

ITEM 14 LOAN FUNDING: LOW COST LOAN INITIATIVE PROGRAM

The NSW Government has launched the fourth round of its Low-Cost Loan Initiative (LCLI), which supports regional councils to accelerate housing-related infrastructure projects. Under this program, councils can access loan funding with 50% of the interest costs subsidised by the New South Wales Government.

This report seeks approval from Council to borrow \$25 million to accelerate the West Dapto Road Upgrade (Stage 5) capital project and to apply to the LCLI program for the reimbursement of 50% of the interest costs on this loan.

RECOMMENDATION

- 1 Council applies to the NSW Government’s LCLI program to fund 50% of the interest cost on the proposed \$25 million loan.
- 2 Council approves external borrowings of up to \$25 million, at a fixed rate over a 10-year term with quarterly repayments, subject to:
 - a Approval by the Office of Local Government, and
 - b Successful application to the LCLI program.
- 3 If Council is successful under the LCLI program:
 - a Council undertakes a procurement process to secure the lowest-cost borrowing option, and
 - b Loan funding be applied to accelerate the construction of the West Dapto Road Upgrade (Stage 5).
- 4 Council delegate authority to the General Manager to execute all necessary documentation and actions to implement the above resolutions.

REPORT AUTHORISATIONS

Report of: Nathan McBriarty, Manager Infrastructure Strategy + Planning
 Authorised by: Joanne Page, Director Infrastructure + Works

ATTACHMENTS

- 1 Project Location: West Dapto Road Upgrade Stage 5

ACRONYMS USED IN REPORT

Abbreviation	Meaning
DPHI	Department of Planning, Housing and Infrastructure.
IDP	Infrastructure Delivery Program – Council’s 4-year infrastructure investment program.
LCLI	Low-Cost Loan Initiative – NSW Government funding program to incentive the acceleration of housing-enabling infrastructure through the funding a 50% interest subsidy on loan borrowings.
OLG	Office of Local Government – the approval authority for Council to undertake borrowing.

BACKGROUND

The objectives of the NSW Government’s Low-Cost Loans (LCLI) Initiative are to:

- Enable forward funding of local infrastructure by local government for the accelerated delivery of housing
- Provide councils with safe, cheaper finance subsidised by the New South Wales Government
- Facilitate the quick delivery of infrastructure in new housing areas

The program is open to all 95 regional New South Wales councils outside of Greater Sydney, including the Illawarra-Shoalhaven, Lower Hunter-Newcastle and Central Coast Councils.

Priority will be given to:

- Infrastructure projects that enable the delivery of new homes by 30 June 2029 to support the New South Wales Government's housing completion targets; and
- Projects that include a co-contribution from funds collected under Part 7 of the *Environmental Planning and Assessment Act 1979* (NSW) or Section 64 of the *Local Government Act 1993*.

The aim of the LCLI is to help councils supply new housing by reducing the cost of borrowing to build necessary infrastructure for new housing developments. Under the LCLI, the council must be:

- Building local infrastructure to enable the development of new housing. The development must be for new dwellings, which may be self-standing houses, flats or apartments that are used primarily for residential purposes.
- Responsible for the provision of the local infrastructure. The housing development itself may be carried out by the council or a developer.
- Responsible for repaying the loan on procured terms and prudential requirements.

Up to \$20.9 million in interest subsidies is available to successful regional councils. Loans taken out must be for:

- an amount greater than \$1 million.
- have a fixed interest rate.
- not exceed a 20-year loan period.
- the purpose of capital expenditure only, not operating or recurrent annual expenditure.
- capital expenditure on works that enable housing development to proceed, or community infrastructure assets that support new housing. This may include playing fields and playgrounds, roads, drainage, libraries, community centres, pedestrian or cyclist facilities, or land acquisition.
- a loan secured from a commercial loan facility.

PROPOSAL

It is proposed that Council submit a funding application to the New South Wales Government's LCLI program seeking funding of 50% of the interest cost associated with a \$25 million fixed rate loan over a 10-year term.

Subject to the success of Council's LCLI funding application, and OLG approval to borrow, Council:

- borrows \$25 million at a fixed rate over a 10-year term to accelerate the delivery of West Dapto Road Upgrade (Stage 5).
- will undertake a procurement activity to secure a market competitive rate for the cost of borrowed funds.
- Would repay the loan from Council's Section 7.11 developer contributions fund.

Council has identified West Dapto Road Upgrade (Stage 5) as the preferred project for this funding application based on:

- Relative priority and infrastructure sequencing identified in Council's adopted West Dapto Developer Contributions Plan (2025).
- Project maturity – Council's capacity to commence and complete the project within the timeframes specified by the LCLI program.

CONSULTATION AND COMMUNICATION

Council officers have consulted and communicated internally with the Council teams below:

- Urban Release
- Finance
- Transport Services
- Design + Technical Services

Should Council endorse this proposal, a copy of the minutes from the Council meeting dated 15 December 2025 will be provided to the Department of Planning, Housing and Infrastructure (DPHI) who are assessing applications under this program to demonstrate Council’s approval for borrowing.

The program guidelines for LCLI, which define the parameters of this funding program have been included for reference - www.planning.nsw.gov.au/sites/default/files/2025-10/low-cost-loans-initiative-round-4-guidelines.pdf.

PLANNING AND POLICY IMPACT

This report contributes to the delivery of Our Wollongong 2035 Goal 2 ‘We have well planned, connected and liveable places’. It specifically delivers on the following:

Community Strategic Plan 2035		Delivery Program 2025-2029
Strategy		Service
2.6	The growth of West Dapto Urban Release Area is well planned with facilities, spaces and educational institutions to support the growing community.	Land Use Planning

RISK MANAGEMENT

The primary risks associated with this proposal include:

Interest Rate Risk

While the loan will be secured at a fixed interest rate, market conditions may change, affecting Council’s comparative cost of funds and investment returns. To mitigate this, Council will undertake a competitive procurement process to secure the lowest-cost borrowing option.

Investment Return Risk

The financial benefit of the LCLI loan relies on Council maintaining an average investment return above the break-even threshold of 2.33% p.a. If returns fall below this level, the net financial benefit diminishes. Council will monitor investment performance and adjust portfolio strategies to maintain returns above this threshold.

Delivery Risk

Accelerating the West Dapto Road Upgrade (Stage 5) requires timely procurement and contractor availability. Delays could impact compliance with LCLI program timelines. Council will apply established project management frameworks and maintain contingency planning to mitigate delivery risks.

Regulatory and Compliance Risk

Borrowing must comply with OLG prudential requirements and Council’s Debt Management Policy. All approvals and documentation will be managed under strict governance protocols, with delegated authority to the General Manager to execute necessary agreements.

FINANCIAL IMPLICATIONS

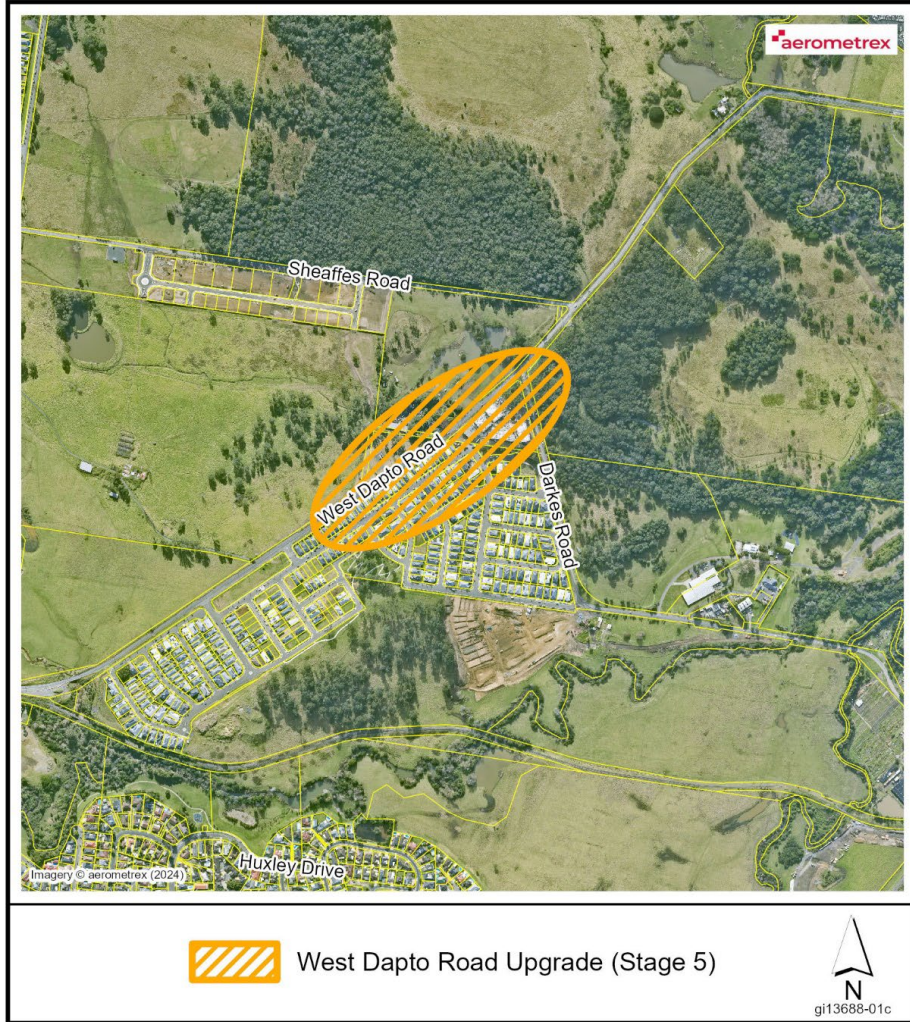
Subject to a successful application under the LCLI program:

- Council will introduce \$25 million loan funding into the 2026-2027 budget and accelerate the construction phase of the West Dapto Road Upgrade (Stage 5) within the IDP.

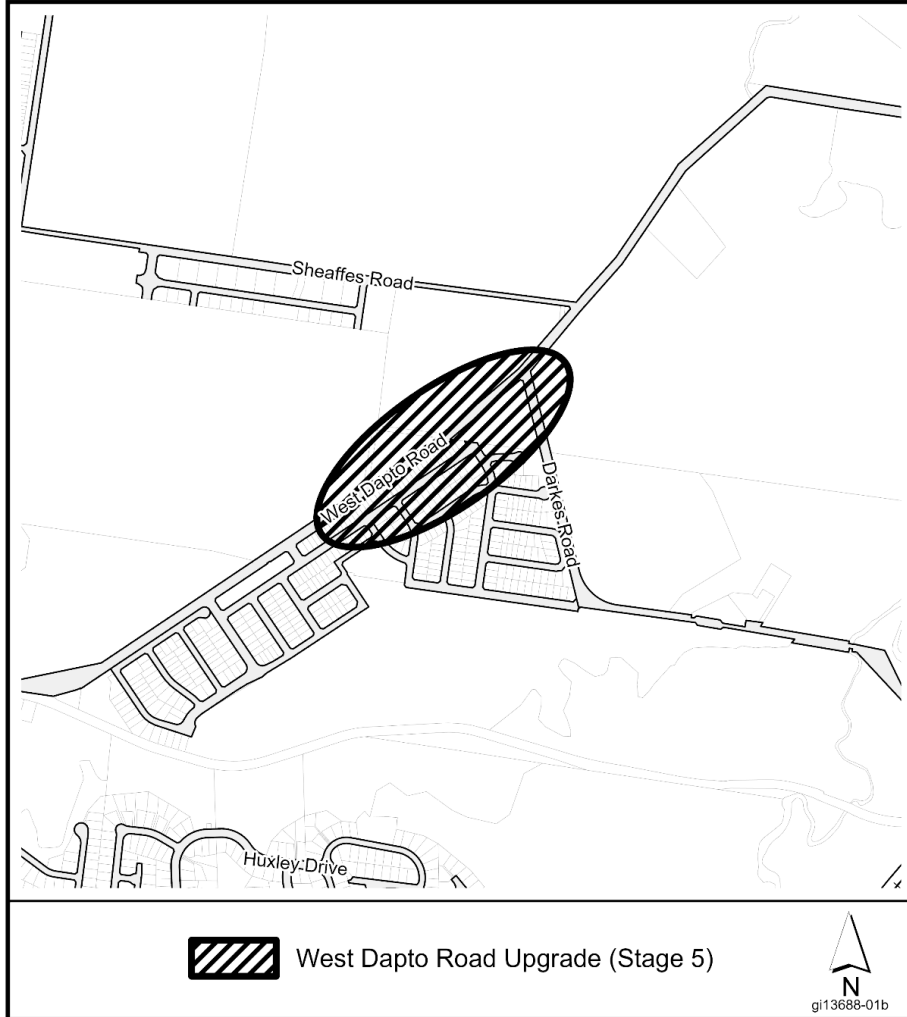
- The loan will be structured as a 10-year fixed-rate facility with quarterly repayments. Based on current market assumptions:
 - Total interest payable is approximately \$6.84 million over the term.
 - LCLI subsidy is approximately \$3.42 million, reducing net interest cost to \$3.42 million.
- At current investment returns (~4.51% p.a.), Council is projected to achieve a net positive financial outcome of \$3.2 million over the loan term, primarily due to the interest subsidy and investment earnings on retained cash.
- The arrangement remains financially beneficial provided Council's average investment return exceeds 2.33% p.a., below this threshold, the net benefit reduces to \$nil.
- Should Council be unsuccessful in its LCLI application, the timing of the West Dapto Road Upgrade (Stage 5) will need to be revisited.

CONCLUSION

The LCLI program provides an opportunity for Council to secure loan funding to enable the acceleration of identified priority housing-enabling infrastructure within the West Dapto Urban Release Area. It is recommended that Council endorse the recommendations of this Report.



While every effort has been made to ensure the highest possible quality of data, no liability will be accepted for any inaccuracy of the information shown.
Copyright © Wollongong City Council, Mapping Services Section. This map may not be reproduced in any form without the express written permission of Wollongong City Council.



While every effort has been made to ensure the highest possible quality of data, no liability will be accepted for any inaccuracy of the information shown.
Copyright © Wollongong City Council, Mapping Services Section. This map may not be reproduced in any form whatever without the express written permission of Wollongong City Council.