



Ryan Maslen
Spelthorne Borough Council
by e-mail

15th July 2016

Dear Ryan,

Spelthorne Borough Council Borrowing Strategy

As you are aware, we are Spelthorne Borough Council's Treasury Advisors, and have been asked to comment on the legitimacy of Spelthorne's plans to borrow in order to invest in a significant fixed asset.

The Council definitely has the legal power to do so. The Local Government Act 2003 gives the council the power to borrow for "*purpose relevant to its functions*" and "*for the purposes of the prudent management of its financial affairs*" (Section 1.1).

However, the Local Authority Capital Financing and Accounting Statutory Instrument 2003 also states that the council must follow the Prudential Code for Capital Finance in Local Authorities. This code, published by the Chartered Institute of Public Finance and Accountancy (CIPFA), states that any capital investment plans are *prudent, affordable and sustainable*.

With this in mind, the council must ensure that it takes care that the investment is suitable and in keeping with its long term revenue and capital spending plans. It should also be sure that the borrowing costs and all long term costs of the asset ownership are identified and are affordable in the long term, without adversely affecting the council's finances.

Therefore, as your treasury advisors, we are comfortable with you borrowing in order to make this purchase provided:

- Sufficient due diligence is taken on the purchase, including the council's ability to manage the asset, the quality of the asset and its current state
- Sufficient advice is sought, and acted upon, with regard to an appropriate purchase price
- The full costs and the expected return from the asset is sufficient to cover both budgeted debt interest and Minimum Revenue Provision payments
- That all financial analysis undertaken includes sufficient contingency in the case of unexpected costs or lower than projected income.

Please do not hesitate to contact us on 08448 808 200 should you wish to discuss any aspect of this letter further.

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Yours sincerely,

A handwritten signature in dark red ink, appearing to read "Mark Swallow". The signature is fluid and cursive, with a large initial 'M' and 'S'.

Mark Swallow, FCPFA
Technical Client Director
Arlingclose Ltd