

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

Borrowing Approval

1. Purpose

To seek further borrowing approval in relation to a new committed funding facility.

2. Background

In my report 99.234 considered by the Policy and Finance Committee on 18 May 1999, the Committee approved the entry into a new borrowing facility with the National Bank of New Zealand of \$17 million. (refer **Attachment 1**)

After having further discussions with the National Bank since the 18 May meeting it has become clear that it would be advantageous to extend the facility limit from \$17 million to up to \$24 million.

This is based on the \$17 million committed funding facility which the bank has already approved to lend to the Council plus \$7 million relating to another existing funding line with the National Bank (Revolving Stock facility) which matures in May 2001.

3. Rationale for the Change

For administrative ease I felt it would be easier to gain the necessary approval now for the full \$24 million as it will enable the officers to readily refinance the Revolving Stock facility when it matures in 2001 without the need to seek further approval from both the National Bank and the Council at that time.

It doesn't increase the Council's actual borrowing in any way. It simply links the two banking facilities together so that as one matures (in May 2001) the limit for the second facility increases accordingly.

4. **Communications**

Not required.

5. **Recommendations**

- (1) *That the report be received and the contents noted.*
- (2) *That the Council authorise the increase in the committed funding facility to be provided by the National Bank of New Zealand, from \$17,000,000 to \$24,000,000 (reaching \$24,000,000 in May 2001 when the Council's existing Revolving Stock funding facility matures) 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

Attachment 1: Report 99.234