



13 June 2019

Dear Councillor,

Your attendance is requested at an Extraordinary Council Meeting of the Blayney Shire Council to be held in the Chambers, Blayney Shire Community Centre on Monday, 17 June 2019 at 11.00am for consideration of the following business -

- (1) Acknowledgement of Country
- (2) Recording of Meeting Statement
- (3) Apologies for non-attendance
- (4) Disclosures of Interest
- (5) Public Forum
- (6) Mayoral Minute
- (7) Reports of Staff
 - (a) Corporate Services
- (8) Closed Meeting

Yours faithfully

Rebecca Ryan
General Manager

Meeting Calendar 2019

June

Time	Date	Meeting	Location
10.30am	12 June 2019	Central Tablelands Water Meeting	Canowindra
2.30pm	14 June 2019	Upper Macquarie County Council Meeting	Kelso
11.00am	17 June 2019	Extraordinary Council Meeting	Community Centre
9.00am	20 June 2019	Audit Risk and Improvement Committee Meeting	Community Centre
6.00pm	24 June 2019	Council Meeting	Community Centre

July

Time	Date	Meeting	Location
6.00pm	15 July 2019	Council Meeting	Community Centre
5.00pm	17 July 2019	Cemetery Forum Meeting	Community Centre
5.45pm	17 July 2019	Access Advisory Committee Meeting	Community Centre

August

Time	Date	Meeting	Location
9.00am	2 August 2019	Country Mayors Meeting	Sydney
6.00pm	5 August 2019	Cultural Centre Working Group Meeting	Community Centre
9.00am	9 August 2019	Mining and Energy Related Councils Meeting	Sydney
10.00am	9 August 2019	Traffic Committee Meeting	Community Centre
10.30am	14 August 2019	Central Tablelands Water Meeting	Grenfell
6.00pm	15 August 2019	Sports Council Meeting	Community Centre
6.00pm	19 August 2019	Council Meeting	Community Centre
12.00pm	21 August 2019	Centroc Board and Central NSW JO Meetings	Sydney
2.30pm	23 August 2019	Upper Macquarie Country Council Meeting	Kelso
6.00pm	27 August 2019	Tourism, Towns and Villages Committee Meeting	Community Centre

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HELD ON MONDAY 17 JUNE 2019

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01) BLAYNEY RESIDENTIAL DEVELOPMENT PROJECT - LAND SALES

Department: Corporate Services

Author: Director Corporate Services

CSP Link: 1. Public Infrastructure and Services

File No: PM.AD.1

Recommendation:

That Council;

1. Endorse the General Manager accepting the offers for sales of land at Streatfeild Close(Lot 1 DP 250822) at list prices as follows:
 - Lot 1 \$155,000
 - Lot 3 \$139,000
 - Lot 5 \$132,000
 - Lot 6 \$134,000
 - Lot 7 \$134,000
 - Lot 8 \$139,000
 - Lot 10 \$139,000
 - Lot 13 \$133,000
 - Lot 14 \$155,000
2. Delegate to the General Manager the authority to accept further offers for sales of the remaining blocks at list prices as approved by Council.
3. Approve the execution of relevant contracts and associated documentation by the Mayor and General Manager under Council seal for those blocks where offers are accepted.

Reason for Report:

For Council to endorse the actions of the General Manager in accepting the offers for sales of land at Streatfeild Close (Lot 1 DP 250822), Blayney and facilitate the execution of Sale Contracts for the 9 blocks as listed.

Further for Council to provide the authority for the General Manager in negotiating the sale and execution of Sale Contracts of the remaining 5 blocks, subject to the offer meeting the list price as approved by Council.

Report:

Council at its meeting held 17 December 2019 resolved that the General Manager be authorised to list properties and negotiate sales for land

A media launch was held 21 May 2019 and offers were being accepted from this date. Of the 14 parcels, Council has received offers for 9 parcels of land as detailed below:

- Lot 1 \$155,000*
- Lot 3 \$139,000
- Lot 5 \$132,000

- Lot 6 \$134,000
- Lot 7 \$134,000
- Lot 8 \$139,000
- Lot 10 \$139,000
- Lot 13 \$133,000
- Lot 14 \$155,000

* Subject to Builder's Terms and Development Application for dual occupancy approval.

Sales advices have been sent by the Real Estate Agents to Council's solicitor for contract preparation and distribution. Council endorsement of this report will facilitate exchange of contracts with Purchasers. Settlement of land sales will follow finalisation of land development and plan registration. A copy of the standard contracts are provided as an attachment and copies of individual contracts will be available for inspection at the Council meeting.

Risk/Policy/Legislation Considerations:

Pursuant to Local Government Act s.377(h) sale of land requires a resolution of Council.

The contracts for sale are standard with the inclusion of special conditions stating dwelling type and material; fencing restrictions; no holding of land undeveloped, and construction finalised and occupation certificate issued within 24 months of contract completion. Settlement of contracts will occur following finalisation of civil works at Streatfeild Close and 14 days after plan registration date. In addition to the special conditions, the Builder's Term contract requires Council to consent to lodgement of a development application by the Purchaser and extension of the timeframe for settlement to the earlier date of sale to a Third Party Purchaser by the Purchaser or 6 months from date of plan registration.

Budget Implications:

Council will benefit from lands sale with a nett increase in rate income. Nett proceeds after development costs and associated costs of sale will be brought to account as income in 2019/20 following finalisation of the development. Proceeds from land sales will held as Restricted Cash for servicing of borrowings over the loan duration with the residual funds held for future land development purposes.

As each remaining block is sold and Sale Contracts executed, a report will be bought back to Council for endorsement and formalisation of the Council resolution.

Enclosures (following report)

Nil

Attachments (separate document)

- | | | |
|---|---|----------|
| 1 | Detailed summary of land sales | 1 Page |
| | <i>This matter is considered to be confidential under Section 10A(2) (di) of the Local Government Act, as it deals with commercial information of a confidential nature that would, if disclosed (i) prejudice the commercial position of the person who supplied it.</i> | |
| 2 | Standard Sales Contract without Builders Terms | 50 Pages |
| 3 | Standard Sales Contract with Builders Terms | 52 Pages |

02) BORROWINGS - RESIDENTIAL LAND DEVELOPMENT

Department: Corporate Services

Author: Chief Financial Officer

CSP Link: 2. Local Governance and Finance

File No: PM.TN.24

Recommendation:

1. That Council endorse execution of the letter of offer from TCorp for borrowings to fund the Residential Land Development.
2. A report be brought back to Council to amend the Investment Policy to include the investment limitations imposed by TCorp in order to access low cost borrowings.

Reason for Report:

For Council to assess the impact of acceptance of conditions of funding stipulated by NSW Treasury Corporation (TCorp) for investment of Council funds in order to access and obtain low cost borrowings.

Report:

Council at its meeting held 18 February 2019 resolved to accept the Expression of Interest from TCorp for provision of borrowings to fund the purchase and development of residential land at 32 Plumb Street Blayney (now Streatfeild Close) at 3.35% for a period of 10 years subject to eligibility requirements. It was also resolved that should TCorp not allocate funding that it seek borrowings from Commonwealth Bank at 3.58%. (**Resolution No. 1902/018**)

Council submitted its application for borrowings on 25 March 2019 and was advised that prior to approval that TCorp's Credit Committee would require that Council's Investment Policy be amended. The amendment requires Council's exposure to BBB rated authorised deposit-taking institutions (ADI's) be reduced going forward.

A letter of offer for approved borrowings was received by Council with the following limitations being conditional on acceptance:

6.3 Investments

In relation to the investment of Council's Investment Funds, the following limitations must be observed throughout the Term of the Facility:

- *Combined investments with ADIs with a Long Term Debt Rating of BBB+ and BBB are to be reduced to a maximum of 20% of Council's Investment Funds by 31 December 2019;*

- *Individual counterparty exposure to an ADI with a Long Term Debt Rating of BBB+ and BBB are to be reduced to a maximum of 10% of Council's Investment Funds by 31 December 2019; and*
- *Investments with an ADI with a Long Term Debt Rating of BBB- and an Unrated ADI are to be limited to the amount of the Commonwealth Government Guarantee (Financial Claims Scheme).*

Council reviewed its Investment Policy in September 2018 and considered the recommendations submitted by TCorp from their review undertaken at that time. Full adoption of the recommendations would have been a significant deviation from the existing policy with options for investment narrowed and earning capacity reduced. Instead a modified approach was adopted by Council which is summarised in the table attached.

In addition, the \$3 million per institution limit was retained rather than the much higher Counterparty limitations suggested on the basis that Council's policy allowed for greater diversification of investments limiting the exposure to individual institutions.

Council responded to the most recent TCorp request advising that the current Investment Policy of Council satisfied the legislative requirements including the Ministerial Investment Order and adequately addresses risk management and diversification in line with the Investment Policy guidelines issued by the Office of Local Government, without the need to reduce its exposure to BBB rated ADI's. The letter of offer was signed and returned with the removal of clause 6.3 detailed above.

TCorp responded to Council and advised that Clause 6.3 of their Letter of Offer remains a condition of their Credit Committee's approval and cannot be removed. A copy of TCorp correspondence, which was requested to remain confidential, and a comparison of policy limitations are attached for reference.

As at 31 May 2019 Currently Council's investment portfolio was represented by the following:

Long Term Credit Rating (or Moody's, Fitch, S&P or Equivalent)	Policy Maximum	Current Holding %	Current Holding \$
TCorp IM Funds	100%	10%	1,522,368
AAA – AA Category	100%	33%	5,000,000
A Category	80%	20%	3,000,000
BBB+ to BBB Category	40%	37%	5,500,000
			15,022,368

Compliance with the recommendations of TCorp would require 7% or just over \$1 million reallocated from BBB rated ADI's by December 2019 with no additional investments placed with BBB rated ADI's going forward. TCorp also imposes annual compliance obligations resulting in increased administration upon Council, not encountered with other financial institutions.

A decision to commit to the policy amendments to source borrowings from TCorp will be binding on Council going forward for the duration that Council obtains borrowings from TCorp. A recommendation for committing to TCorp is made on the basis of prudent financial management and risk minimisation despite the anticipated marginal loss in revenue.

Risk/Policy/Legislation Considerations:

As a small Council with limited ability to generate additional own source revenue streams, Council looks to maximise investment returns within the current constraints of Council's Investment Policy. BBB rated ADI's will often offer higher interest rates or specials at certain times to meet the demands of their own cash flow requirements. The big banks have a much wider pool of resources and do not have to chase funds typically offering more conservative rates.

TCorp did not impose any conditions of funding on the previous \$3 million loan to fund the Bridge Replacement Program. This is the first time these restrictions have been conditional on funding approval.

Whilst TCorp have made no specific recommendation to limit the exposure to A+ to A- rated investments, this condition sits above the recommended limit and could potentially be under review by TCorp the next time Council applies for borrowings. Also, whilst Council's policy allows for 80% exposure with A+ to A- rated investments, the only ADI offering attractive returns is AMP that sits within this category with Council's \$3 million institution cap currently limiting the exposure. This means overall that a minimum 50% must be invested in AA or above going forward. Council will need to increase institutional limits for ADI's in these categories therefore reducing Council's diversification of investments.

Policy risks and financial consideration are detailed below in the report and a summary of the risks and benefits of committing to TCorp are outlined as follows:

Risks	Benefits
Lessening of diversification	Investments invested largely with higher rated ADI's
Reduction of returns on investment	Best outcome for borrowing costs
More administration imposed on staff with annual reviews and investment policy adherence	
Council bound to amend Investment Policy and comply with conditions imposed (including future variations) for duration of loan term i.e. 10 years	
Institutional limits for ADI's rated A+ to A- will need to be increased	

Budget Implications:

Council called for Expressions of Interest to fund borrowings in February 2019 with TCorp offering the lowest rate at 3.35% closely followed by CBA with 3.58%. Since February rates have decreased and the latest indicative rates as at 28 May 2019 are tabled below.

Borrowings - \$1,320,000 fixed for 10 Years					
	EOI Rate	Latest Indicative Rate*	Quarterly Repayments	Total Interest	Interest Subsidy
Commonwealth Bank	3.58%	3.15%	38,599	223,945	111,973
TCorp	3.35%	2.52%	37,436	177,430	88,715
Variance	0.23%	0.63%	1,163	46,515	23,258

*Interest rates are indicative as at 28/05/2019 and should reduce further due to the 4 June 2019 RBA rate cut of 0.25%.

The interest variance over the life of the loan would equate to \$46,515, subject to a 50% subsidy under the Low Cost Loans Initiative.

Subject to acceptance of funding from TCorp there would also be an interest revenue consequence. At present the average rate of return for BBB rated investments held by Council is 2.71% compared to the TCorp Cash Management account of 2.31%. A 10% reduction in exposure would have a variance of up to \$6,009 per annum or \$60,089 over the life of this borrowing facility.

Reduced Exposure to BBB rated ADI's					
	Interest Rate*	40% Holding	30% Holding	Annual Variance	Term of the loan facility
BBB Average Interest rate	2.71%	162,842	122,132	40,711	407,106
TCorp IM Cash Management Fund	2.31%	138,807	104,105	34,702	347,017
Variance	0.40%			6,009	60,089

Current Investment Balance 15,022,368

It is difficult to analyse as rates continue to drop with the difference between the average BBB rated investments and AA currently held by Council only 0.04%. Some of these investments were made close to 12 months ago and are nearing maturity. Council is not seeing reinvestment rates quite this high averaging at 2.58% across all ADI's over the last 2 months.

To avoid policy breaches Council does not typically invest in CBA term deposits. In periods of high cash inflow typically around rates instalment due dates the cash balance can increase significantly which if combined with term deposits could exceed the \$3 million per institution maximum.

The excess BBB funds would most likely be transferred to TCorp's Cash Management account as the higher paying AA to A institutions are already at their maximum levels.

The interest savings on borrowings is comparable to the lost interest revenue and could be argued that there is no real advantage either way. However locking in low borrowing rates now is far more certain than predicting interest rate returns in the future.

Enclosures (following report)

Nil

Attachments (separate document)

- 1 TCorp Correspondence on Borrowings - Residential Land Development 2 Pages

This matter is considered to be confidential under Section 10A(2) (di) of the Local Government Act, as it deals with commercial information of a confidential nature that would, if disclosed (i) prejudice the commercial position of the person who supplied it.

- 2 Comparison of Limitations by Credit Rating under Policy Frameworks 1 Page

This matter is considered to be confidential under Section 10A(2) (di) of the Local Government Act, as it deals with commercial information of a confidential nature that would, if disclosed (i) prejudice the commercial position of the person who supplied it.

Matters to be dealt with in closed committee

In accordance with the Local Government Act (1993) and the Local Government (General) Regulation 2005, in the opinion of the General Manager, the following business is of a kind as referred to in Section 10(2) of the Act, and should be dealt with in a part of the meeting closed to the media and public.

**03) TENDER 11/2019 - CENTREPOINT SPORT & LEISURE CENTRE
AQUATIC & BUILDING UPGRADES**

This matter is considered to be confidential under Section 10A(2) (c) of the Local Government Act, as it deals with information that would, if disclosed, confer a commercial advantage on a person with whom the Council is conducting (or proposes to conduct) business.

This report is provided to Councillors in accordance with the CentrePoint Sports and Leisure Centre Aquatic and Building Upgrades Probity Plan (Resolution No 1902/008).