

Council

25 February 2026

Treasury Management Strategy 2026/27

Portfolio Holder: Councillor Vince Maple, Leader of the Council

Report from: Phil Watts, Chief Operating Officer

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Summary

This report presents the Council's Treasury Management Strategy for the 2026/27 financial year. The Treasury Management Strategy incorporates within it the Treasury Management Policy Statement, Annual Investment Strategy and Minimum Revenue Provision Policy.

The report was previously considered by the Audit Committee on 27 January 2026, the comments of which are set out at section 5 of the report and by the Cabinet on 10 February 2026, the decisions of which are set out at section 6 of the report.

1. Recommendations

- 1.1. The Council is requested to note the comments of the Audit Committee, as set out at section 5 of the report and the decisions of the Cabinet, as set out at section 6 of the report.
- 1.2. The Council is asked to approve the Treasury Management Strategy 2026/27, as set out in Appendix A to the report.

2. Budget and policy framework

- 2.1. Audit Committee is responsible for the scrutiny of the Council's Treasury Management, Investment Strategy and Minimum Revenue Provision Policy Statement. The Constitution also specifies the role of Cabinet in implementing and monitoring treasury management policies and practices.
- 2.2. Following consideration by Audit Committee, the Cabinet was invited to consider the Strategy, taking account of the Committee's comments.
- 2.3. Final approval of the policy and the setting of prudential indicators is a matter for this meeting of Full Council.

3. Background

- 3.1. The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Council's risk appetite, providing adequate liquidity initially before considering investment return.
- 3.2. The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 3.3. Medway Council defines its treasury management activities as: *"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks"*.

4. Treasury Management Strategy 2026/27

- 4.1. The Strategy (Appendix A) has been prepared in line with CIPFA's Local Authority Treasury Management Code, and sets out the Council's borrowing requirement and strategy, its strategy in respect of investments, provides details of the Council's current portfolio position and sets out the prudential and treasury indicators that will be used to monitor and measure treasury performance. Previous Treasury Management Strategies set limits for fixed rate loans to subsidiaries of Medway Council under the heading of interest rate exposure. Section 4.7.2 details a change to this approach because of changes to the economic landscape. A Diversity Impact Assessment has been undertaken on the Strategy, as set out in Appendix B to the report.

5. Audit Committee

- 5.1. The report was previously considered by the Audit Committee on 27 January 2026, the draft minutes are set out below.
- 5.2. 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.

- 5.3. 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.
- 5.4. 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.
- 5.5. The following issues were discussed:
 - 5.5.1. 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.
 - 5.5.2. 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.
 - 5.5.3. 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.
 - 5.5.4. 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.
 - 5.5.5. 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.
 - 5.5.6. 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 of 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.

5.5.7. 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.

5.5.8. 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.

5.6. **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.

6. **Cabinet**

6.1. The report was considered by the Cabinet on 10 February 2026 and the decisions made were as follows:

6.2. The Cabinet noted the comments of the Audit Committee, as set out in Appendix D within the Supplementary Cabinet Agenda.

6.3. The Cabinet recommended the Treasury Management Strategy 2026/27, as set out in Appendix A to the report, to Full Council for approval.

6.4. The Cabinet approved the Treasury Management Practices, as set out in Appendix C to the Cabinet report.

7. **Risk management**

7.1. Risk and the management thereof is a feature throughout the strategy and in detail within the Treasury Management Practices, which were approved by the Cabinet on 10 February 2026 (See paragraph 7.4 above)

8. Financial and legal implications

- 8.1. The finance and legal positions are set out throughout the Treasury Management Strategy itself. To achieve a balanced budget, the authority relies upon generating maximum interest from its investments whilst minimising the exposure to risk. To achieve this, investments are only placed with institutions which meet the criteria set out within this report. Investment durations do not exceed those as advised by MUFG Corporate Markets credit ratings which are associated with the specific institutions. Where the authority is required to borrow to meet the needs of the authority, officers will seek advice from MUFG Corporate Markets on timings and options to ensure the best deal for the authority.

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Appendices

Appendix A - Treasury Management Strategy 2026/27
Appendix B - Diversity Impact Assessment Screening Form

Background papers

None