

Financial Management (Credit Facility) Approval 2012 (No 1)

Disallowable Instrument DI2012—208

made under the

Financial Management Act 1996, section 59 (5) (Borrowing by territory authorities)

1 Name of instrument

This instrument is the *Financial Management (Credit Facility) Approval 2012 (No 1)*.

2 Commencement

This instrument commences on the day after its notification day.

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

In accordance with section 59(5) of *Financial Management Act 1996*, I, Andrew Barr, Treasurer, approve a credit facility for the University of Canberra (UC) from the territory banking account (**Credit Facility**).

4 Purposes—Act, section 59(7)(a)

The Credit Facility will enable the design and construction of student accommodation and ancillary facilities on the UC campus which will result in 297 dwellings consistent with the UC's obligations under the Commonwealth NRAS arrangements (**Student Accommodation 1**).

5 Credit Facility consistent with UC functions—Act, section 59(6)

The functions, inter alia, of the UC as set out in section 6 of the *University of Canberra Act 1989* are:

“To provide facilities and courses for higher education generally, including education purposes appropriate to professional and other occupations, for students from within Australia and overseas.”

The purpose of the Credit Facility as set out in Item 4 is consistent with these functions.

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

The maximum amount of the Credit Facility, including any capitalised interest, must not exceed \$50 million.

7 Conditions of approval—Act, section 59(7)(c) & 59(8)

- (1) The following conditions apply to the Credit Facility:
 - (a) To support the Credit Facility, the UC will provide an undertaking in the form of a negative pledge, consistent with that applying to the UC's private bank loans.
 - (b) Subject to Item 7(1)(m) the Credit Facility may be drawn down by the UC between the date of commencement of this instrument and 30 June 2014 in instalments and at times to be agreed between the Territory and the UC as design and construction of Student Accommodation 1 is carried out.
 - (c) The Credit Facility expires on 1 July 2028 at which time the UC must have fully repaid all of the principal and interest owing on the Credit Facility.
 - (d) The rate of interest payable to the Territory on the Credit Facility will be a fixed rate set on the date of the first drawdown against the Credit Facility and applicable until 1 July 2028.
 - (e) The fixed interest rate will be established by the prevailing Commonwealth Government 21 April 2027 bond rate (International Securities Identification Number AU3TB0000135 sourced from Bloomberg) plus the ACT Government market borrowing margin to the Commonwealth Government of 1.35% plus the lending margin of 0.75% being offered to the UC.
 - (f) Interest accrues at the fixed interest rate on the daily outstanding balance of the Credit Facility between the date of the first draw down and 30 June 2014 and will be capitalised on 30 June 2014.
 - (g) The UC must make interest only payments in quarterly instalments due on 1 July 2014, 1 October 2014, 2 January 2015 and 1 April 2015.
 - (h) From 1 July 2015, the UC must pay interest and principal, in aggregate level quarterly instalments on 1 July, 1 October, 2 January and 1 April in each year with the first of such payments to be made on 1 July 2015 and thereafter up to and including final repayment on 1 July 2028.

- (i) The UC may, at any time and from time to time, make a repayment of the whole or any part of the principal and interest then outstanding. In the event of any early repayments, the remaining quarterly interest and principal repayments will be reduced so that the final date for repayment of the Credit Facility remains at 1 July 2028. In the event of a whole repayment, the remaining quarterly and principal repayments will be reduced to nil.
- (j) The UC must use their best endeavours to ensure the Student Accommodation 1 is constructed and maintained to industry standard.
- (k) The Territory is to receive annual reporting from the UC in relation to the operation of the student accommodation and must otherwise have reasonable access to inspect the Student Accommodation 1 and operations of the Student Accommodation 1.
- (l) If the UC fails to complete the construction of the Student Accommodation 1 by 30 June 2014, unless the Territory otherwise agrees, all of the principal and interest then outstanding on the Credit Facility will be repayable in full by 31 December 2014.
- (m) The Under Treasurer must negotiate and execute, on behalf of the Territory, a credit facility agreement in respect of the Credit Facility on the terms set out in this instrument and including such ancillary terms as the Under Treasurer deems appropriate (which must not be inconsistent with the terms set out in this instrument) and such other documents as are necessary in respect of the security arrangements, before any draw down of the Credit Facility by the UC.

8 Review of Credit Facility —Act, section 59(10)

The Credit Facility will be reviewed annually. The review will consider matters including, but not limited to, compliance by the UC with the approved terms of the Credit Facility, the ongoing ability of the UC to meet the repayment obligations and the appropriateness of the Credit Facility in light of the then prevailing Territory policy and all other relevant circumstances.

Andrew Barr MLA
Treasurer

20 August 2012