

MANAGING EXTREME WEATHER EVENTS - OVERDRAFT FACILITY

Report Author: Manager Organisational Performance and Integrity
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

This purpose of this report is to highlight the financial pressure remedial works place on operating cash flow when an extreme weather event occurs within the municipality.

Council has a responsibility to undertake remedial works in a timely manner to ensure the safety of the local community and mitigate risks. The works can vary broadly in nature and scope placing immense pressure on cash flow as they are unexpected costs.

There is financial support provided (in certain instances) from other levels of Government to assist in responding to extreme weather events, this support does not cover the entire costs incurred. However, the delay in receiving the financial support places extreme pressure on the operating cash flow of Council.

Currently, this financial pressure experienced when an extreme weather event occurs has been compounded by a combination of changes in financial landscape, including: a reduction in grant funding, delay in the collection of rates generated and cost volatility in materials and services. These changes have reduced the operating cash held making it difficult to accommodate unexpected financial costs.

When considering the above in the context of managing operating cashflow, a prudent mechanism to assist in responding to extreme weather events is the ability to access an overdraft facility when required for the short term.

RECOMMENDATION

That Council

- 1. *Note the impost extreme weather remedial works place on operating cashflow.***
- 2. *Endorse a short-term overdraft facility in the amount of \$10 million to assist in cash management when an extreme weather event occurs.***
- 3. *Authorises the Chief Executive Officer to sign off on documents required to activate the \$10 million overdraft facility.***
- 4. *Notes the overdraft facility will be considered a short-term cashflow management tool rather than a formal loan or a borrowing.***
- 5. *Refers the review of the overdraft facility to the annual budget process 2026-2027.***

RELATED COUNCIL DECISIONS

There are no related Council decisions relevant to this item.

DISCUSSION

Financial Pressure

The significant unexpected cost pressure experienced from extreme weather events has become very challenging to accommodate within operating cashflow bounds.

This financial pressure has been driven by both the frequency of events and broader changes experienced in council's financial landscape.

This financial pressure has been further compounded by the reliance placed on annual rates levied to fund the operations of Council, the continued reduction in grant funding and the delay experienced when claiming costs incurred back from other levels of Government. When considering these aspects and maintaining uninterrupted levels of services, there is a financially constrained ability for Council to respond to the event.

In order to avoid potential scenarios where Council is financially restrained to respond to an extreme weather event, the most effective solution would be a short-term overdraft facility in the amount of \$10 million.

Similar to other financial instruments, there are fees and charges associated in accessing an overdraft facility. In the proposed facility there is an estimated \$20,000 charge to establish the facility and interest charges when accessing the facility. In comparison to a fixed interest loan where the annual interest charge would be approximately in excess of \$280,000. A line of credit provides a more cost effective and prudent alternative.

The \$10 million overdraft facility is proposed as it is reflective of previous levels of expenditure incurred when responding to extreme weather events. It provides assurance that Council is able to financially respond when an extreme weather event occurs. The facility will be replenished upon receipt of any reimbursement from other levels of Government. In this context, an overdraft facility is considered a short-term cashflow management tool rather than a formal loan or a borrowing, and as such is not included in the current annual budget. Should there be a requirement to extend the use of the facility, it will form part of the next annual budget process.

Storm Frequency

As illustrated in the Diagram One below, there has been an increase in the frequency of storm and natural disaster events placing additional pressure on Council to front end disaster relief and recovery.

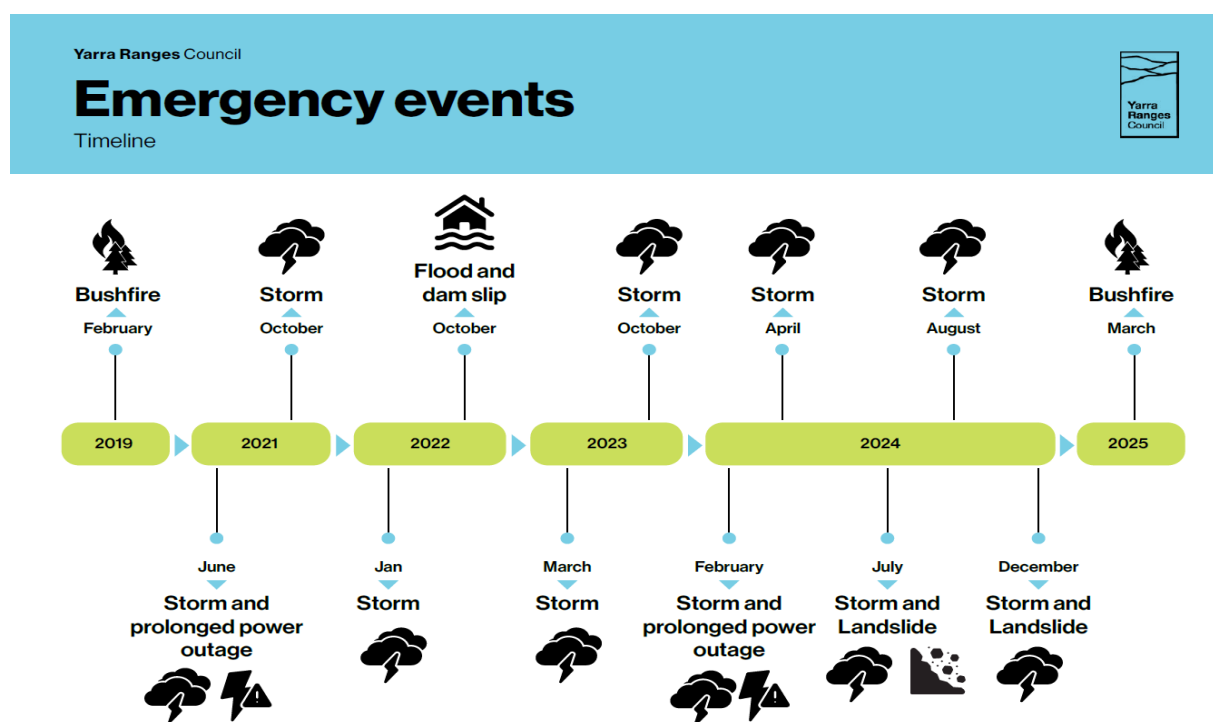


Diagram One Emergency Events Frequency

Storm Claim Analysis

Yarra Ranges Council is considered to be the second municipality nationwide to experience extreme weather events.

In the last five calendar years Yarra Ranges has experienced 13 events which have incurred costs of \$44.73 million.

The severity and consistency of events has increased, and whilst storm events are inherently unpredictable on average the costs incurred are \$8.95 million. Table 1 below details historic the costs incurred.

Year	Number of events	Costs incurred
2020	3	\$1,402,333
2021	2	\$22,853,860
2022	2	\$6,957,201
2023	3	\$6,058,591
2024	3	\$7,457,170
Total	13	\$44,729,155

Table 1: Yarra Ranges Natural Disaster costs per calendar year

FINANCIAL ANALYSIS

The cost associated with the overdraft facility (interest and charges) will be accommodated within the operational budget.

YRC currently holds borrowings at 31 August 2025 of \$34.9m with Treasury Corporation Victoria which is 17 percent of own sourced revenue (total income less cash/non-monetary contributions, grant income and interest).

The Department of Treasury and Finance determine the borrowing capacity of 60 percent of own sourced revenue. As a result of the low level of borrowings Council has capacity to service the fees and charges associated with an overdraft facility.

Proposing a line of credit in the amount of \$10 million is considered a balanced and prudent action to be able to navigate the unexpected nature of costs incurred in response to extreme weather events.

RELEVANT LAW

This recommendation has been prepared in accordance with the requirements of *The Local Government Act 2020*, Section 91.

SUSTAINABILITY IMPLICATIONS

There are no adverse economic or social implications associated to this recommendation.

The overdraft facility is a responsible and prudent economic mechanism to assist in responding to extreme weather events and managing remedial works.

When completed, these works have a range of direct and positive economic, social and environmental implications for local communities; often during times of distress and high need.

COMMUNITY ENGAGEMENT

Community engagement wasn't undertaken in the development of this recommendation.

COLLABORATION, INNOVATION AND CONTINUOUS IMPROVEMENT

Whilst Council collaborates and works closely with a range of local communities, volunteers and external partners in the preparedness and responsiveness to extreme weather events. There was no direct external collaboration completed in the development of this report.

RISK ASSESSMENT

From a broader financial lens, when considering the increase in frequency of extreme weather events and the associated financial impact, it has become increasingly difficult to manage the financial costs within operating cashflows.

Unlike inner metro or growth councils across the State, Yarra Ranges is limited in revenue stream growth which in turn limits the ability to set aside cash reserves to enable a financial response in short and unexpected timeframes. As a prudent approach to navigate the unexpected financial response required a short-term line of credit has been proposed.

In this context, the proposed overdraft facility is considered a short-term cashflow management tool rather than a formal loan or a borrowing, and as such is not included in Council's budget.

There is consideration given to the costs associated with a line of credit and the ability to repay the costs. These costs can be accommodated within existing operating 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

Nil