Australian Capital Territory

Financial Management (Credit Facility) Approval 2007 (No 1)

Disallowable instrument DI2007–220

made under the

Financial Management Act 1996, section 59 (9) (Borrowing by territory authorities)

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1 Name of instrument

This instrument is the *Financial Management (Credit Facility) Approval 2007 (No 1)***.**

2 Commencement

This instrument commences on the day after its notification day.

3 Credit facility approved—Act, section 59 (5)

A loan credit facility from the Territory Banking Account (the ***Territory Banking Loan Facility***) is approved for the Land Development Agency (LDA).

4 Purposes—Act, section 59 (7) (a)

The purpose of the credit facility is to allow LDA to do the following:

- pay an immediate debt owed to the ACT Planning and Land Authority (ACTPLA) in relation to raw land purchases made by the Land Development Agency in 2005-06;
- retain approximately $20 million in working capital which reflects the commitment to an average of 3 civil works contracts running at any given time;
- increase its average inventory; and
- develop the Kingston Foreshore Harbour Works.

The proposed loan credit facility is consistent with what has been published in the 2007-08 Budget and 2007-08 LDA Statement of Intent.

5 Maximum amounts—Act, section 59 (7) (b)

The Territory Banking Account Loan Facility is a revolving credit facility meaning amounts can be drawn and repaid at any time so long as the outstanding loan amount does not exceed the maximum amount in the current financial year in accordance with the table below:

	2007-08 **$'000**
Maximum outstanding at any time before 30 June 2008	41 557
Principal repayments	4 500
Maximum outstanding at 30 June 2008	37 057

6 Conditions of approval—Act, section 59 (7) (c)

(1) The following conditions apply to the credit facility:

a. The outstanding loan amount does not exceed the maximum loan amount as set out in clause 5.

b. Loan drawdowns can be requested at any time.

c. Principal repayments can be made at any time without penalty. The principal repayment amounts set out in the table above must be paid to the Territory Banking Account before 30 June in the relevant financial year.

d. Interest will be charged on the outstanding daily balance and is payable on a quarterly basis (1 October, 2 January, 1 April and 1 July) to the Territory Banking Account.

e. The rate of interest payable will be based on the 3-month bank bill swap rate (BBSW) plus a margin of 50 basis points. The margin of 50 basis points is added to reflect the Governments Debt Guarantee Levy (DGL) policy that is designed to address competitive neutrality issues surrounding borrowings from commercial Government entities. The margin of 50 basis points ensures LDA is not borrowing at a rate which puts it at an advantage to its private sector competitors as a result of its Government ownership structure.

f. The interest rate will be reset at the beginning of each quarter in accordance with the prevailing 3-month bank bill swap rate.

g. The interest rate can be reviewed in accordance with any potential formal credit rating undertaken by LDA or any future review of the application of the DGL and competitive neutrality issues.

h. Statements detailing the drawdown, interest and repayment transactions for each quarter will be provided by Treasury to LDA at the end of each quarter.

i. Principal and interest payments are to be made to the Territory banking Account, BSB 062-987, Account Number 10000149.

j. LDA may be required to make additional borrowing repayments at any point during the financial year from cash surpluses that are in excess to operating requirements as directed in writing by the Treasurer.

(2) The terms and conditions of the Territory Banking Account Loan Facility must be reviewed annually by the Treasurer.

Jon Stanhope MLA
Treasurer

Dated: 12 September 2007