

Council

Meeting of 17 June 2026

Business Unit: Finance

Date Created: 11 May 2026

Adoption of the Borrowing Resolution for the Financial Year 2026/27

Purpose Te Aronga o te Pūrongo

The purpose of this report is to seek authorisation for the Chief Executive to borrow when necessary to fund the programmes identified in the Annual Plan 2026/27.

Recommendations Ngā Tūtohinga

1. That the Council authorises the Chief Executive to borrow new loans up to \$17,918,000 to fund the capital projects identified in the Annual Plan 2026/27.
2. That the Council authorises the Chief Executive to borrow to refinance existing loan facilities as they fall due. Loans can only be refinanced within the terms of the original loan approval as outlined in the financial strategy.
3. That the Council authorises the Chief Executive to negotiate and agree the terms, interest rate payable, type of loan facilities or issues of stock and/or swaps that make up the borrowing and to execute any agreements, documents, and certificates in respect of such loans, facilities, or stock on behalf of the Council.
4. That the borrowing be secured by a Debenture Trust Deed over all rates made from time to time by Council under the Local Government (Rating) Act 2002.
5. Council notes that the planned draw down of debt will breach the debt cap under the Current Liability Management Policy. However, due to Councils AA credit rating the planned total debt will not breach covenants with the Local Government Funding Agency.

Report prepared by:
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Chief Financial Officer

Approved for submission by:
Shayne Harris
Chief Executive

1 Background Ngā Kōrero o Muri

- 1.1 Council's borrowing programme is detailed in the Annual Plan 2026/27, which sets out the borrowing requirements in order to fund the capital works programme.

2 Strategic Fit Te Tautika ki te Rautaki

- 2.1 Not applicable as this is a legislative / operational item.

3 Discussion and Options Considered Ngā Matapakinga me ngā Kōwhiringa i Wānangahia

- 3.1 In order to finance capital works, the maximum term of the loan is the shorter of the expected life of the asset being acquired/constructed or thirty years whichever is less. However, the current practice is to utilise loan facilities for shorter periods (e.g., five years) and then refinance to utilise the best interest rate terms.
- 3.2 Council has a loan facility with the BNZ of up to \$10,000,000 that is available for short term funding prior to borrowing from the Local Government Funding Agency (LGFA), to use as bridging finance, or for emergency funding in the event of a disaster.
- 3.3 Loan borrowing will be in accordance with the Liability Management Policy.
- 3.4 Annual Plan 2026/27 cash flow forecast, and the funding impact statements show a net increase in borrowings of \$13,830,000, This made up of:
- 3.4.1 New debt funding required for capital projects \$17,918,000,
- 3.4.2 Refinancing of existing debt as it falls due,
- 3.4.3 Less scheduled loan repayments of \$4,088,000.
- 3.5 It should be noted that any capital works requiring debt funding which are carried forward from 2025/26 to 2026/27 will be funded from the 2025/26 debt resolution and would be on top of the noted borrowing in resolution. This has been taken into account calculating the expected closing debt balance as at 30 June 2027 (Section 7.6).

4 Risk Assessment Te Arotake Tūrarū

- 4.1 Not applicable

5 Engagement Te Whakapānga

Significance of Decision

- 5.1 The Council's Significance and Engagement Policy are not triggered by matters discussed in this report. No stakeholder engagement is required.

Māori and Cultural Engagement

- 5.2 There are no known cultural considerations associated with the matters addressed in this report. No specific engagement with Māori or other ethnicity groups is necessary.

Community Engagement

- 5.3 Community engagement was not undertaken as part of the Annual Plan 2026-27.

6 Operational Implications Ngā Pānga Whakahaere

- 6.1 There are no operational implications with this report. The debt referred to within the resolution will allow for the budgeted capital work to proceed.

7 Financial Implications Ngā Pānga Ahumoni

- 7.1 The financial impacts of the debt resolution have been allowed for within the Annual Plan 2026/27.

- 7.2 This draw down of debt will result in a breach of Council's debt cap under the current Liability Management Policy. Under this policy Council's debt cap for the 2026/27 financial year would be 175% of revenue which is \$131,648,000. Total planned debt for the end of the financial year is \$136,961,000. This results in a breach of \$5,313,000. However, this level of debt will not breach Council's covenants with the Local Government Funding Agency (LGFA). Council now holds an AA rating with Fitch Rating, which would allow Council to borrow up to 280% of revenue for the 2026/27 financial year. This would give Council an effective debt cap of \$218,637,000. The policy will be updated to reflect this updated measure as part of the Long-Term Plan process.

- 7.3 Total new borrowings to fund capital work is \$17,918,000, with a budgeted loan repayments of \$4,088,000.

- 7.4 Refinancing is expected to be \$13,000,000 for some of the existing term debt, with a further \$11,500,000 refinancing due to the short-term nature of the current commercial papers. The short-term borrowing is structured to allow Council to benefit from any low-interest rate options on offer. The short-term borrowing papers may be replaced with fixed term borrowings during the year depending on interest rates and advice from Bancorp Limited.

- 7.5 Closing debt for the 2025/26 year is based on an assumed debt balance of \$123,132,000 at 30 June 2025. This balance is based on the assumption that all capital works are completed.

- 7.6 Total debt balance at 30 June 2027 year is expected to be \$136,961,000.

8 Statutory Requirements Ngā Here ā-Ture

- 8.1 The Local Government Act 2002 prohibits all local authorities from borrowing in any currency other than New Zealand dollars (Section 113).