

Full Council - 21 July 2016 – Member question 10F

Further to the Leader's response at the meeting, the table below lists the Council's portfolio of LOBO loans, comparing the rates payable against the rates available from the PWLB on the same date.

	Date of Advance	Amount of Original Loan	Rate Payable	PWLB Rate Available on Date of Advance	Period (years)	Final Payment Date
		£				
LOBO Loan 1	31-Mar-03	5,000,000	4.750%	4.800%	40	31-Mar-43
LOBO Loan 3	31-Mar-03	5,000,000	4.750%	4.800%	40	31-Mar-43
LOBO Loan 2	31-Mar-03	5,000,000	4.750%	4.800%	40	31-Mar-43
LOBO Loan 9	22-Jul-03	5,000,000	4.730%	4.850%	35	22-Jul-38
LOBO Loan 8	22-Jul-03	5,000,000	4.800%	4.850%	45	22-Jul-48
LOBO Loan 5	23-Jul-03	5,000,000	4.800%	4.850%	30	23-Apr-33
LOBO Loan 10	26-Sep-06	10,000,000	3.570%	4.050%	60	26-Sep-66
LOBO Loan 11	26-Sep-06	10,000,000	3.638%	4.050%	60	26-Sep-66
LOBO Loan 12	28-Sep-06	10,500,000	3.650%	4.100%	60	28-Sep-66
LOBO Loan 13	28-Aug-07	21,300,000	4.320%	4.550%	60	28-Apr-67
LOBO Loan 14	25-Jan-08	10,000,000	3.71%	4.590%	60	25-Jan-68
LOBO Loan 15	10-Apr-08	10,000,000	4.075%	4.550%	60	10-Apr-68
		101,800,000				

Actual Response

Channel 4's Despatches programme broadcast on 6 July 2015 criticised the high rates of interest being paid by many councils on LOBO loans taken out between 2003 and 2011. Whilst it is true that Medway Council's debt comprises just over £100m of such loans, all of them were taken out at rates below those being charged for loans of the same duration available from the Public Works Loan Board (PWLB) at the dates of advance.

The programme also made reference to the use of 'inverse floaters'. This type of loan would have been taken out as a hedge against interest rate increases and in the case of those local authorities that did this, they represented only a modest element of their overall debt portfolio. I can confirm that Medway Council does not hold any 'inverse floaters'.

At the time these loans were taken out, as the dramatic fall in interest rates could not have been foreseen and against other products at the time they represented good value at the time.

Even the premature repayment fees, which whilst significant and effectively prohibit debt restructuring, are not wildly dissimilar to the fees attached to early repayment of long term PWLB loans.

Councillor Osborne has asked for itemised information which I have here and I won't read out but will ensure Councillor Osborne receives it and indeed all members receive it via the minutes of the meeting.

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