

REVISED 2024-2025 BUDGET - BORROWINGS

Report Author: Manager Financial Services (CFO)
Responsible Officer: Director Corporate Services
Ward(s) affected: (All Wards);

The author(s) of this report and the Responsible Officer consider that the report complies with the overarching governance principles and supporting principles set out in the Local Government Act 2020.

CONFIDENTIALITY

This item is to be considered at a Council meeting that is open to the public.

SUMMARY

The purpose of this report is to approve a loan of \$18.912 million in the current financial year 2024-2025 which was initially endorsed in the previous financial year budget 2023-2024 however has not yet been drawn down. The purpose of the loan was to form part of the funding for the capital works program for the 2023-2024 year.

As the period closed for the 2023-2024 financial year at 30 June 2024, a separate resolution is now required to formally approve the loan of \$18.912 million to be drawn down as part of the 2024-2025 Revised Budget.

It is important to note the approval of the loan is not a new item and in no way materially alters or impacts the current budget for the 2024-2025 financial year. It is a correction of timing of borrowings between two financial years This approval will enable the realignment of overall cashflow and the funding assumptions to reflect the prior and current year budgets.

The proposed loan will be accessed through the funding vehicle offered by the Treasury Corporation Victoria (TCV). TCV provides funding options specifically for the Local Government sector to access.

This proposed revision aligns with both the Council's approved budget funding assumptions for 2023-2024 and 2024-2025 collectively, and its Long-Term Financial Plan to utilise borrowings to support the capital works program.

This report fulfils financial governance obligations transparently and accurately by ensuring the current 2024-2025 Annual Budget is revised to appropriately reflect these borrowings as carried forward from prior year in accordance with section 96 of the *Local Government Act 2020*.

RECOMMENDATION

That Council

1. ***Notes that borrowings of \$18.912 million are part of the 2023-2024 financial year and funding the capital works program as outlined the adopted budget for that period.***
2. ***Approves an amendment to the 2024-2025 Annual Budget to reflect the addition of \$18.912 million of carry-forward borrowings from 2023-2024 financial year and adopts the 2024-2025 Revised Budget as per Attachment 1.***
3. ***Approves the drawdown of the additional loan amount of \$18.912 million in the 2024-2025 financial year.***
4. ***Notes that the Treasury Corporation of Victoria (TCV) will be the preferred funding vehicle to facilitate the borrowings.***

RELATED COUNCIL DECISIONS

- 2023-2024 Budget, as endorsed on 27 June 2023, Council approved borrowing limit of \$18.912 m.

The table below shows information on borrowings specifically required by the Regulations.

	Forecast	Budget	Projections		
	2022/23	2023/24	2024/25	2025/26	2026/27
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Amount borrowed as at 30 June of the prior year	5,683	3,111	19,552	36,601	51,088
Amount proposed to be borrowed	-	18,912	20,689	19,400	21,000
Amount projected to be redeemed	(2,572)	(640)	(3,640)	(4,913)	(6,825)
Amount of borrowings as at 30 June	3,111	19,552	36,601	51,088	65,263

- 2024-2025 Budget, as endorsed on 25 June 2024, Council approved borrowing limit of \$20.448m

The table below shows information on borrowings specifically required by the Regulations.

	Forecast	Budget	Projections		
	2023/24	2024/25	2025/26	2026/27	2027/28
	\$	\$	\$	\$	\$
Amount borrowed as at 30 June of the prior year	3,112	643	18,952	17,809	15,762
Amount proposed to be borrowed	0	20,448	0	0	0
Amount projected to be redeemed	(2,469)	(2,139)	(1,143)	(2,047)	(2,045)
Amount of borrowings as at 30 June	643	18,952	17,809	15,762	13,717

DISCUSSION

Purpose and Background

The purpose of this report is to ensure financial governance by accurately reflecting borrowings carried forward from 2023-2024 in the 2024-2025 Annual Budget. A revision is required to:

- align the financial borrowings between 2023-2024 and 2024-2025, following the endorsement of the 2024-2025 Budget on 25 June 2025.
- overall compliance with the requirements under the *Local Government Act 2020*.
- enable access to the TCV funding vehicle.

This revision recognises the timing of borrowings across the two financial years. (Attachment 1 - Revised 2024-2025 Budget – Financing Activities)

To access loans from Council's principal lender the Treasury Corporation of Victoria (TCV), the Council must comply with the TCV Multi-Option Loan Facility Agreement, Section 4. This requires that interest-bearing loans do not exceed 60% of own-source revenue, and the Interest Coverage Ratio (ICR) does not fall below 2:1, with borrowing limits based on the adopted 2024-2025 budget.

To ensure the Council remains within these parameters, it is recommended to utilise the previously approved and budgeted carry forward of \$18.912 million.

Options considered

The revised budget proposed aligns with pre-existing approvals and does not require alternative budget scenarios to be considered.

Recommended option and justification

The recommended financial position is to revise the 2024-2025 Budget to include the addition of the drawdown of \$18.912m from the 2023-2024 carry forward loan. This revision will enable draw down of the loan and accurate reflection the funding of the capital works program.

FINANCIAL ANALYSIS

The carry forward loan of \$18.912m, brings the total borrowings limit to \$39.36m. Overall the total borrowings across the two financial years of \$39.36m is still reflective of the adopted budgets as detailed in the table below. The loans are considered a requirement to manage Council's existing financial commitments.

With regard to Council's overall financial sustainability, the following analysis provides assurance council is able to service the debt:

- The VAGO Financial Sustainability Ratio targets a medium and acceptable risk as 60% of Council's revenue.
- Borrowings % of own revenue $\$39.36m/\$199.5m = 19.7\%$. This is well within the with VAGO target range and borrowing capacity which remains less than 60% and is consistent with Councils Long Term Financial Planning parameters.

	Loan Amount	Interest p.a	Principal p.a
FY25 Budget	\$ 20,448,000	\$ 397,447	\$ 1,849,708
FY24 Budget carry forward	\$ 18,912,000	\$ 464,289	\$ 743,710
Total	\$ 39,360,000	\$ 861,736	\$ 2,593,418

Own Revenue \$'000	2024/25
Rates and charges	\$ 182,151
Statutory fees and fines	\$ 3,761
User fees	\$ 6,394
Contributions - Monetary	\$ 3,113
Other Income	\$ 4,117
Total	\$ 199,536

The proposed revised 2024-2025 Budget is as follows:

The table below shows information on borrowings specifically required by the Regulations.

	Forecast	Budget	Projections		
	2023/24	2024/25	2025/26	2026/27	2027/28
	\$'000	\$'000	\$'000	\$'000	\$'000
Amount borrowed as at 30 June of the prior ye	3,112	643	36,766	31,401	25,788
Amount proposed to be borrowed	-	39,360			
Amount projected to be redeemed	(2,469)	(3,236)	(5,365)	(5,613)	(5,872)
Amount of borrowings as at 30 June	643	36,766	31,401	25,788	19,916

*\$18.9 million with a 10-year term at 4.91% p.a., published by TCV on 11th December 2024, to be repaid semi-annually starting from February 2025.

APPLICABLE PLANS AND POLICIES

This report contributes to the delivery of strategic financial information as outlined in the strategic objective of 'High Performing Organisation' in the Council Plan.

RELEVANT LAW

- *Local Government Act 2020*, Section 95, Revised Budget.
- The Treasury Corporation of Victoria (TCV), Multi-Option Loan Facility Agreement (TCV MOL) clause 4(j) and (k) states:
“Council will ensure that the total amount of the Interest-Bearing Loans and Borrowings does not exceed the amount of borrowings detailed in the relevant Annual Budget.”

SUSTAINABILITY IMPLICATIONS

Economic Implications

Considered in 2023-2024 and 2024-2025 Budgets approval.

Social Implications

Considered in 2023-2024 and 2024-2025 Budgets approval.

Environmental Implications

Considered in 2023-2024 and 2024-2025 Budgets approval.

COMMUNITY ENGAGEMENT

The \$18.912m proposed borrowings was taken through the budget consultation process in May 2023. The approved drawn down borrowings of \$20.448m in 2024-2025 was consulted on during the 2024-2025 budget process.

COLLABORATION, INNOVATION AND CONTINUOUS IMPROVEMENT

No collaboration with other councils, governments or statutory bodies was required.

RISK ASSESSMENT

There is inherent risk in developing a budget based on assumptions that are unknown or uncertain. Further, a constrained financial environment adds additional financial risk to the operations of the organisation. These risks have already been considered by Council during the 2023-2024 and 2024-2025 Budget and supporting documents have taken these into account to provide a balanced and prudent budget.

CONFLICTS OF INTEREST

No officers and/or delegates acting on behalf of the Council through the Instrument of Delegation and involved in the preparation and/or authorisation of this report have any general or material conflict of interest as defined within the *Local Government Act 2020*.

ATTACHMENTS TO THE REPORT

1. Revised 2024-2025 Budget – Financing Activities