

Title of Report:	Loan Redemption
Committee Report Submitted To:	Finance Committee
Date of Meeting:	11 September 2025
For Decision or For Information	For decision
To be discussed In Committee YES/NO	No

Linkage to Council Strategy (2021-25)	
Strategic Theme	Cohesive Leadership
Outcome	Council has agreed policies and procedures and decision making is consistent with them.
Lead Officer	Chief Finance Officer

Estimated Timescale for Completion	
Date to be Completed	

Budgetary Considerations	
Cost of Proposal	£2,030,378.08
Included in Current Year Estimates	YES/NO
Capital/Revenue	Revenue
Code	
Staffing Costs	

Legal Considerations	
Input of Legal Services Required	YES/NO
Legal Opinion Obtained	YES/NO

Screening Requirements	Required for new or revised Policies, Plans, Strategies or Service Delivery Proposals.		
Section 75 Screening	Screening Completed:	Yes /No	Date:
	EQIA Required and Completed:	Yes /No	Date:
Rural Needs Assessment (RNA)	Screening Completed	Yes /No	Date:
	RNA Required and Completed:	Yes /No	Date:
Data Protection Impact Assessment (DPIA)	Screening Completed:	Yes /No	Date:
	DPIA Required and Completed:	Yes /No	Date:

1.0 Background

Council makes extensive use of borrowing to finance its capital programme currently holding a loans portfolio amounting to £43.992m this being made up of £35.992m from Government Accounts Branch (GAB) in the Department of Finance (DoF) and £8m with Commercial banks.

2.0 Loan Facility

One of the commercial loan facilities is with FMS Wertmanagement to the value of £2m in a Lender Option Borrower Option (LOBO) arrangement which operates on an interest only basis.

2.1 Detail

The interest on this facility is payable every 6 months in May and November annually. At each payment point the option exists for the lender to vary the interest rate and for the borrower to accept or reject the alteration, rejecting the alteration automatically means repayment of the loan in full. Correspondence was received from the lender setting out an offer to redeem the loan early at a significant discount. A copy of the communication from FMS offering early redemption of the facility has been attached as an appendix to this report.

3.0 Discount

The lender has indicated that they were offering Council the opportunity to redeem the loan at maturity value (£2,000,000) plus accrued interest (£30,378.08) which represented a significant discount on the present value (£2,402,263) of the loan, which still has just over 23 years to run.

3.1 Sinking Fund

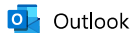
When operating interest only loan facilities Council is required to create a sinking fund whereby an amount is set aside periodically over the life of the loan facilities so that when the loan matures the cash has been set aside to repay the loan principal in full. The sinking fund currently sits at £5.750m therefore Council has sufficient cash set aside to meet this maturity.

3.2 Redemption

Council has the option at this point to repay the loan in its entirety without penalty. Given that the sinking fund currently has the required funds to cover this loan and Council's healthy cash position this is a valid possibility at this point. Since the offer was made during the summer recess and was time bound Senior Management have considered and approved the redemption, this report is therefore for retrospective approval of officer's actions.

4.0 Recommendation

It is recommended that Council retrospectively approve the repayment the loan facility in full taking £2m from the sinking for that purpose and paying the accrued interest to date which has been budgeted for and can therefore be charged to the Comprehensive Income and Expenditure Statement.

**FMS Wertmanagement Loan with Causeway Coastal and Glens**

From Conal O'Driscoll [REDACTED]
Date Fri 2025-08-15 4:06 PM
To David Wright [REDACTED]
Cc [REDACTED]

Dear David,

Following the recent rise in UK interest rates we have taken the opportunity to assess the prepayment indication for your loan (ref 691630AI). Based on this indication FMS could, until 27th August 2025 at the latest, accept prepayment of this loan with a substantial discount to the current present value.

Currently the present value of the loan is £2,402,263, which includes accrued interest of £30,378.08. Should you wish to proceed with prepayment, FMS would enter into a bilateral agreement with Causeway Coastal and Glens to prepay the loan on 27th August 2025 for a total amount of £ 2,030,378.08 (current principal plus accrued interest), which represents a significant discount to the current present value.

Could you please let us know if Causeway Coastal and Glens wishes to proceed with the discounted prepayment?

We would also like to take this opportunity to inform you that FMS-WM remains a state-owned wind-up institution whose sole purpose is to unwind risk positions. Thus, the likelihood of an option exercise at the next contractual exercise date remains significant.

Loan ID	Notional	Fixed Rate	Maturity Date	Loan PV 15/08/2025
691630AI / Causeway Coastal and Glens ref Loan Instrument Number B103	2,000,000	4.950	09/11/2048	£2,402,263

Please note that this indication does not constitute nor could be construed as investment advice from FMS or FMS-WM Service Company and Causeway Coastal and Glens should assess the suitability of any proposal with its own financial or other advisors.

Can you kindly confirm receipt of this email?

Best Regards

Conal O'Driscoll

Senior Director
Portfolio Management
Asset Management Department

FMS-WM Service Company
Dublin Branch
R1 Spencer Dock
3A Mayor Street Upper
North Wall, Dublin
Ireland
D01 PF72

Phone: +353 1 8759 268
Mobile: +353 87 2615706
Fax: +353 1 8759 368
Email: [REDACTED]

<https://www.fms-sg.de>

FMS Wertmanagement Service GmbH
Rechtsform / Legal Form: Gesellschaft mit beschränkter Haftung;
Sitz/Registered Office: Unterschleißheim / Unterschleissheim, Deutschland / Germany;
Registergericht und -nummer / Commercial Register and Number: Amtsgericht München / Local Court of Munich, HRB 198697;
Geschäftsführer / Management Board: Jan-Alexander Böckeler, Thorsten Schwarting.

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