

5. Loan Borrowing Program 2008/2009

Expressions of interest have been called for the 2008/09 loan fund requirements.

Finance Manager

BACKGROUND

Under the Local Government Act, Council is required to include details of any proposed borrowings within its revenue policy in the Management Plan for that financial year.

This information is also forwarded to the Department of Local Government in accordance with their requirements. In the current year, the following works are being funded through loans – Drainage infrastructure \$230,000; Urban Roads Construction \$270,000 and Bridge Construction \$500,000. This information was included in the adopted 2008/2009 Management Plan and the Department of Local Government has been advised as required.

Expressions of interest have now been called from financial institutions for the provision of the General Fund loan of \$1,000,000 as detailed in the 2008/09 operational plan.

Expressions of interest closing at 4.00pm on 12 June 2009 were invited by direct facsimile to the following financial institutions:

- ANZ Banking Group Ltd
- Commonwealth Bank of Australia
- Horizon Credit Union
- IMB Ltd
- National Australia Bank
- St George Bank
- Westpac Banking Corporation.

In accordance with budget provisions the loans will be drawn on or about 25 June 2009. The term for the loan of \$1,000,000 will be 10 years, with half yearly repayments of principal and interest payable in arrears.

Due to the current economic climate and early feedback from financial institutions, expressions of interest have been sought on the basis of the interest rate being fixed for three, five and ten year periods. If the three or five year fixed interest rate option is adopted, the loan will require renewing at the expiration of the three or five year period.

Quotes received from the financial institutions have been circulated by separate memo at the Council Meeting.

ISSUES

Policy

40 Following the Operational Examination Review, Pricewaterhouse Coopers provided an independent review on Council's current loan borrowing process. This review found the processes of raising and administering Council's borrowings to be sound, but recommended that these procedures be documented in a formal borrowing policy to be approved by the Council. Debt utilisation will be incorporated into Council's financial strategy and associated policies currently under review.

Financial

There is no impact on the 2008/09 budget as the first repayment is due on or about 24 December 2009. Repayments are factored into forward budget plans.

Operational Plan

There is no financial impact on the 2008/09 operational plan as the first repayment is due on or about 24 December 2009.

RECOMMENDATION

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1. That Council accept the offer of the provision of the loan totalling \$1,000,000 from (name to be inserted) as outlined in the memo to Council dated 16 June 2009 provided that it remains the lowest rate at the time of acceptance of the loan, at an indicative annual interest rate of (rate to be inserted) repayable by half yearly instalments of principal and interest in arrears, and that Council authorise the Mayor and General Manager to execute all relevant documentation.
 2. Should the (name to be inserted)'s offer not remain the lowest at the time of acceptance of the loan, that Council accept the offer of the provision of the loan totalling \$1,000,000 from whichever of the (number to be inserted) financial institutions is the lowest at that point, repayable by half yearly instalments of principal and interest in arrears, and that Council authorise the Mayor and
60 General Manager to execute all relevant documentation.