

7.7 Provision of Loan Borrowings 2021/22

Executive Summary

Purpose

Council approval is required to borrow funds and it is proposed to authorise the Chief Executive Officer or his delegate to conduct and award the tender, and to negotiate and execute the required loan documentation under delegation.

Background

Council will be required to draw down new borrowings of \$70 million by 30 June 2022 to fund significant building works in the capital works program. The 2021-22 budget forecast new borrowings of \$70 million.

Key Issues

Council's Long Term Financial Strategy has provided for borrowings of \$70 million with principal and interest repayment over 10 years with interest fixed.

Next Steps

Upon approval by Council, a \$70 million loan with principal and interest repayments over 10 years will be procured through a public tender process.

Confidentiality

Confidential information is contained in **Attachment 1**, as circulated in the confidential section of the agenda attachments, in accordance with Section 66(2)(a) and the definitions of 'confidential information' in section 3(1) of the *Local Government Act 2020*. The information relates to Council business information, being information that would prejudice the Council's position in commercial negotiations if prematurely released.

The item has been included in the public agenda to facilitate transparency and accountability in Council's decision making.

If discussion of the confidential information in the attachments to this report is required in order for Council to make a decision, this item will be deferred to the confidential section of the agenda.

Officers' recommendation

That Council resolve to:

1. Borrow the amount of \$70 million, for a term of 10 years with interest fixed.
2. Procure a loan in the amount of \$70 million through a public loan tender process.
3. Authorise the Chief Executive Officer or his delegate to conduct and award the tender, and to negotiate and execute the required loan documentation under delegation.

Responsible director: Amy Montalti, Chief Financial Officer

1. Purpose

The purpose of this report is to seek Council approval for the tender of \$70 million in new borrowings by 30 June 2022.

2. Policy implications and relevance to community plan and council plan

As per Council's Treasury Policy, the new borrowings shall be subject to a tender process.

This report is consistent with the following themes and strategies in the Council Plan 2021-25 and the Boroondara Community Plan 2021-31. In particular, Theme 7 "Leadership and Governance" Strategy 7.2.

3. Background

As per the 2021-22 Council Budget, Council proposed to borrow \$70 million in 2021-22 to fund significant infrastructure projects including works at Kew Recreation Centre and Canterbury Community Precinct.

4. Outline of key issues/options

Council's Long Term Financial Strategy has provided for a 10 year fixed interest rate loan. A public tender process will be undertaken to ensure that Council receives competitive market tested borrowing rates from which to source loan funding.

Attachment 1 provides specific financial information regarding proposed loan borrowings.

5. Consultation/communication

In developing Council's Long Term Financial Strategy, Council has identified borrowings as a funding source for the creation of income generating assets and assets servicing current and future generations.

6. Financial and resource implications

The Long Term Financial Strategy prepared for the 2021-22 budget year accommodates the recommended borrowings and factors in full repayment by 30 June 2032.

7. Governance issues

The Local Government Act 2020 section 11 provides that a Council may by instrument of delegation delegate any power, duty or function of a Council under this Act or any other Act other than a power, duty or function specified in subsection (2). Subsection (2) (1) specifies the power to borrow money.

A Council decision is therefore required to borrow funds.

The implications of this report have been assessed in accordance with the requirements of the Victorian Charter of Human Rights and Responsibilities.

The officers responsible for this report have no general or material interests requiring disclosure.

8. Social and environmental issues

No direct applicable issues.

9. Evaluation and review

Analysis of Council's long-term cash budget reveals an ability to repay borrowings over a ten year period. In addition, given the current interest rate market and rising interest rates a fixed term loan would offer certainty regarding repayments without the risk of interest rate rises impacting Council's financial position. The loan tender specification will request a fixed interest rate on a \$70 million loan, with a loan term of 10 years.

Manager: Amy Montalti, Chief Financial Officer

Report officer: Amy Montalti, Chief Financial Officer