

Report 99.234

12 May 1999

CFO/31/1/1

Report to the Policy and Finance Committee
From Greg Schollum, Chief Financial Officer

Borrowing Approval

1. Purpose

To seek Council approval to formal borrowing resolutions required by the Local Government Amendment Act (No. 3) 1996 in relation to a new committed funding facility.

2. Background

In accordance with the Local Government Amendment Act (No. 3) 1996, the Council is required to authorise the borrowing of money to put into effect the long-term Financial Strategy/Annual Plan and Treasury Management Policy.

3. Council's Funding Requirements

Officers have been investigating Council's preferred long-term funding tools now that local authorities have the ability to borrow money using a variety of funding mechanisms rather than just local authority stock.

Independent treasury advice received from Bancorp (Council's treasury advisor) suggests Council would be better to make increased use of bank funding in future to fund its borrowing requirements (including the refinancing of maturing local authority stock).

Council already has in place a \$20 million committed advances facility with the ANZ Bank which has proven to be an important component of the treasury tool kit. Officers are now looking to enter into a committed advances facility with the National Bank of New Zealand (Council's main relationship bank) to ensure the Council has sufficient funding lines for 1999/00 and beyond.

Approval is now sought to enter into a committed advances facility of \$17 million with the National Bank of New Zealand. (National Bank of New Zealand already has approvals to lend Council an additional \$17 million given the National Bank of New Zealand's other lending exposure to WRC, including the Stadium borrowing.)

4. **Recommendations**

- (1) *That this report be received and the contents noted.*
- (2) *That the Council authorise the borrowing of up to \$17,000,000 pursuant to a committed funding facility to be provided by the National Bank of New Zealand and on terms and conditions to be determined by the Chief Financial Officer, pursuant to and in accordance with, section 122ZD(3) of the Local Government Act 1974 (as amended) (the "Act").*
- (3) *Pursuant to section 122ZD(2) of the Act, the borrowing authorised pursuant to Resolution 2:*
 - *shall be for general working capital and cash management purposes of the Council, for capital expenditure purposes of the Council, more particularly described in the Long-term Financial Strategy/Annual Plan of the Council, and for refinancing existing borrowings of the Council;*
 - *will be unsecured, supported by Council's negative Pledge Deed dated 19 May 1998;*
 - *will be for the benefit of the Council and will not give rise to any unreasonable risks for the Council; and*
 - *is in accordance with the Treasury Management Policy.*
- (4) *The Chief Financial Officer is authorised, in accordance with the Treasury Management Policy, to negotiate, approve and agree precise terms and conditions of the committed funding facility, with such lenders and on such terms and conditions as considered appropriate and to execute all documentation giving effect to the committed funding facility on behalf of the Council, or to cause such documentation to be executed by the Council under its common seal.*

GREG SCHOLLUM
Chief Financial Officer