

## Summary of Borrowings

One of the major underlying principles incorporated into Council's Long Term Financial Plan is the Borrowing and Debt Strategy. As per this Strategy Council considers borrowings as a source of funding for:

- 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)

Using this strategy, the LTFP identifies a permissible level of borrowing in each year and sets a required level of borrowing below this level. This is a borrowing level that the Plan regards as sustainable, principally because;

- sources of debt repayment have been identified and modelled into overall cash flows, and
- the Debt Service Ratio (DSR) is within Council's target band of less than 4%.

Maintaining a maximum Debt Service Ratio of 4% in any one year is one of the key financial sustainability tests applied by the LTFP. During the current planning period, this test will not be satisfied due to Council borrowing for the LIRS (Local Infrastructure & renewal Scheme) loan, and the special loan for the Services Relocation Strategy which will have major repayments of principle, in excess of required minimums, timed to co-inside with asset sales.

Due to the above borrowings Council's Debt Service Ratio will exceed the sustainable borrowing level of 4% in 2014/15 to 2016/17, after which the ratio level will fall below 4%. The Debt Service Ratio for the next 10 years is provided in the table below:

### Borrowings Summary and Debt Service Ratio

Financial Year	Borrowings			Debt Service Ratio		
	Proposed Borrowings	Principal Repayments	Net Borrowing(-) or Repayment(+)	Interest Component	Principle Repayment	Total
2014/2015	\$930	\$12,392	\$11,462	1.9%	11.3%	13.2%
2015/2016	\$0	\$17,640	\$17,640	1.1%	15.6%	16.7%
2016/2017	\$0	\$14,657	\$14,657	0.4%	12.2%	12.6%
2017/2018	\$0	\$861	\$861	0.1%	0.7%	0.8%
2018/2019	\$0	\$819	\$819	0.1%	0.0%	0.1%
2019/2020	\$0	\$679	\$679	0.1%	0.0%	0.1%
2020/2021	\$0	\$360	\$360	0.0%	0.0%	0.0%
2021/2022	\$0	\$360	\$360	0.0%	0.0%	0.0%
2022/2023	\$0	\$180	\$180	0.0%	0.0%	0.0%
2023/2024	\$0	\$0	\$0	0.0%	0.0%	0.0%
<b>TOTAL</b>	<b>\$930</b>	<b>\$47,948</b>	<b>\$47,018</b>			

### How Council's Debt is being managed

The LTFP proposes a dynamic capital management strategy which continuously monitors:

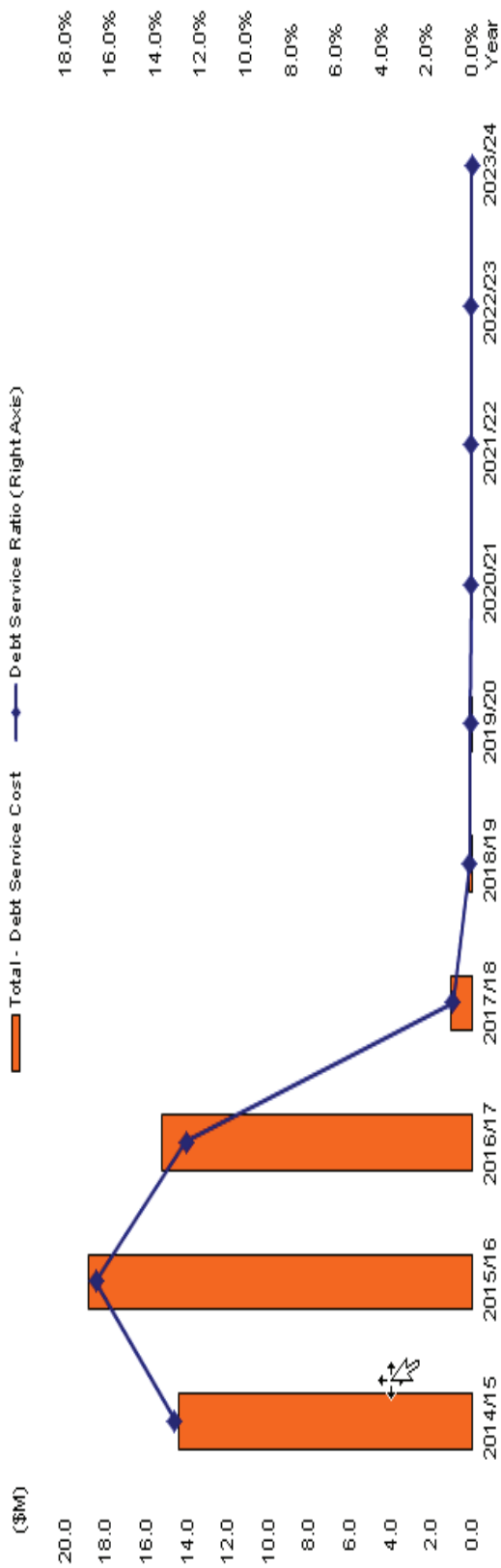
- Actual need for loan funds based on actual expenditure occurring within projects designated for loan funding
- Obtaining loans under terms which not only offer the best interest rate but also offer maximum flexibility for repayment timing and/or further loan drawdown
- Updated forecasts of sources of loan repayment
- Updated reviews of operating budgets, and
- Quoted interest rates on loans compared to interest being earned on invested funds

Currently no borrowings are proposed beyond 2015/16. The LTFP provides for repayments of debt to occur on either a schedule specified by the terms of individual loans or at a time where funds are available and the overall cost of debt can be reduced by making opportunistic repayments. This results in all loans being discharged by 2023/24.

Council will have borrowing capacity available in the future for capital projects. It should be noted that Council does not consider loan borrowing as a sustainable funding source for ongoing infrastructure renewal requirements. As such, the LTFP does not utilise loan borrowing for this purpose.

The following charts show Council's projected outstanding debt and the Net debt service cost for the next 10 years. Total Debt Service Cost includes total interest plus principal repayments.

**How Council's Debt Is Being Managed (\$M)**



The chart below shows Council's outstanding debt over a 10 year period

