

Cabinet

10 February 2026

Treasury Management Strategy 2026 / 2027

Appendix D

1. Audit Committee

- 1.1. The report was previously considered by the Audit Committee on 27 January 2026, the draft minutes are set out below.
- 1.2. The Head of Corporate Accounts introduced the report, he highlighted that figures were based upon quarter two budget monitoring and any changes to the Capital budget would have consequential affects for the minimum revenue provision (MRP). It is envisioned that external borrowing would increase over the next three years.
- 1.3. The Debt Maturity profile shows debt repayment to peak over the next two to three years, before falling as the Council continues to prioritise short term loans on the advice of treasury advisors. The Council would continue to consider opportunities for significant receipts over the next period including disposal of assets which could be used to reduce debt. As interest rates fall the Council will look to spread the debt maturity profile.
- 1.4. The Head of Corporate Accounts added that the Minimum Revenue Provision (MRP) guidance had been updated in 2024, and the Strategy reflects these changes which specifically addressed the Council's position with regard to the MRP and loans to subsidiaries.
- 1.5. The following issues were discussed:
 - 1.5.1. Fixed term Interest Rates loans - in response to a question whether the Council had exceeded its upper limit for fixed term interest rate loans to subsidiaries, the Chief Operating Officer explained that the PSR loans Interest rate changed on an annual basis so was not a fixed rate, which meant the upper limit had not been breached as the fixed rate loan was £125m.
 - 1.5.2. **Economic Analysis** – The Independent Member requested further information regarding the economic analysis which had been undertaken to support the strategy and the risk to the Council. The Head of Corporate

Accounts stated that the Council treasury Advisors had provided an analysis of interest rates and the PWLB rate and this had informed the strategy. Advisors continued to provide regular updates on the economic outlook.

- 1.5.3. **Housing Revenue Account (HRA)** – It was asked whether the Housing Revenue Account affected the CFR. The Head of Corporate Accounts stated the HRA had its own CFR limit, this was then combined with other borrowing to provide an overall figure for both borrowing and the CFR for the Council.
- 1.5.4. **Exceptional Financial Support (EFS)** – further information was requested in relation to what the effect of EFS borrowing would have on the strategy. The Head of Corporate Accounts stated that the EFS would be repaid under the MRP guidance. The guidance required payment of the EFS over two twenty years.
- 1.5.5. **Risk Management** – It was asked what steps had been undertaken to ensure the HRA strategy was affordable over the longer period. The Chief Operating Officer stated that the HRA business plan was produced with the assistance of consultants which took in a wide variety of market conditions and was subject to significant scrutiny on an annual basis.
- 1.5.6. A Member questioned whether it was prudent to borrow at current levels with Local Government Reform scheduled to take place over the next two years with a successor authority being responsible for the debt. The Chief Operating Officer stated that the benefits of the Capital Programme would accrue over the longer term so although there would be debts, there would also be significant assets for the successor authority. In addition, the benefits of the scheme would save on revenue spending in the future, for example the CareFor Medway project, the total costs of building and operational costs of the lifetime of the scheme were balanced with current costs if private sector costs remained the same. However, it was expected that private care costs would continue to rise so the scheme was affordable in the long term, in addition this scheme would ensure that Medway Council had an influence on the care market.
- 1.5.7. **Refinancing** – it was asked if the majority of debt was refinanced rather than repaid. The Head of Corporate Accounts stated that some debt was repaid when large receipts were received and where cash flow allowed, debt was repaid rather than refinanced. The Head of Corporate Accounts undertook to provide further information where debt was repaid rather than refinanced in future reports.
- 1.5.8. The Chief Operating Officer added that overall debt was rising, so debt was refinanced. Repayment was planned for the longer period which was managed under the MRP. A Member raised concern that the debt had increased by £80m this financial year and was planned to increase by £120m

next year. The Chief Operating Officer acknowledged this rise in debt, however it was linked to growth in the Councils assets.

1.6. **Decision:**

- a) The Committee noted the reports contents and submitted comments to Cabinet and recommendation to Full Council for approval.
- b) The Head of Corporate Accounts to include debt repaid and debt refinanced in future reports.