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# Amendment to 2020/21 Loan Borrowing Terms

*Responsible Officer: Group Manager Corporate and Commercial (Geoff Ward)*

*Report Author: Finance Manager (Jonathan Patino)*

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## Recommendation

That Council:

1. Receive and note the report.
2. Authorise the amendments to the associated loan documentation to be completed under Seal.
3. Authorise any future amendments to the associated loan documentation which are considered of a minor nature and not adverse to Council to be completed under Seal.

## Background

Council resolved to borrow \$13.5M for the St Helena upgrade project at the April 2021 Ordinary Council Meeting [15/21]. Part of the resolution was to authorise the associated loan documentation to be completed under Seal.

Council was successful in obtaining these loan funds from New South Wales Treasury Corporation (NSW TCorp) in June 2021. At the time access to this funding for County Council's was granted as a temporary measure due to the impacts of COVID-19 and represented a significant financial saving to Council due to NSW TCorp providing lower than market interest rates on borrowings.

A condition of the funding was that Council had to align its Investment Policy with NSW TCorp requirements. These requirements involved portfolio, counterparty and maximum tenor limits that could be invested with institutions based on their credit ratings which Council adopted in April 2021 [18/21].

NSW TCorp has advised that it has changed the investment requirements set out in the loan documentation and that the new requirements are more favourable to Council (as per Attachment 1).

While NSW TCorp consider Investment policies and actual investments by councils to be important elements in any initial credit assessment and ongoing monitoring procedures, it has been acknowledged that the documentary requirements have caused some practical and administrative issues in terms of consistency, awareness and application by some councils. Accordingly, TCorp has made a broad policy decision (applicable to all councils) to remove certain requirements from existing and future loan agreements.

In effect, NSW TCorp will now rely on Council complying with its own obligations and responsibilities and take that compliance into account when they consider loan requests.

In summary these changes are:

1. NSW TCorp will continue to rely on Council's statutory obligation to adopt and adhere to an investment policy which complies with the Local Government Act 1993 (NSW), the Investment Policy Guidelines issued by the Office of Local Government, and the Investment Order issued by the Minister for Local Government.
2. Councils will continue to be required to provide a copy of their adopted investment policy to NSW TCorp and written notice of any amendments.

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3. NSW TCorp will continue to require Councils to provide written details of all their investments.
  4. Actual investments by Councils will continue to be assessed by NSW TCorp as part of loan assessment and loan monitoring.

Essentially, NSW TCorp will no longer require Council's Investment Policy to comply with institutional limits based on credit ratings. It should be noted that any changes to these limits may affect Council's credit ratings from a lending perspective and will need to be considered.

Finance staff are currently assessing investment options regarding changes to Council's Investment Policy (including ethical investment holdings). These options will be presented to Council in the near future.

### **Finance**

Detailed in the body of the report.

### **Legal**

A resolution of Council is required in order to affix the Seal to the loan documentation.

### **Conclusion**

Council receive and note this report endorsing the loan documentation changes executed by New South Wales Treasury Corporation on the loan funds of \$13.5M borrowed in 2021 for the St Helena upgrade project under Seal.

### **Attachment**

1. TCorp letter dated 4 October 2023 – Amendments to Loan Agreement.