

Ref: PHD 086/06

Subject:	Debt Repayment and Restructuring
Responsible Officer:	Myfanwy Barrett, Director of Financial and Business Strategy
Portfolio Holder:	Chris Mote, Leader
Key Decision:	Yes
Urgent/Non Urgent:	Urgent
Power to be exercised:	Portfolio Holder Responsibilities (Allocation of Responsibilities) – Paragraph 3 of the Delegated Powers of Portfolio Holders Appendix to the Executive Procedure Rules – Part 4D of the Constitution. (Special Urgency Rule also applies – para. 16 of the Access to Information Procedure Rules)
Exempt:	No
Enclosures:	Report from Sector Treasury Services

## SECTION 1 – SUMMARY AND RECOMMENDATIONS

### **RECOMMENDATIONS:**

The Leader is asked to:

- Agree to implement the recommendations of Sector Treasury Services arising from the balance sheet review, subject to approval to the accounting treatment from the External Auditor
- Delegate to the Director of Financial and Business Strategy any decisions required on the timing of implementation

**REASON:** To ensure effective management of the Council's long term borrowing and deliver savings in 2007-08.

## SECTION 2 - REPORT

1. Sector Treasury Services is a company within the Capita group which specialises in treasury management advice. Sector were commissioned recently to conduct a balance sheet review for the Council. They completed their work in April. Their report is attached.
2. Sector are recommending that the Council repays £98m of Public Works Loans Board (PWLB) maturity loans and replaces them with longer dated loans totalling £60m at lower coupon rates. This is a net reduction in long term borrowing of £38m, and will be financed through realising investments.
3. This proposal generates general fund savings in the order of £7.2m over 31 years. Due to the phasing of discounts on repaid loans and the split between the general fund and HRA, this saving is not spread evenly over the period. The saving in 2007-08 is in the order of £780k. The exact figures will vary depending on interest rates at the point of implementation.
4. The proposal was considered and supported by the Budget Review Working group, chaired by the Deputy Leader, David Ashton, on 23 April. The Council's external auditor has also been consulted on the accounting treatment of the debt restructuring. The auditor raised a number of queries which have been responded to. No action will be taken until the auditor has confirmed that he is content with the proposed accounting treatment.
5. Whilst the Director of Financial and Business Strategy has delegated authority for treasury management decisions, the scale of this exercise warrants formal approval.
6. Sector will support the Council throughout the implementation process and give advice on the timing of repayment and borrowing decisions. As the timing of repayment and borrowing is critical to the outcome and as these decisions are required very quickly, the Leader is asked to give a delegation to the Director in this respect. Such decisions will be made in consultation with Sector.
7. The Council's power to borrow money is contained in Section 1 of the Local Government Act 2003. In borrowing any money the council must have regard to the Prudential Code for Capital Finance in Local Authorities.
8. This decision is consistent with the Prudential Code and the Council's approved Treasury Management Strategy which states that:
  - Borrowing will be managed with a view to achieving a competitive interest rate and appropriate maturity profile.
  - New borrowing will be taken out to finance capital expenditure in line with the approved capital programme and prudential indicators.
9. This proposal is within with the Council's approved Authorised Limits and Operational Boundaries for external Debt under the Prudential Code. Borrowing may precede repayment when the decision is implemented resulting in a short term increase, but the net impact is a reduction in borrowing of £38m.
10. As Sector are part of Capita, the review was carried out at no cost to the council and the saving will be counted as a BTP saving.
11. Sector have been asked to submit a proposal to provide strategic treasury advice on an ongoing basis. This will be reviewed and subject to a separate report.

### SECTION 3 - STATUTORY OFFICER CLEARANCE

Name:.....Myfanwy Barrett	<input type="checkbox"/>	Chief Financial Officer
Signature:.....		
Date: ...3 May 2007.....		
Name:.....Hugh Peart.....	<input type="checkbox"/>	Monitoring Officer
Signature:.....		
Date: .....3 May 2007.....		

### SECTION 4 - CONTACT DETAILS AND BACKGROUND PAPERS

**Contact:**

**Background Papers:**

Report of Sector Treasury Services

**IF APPROPRIATE, does the report include the following considerations?**

1.	Consultation	Yes
2.	Corporate Priorities	N/A
3.	Manifesto Pledge Reference Number	N/A

Signature: .....

Position Director of Financial and Business Strategy

Name (print) Myfanwy Barrett

Date: 3 May 2007

**FOR PORTFOLIO HOLDER/LEADER**

\* I do agree to the decision proposed

\* I do not agree to the decision proposed

\* Please delete as appropriate

Notification of personal interests (if any):

(Note: if you have a prejudicial interest you should not take this decision)

Additional comments made by and/or options considered by the Portfolio Holder

Signature: .....

Leader

Date: