

# AGENDA



Meeting of Council

To be held via Zoom

On

Tuesday 21 June 2022 at 5:45 PM

**Order of Business**

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

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Bruce Dobson  
Chief Executive Officer

This meeting was called by the Mayor, Councillor Susan Laukens in accordance with Chapter 2, Part C, Rule 11 of Council’s Governance Rules.

The order of business for this meeting is as specified by the Mayor, and no other business can be transacted unless all Councillors are present and unanimously agree to deal with additional matters.

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 \$25.000 million, and to authorise the Chief Executive Officer to sign documents with the preferred lending institution to execute the borrowings.**

**RECOMMENDATION**

**That Council resolve:**

- A. Notwithstanding the decision at the Council meeting on 6 June 2022 in relation to Loan borrowings, to:**
- 1. Note the Chief Executive Officer has determined the necessary borrowings required as per the latest cash flow forecasts amounts to \$25.000 million.**
  - 2. 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 1.**
  - 3. Authorise the Chief Executive Officer to execute all relevant documents to give effect to the above resolutions.**
  - 4. Authorise, Pursuant to Section 125 of the Local Government Act 2020, the 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.**
  - 5. Authorise the Chief Executive Officer to determine, at their discretion, that the information in the Confidential Attachments 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.**
- B. To determine that the resolution of the Council meeting on 6 June 2022 in relation to Loan Borrowings is amended by this resolution to the extent of any inconsistency or difference between this resolution and the resolution of 6 June 2022.**

#### **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, as adopted at a Meeting of Council on 11 April 2022, includes loan borrowings of \$50.000 million and repayments of \$1.638 million in the 2021-22 financial year.

At the meeting of Council on 25 October 2021, it was resolved to borrow up to \$50.030 million in the 2021-22 financial year. Council took out borrowings of \$25.000 million in December 2021. Based on Council's adopted 2021-22 Revised Budget and Council's projected

cash flow requirements, the CEO has determined that further borrowings of \$25.000 million are required to assist in funding the approved \$73.688 million capital works program.

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.

A procurement process was undertaken whereby Officers wrote to three lending institutions to request quotes for borrowings of \$25.000 million. Quotes were requested for a term of 10 years, fixed rate, with quarterly repayments of principal and interest.

At the meeting of Council on 6 June 2022, it was resolved to borrow \$25.000 million in the 2021-22 financial year. However, the terms and conditions of the offer as agreed by Council were unable to be met.

Officers have sought updated rates and the preferred lender and specific terms and conditions are within Confidential Attachment 1. 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 capital works program. Council requested quotes from three lending institutions and received three quotes. The preferred borrowings option is the one most favorable 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 were 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 11 April 2022. The changes in the revised budget related to alignment of the timing of sales proceeds and capital expenditure with the latest forecasts, and to provide the opportunity for Council to access borrowings through Treasury Corporation of Victoria in advance of 30 June 2022. Given the consultation previously undertaken and the nature of the adjustments, additional engagement for the 2021-22 Revised Budget was not undertaken.

## **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 cost of borrowings has been factored into Council's adopted 2021-22 Revised Budget and Council's adopted Financial Plan 2021-2031. The Proposed 2022-23 Budget and Proposed Financial Plan 2022-2032 also include these borrowings.

Council's adopted 2021-22 Revised Budget includes loan repayments of \$1.638 million and loan interest payments of \$0.597 million.

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

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**

Attachment 1 is 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 disadvantages because it would release information regarding their competitive loan offerings which are not generally available to their competitors.

**Report Prepared By: Chief Financial Officer, Navec Lorkin**

**Report Authorised By: Chief Executive Officer, Bruce Dobson**

### **Attachments**

Confidential Attachment 1 is circulated under separate cover