



SCRUTINY MANAGEMENT COMMISSION 11 JULY 2006

Report of the Corporate Director - Resources

MONITORING OF SAVINGS

RECOMMENDATION

1. To note the successful outcome of negotiations with the County Council on the calculation of debt charges made by the County Council for the debt transferred to the Council on Local Government Reorganisation in 1997.

SUPPORTING INFORMATION

- 2.1 The Scrutiny Management Commission requested a report on progress on certain key budget savings be made quarterly. This included the saving of £200,000 a year as a result of savings in the cost of borrowing within the Treasury Management budget.
- 2.2 A review undertaken last year of our payments to the County Council highlighted a technical issue relating to the detailed calculation of debt charges levied by the County Council on the share of their old pre 1997 debt that was 'transferred' to the Council on reorganisation in 1997. Transfer involved the Council taking responsibility for a share of the debt, but with the debts themselves left with the County Council. This is to avoid the additional costs that would have been involved had the County Council repaid their existing debts early.
- 2.3 As a result, two issues were highlighted where the detailed calculation of the interest charged to the Council by the County Council were questioned. The County Council has negotiated with us a new methodology for the calculation of debt charges in future which will reduce the charges that are being made to the Council by around £123,000 a year. In addition to this, the interest rate being charged has fallen as a result of the County Council's overall interest rate falling during the year. In total, the underlying payments to the County Council fell in 2005/6 from an expected £2.967m to £2.767m as a consequence of all these factors – a saving of exactly £200,000.
- 2.4 In addition to this, the County Council offered to backdate the use of the new agreed methodology by another year, and have repaid a further £99,236 as a result.
- 2.5 The overall result has therefore been to save the Council £0.3m in 2005/6 and around £0.2m a year in future – although this figure will reduce as the debt is

repaid over time. The debt to the County remains at around £45m and is falling at around £1.8m a year, slowly reducing the amount on which the saving is being made.

For more information contact:	Officer David Enticott Tel 255318 e-mail david.enticott @ derby.gov.uk
Background papers:	Calculations of debt charges from County Council.
List of appendices:	Appendix 1 – Implications

IMPLICATIONS

Financial

1. The savings have been removed from the Treasury Management budget for 2006/7 and have been achieved.

Legal

2. The exact legal position in terms of transferred debt is not entirely clear, and there have been disputes between some Councils as a result of LGR elsewhere. As this issue has been resolved by negotiation, there should be no legal issues.

Personnel

3. None

Equalities impact

4. None

Corporate priorities

5. The savings help to add to the Council's objective of value for money.