

Australian Capital Territory

Financial Management (Credit Facility) Approval 2013 (No 1)

Disallowable instrument DI2013-40

made under the

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

EXPLANATORY STATEMENT

Background

The University of Canberra (UC) indicates it currently has a high demand for additional student accommodation facilities. The UC's aim is to grow student numbers from approximately 10,500 Equivalent Full-Time Student Load (EFTSL) to 16,500 by 2018. This growth in student numbers will increase the number of interstate and international students studying at the University and will increase the demand for student accommodation.

To assist with establishing additional accommodation to support the targeted growth in student numbers, the UC has successfully achieved funding for 1,000 student accommodation places under the Commonwealth NRAS program. The UC has decided to finance the capital cost of the new accommodation from borrowings.

Outline

To assist the UC's expansion plans to grow University enrolments and add to its existing accommodation stock, the Treasurer has approved a credit facility for the UC from the territory banking account (**Credit Facility**) in accordance with sections 59(5) to 59(10) of the *Financial Management Act 1996 (FMA)*.

Section 59 of the FMA deals with borrowings by territory authorities. Sections 59(5) to (10) of the FMA provide that the Treasurer may approve by disallowable instrument, inter alia, a credit facility for a territory authority from the territory banking account if the Treasurer is satisfied the purpose of the credit facility is consistent with a function of the territory authority. Section 59(5) of the FMA further provides that a credit facility approved in writing by the Treasurer in accordance with sections 59(5) to (10) of the FMA may be made without the requirement for an appropriation of funds for the purposes of the credit facility.

The Credit Facility is a revolving line of credit that permits the UC to draw down up to 30 June 2014 and repay funds to the territory banking account at any time provided that the maximum balance of the Credit Facility (including capitalised interest) does not exceed \$24 million. All interest accruing on the facility up to 30 June 2014 will be

capitalised to the Credit Facility balance as at 30 June 2014. Quarterly interest only payments are then to be made by the UC from 1 July 2014 during the 2014-15 financial year, and thereafter from 1 July 2015, the quarterly payments will include both principal and interest so that the facility is completely repaid by its expiry date.

Purpose

The Credit Facility will enable the purchase and redevelopment of Wing 4 Cameron Offices, 70 Chandler Street Belconnen (situated at Block 7, Section 44 Belconnen) for student accommodation which will result in 131 dwellings consistent with the UC's obligations under the NRAS arrangements (**Wing 4 Cameron**).

Term of Credit Facility

The expiration of the Credit Facility is 1 July 2028 at which time the UC must have fully repaid all amounts outstanding in respect of the Credit Facility.

Interest

The rate of interest payable to the Territory will be a fixed rate set on the date of the first drawdown against the Credit Facility and applicable until 1 July 2028. 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 1.05% plus the lending margin of 0.75% being offered to the UC.

UC Undertaking

To support the Credit Facility, the Territory will take security in the form of a first registered mortgage over the Wing 4 Cameron premises.

Use of the Credit Facility

Unless the Territory otherwise agrees, the UC must complete the purchase and redevelopment of Wing 4 Cameron by 30 June 2014 or, all of the principal and interest then outstanding on the Credit Facility will be repayable in full by 31 December 2014. The UC must use their best endeavours to ensure Wing 4 Cameron is constructed and maintained to industry standard.

Documentation

The Territory and the UC will enter into an agreement in respect of the Credit Facility which will detail all of the terms of the Credit Facility as set out in the Disallowable Instrument together with such other ancillary terms as the Under Treasurer considers appropriate (which must not be inconsistent with the terms set out in the Disallowable Instrument). The Territory and the UC will also enter into a mortgage in respect of Wing 4 Cameron premises.

Pre-conditions to Advances Under the Credit Facility

The following conditions must be satisfied prior to any advances be made to UC in terms of the Credit Facility:

1. 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

2. The UC must provide the Territory with the title deed to Wing 4 Cameron and the mortgage document signed by the UC in registrable form.

Should the pre-conditions not be satisfied by 5.00pm on 31 July 2013 or such later time approved by the Under Treasurer, the approval for the Credit Facility is withdrawn.

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