# Cabinet

# 9 April 2024

# Treasury Management Report: Quarter 3

# Addendum Report

Portfolio Holder:    Councillor Vince Maple, Leader of the Council

Report from:    Phil Watts, Chief Operating Officer

Author:    Andy McNally-Johnson, Head of Corporate Accounts

## Summary:

This report was considered by the Audit Committee on 27 March 2024 and its comments are set out below.

## 1.    Audit Committee

1.1.    The Head of Corporate Accounts introduced the report which covered the period up to 31 December 2023. He highlighted borrowing had increased during the year by £11.7m though remained £64m below the capital finance requirement.

1.2.    The Council's debt maturity profile continued to be focused upon short and medium-term borrowing, however, debt maturity for the next 12 months remained under the £150m limit and debt was repaid at regular intervals. Council treasury advisors continued to be against long-term borrowing at this stage with interest rates expected to fall in the medium term.

1.3.    The Council received notice of two Lenders Options, Borrowers Options (LOBOs), £10m was repaid in quarter three, with a further £5m repaid in quarter four. No other debt rescheduling was required in quarter three.

1.4.    The capital investment value was now below the original cost, the Lothbury fund continued to be in difficulty and a decision to dissolve or seek a merger was due by the end of March 2024. The likely result of this would be a capital loss of around £1m to the Council and this had been forecast in round three budget monitoring.

1.5. The following issues were discussed:

**Debt Maturity** – a Member commented that there was £40m due to be refinanced this year and £100m next year and queried whether the Council continued to borrow on a short term basis with interest rates being projected to fall significantly next year. The Head of Corporate Accounts stated that the Council continued to take advice from its treasury advisors, he added that the large debt maturity next year was concentrated towards the end of the year.

1.6. **Capital Receipts** – the Committee requested further detail on the £52.4m capital receipts repayment at table 5.2 of the report. The Head of Corporate Accounts undertook to provide a briefing note to the Committee following the meeting.

1.7. **Lothbury Fund** – a Member queried how decisions to invest were made. The Head of Corporate Accounts stated the Council took advice before investing, however the investments were made for the long term. There had been a significant decline in returns post pandemic.

1.8. **Investment** – It was asked whether the Council could look at how other authorities are achieving higher returns on investment and consider replicating their strategies. The Head of Corporate Accounts acknowledged that some authorities achieved better investment returns however, returns were dependent on the level of risk the authorities had accepted. The Council had followed a prudent risk strategy.

1.9. **Lending to other authorities** – in response to a question whether lending to other authorities was considered high risk at the moment, the Head of Corporate Accounts replied that authorities are backed by the government so are not high risk, but the local authority market for lending has contracted considerably and local authority lending rates were very high, around 2% above PWLB.

1.10. **Interest And Financing Budget** – it was questioned why £967,000 had been drawn from reserves, when the budget showed an underspend of almost £1.3m. The Head of Corporate Accounts explained the drawdown on reserves was earmarked to fund treasury spend and so by using it, it allowed the Council to forecast an underspend.

1.11. **Decision:**

1. The Committee noted the Treasury Management report.

2. The Committee requested a briefing note providing further detail on the £52.4m capital receipts repayment 2023/24 at stated in table 5.2 of the report.

Lead officer contact:

Andy McNally-Johnson, Head of Corporate Accounts, Gun Wharf, 01634 333552, [andy.mcnallyjohnson@medway.gov.uk](mailto:andy.mcnallyjohnson@medway.gov.uk)

## Appendices

None

## Background papers

None