

10.7. NSOP Redevelopment Loan Proposal

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ATTACHMENTS: Nil

PURPOSE:

The purpose of this report is to lock in loan borrowings prior to tender assessment and entering a construction contract for the NSOP redevelopment.

EXECUTIVE SUMMARY:

The Governance & Finance Committee at its meeting of 1 June 2020 considered a Confidential report detailing three loan options, including from TCorp and two major banks, to finance the NSOP complex redevelopment.

Following consideration of the Governance & Finance Committee recommendations, Council at its meeting of 22 June 2020 (Min. No. 42) resolved:

11. THAT the Committee note the loan options for financing the NSOP complex redevelopment as outlined in the confidential report. (GF06)

12. THAT the Committee support further negotiation and clarification of the loan conditions and management of cashflow to the anticipated construction program. (GF06)

13. THAT a further report be presented to Council following negotiations to finalise the loan option for financing the NSOP complex redevelopment. (GF06)

The development application was approved by the Sydney North Planning Panel on 1 July 2020, subject to conditions. The process to select a preferred tenderer for the construction works has commenced, thus the finalisation of the project funding is a priority.

The Confidential report details the results of the further negotiation and clarification of loan conditions. It also provides updated indicative rates.

This report is confidential in accordance with Section 10A(2) of the *Local Government Act 1993* and the *Local Government (General) Regulation 2005* for the reason listed below:

- (d) *commercial information of a confidential nature that would, if disclosed;*
 - (i) *prejudice the commercial position of the person who supplied it, or*

- (ii) confer a commercial advantage on a competitor of the Council, or
- (iii) reveal a trade secret.

FINANCIAL IMPLICATIONS:

As advised to Council in February 2020, and subsequently reconfirmed by way of the amended Resourcing Strategy adopted by Council on 27 July 2020, Council has the capacity to finance and maintain the proposed level of debt, whilst maintaining performance ratios, taking into consideration conservative revenue projections from the new NSOP complex.

Council completed and submitted a Capital Expenditure Review to the Office of Local Government (OLG) in December 2019 for the NSOP redevelopment. OLG's response dated 17 April 2020 states:

The Office of Local Government's (OLG) Capital Expenditure Guidelines (the Guidelines) aim to ensure that a council's evaluation of the proposed capital expenditure is consistent and transparent, that the merits of projects can be compared and that resource allocation can be made on an informed basis.

After reviewing the information provided by Council, it has been determined that the Council has satisfactorily addressed the criteria required in the Guidelines.

Council is exposed to interest rate risk whenever loan borrowings are required regardless of whether the interest rate is fixed or variable. Interest rates at present are at a record low level, which supports the decision to apply for a fixed interest rate loan and is the preferred option for the pool redevelopment as it provides a greater degree of certainty in terms of future unexpected interest rate rises and enables greater certainty of cashflows associated with the repayment schedule of the loan.

Current indicative fixed loan rates are below those presumed in the LTFP.

RECOMMENDATION:

1. THAT the meeting be closed to the public to discuss the Confidential Report in accordance with Section 10A(2)(d).