CONCLUSION

The report seeks Council approval to borrow \$4,363,049 for the projects identified in the loan program contained within the Delivery Program and affixing the Seal to the TCorp loan documentation.

ENCLOSURES

There are no enclosures for this report.