

## **Cabinet**

**11 February 2025**

### **Treasury Management Strategy 2025/26**

#### **Appendix D**

1. **Audit Committee**

1.1. The report was previously considered by the Audit Committee on 28 January 2025, the draft minutes are set out below.

1.2. **Discussion:**

1.3. The Head of Corporate Accounts introduced the report. He highlighted that the figures in the report were based on latest budget forecasts and any changes to plans in the Capital Programme would affect the Minimum Revenue Provision (MRP) requirement.

1.4. The Council had updated its Minimum Revenue Policy which was included in Appendix A to the report in line with CIPFA guidance.

1.5. The Council continued to operate within the Capital Finance requirement (CFR). The Debt Maturity profile shows that loans to be repaid will peak over the next months and the Council continued to focus on short term borrowing whilst interest rates were high. It was anticipated that interest rates would fall in the next 12 months, which would make longer term borrowing more advantageous at that stage. When interest rate conditions were right the Council would consider taking longer term borrowing to smooth the debt maturity profile.

1.6. The following issues were discussed:

1.7. **MRP** – further clarification was requested in relation to the updated MRP policy, the Chief Operating Officer explained that new guidance was in place from May 2024 that required loans to third parties which are commercial or principally to generate income be subject to MRP payments. It was the clear view of the Council that loans to its subsidiary Medway Development Company (MDC) were not commercial so would not be subject to MRP payments. External Auditors had taken a different view and discussions regarding this were ongoing, however, the Council had taken guidance from

CIPFA prior to updating its MRP policy and he was confident that the policy met current requirements.

- 1.8. The Committee discussed the loans provided to the MDC; the Chief Operating Officer explained that the initial loans during the construction phase were at a higher rate than subsequent loans which were secured against MDC's assets and were charged at an interest rate 0.5% above what the rate of loans borrowed by the Council. The MDC loan facility had been extended to March 2028, but it was planned for the loans to be repaid to the Council in full. The weakness in the housing market had meant MDC had changed its strategy to include renting some units. There remained a number of sites the MDC could progress in the medium term.
- 1.9. **Alternative funding sources** – in response to a question regarding potential alternative sources of funding than loans the Chief Operating Officer stated the Council was exploring the sale of non-operational assets. The sale of those assets could be used instead of borrowing to fund the Capital Programme, to finance new initiatives or instead of Exceptional Financial Support (EFS). However, the disposal of assets would take some time, and the Council needed to invest resources such as recruiting surveyors and conveyancing lawyers to ensure it received the best value for those assets. He expected that receipts would begin to be received at the end of this financial year or early in the next year.
- 1.10. It was asked if the sale of those non-operational properties could be as transparent as possible, the Chief Operating Officer stated the property team would work with agents using a variety of methods to ensure the Council got the best value.
- 1.11. **Exceptional Financial Support** – it was asked if the table showing capital borrowing could show the EFS received from central government on a separate line, the Head of Corporate Accounts undertook to update the report prior to it being considered by Cabinet.
- 1.12. **Debt repayment to KCC** – it was asked how the proposed local government reorganisation would affect debt repayment to KCC, the Chief Operating Officer stated it would be a matter for discussion as part of the reorganisation.
- 1.13. **Decision:**

The Committee considered the report, noted its contents, and passed comments as set out in the minutes on for consideration by the Cabinet and recommendation to Full Council for approval.