### 3. Borrowing Strategy

Loan borrowing is a legitimate and responsible financial management tool and the use of loans to fund capital projects can be an effective mechanism of linking the payment for the assets (via debt payments) to the successive rate-paying populations who receive benefits over the life of those assets. This matching concept is frequently referred to as ‘inter-generational equity’.
Borrowings are considered as a source of funding in the following circumstances:

- Capital projects that deliver long term benefit to the community
- Building or purchase of assets where a detailed cash flow analysis shows that full funding costs can be recovered over the life of the asset
- Economic investments where a new asset or service decreases existing costs or provides new revenue in excess of their funding costs (positive NPV)

As borrowings are usually the highest cost source of funds:

- Internal funding sources are considered and used first (including possible re-allocation of funds from lower priority projects or operating items)
- The proposed project may be re-timed to match internal funds availability

## SCENARIO PLANNING

The LTFP is a model to consider scenarios for the funding of operating and capital expenditure. Detailed forecasts of all sources of operating revenue and expenditure are utilised to derive the maximum surplus available to apply to Council’s rolling program of capital investments in new or refurbished infrastructure. These forecasts consider both changes in price levels for individual items as well as the benefits of ongoing productivity improvements.

**Scenario 1 - Base Case Scenario without the Special Rate Variation for Infrastructure**

**Scenario 2 - Continuation of the Special Rate Variation for Infrastructure**

**Scenario 3 - Continuation of the Special Rate Variation for Infrastructure plus additional funding to Close the Infrastructure Gap**