

## **Report to Council – 17 October 2023**

## **Report of Audit Committee – 26 July 2023**

Audit Committee met on 26 July 2023. The minutes are published on the council's website.

The following members, officers and guests were present at the meeting:

Present: Councillor Hofman (Chair)  
Councillors Nembhard, Newstead and Osborn

Also present: Simon Luk, EY

Officers: Head of Finance  
HCC Head of Assurance  
Fraud Manager  
Democratic Services Officer (LM)

Minute 15 from Audit Committee is shown below.

### **15. Treasury Management Annual Report 2022/23**

The Head of Finance introduced the report to the committee, which consisted of the annual review of treasury management activities, covering the whole financial review and back looking at 2022/23. This report was required to be presented to the council, as mandated by the new guidance. She highlighted paragraph 1.2.1, which contained the key actual prudential and treasury indicators, detailing the impact of capital expenditure activities during the year. The external debt had increased to 85 million, rising from 40 million at the end of the previous year. She also directed the committee's attention to paragraph 4.12.4, which emphasised the importance of proactive cash flow management and forecasting.

The Head of Finance addressed a question from Councillor Newstead regarding the significance of returns on cash and whether there was a special rate. She explained that the Council invested with other local authorities through the Debt Management Office and rates had been in excess of 5% even for overnight deposits.

In response to a question from the Chair regarding the increase in the external debt and whether it had been forecasted, the Head of Finance explained that the main reason was due to the central government recovering cash that had been paid to Councils during COVID-19 to cover the reduced business rates relief. The overpayment amounted to £21 million. This had reduced the

Council's cash balances and therefore the amount of internal borrowing it was able to carry.

The Head of Finance provided a forecast for Watford Borough Council at the request of the Chair. The interest rate forecast was crucial in considering external borrowing, especially for short-term borrowing. Refinancing some of the short-term borrowing within the next 12 to 24 months was necessary. The team worked hard on the cash flow forecast to avoid financing borrowing at the peak of the interest rate. There was hope that interest rates had peaked and might start to decrease, depending on inflation, shortly. The preferred option for borrowing over a year was from PWLB (Public Works Loan Board). Monitoring the timing and any potential additional borrowing during 23/24 was essential to assess its impact on the interest payable budget. While higher interest costs were expected, the team hoped that additional interest earned on overnight cash advances would offset it. Overall, the treasury strategy remained unchanged, but there was a greater emphasis on cash flow management.

RESOLVED –

that the report be noted.