

IN-CONFIDENCE REPORT – 27 NOVEMBER 2013 COUNCIL MEETING

Item No	3.6
Report Title	Debenture Loan Repayment
Council Meeting Date	27 November 2013
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Department	Finance & Systems
Attachments	Nil
File Ref - Records	
Hours to compile	16.0
Strategic Plan Reference	
Purpose	To provide information to Elected Members regarding a possible debenture loan payout by the CWA scheduled for the 29 th of November 2013.
Executive Summary	This report provides the background and current arrangements for Debenture 29, pending a possible payout of the loan on 29 th November 2013.
Recommendation	That the following report “Debenture Loan Repayment” be received for information.
Discussion	

In 2005/06 a loan of \$165,000 was taken out on behalf of the Penneshaw Branch of the CWA for renovations to the Penneshaw Health Centre.

The loan was taken out by Council, and currently remains in Council's name with the LGFA.

The term of the loan is 15 years and is due to expire in June 2021. Repayments are \$8,820.17 half yearly, of which the Penneshaw CWA pay \$7,000 to Council to contribute towards this payment.

This arrangement was to continue beyond the term of the original loan (15 years) until an equivalent amount was repaid to Council for the full amount of the loan repayments. It was determined that the payments made by the Penneshaw CWA would continue for a further 3 years, until 2024 for a total of \$264,605.24 in payments.

There is currently no formal documentation tying the Penneshaw CWA to this loan that can be found.

Through letters from the CEO at the time, the Penneshaw CWA were advised of their responsibility to contribute towards this loan. They indicated their intention verbally in reply to do so. In the absence of a formal agreement, the CWA commitment is implied through various correspondence held on records after the loan was taken out.

The local Penneshaw CWA president contacted our staff several months ago requesting details of the existing loan, its current status, and its repayment terms. They were advised of the above information.

Following this communication, the State Treasurer of the CWA contacted Council about the loan arrangements. As the loan is in Council's name, other than the information we have already provided to the Penneshaw branch of the CWA, we are unable to provide any further details.

The State Treasurer indicated verbally that the group may be considering paying out the loan. We have since received a formal request from the State Treasurer for a payout figure for 29th November 2013. This information has been provided to the State Treasurer, with the expectation that this will happen on that date.

The payments made by Council YTD = \$123,482.38. The payments made by Penneshaw CWA for the YTD period equal \$114,105.00. The amount of arrears owing to Council (shortfall up to date) for the current period is \$9,377.38.

The indicative payout figure for this loan at 30/11/2013 was determined as follows:

Principal	\$107,761.86
Accrued interest	\$ 3,348.78
Market adjustment	\$ 12,611.43 (early payout fee / break cost)
Arrears of Installments to Date	\$ 9,377.38 (paid by Council)
Total	\$133,099.45

We are awaiting an updated payout figure at the time of this report.

This report is provided to Elected Members for information.

Governance Considerations

(relates to consistent management, cohesive policies, guidance, processes and decision-rights for a given area of responsibility)

The present loan circumstances highlight the need to good record-keeping, especially where financial commitments are concerned.

Risk Management Considerations

(identification, assessment, and prioritization of risks (defined as the effect of uncertainty on objectives, whether positive or negative) followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of unfortunate events or to maximize the realization of opportunities)

The risk is evident, in that there is no formal documentation found to commit the CWA to the repayment of this debenture loan. The worst-case scenario is that the CWA could refuse to make any further payments and Council would be left with the financial commitment.

Economic Considerations

(Assessment of likely financial implications of pursuing a course of action)

The payout of this debenture will reduce Council's formal liability figure on its Balance Sheet.

Social Considerations

(Assessment of likely impacts with the Community)

None assessed at this time.

Environmental Considerations

(Assessment of likely impacts on the environment)

None assessed at this time.