

## Appendix B: Debt Management

1.1 The table below shows the level of activity on short and long term borrowing between 1<sup>st</sup> April and 30<sup>th</sup> September 2016:

<b>Babergh District Council</b>	Balance on 01/04/2016 £000	Maturing Debt £000	New Borrowing £000	Balance on 30/09/2016 £000	Average Rate %
Sort term Borrowing	-	-	-	-	
Long Term Borrowing					
PWLB	87,297	250		87,047	3.001%
<b>Total Borrowing</b>	<b>87,297</b>			<b>87,047</b>	
<b>Total External Debt</b>	<b>87,297</b>			<b>87,047</b>	
<b>Increase/(Decrease) in Borrowing</b>				<b>(250)</b>	

<b>Mid Suffolk District Council</b>	Balance on 01/04/2016 £000	Maturing Debt £000	New Borrowing £000	Balance on 30/09/2016 £000	Average Rate %
Sort term Borrowing	11,000	19,000	18,000	10,000	0.338%
Long Term Borrowing					
PWLB	71,687	150	-	71,537	5.153%
Commercial Lenders	4,000	-	-	4,000	4.210%
<b>Total Borrowing</b>	<b>86,687</b>			<b>85,537</b>	
<b>Total External Debt</b>	<b>86,687</b>			<b>85,537</b>	
<b>Increase/(Decrease) in Borrowing</b>				<b>(1,150)</b>	

1.2 The tables above show that all new borrowing for Mid Suffolk for the first six months of 2016/17 has continued to be short term in order to take advantage of the relatively low rates. The level of short-term borrowing has reduced though, as it normally does in the first 6 months of the year, due to Council Tax and other income exceeding expenditure.

1.3 Babergh did not borrow any monies short term between April and September 2016. Mid Suffolk borrowed short term monies from other local authorities between April and September 2016 at interest rates between 0.33% and 0.5%. The total of short term loans held by Mid Suffolk at 30 September 2016 was £10m.

1.4 **LOBOs:** Mid Suffolk hold £4m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. Mid Suffolk acknowledges there is an element of refinancing risk even though in the current interest rate environment lenders are unlikely to exercise their options

- 1.5 **PWLB Certainty Rates:** The Councils have qualified for borrowing at the 'Certainty Rate' (0.20% below the PWLB standard rate) since 1<sup>st</sup> November 2014. In April both Councils submitted applications to the CLG along with the 2016/17 Capital Estimates Return to access this reduced rate for a further 12 month period from 1<sup>st</sup> April 2016.
- 1.6 Where possible both Councils make use of internal resources (surplus funds) instead of external borrowing to fund their capital expenditure as this lowers the overall treasury risk by reducing both external debt and temporary investments.
- 1.7 Babergh expects to borrow up to £10m and Mid Suffolk up to £25m by 31 March 2017 to finance the capital programmes and to put in place any potential long term cash investments.
- 1.8 The Councils' chief objective when borrowing continues to be striking an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. As short term interest rates have remained, and are likely to remain lower than long-term rates at least over the next two years, it is likely to be more cost effective for Mid Suffolk to borrow short term loans.