Public Document Pack

North East Derbyshire District Council

Contact: Thomas Scott
Tel: 01246 217045
Email: thomas.scott@ne-derbyshire.gov.uk
Date: Friday, 9 January 2026

To: **Members of the Audit Committee**

Please attend a meeting of the Audit Committee to be held on **Monday, 19 January 2026 at 3.00 pm in Meeting Rooms 1 & 2, District Council Offices, 2013 Mill Lane, Wingerworth, Chesterfield S42 6NG.**

Yours sincerely

Sarah Sternberg

Assistant Director of Governance and Monitoring Officer

Members of the Committee

Labour Group	**Conservative Group**
Councillor Christine Smith – Chair Councillor David Cheetham Councillor Tony Lacey	Councillor Alex Dale Councillor Martin E Thacker MBE JP

For further information about this meeting please contact: Thomas Scott 01246 217045

A G E N D A

1 **Apologies for Absence**

2 **Declarations of Interest**

Members are requested to declare the existence and nature of any disclosable pecuniary interests and/or other interests, not already on their register of interests, in any item on the agenda and withdraw from the meeting at the appropriate time.

3 **Minutes of Last Meeting** (Pages 5 - 8)

To approve as a correct record and the Chair to sign the Minutes of the Audit Committee held on 24 November 2025.

4 **Reports of the Head of the Internal Audit Consortium**

a. **Internal Audit Progress Update** (Pages 9 - 18)

b. **Proposed External Review of Internal Audit** (Pages 19 - 24)

5 **Reports of the Director of Finance & Resources and S151 Officer**

a. **Treasury Management Refresher Training**

b. **Treasury Management Strategies** (Pages 25 - 80)

c. **Proposed Accounting Policies** (Pages 81 - 110)

6 **Reports of the Assistant Director Governance & Monitoring Officer**

a. **Work Programme 2025-27** (Pages 111 - 116)

7 **Urgent Matters**

To consider any other matter which the Chair of the Committee is of the opinion should be considered as a matter of urgency.

8 **Exclusion of Public**

The Chair to move:-

That the public be excluded from the meeting during the discussion of the following item of business to avoid the disclosure to them of exempt information as defined in Paragraph 3 & 5, Part 1 of Schedule 12A to the Local Government Act 1972, (as amended by the Local Government (Access to Information) (Variation) Order 2006). [The category of exempt information is stated after each item].

9 **Reports of the Managing Director**

a. **Risk Management Update** (Pages 117 - 156)

10 **Date of Next Meeting**

The next meeting of the Audit Committee is scheduled to take place on 23 February 2026 at 3.00 pm.

North East Derbyshire District Council

Access for All statement

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- Call with Relay UK via textphone or app on 0800 500 888– a free phone service
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AUDIT COMMITTEE

MINUTES OF MEETING HELD ON MONDAY, 24 NOVEMBER 2025

Present:

Councillor Christine Smith (Chair) (in the Chair)
Councillor David Cheetham (Vice-Chair)

Councillor Tony Lacey
Councillor Martin E Thacker MBE JP

Also Present:

J Collins	Forvis Mazars LLP
J Dethick	Director of Finance and Resources (Section 151 Officer)
J Wells	Corporate Finance Manager / Deputy S151 Officer
J Williams	Head of Internal Audit Consortium
D Parker	Housing Intelligence and Assurance Officer
A Bryan	Governance Manager

AC/16/25-26 **Apologies for Absence**

Apologies for absence had been received from Councillor Alex Dale.

AC/17/25-26 **Declarations of Interest**

Members were requested to declare the existence and nature of any disclosable pecuniary interest and/or other interest, not already on their register of interest, in any item on the agenda and withdraw from the meeting at the appropriate time.

Councillor C Smith declared that she was a board member of Rykneld Homes Limited but this was not a prejudicial interest in respect of the items being considered.

AC/18/25-26 **Minutes of Last Meeting**

RESOLVED – That the Minutes of the Audit Committee held on 28 July 2025 be approved as a correct record.

AC/19/25-26 **External Audit Completion Report 2024/25**

J Collins, Forvis Mazars LLP, presented the Audit Completion Report (year ended 31 March 2025). At the time of issuing the report and subject to the satisfactory completion of the auditors remaining work, they anticipated issuing an unqualified opinion, without modification.

The Committee discussed the reference in the report to related party disclosures and that 13 current councillors had not submitted a declaration form. It was noted that officers had done all they could to ensure Members completed the declaration forms. The Committee also discussed the reference to Local Government Reorganisation in the report.

RESOLVED – That the report be noted.

AC/19/25-26a **External Annual Audit Report 2024/25**

J Collins, Forvis Mazars LLP, presented the Auditor's Annual Report 2024/25. It was explained that this was a public facing document that was draft until the final audit report was issued. The Value for Money commentary was highlighted, as well as the two recommendations regarding financial sustainability and Local Government Reorganisation (LGR).

The Committee welcomed the report and in respect of the sustainability comments, discussed the use of reserves given LGR.

Forvis Mazars LLP and the finance team were thanked for their work.

RESOLVED – that the report be noted.

AC/20/25-26 **Internal Audit Progress Report**

The Head of the Internal Audit Consortium presented a progress report in respect of the 2025/26 Internal Audit Plan.

Attached to the report at Appendix 1 was a summary of reports issued since the Committee last met in respect of the 2025/26 internal audit plan. Five reports had been issued in this period, all with Substantial Assurance. No issues arising relating to fraud had been identified. Appendix 3 to the report provide details of the progress made on the agreed 2025/26 internal audit plan.

It was also reported that once a new part time Auditor started on 12 January 2026 the Consortium would be fully staffed.

RESOLVED – That the report be noted.

AC/21/25-26 **Monitoring the Implementation of Internal Audit Recommendations**

The Head of the Internal Audit Consortium presented a summary of the internal audit recommendations made, implemented and outstanding for the financial years 2023/24 to date.

Attached to the report at Appendix 1 was an analysis of the number of recommendations made, implemented and outstanding. In total there were just six recommendations outstanding (3 medium and 3 low risk).

The Committee asked about safeguarding, and it was reported that safeguarding was included in a range of audits and it was likely to be covered again in 2026/27.

RESOLVED – That the report be noted.

AC/22/25-26 **Treasury Management Strategy Update**

The Director of Finance and Resources (Section 151 Officer) presented a summary of the Treasury Management position for the first and second quarters of 2025/26.

The report set out Treasury Management information for the quarter, as well as monitoring of prudential indicators.

The Committee discussed the increase to the loan portfolio, spreading investments for a better yield and being less risk adverse. The Director of Finance and Resources (Section 151 Officer) confirmed that the Council do diversify investments in line with the strategy.

RESOLVED – that the report concerning the Council's Treasury Management report for Quarter 2 be noted.

AC/23/25-26 **Safeguarding Update**

The Housing Intelligence and Assurance Officer presented a report which updated the Committee regarding safeguarding arrangements and referrals.

The report set out information regarding safeguarding referrals, referral issues identified, the number of referrals from 1 April 2025 to 30 September 2025, safeguarding policy update and learning and development, and the Derbyshire District Safeguarding Leads Sub Group. The report also set out details regarding the Safeguarding Adults Board, the Derbyshire District Safeguarding Children's Partnership and the Adult Safeguarding Annual Report, as well as suicide and self-harm prevention meetings and actions to be addressed in 2025/26.

The Committee discussed the report and spoke about Domestic Abuse, cuckooing, pro-active referrals and training, and the difficulty in spotting online abuse.

RESOLVED – that the report be noted.

AC/24/25-26 **Work Programme May 2025 - April 2027**

In respect of the Committee's Work Programme May 2025 to April 2027, it was noted that the Review of the Internal Audit Charter would now be in April 2026, not January.

RESOLVED – that the work programme be noted and approved.

AC/25/25-26 **Urgent Matters**

None.

AC/26/25-26 **Date of Next Meeting**

The next meeting of the Audit Committee was scheduled to take place at 3pm on Monday 19 January 2026.

North East Derbyshire District Council

Audit Committee

19th January 2026

Summary of Progress on the 2025/26 Internal Audit Plan

Report of the Head of the Internal Audit Consortium

Classification**:** For Publication

Report By**:** Jenny Williams: Head of the Internal Audit Consortium

Contact Officer: Jenny.Williams@ne-derbyshire.gov.uk

PURPOSE / SUMMARY

- To present, for members' information a progress report in respect of the 2025/26 Internal Audit Plan.

RECOMMENDATION

1. That the report be noted.

IMPLICATIONS

Finance and Risk: **Yes☐** **No ☒**
Details:

Internal audit reviews help to ensure that governance, risk and control arrangements are operating effectively thereby contributing to ensuring that value for money is obtained and continuous improvement made.

On Behalf of the Section 151 Officer

Legal (including Data Protection): **Yes☐** **No ☒**
Details:

The core work of internal audit is derived from the statutory responsibility under the Accounts and Audit Regulations 2015 which requires the Council to "undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking in to account the Public Sector Internal Audit Standards or guidance”.

On Behalf of the Solicitor to the Council

<u>Staffing</u>: **Yes☐** **No ☒**
Details:

On behalf of the Head of Paid Service

DECISION INFORMATION

Decision Information	
Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: **NEDDC:** **Revenue - £100,000 ☐ Capital - £250,000 ☐** ☒ *Please indicate which threshold applies*	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
District Wards Significantly Affected	None
Consultation: **Leader / Deputy Leader ☐ Cabinet / Executive ☐** **SAMT ☐ Relevant Service Manager ☒** **Members ☐ Public ☐ Other ☐**	Yes Details:

Links to Council Plan priorities or Policy Framework including Climate Change, Equalities, and Economics and Health implications.
Internal audit reviews help to ensure that the Council is continually improving services to deliver excellence and value for money.

REPORT DETAILS

1 Background

1.1 The Global Internal Audit Standards require that the Head of the Internal Audit Consortium reports periodically to the Audit Committee in respect of performance against the audit plan. Significant risk and control issues should also be reported.

2. Details of Proposal or Information

2.1 Appendix 1 is a summary of reports issued since this Committee last met in respect of the 2025/26 internal audit plan. The Appendix shows for each report the level of assurance given and the number of recommendations made / agreed where a full response has been received. This provides an overall assessment of the system’s ability to meet its objectives and manage risk. The definitions of the assurance levels used can be seen at Appendix 2.

2.2 Two reports have been issued this period both with Substantial Assurance.

2.3 No issues arising relating to fraud were identified.

2.4 Appendix 3 provides details of the progress made on the agreed 2025/26 internal audit plan. The plan is unlikely to be completed in its entirety due to staff shortages and an overrun on the 2024/25 internal audit plan. A span of audits across the Council is being undertaken that will enable the provision of an audit opinion at the year end.

2.5 The new NEDDC part time auditor started on the 12th January 2026.

3 Reasons for Recommendation

3.1 To update Members on the progress made against the 2025/26 Internal Audit Plan and to provide details of the Audit Reports issued and assurance on the governance, risk and control processes in place.

3.2 To comply with the requirements of the Global Internal Audit Standards.

4 Alternative Options and Reasons for Rejection

4.1 Not Applicable

DOCUMENT INFORMATION

Appendix No	Title
Appendix 1	Summary of Internal Audit reports issued November to December 2025.

Appendix 2	Assurance Definitions
Appendix 3	Progress made on the 2025/26 Internal Audit Plan
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet you must provide copies of the background papers)	

Appendix 1

NORTH EAST DERBYSHIRE DISTRICT COUNCIL

Summary of Internal Audit Reports Issued November – December 2025

Report Ref No.	Report Title	Scope and Objectives	Assurance Provided	Date		Number of Recommendations	
				Report Issued	Response Due	Made	Accepted
006	Fly- Tipping	To ensure there are appropriate policies & procedures in place, that notifications are dealt with promptly and enforcement is undertaken in line with policy and legal powers	Substantial	17/11/25	8/12/25	2L	2
007	Council Plan Performance Framework	To ensure council targets/ measures support the aims and objectives of the council plan, that they are clearly defined, calculated correctly and reported accurately and timely.	Substantial	4/12/25	29/12/25	1L	1

H = High Risk M = Medium Risk L = Low Risk

Appendix 2

Assurance Level	Internal Audit Definition	Risk Register Link
Substantial Assurance	There is a sound system of controls in place, designed to achieve the system objectives. Controls are being consistently applied and risks well managed.	Minor / negligible impact
Reasonable Assurance	The majority of controls are in place and operating effectively, although some control improvements are required. The system should achieve its objectives. Risks are generally well managed.	Minor / moderate
Limited Assurance	Certain important controls are either not in place or not operating effectively. There is a risk that the system may not achieve its objectives. Some key risks were not well managed.	Moderate / Severe Impact
Inadequate Assurance	There are fundamental control weaknesses, leaving the system/service open to material errors or abuse and exposes the Council to significant risk. There is little assurance of achieving the desired objectives.	Catastrophic Impact

Progress Made on the 2025/26 Internal Audit Plan

Complete
In progress
Ongoing (not a specific audit)
Not Started

	Main Financial Systems	Risk	Strategic Risk	2025/26 Days
	CIPFA Code of Financial Management	M	SR2	15
	Treasury Management	M	SR8	15
	Housing Benefits	M	SR3	20
	Total Main Financial Systems			**50**
	Corporate / Cross Cutting			
	Corporate Governance / Assurance Statement	N/A	SR8	2
	Financial advice / working groups	N/A		20
	Climate Change (carried forward)	M	SR15	12
	Complaints Procedures	L		8
	Corporate Targets (Council Plan performance framework)	M	SR8	14
	Emergency Planning / Business Continuity	M	SR4	15
	Ethics and Culture	M	SR8	15
	Total Cross Cutting			**86**
	Operational Audits			
	Commercial Waste	M		12
	Clay Cross Active	M	SR3	18
	Dronfield Active	M	SR3	16
	Facilities Compliance	M		12
	Flytipping (Joint BDC)	L		8
	Insurance	M		12
	Petty Cash yr end balances	L		5

	Private Sector Housing Disrepairs (Joint BDC)	M		8
	Planning Fees and Appeals	M	SR19	15
	Recruitment and Selection	M	SR5	15
	Taxi Licences (Joint BDC)	M		10
	Grant Compliance (UK Shared Prosperity Fund / Town Deal)	M	SR6	12
	Utilities – monitoring electricity/gas /water usage / meter readings	M	SR16	10
	Total Operational Areas			**153**
	IT Related			
	IT Inventory / Disposal of Equipment (Joint with BDC)	M		10
	Total IT			**10**
	Rykneld Homes			**97**
	National Fraud Initiative			5
	Special Investigations / Contingency/ emerging risks			40
	Apprenticeships / training			30
	Audit Committee / Client Liaison			15
	Grand Total		**486**	**486**

<u>Reserve Areas (if unable to progress audits in the above areas)</u>

Use of Social Media
Homelessness
Pest Control

North East Derbyshire District Council

Audit Committee

19th January 2026

Proposed External Review of Internal Audit

Report of the Head of the Internal Audit Consortium

Classification: For Publication

Report By: Jenny Williams: Head of the Internal Audit Consortium

Contact Officer: Jenny.Williams@ne-derbyshire.gov.uk

PURPOSE / SUMMARY

- The purpose of this report is to consult members on the format of the external review of internal audit that is required at least once every 5 years by Standard 8.4 of the Global Internal Audit Standards (GIAS).

RECOMMENDATIONS

1 That the Audit Committee authorise proceeding with the procurement of an external provider for the Internal Audit Consortium members and DDDC to undertake an independent validation of a self-assessment against the CIPFA checklist for conformance with the GIAS.

2 That the Audit Committee delegate authority to the Head of the Internal Audit Consortium and the Section 151 Officers (CBC, NEDDC, BDC & DDDC) to agree the specification of the assessment, to assess quotations received based on cost and quality and to appoint an external provider to undertake the assessment.

3 That it be noted that the delay in the publication of the CIPFA checklist in respect of the GIAS may result in the external review being slightly later than May 2026.

4 That the external assessors report once completed is presented to this Committee for review and comment.

IMPLICATIONS

Finance and Risk: **Yes☒** **No ☐**

Details:

By the Internal Audit Consortium Members and DDDC procuring an external review together economies of scale will be achieved as all parties use the same standard documentation and methodology when completing audits.

A budget of £10,000 has been included in the 2026/27 budget estimates for the external review. The cost of the review will be split equally between the Consortium partners and Derbyshire Dales District Council.

On Behalf of the Section 151 Officer

<u>Legal (including Data Protection):</u> **Yes☐** **No ☒**
Details:

On Behalf of the Solicitor to the Council

<u>Staffing</u>: **Yes☐** **No ☒**
Details:

On behalf of the Head of Paid Service

DECISION INFORMATION

Decision Information	
Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: **NEDDC:** **Revenue - £100,000 ☐ Capital - £250,000 ☐** ☒ *Please indicate which threshold applies*	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
District Wards Significantly Affected	None
Consultation: **Leader / Deputy Leader ☐ Cabinet / Executive ☐** **SAMT ☐ Relevant Service Manager ☒** **Members ☐ Public ☐ Other ☐**	Yes Details:

Links to Council Plan priorities or Policy Framework including Climate Change, Equalities, and Economics and Health implications.
The external review will ensure that internal audit is operating in accordance with best practice and thereby contributing to the achievement of the Council Plan by ensuring there are appropriate governance, risk and control processes in place.

REPORT DETAILS

1 Background

1.1 As the Committee are aware, the Global Internal Audit Standards became applicable to the public sector from the 1st April 2025 and the Internal Audit Consortium and DDDC Internal Audit section have been working towards full compliance with the Standards. As well as the Standards, conformance with the CIPFA Application note (Global Internal Audit Standards in the UK) must also be considered.

1.2 The Global Internal Audit Standards (GIAS) require that an external quality assessment should be carried out at least once every 5 years by a qualified, independent assessor or team. The requirement for an external quality assessment may also be met through a self-assessment with independent validation. The last external assessment took place in May 2021 therefore the next external assessment is due in May 2026.

2. Details of Proposal or Information

2.1 In November 2024 the Head of Internal Audit undertook a self -assessment against the Global Internal Audit Standards and produced an action plan of what was considered necessary to achieve full compliance. Most of that action plan has been implemented. The main outstanding piece of work is the development of an Internal Audit Strategy.

2.2 The formal CIPFA checklist for assessing compliance with the GIAS is awaited (now due for publication mid- January 2026). The Head of Audit's opinion is that the external review would be better taking place once the CIPFA checklist is available and a further self - assessment has taken place against it. CIPFA are the authoritative body in local government and therefore validation against their checklist would provide strong assurance. This could potentially delay the external review past May 2026.

Means of Assessment

2.3 An external assessment can be undertaken or a self-assessment with independent validation.

2.4 A self -assessment involves evaluating your own performance and knowledge whilst an external assessment uses outside experts that will provide objective and unbiased feedback but is likely to be more costly. A combination of both is likely to offer the most effective and economic approach. The self-assessment completed by the Head of Internal Audit would be reviewed and validated by the external assessor who will also be able to guide further improvement.

2.5 An appropriate means of external assessment therefore would be by validating the Head of Internal Audits self - assessment of performance against the CIPFA Global Internal Audit Standards conformance checklist.

Qualifications of Assessor

2.6 GIAS 8.4 sets out a requirement that when selecting the independent assessor or assessment team, the Head of Internal Audit must ensure at least one person holds an active Certified Internal Auditor designation. The Relevant Internal Audit Standards Setters (RIASS) for the UK have determined that this requirement is replaced by a requirement that at least one person has the characteristics outlined for head of audit qualification.

2.7 In considering whether a head of audit is suitably qualified, an organisation must be looking for:

• CMIIA, or a CCAB qualification, or an equivalent professional qualification which includes training on the practice of internal audit, and

• suitable internal audit experience.

2.8 The Head of Internal Audit should use their professional judgement when establishing if the assessor is appropriately qualified but the following guidelines could be used: -

- Does the reviewer possess a recognised professional qualification?
- Does the reviewer have appropriate experience of internal audit e.g. 5 years at manager level within the public sector?
- Does the reviewer have detailed knowledge of leading practices in internal audit and current, in-depth knowledge of the GIAS and its applicability to the public sector?

Assessment Process

2.9 The external assessment would be carried out through a process of review of documentation e.g. the Internal Audit Charter, internal audit working papers and interviews/questionnaires. The external assessor may wish to speak to the section 151 Officers, the Chairs of the Audit Committees, audit staff and a sample of clients.

Procurement of Assessor / potential cost

2.10 Under Chesterfield Borough Council's procurement rules for goods and services between £1,001 - £10,000 quotations must be obtained from more than one supplier. In May 2021 the cost of the external review was £3,450. It is expected that this price will have risen due to inflation but also due to the increased complexities and newness of assessing against the Global Internal Audit Standards however it is anticipated that the review would still fall within this price range.

2.11 The cost of the review will be split equally between CBC, NEDDC, BDC and DDDC.

3 Reasons for Recommendations

3.1 Members of the Audit Committee have responsibility for Governance and need to be able to place reliance on internal audit therefore it is important that the Committee are consulted on the proposal for the external assessment of internal audit.

3.2 Consultation with the Committee in respect of the external review is a requirement of the GIAS.

4 Alternative Options and Reasons for Rejection

4.1 It is a requirement of the GIAS to have an external review of internal audit and failing to do so may mean there is a risk that any failings within the internal audit service will be undetected.

DOCUMENT INFORMATION

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North East Derbyshire District Council

Audit Committee

19 January 2026

Treasury Strategy Reports 2026/27 – 2029/30

Report of the Report of the Director of Finance and Resources (S151 Officer)

Classification:	This report is public
Report By:	**Jayne Dethick, Director of Finance and Resources (S151 Officer)**
Contact Officer:	**Jayne Dethick**

PURPOSE / SUMMARY

To enable the Audit Committee to consider the attached treasury strategies prior to them being taken to Council for approval.

RECOMMENDATIONS

1. That the Audit Committee note this report and the attached strategies and make any comments that they believe to be appropriate with regards to them.

IMPLICATIONS

Finance and Risk: **Yes☒** **No ☐**

Details:

These are considered throughout the report.

On Behalf of the Section 151 Officer

Legal (including Data Protection): **Yes☒** **No ☐**

Details:

As part of the requirements of the CIPFA Treasury Management Code of Practice the Council is required to produce every year a Treasury Management Strategy and Capital Strategy which requires approval by full Council prior to the commencement of each financial year. This report is prepared in order to comply with these obligations.

On Behalf of the Solicitor to the Council

Staffing: Yes☐ No ☒
Details:

There are no staffing issues arising directly from this report.

On behalf of the Head of Paid Service

DECISION INFORMATION

Decision Information	
Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: **NEDDC:** **Revenue - £125,000 ☐ Capital - £310,000 ☐** ☒ *Please indicate which threshold applies*	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
District Wards Significantly Affected	None
Equality Impact Assessment (EIA) details:	
Stage 1 screening undertaken • Completed EIA stage 1 to be appended if not required to do a stage 2	No, not applicable
Stage 2 full assessment undertaken • Completed EIA stage 2 needs to be appended to the report	No, not applicable
Consultation: **Leader / Deputy Leader ☐ Cabinet ☐** **SMT ☐ Relevant Service Manager ☐** **Members ☐ Public ☐ Other ☐**	No Details:

Links to Council Plan priorities; • **A great place that cares for the environment** • **A great place to live well** • **A great place to work** • **A great place to access good public services**
All

REPORT DETAILS

1 <u>Background</u> *(reasons for bringing the report)*

1.1 Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2021 Edition* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

1.2 The CIPFA Code requires that a Capital Strategy be produced alongside the Treasury Management Strategy along with a Flexible Use of Capital Receipts Strategy. In addition, the 2018 Investment Guidance issued by the Department for Levelling Up, Housing and Communities requires local authorities to produce an Investment Strategy.

2. <u>Details of Proposal or Information</u>

2.1 The Treasury Management Strategy provides the framework for managing the Council's cash flows, borrowing and investments, and the associated risks for the years 2026/27 to 2029/30. The Treasury Management Strategy sets out the parameters for all borrowing and lending as well as listing all approved borrowing and investment sources. Prudential indicators aimed at monitoring risk are also included.

2.2 The Capital Strategy is intended to be a high level, concise overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of the Council's services. The report also provides an overview of the associated risk, its management and the implications for future financial sustainability. The Capital Strategy also sets out the capital expenditure plans for the period and how they will be financed. It provides information of the minimum revenue provision, capital financing requirement and prudential indicators aimed at monitoring risk.

2.3 The Investment Strategy focuses on investments made for service purposes and commercial reasons, rather than those made for treasury management. Investments covered by this strategy include earning income through commercial investments or by supporting local services by lending to or buying shares in other organisations.

2.4 The Flexible Use of Capital Receipts Strategy focuses on the Council's plans to utilise capital receipts for service reform in strict adherence of S15 (1) of the Local Government Act 2003.

3 Reasons for Recommendation

3.1 This report outlines the Council's proposed suite of Treasury Strategies for the period 2026/27 to 2029/30 for consideration and approval by Council on 26 January 2026. It contains:

- The Treasury Management Strategy which provides the framework for managing the Council's cash flows, borrowing and investments for the period.

- The Capital Strategy which is intended to provide a high level, concise overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of the Council's services.

- The Investment Strategy which focuses on investments made for service purposes and commercial reasons, rather than those made for treasury management.

- The Flexible Use of Capital Receipts Strategy which details plans to utilise capital receipts for service reform in strict adherence with S15 (1) of the Local Government Act 2003.

The above strategies are required to provide an approved framework within which the officers undertake the day to day capital and treasury activities.

4 Alternative Options and Reasons for Rejection

4.1 Alternative options are considered throughout the report.

DOCUMENT INFORMATION

Appendix No	**Title**
1	Treasury Strategy Report to Council 2026/27 – 2029/30 and Appendices 1-4.
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet you must provide copies of the background papers)	
None	

North East Derbyshire District Council

Council

26 January 2026

Treasury Strategy Reports 2026/27 – 2029/30

Report of the (Deputy Leader of the Council with responsibility for Finance

Classification:	This report is public
Report By:	**Jayne Dethick, Director of Finance and Resources (S151 Officer)**
Contact Officer:	**Jayne Dethick**

PURPOSE / SUMMARY

The purpose of this report is to provide Council with the necessary information to approve the Council's suite of Treasury Strategies for 2026/27 to 2029/30.

RECOMMENDATIONS

1. That Council approve the Treasury Management Strategy at **Appendix 1** and in particular:

   a) Approve the Borrowing Strategy

   b) Approve the Investment Strategy

   c) Approve the use of the external treasury management advisors Counterparty Weekly List (or similar) to determine the latest assessment of the counterparties that meet the Council's Criteria before any investment is undertaken.

   d) Approve the Prudential Indicators.

2. That Council approve the Capital Strategy as set out in **Appendix 2** and in particular:

   a) Approve the Capital Financing Requirement

   b) Approve the Minimum Revenue Provision Statement for 2026/27

   c) Approve the Prudential Indicators for 2026/27, in particular:

Authorised Borrowing Limit	£224.18m
Operational Boundary	£219.18m
Capital Financing Requirement	£211.07m

3. That Council approve the Investment Strategy as set out in **Appendix 3**.

4. That Council approve the Flexible Use of Capital Receipts Strategy at **Appendix 4.**

Approved by the Portfolio Holder – Cllr P Kerry, Deputy Leader with responsibility for Finance

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IMPLICATIONS

Finance and Risk: **Yes**☒ **No** ☐

Details:

These are considered throughout the report.

On Behalf of the Section 151 Officer

Legal (including Data Protection): **Yes**☒ **No** ☐

Details:

As part of the requirements of the CIPFA Treasury Management Code of Practice the Council is required to produce every year a Treasury Management Strategy and Capital Strategy which requires approval by full Council prior to the commencement of each financial year. This report is prepared in order to comply with these obligations.

On Behalf of the Solicitor to the Council

Staffing: **Yes**☐ **No** ☒

Details:

There are no staffing issues arising directly from this report.

On behalf of the Head of Paid Service

DECISION INFORMATION

Decision Information	
Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: **NEDDC:** **Revenue - £125,000** ☐ **Capital - £310,000** ☐ ☒ *Please indicate which threshold applies*	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
District Wards Significantly Affected	None
Equality Impact Assessment (EIA) details:	
Stage 1 screening undertaken • Completed EIA stage 1 to be appended if not required to do a stage 2	No, not applicable
Stage 2 full assessment undertaken • Completed EIA stage 2 needs to be appended to the report	No, not applicable
Consultation: **Leader / Deputy Leader** ☒ **Cabinet** ☐ **SMT** ☒ **Relevant Service Manager** ☒ **Members** ☒ **Public** ☐ **Other** ☐	Yes

Links to Council Plan priorities; • **A great place that cares for the environment** • **A great place to live well** • **A great place to work** • **A great place to access good public services**
All

REPORT DETAILS

1 **Background** *(reasons for bringing the report)*

1.1 Treasury risk management at the Council is conducted in compliance with the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

1.2 The CIPFA Code requires that a Capital Strategy be produced alongside the Treasury Management Strategy along with a Flexible Use of Capital Receipts Strategy. In addition, the 2018 Investment Guidance issued by the Department for Levelling Up, Housing and Communities also requires local authorities to produce an Investment Strategy.

2. Details of Proposal or Information

2.1 The Council's Treasury Management Strategy provides the framework for managing the Council's cash flows, borrowing and investments, and the associated risks for the years 2026/27 to 2029/30. The Strategy also sets out the parameters for all borrowing and lending as well as listing all approved borrowing and investment sources. Prudential indicators aimed at monitoring risk are also included. (**Appendix 1**).

2.2 The Capital Strategy is intended to provide a high level, concise overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of the Council's services. The report provides an overview of the associated risk, its management and the implications for future financial sustainability. The Capital Strategy also sets out the capital expenditure plans for the period and how they will be financed. It includes information of the minimum revenue provision, capital financing requirement and prudential indicators aimed at monitoring risk (**Appendix 2).**

2.3 The Investment Strategy focuses on investments made for service purposes and commercial reasons, rather than those made for treasury management. Investments covered by this strategy include earning income through commercial investments or by supporting local services by lending to or buying shares in other organisations **(Appendix 3).**

2.4 The Flexible Use of Capital Receipts Strategy focuses on the Council's plans to utilise capital receipts for service reform in strict adherence of S15 (1) of the Local Government Act 2003 **(Appendix 4).**

3 Reasons for Recommendation

3.1 This report outlines the Council's proposed suite of Treasury Strategies for the period 2026/27 to 2029/30 for consideration and approval by Council. It contains:

- The Treasury Management Strategy which provides the framework for managing the Council's cash flows, borrowing and investments for the period.
- The Capital Strategy which is intended to provide a high level, concise overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of the Council's services.

- The Investment Strategy which focuses on investments made for service purposes and commercial reasons, rather than those made for treasury management.

The above strategies provide an approved framework within which the officers undertake the day to day capital and treasury activities.

4 Alternative Options and Reasons for Rejection

4.1 Alternative options are considered throughout the report.

DOCUMENT INFORMATION

Appendix No	Title
1	Treasury Management Strategy 2026/27 – 2029/30
2	Capital Strategy 2026/27 – 2029/30
3	Investment Strategy 2026/27 – 2029/30
4	Flexible Use of Capital Receipts Strategy 2026/27 – 2029/30

Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet you must provide copies of the background papers)

None

North East Derbyshire District Council

Treasury Management Strategy 2026/27 – 2029/30

Introduction

1.1 Treasury Management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.

1.2 Treasury risk management at the Council is conducted within the framework of the *Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA code.

1.3 Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy.

External Context

1.4 **Economic background**: The impact on the UK from the government's Autumn Budget will influence the Council's treasury management strategy for 2026/27. Other influences will include lower short-term interest rates alongside higher medium- and longer-term rates, slower economic growth, together with ongoing uncertainties around the global economy, stock market sentiment, and ongoing geopolitical issues.

1.5 The Bank of England's Monetary Policy Committee (MPC) maintained Bank Rate at 4.00% in November 2025, following a 0.25% cut in August. At the November meeting, five members, including the Governor's deciding vote, supported holding rates steady, while four favoured a further reduction to 3.75%.

1.6 The accompanying Monetary Policy Report projected modest economic growth, with GDP expected to rise by 0.2% in the final calendar quarter of 2025. Annual growth is forecast to ease from 1.4% before improving again later, reflecting the delayed effects of lower interest rates, looser monetary conditions, stronger global activity, and higher consumer spending. The view of modest economic growth going forward was echoed by the Office for Budget Responsibility in its Economic and fiscal outlook published in line with the Autumn Statement which revised down its estimate of annual real GDP to around 1.5% on average between 2025 and 2030.

1.7 CPI inflation was 3.8% in September 2025, unchanged from the previous two months and below the 4.0% expected. Core CPI eased to 3.5% from 3.6%, contrary to forecasts of a rise to 3.7%. The Bank of England's November Monetary Policy Report projects inflation to fall from this level - expected to mark the peak - to 3.2% by March 2026, before steadily returning to the 2% target by late 2026 or early 2027.

1.8 The labour market continues to ease with rising unemployment, falling vacancies and flat inactivity. In the three months to September 2025, the unemployment rate increased to 5.0%, while the employment rate slipped to 75.0% and the inactivity rate held at 21.0%. Pay growth for the same period eased modestly, with total earnings (including bonuses) rising by 4.8% and regular pay up 4.6%. Going forward, the Bank predicts the unemployment rate will increase modestly to around 5.0% by around the end of 2025 before trending downwards at a gradual pace over the rest of the time horizon.

1.9 The US Federal Reserve also continued to cut rates, most recently reducing the target range for the Federal Funds Rate by 0.25% at its October 2025 meeting, to 3.75%-4.00%, in line with expectations. Financial markets anticipate a further 0.25% cut in December, although Chair Jerome Powell has cautioned that this is not guaranteed, signalling the Fed may pause before any additional easing. A factor influencing a potential pause is the ongoing government shutdown, which has delayed the publication of several important data releases used to inform monetary policy decisions.

1.10 The European Central Bank (ECB) kept its key interest rates unchanged in October for a third consecutive month, maintaining the deposit rate at 2.0% and the main refinancing rate at 2.15%. The ECB reiterated that future policy decisions will remain data-dependent, noting that inflation is close to its 2% target and that the euro area economy continues to expand despite a challenging global environment, including heightened geopolitical risks and trade tensions.

1.11 **Credit outlook:** Credit default swap (CDS) prices, which spiked in April 2025 following President Trump's 'Liberation Day' tariff announcements, have since trended lower, returning to levels broadly consistent with their 2024 averages. Although CDS prices rose modestly in October, the overall credit outlook remains stable, and credit conditions are expected to remain close to the range seen over the past two years.

1.12 While lower interest rates may weigh on banks' profitability, strong capital positions, easing inflation, steady economic growth, low unemployment, and reduced borrowing costs for households and businesses all support a favourable outlook for the creditworthiness of institutions on (the Council's treasury management advisor) Arlingclose's counterparty list. Arlingclose's advice on approved counterparties and recommended investment durations is kept under continuous review and will continue to reflect prevailing economic and credit conditions.

1.13 **Interest rate forecast:** Arlingclose, the Council's treasury management adviser, currently forecasts that the Bank of England's Monetary Policy Committee will continue to reduce Bank Rate through 2025 and 2026, reaching around 3.25%. This forecast reflects amendments made following the Autumn Budget and an assessment of the fiscal measures and their market implications.

1.14 Long-term gilt yields, and therefore interest rates payable on long-term borrowing, are expected to remain broadly stable on average, though with continued volatility, and to end the forecast period marginally lower than current levels. Yields are likely to stay higher than in the pre-quantitative tightening era, reflecting ongoing balance sheet reduction and elevated bond issuance. Short-term fluctuations are expected to persist in response to economic data releases and geopolitical developments.

1.15 A more detailed economic and interest rate forecast provided by Arlingclose is in **Appendix A.**

1.16 For the purpose of setting the budget, it has been assumed that new treasury management investments will be made at an average rate of around 3.25%, and that new long-term loans will be borrowed at an average rate of 5.50%.

Local Context

1.17 On 31st December 2025, the Council held £176.7m of borrowing and £39m of investments. This is set out in further detail at **Appendix B**. Forecast changes in these sums are shown in the balance sheet analysis in **Table 1** below.

Table 1: Balance sheet summary and forecast

	31/3/25 Actual £m	**31/3/26 Estimate £m**	**31/3/27 Forecast £m**	**31/3/28 Forecast £m**	**31/3/29 Forecast £m**	**31/3/30 Forecast £m**
General Fund CFR	35.17	35.80	35.23	33.34	33.09	32.21
HRA CFR	164.19	175.27	178.95	185.73	185.73	185.73
Total CFR	**199.36**	**211.07**	**214.18**	**219.07**	**218.82**	**217.94**
Less: Other debt liabilities *	(0.00)	(0.29)	(0.82)	(0.63)	(0.44)	(0.25)
Loans CFR	199.36	210.78	213.36	218.44	218.38	217.69

Less: External borrowing **	(161.30)	(172.00)	(177.70)	(186.11)	(187.62)	(189.12)
Internal borrowing	38.06	38.78	35.66	32.33	30.76	28.57
Less: Balance sheet reserves	(50.06)	(48.78)	(45.66)	(42.33)	(40.76)	(38.57)
Investments	**12.00**	**10.00**	**10.00**	**10.00**	**10.00**	**10.00**

* Leases that form part of the Council's total debt.
** shows only loans to which the Council is committed and excludes optional refinancing

1.18 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying sums available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

1.19 The Council has an increasing CFR due to commitments within the capital programme and also loans for MyPad (Northwood) and Rykneld Homes Ltd. The forecast level of reserves means that most of the borrowing throughout this period is likely to be from external sources.

1.20 CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation during 2026/27.

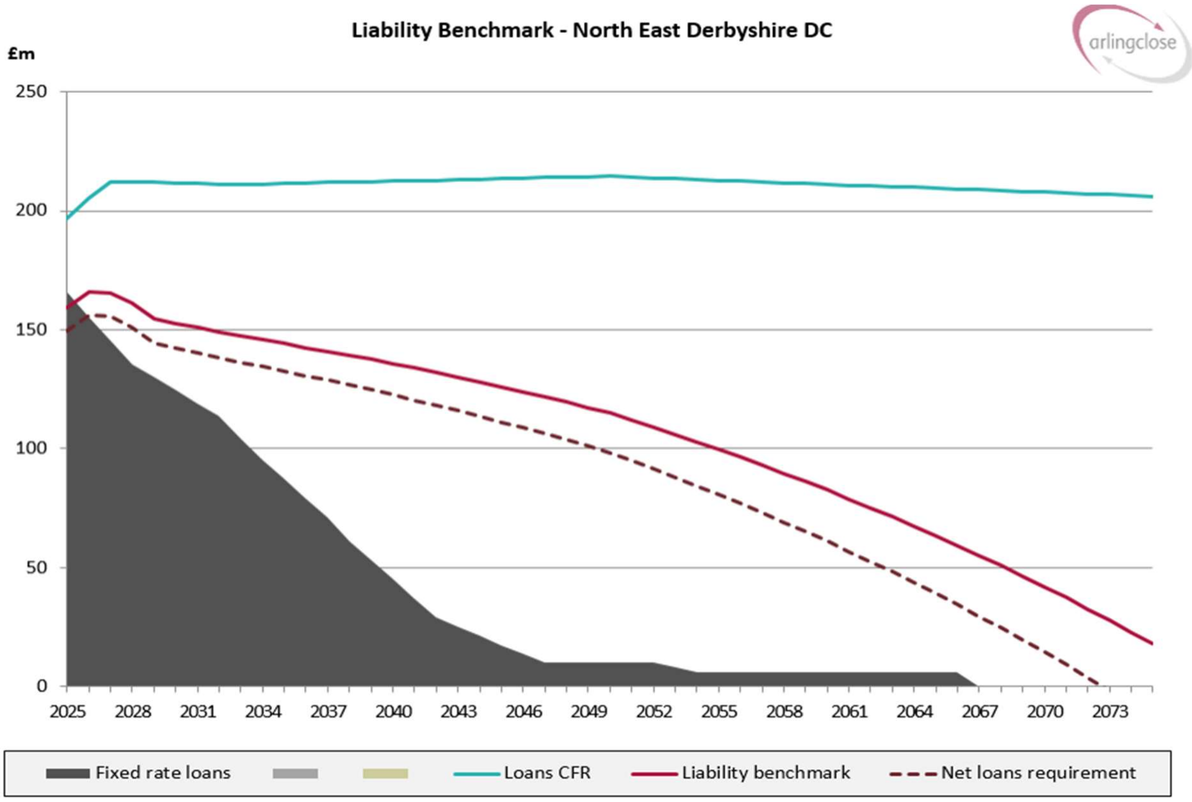
1.21 **Liability benchmark:** To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as **Table 1** above, but that cash and investment balances are kept to a minimum level of £10m at each year-end to maintain sufficient liquidity but minimise credit risk.

1.22 The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day to day cash flow.

Table 2: Prudential Indicator: Liability benchmark

	31/3/25 Actual £m	31/3/26 Estimate £m	31/3/27 Forecast £m	31/3/28 Forecast £m	31/3/29 Forecast £m	31/3/30 Forecast £m
CFR	**199.36**	**211.07**	**214.18**	**219.07**	**218.82**	**217.94**
Less: Balance sheet reserves	(50.06)	(48.78)	(45.66)	(42.33)	(40.76)	(38.57)
Net loans requirement	149.30	162.29	168.52	176.74	178.06	179.37
Plus: Liquidity allowance	10.00	10.00	10.00	10.00	10.00	10.00
Liability Benchmark	**159.30**	**172.29**	**178.52**	**186.74**	**188.06**	**189.37**

1.23 Following on from the medium-term forecasts in table 2 above, the long-term liability benchmark assumes capital expenditure funded by borrowing of £19.71m over the term of the report, minimum revenue provision on new capital expenditure based on a 50 year asset life and income, expenditure and reserves all decreasing slightly over the period of the report. This is shown in the chart below together with the maturity profile of the Council's existing borrowing:



1.24 The minimum requirement is to show forecasts for loans CFR, net loans requirement and liability benchmark against actual borrowing for ten years. CIPFA recommends a longer period covering the current debt maturity profile with borrowing split into fixed rate, variable rate and LOBO.

1.25 The liability benchmark is a projection of the amount of loan debt outstanding that the Council needs each year into the future to fund its existing debt liabilities, planned prudential borrowing and other cash flows. The liability benchmark identifies the maturities needed for new borrowing to match future liabilities. It therefore avoids borrowing for too long or too short. The liability benchmark acts as a mechanism for preventing future over-borrowing. Once the benchmark has been established, new borrowing decisions that take the level of borrowing over the benchmark, or increase any existing over-benchmark positions, should be considered very carefully.

1.26 The graph provided above shows how the CFR remains fairly constant but the fixed rate loans are reducing once they meet their maturity dates. The graph, however, doesn't take account of any potential reborrowing of the current fixed rate loans as they mature.

Borrowing Strategy

1.27 The Council currently holds £176.7m of loans, an increase of £26.2m on the previous year, as part of its strategy for funding the capital programmes. The balance sheet forecast in **Table 1** shows that the Council expects to borrow up to £18.60m in 2026/27. The Council may, however, borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £224.18m.

1.28 **Objectives:** The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

1.29 **Strategy:** Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Short-term interest rates have fallen over the past year, and are expected to fall a little further, and it is therefore likely to be more cost effective over the medium-term to either use internal resources, or to borrow short-term loans instead. The risks of this approach will be managed by keeping the Council's interest rate exposure within the limit set in the treasury management prudential indicators, see below.

1.30 By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2026/27 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

1.31 The Council has previously raised all its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Council intends to avoid this activity to retain its access to PWLB loans.

1.32 Alternatively, the Council may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

1.33 In addition, the Council may borrow short-term loans to cover unplanned cash flow shortages.

1.34 **Sources of borrowing:** The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- National Wealth Fund Ltd (formerly UK Infrastructure Bank Ltd)
- any institution approved for investments (see below)
- any other bank, building society or insurance company authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except Derbyshire County Council Pension Fund)
- capital market bond investors
- Retail investors via a regulated peer-to-peer platform
- Special purpose companies created to enable local authority bond issues

1.35 **Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback
- similar asset based finance

1.36 **LOBOs:** The Council doesn't hold or intend to hold any LOBO (Lender's Option Borrower's Option) loans.

1.37 **Short-term and variable rate loans**: These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section below).

1.38 **Debt rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

Treasury Investment Strategy

1.39 The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's treasury investment balance has ranged between £9.50m and £38.050m, however these levels are predicted to remain at around £10.00m following completion of works of the housing development/regeneration schemes at North Wingfield and Stonebroom.

1.40 **Objectives:** The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, to maintain the spending power of the sum invested. The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

1.41 **Strategy:** As demonstrated by the liability benchmark above, the Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.

1.42 The CIPFA Code does not permit local authorities to both borrow and invest long-term for cash flow management. But the Council may make long-term investments for treasury risk management purposes, including to manage interest rate risk by investing sums borrowed in advance for the capital programme for up to three years; to manage inflation risk by investing usable reserves in instruments whose value rises with inflation; and to manage price risk by adding diversification to the strategic pooled fund portfolio.

1.43 **ESG policy**: Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council's strategy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code. The NZAM is currently suspended but has announced a resumption from January 2026.

1.44 **Business models:** Under the new IFRS 9 standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

1.45 **Approved counterparties:** The Council may invest its surplus funds with any of the counterparty types in **Table 3** below, subject to the cash limits (per counterparty) and the time limits shown.

Table 3: Approved investment counterparties and limits

Sector	Time limit †	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	25 years	£5m	Unlimited
Secured investments – government collateral *	25 years	£5m	Unlimited
Secured investments – other collateral *	10 years	£5m	Unlimited
Banks (unsecured) *	13 months	£5m	Unlimited
Building societies (unsecured) *	13 months	£5m	£20m
Registered providers (unsecured) *	5 years	£5m	£20m
Money market funds *	n/a	£5m	Unlimited
Strategic pooled funds	n/a	£5m	£20m
Real estate investment trusts	n/a	£5m	£20m
Other investments *	5 years	£5m	£20m

1.46 *** Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

1.47 † **Time limits:** These start on the earlier of date that the Council is committed to make the investment and the date that cash is transferred to the counterparty.

1.48 For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £5m per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.

1.49 **UK Government:** Sterling-denominated investments with or explicitly guaranteed by the UK Government, including the Debt Management Account Deposit Facility, treasury bills and gilts. These are deemed to be zero credit risk due to the government's ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

1.50 **Local authorities and other government entities:** Loans to, and bonds and bills issued or guaranteed by, other national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk.

1.51 The counterparty limit for loans to local authorities will be increased to an unlimited amount where (a) the government has announced that this authority will merge with the borrowing authority and (b) the loan is scheduled to be repaid after the expected date of the merger.

1.52 **Secured Investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds, secured deposits and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments. A higher limit applies for investments fully secured on UK or other government collateral.

1.53 **Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

1.54 **Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government, and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

1.55 **Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

1.56 **Strategic pooled funds:** Bond, equity and property funds, including exchange traded funds, that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but can be either withdrawn after a notice period or sold on an exchange, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

1.57 **Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

1.58 **Other investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and unsecured loans to companies and universities. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's investment at risk.

1.59 **Operational bank accounts:** The Council may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept at £5m per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

1.60 **Risk assessment and credit ratings**: Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

1.61 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

1.62 **Other information on the security of investments**: The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

1.63 **Reputational aspects:** The Council is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be considered when making investment decisions.

1.64 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This may cause investment returns to fall but will protect the principal sum invested.

1.65 **Investment limits**: The Council's revenue reserves available to cover investment losses are forecast to be £31.27 million on 31 March 2026 and £30.77 million on 31 March 2027. In order that no more than 16.30% of available reserves will be put at risk in the case of a single default, the maximum that will be lent unsecured to any one organisation (other than the UK Government) will be £5 million. A group of entities under the same ownership will be treated as a single organisation for limit purposes.

1.66 Credit risk exposures arising from non-treasury investments, financial derivatives and balances greater than £5 million in operational bank accounts count against the relevant investment limits.

1.67 Limits are also placed on fund managers, investments in brokers' nominee accounts and foreign countries as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Additional Investment limits

	Cash limit
Any group of pooled funds under the same management	£5m per manager
Negotiable instruments held in a broker's nominee account	£5m per broker
Foreign countries	£5m per country

1.68 **Liquidity management**: The Council uses its own cash flow forecasting techniques to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.

1.69 The Council will spread its liquid cash over several providers (e.g. bank accounts and money market funds), of which at least one will be UK domiciled, to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

Treasury Management Prudential Indicators

1.70 The Council measures and manages its exposures to treasury management risks using the following indicators:

1.71 **Security**: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	
Portfolio average credit rating	**Target** <5.00

1.72 **Liquidity:** The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

Liquidity risk indicator	**Amount available**
Total cash available within 3 months	£10.00m

1.73 **Interest rate exposures**: This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	**Limit each year**
Upper limit on one-year revenue impact of a 1% rise in interest rates	£1.72m
Upper limit on one-year revenue impact of a 1% fall in interest rates	(£1.72m)

1.74 The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates.

1.75 **Maturity structure of borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	**Upper limit**	**Lower limit**
Under 12 months	20%	0%
12 months and within 24 months	20%	0%
24 months and within 5 years	40%	0%
5 years and within 10 years	40%	0%
10 years and above	90%	0%

1.76 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

1.77 **Long-term treasury management investments:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management investments will be:

Price risk indicator	2024/25	2025/26	2026/27	No fixed date
Limit on principal invested beyond year end	£20m	£20m	£20m	£20m

Long-term investments with no fixed maturity date include strategic pooled funds and real estate investment trusts but exclude money market funds and bank accounts as these are considered short-term.

Related Matters

1.78 The CIPFA Code requires the Council to include the following in its treasury management strategy.

1.79 **Financial Derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

1.80 The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

1.81 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.

1.82 In line with the CIPFA code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

1.83 **Markets in Financial Instruments Directive**: The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Chief Financial Officer believes this to be the most appropriate status.

1.84 **Financial Implications**: The General Fund budget for investment income in 2026/27 is £0.4m with the HRA budget for investment income in 2026/27 being £0.15m, based on an average investment portfolio of £15m at an average interest rate of 3.75%. The HRA budget for debt interest paid in 2026/27 is £6.81m, based on an average debt portfolio of £178.61m at an average interest rate of 4.05%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

Other Options Considered

1.85 The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Financial Officer, having consulted the Portfolio Holder for Finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain

Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Appendix A

Arlingclose Economic & Interest Rate Forecast (December 2025)

Underlying assumptions:

- The Budget signalled further fiscal (tax/spend) tightening across this parliament. Most tax changes take effect from 2028, while welfare and spending start from April 2026. Taken together, the timing of these announcements means the fiscal stance is likely to be slightly looser than expected for the next two years (with increased government spending), before tightening sharply from 2028 (with large tax rises).

- Despite the near-term looser fiscal stance, the new policies add little support for activity in 2026. Even before the Budget, economic data was pointing to a slower growth outlook. Meanwhile, disinflation has been evident and planned government actions on train fares and energy bills will also dampen inflation next year.

- The close vote in November to keep Bank Rate at 4% reflected pre-Budget uncertainty. With no major growth or inflation boosts in the Budget, a cut to 3.75% in December continues to look highly likely.

- Inflation fell to 3.6% in October. Business surveys point to weaker pricing power and household inflation expectations are easing, although they remain high. Wage growth is moderating amid rising unemployment and overall activity is flat. Confidence has been hit by the run-up to the Budget and a strong rebound seems improbable in the near term.

- Weak growth and softer inflation strengthen the case for dovish MPC members to push for further Bank Rate cuts, while undermining arguments of more hawkish members. There will still be questions over whether Government can deliver the fiscal tightening it set out, given a history of U-turns, and timing ahead of the next General Election. The December meeting will offer a clearer view of how divided the MPC really is.

- Risks to the growth and inflation outlook lie to the downside, which if crystallised may ultimately deliver lower Bank Rate than our central case.

- Lower inflation expectations and a tighter fiscal stance have helped bring down gilt yields, especially at the long end. Even so, sustained heavy borrowing across advanced economies, the DMO’s move towards issuing more short-dated gilts and lingering doubts about the government’s fiscal plans will keep short to medium yields above the levels implied by interest rate expectations alone.

Forecast:

- Following the 2025 Budget, we continue to forecast a 0.25% Bank Rate cut in December to 3.75%.

- Continuing disinflation, rising unemployment, softening wage growth and low confidence suggests that monetary policy will be eased to stimulate activity ahead of incoming fiscal tightening post-2028.

- Arlingclose now expects Bank Rate to be cut to 3.25% by Q2 2026, with risks weighted to the downside.

- Medium and long-term gilt yields continue to incorporate premia for UK government credibility and global uncertainty. These issues may not be resolved quickly and we expect yields to remain higher than would normally be consistent with Bank Rate expectations.

- However, the lower path for Bank Rate maintains the downside risks to Arlingclose's gilt yield forecasts.

	Current	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	**4.00**	**3.75**	**3.50**	**3.25**	**3.25**	**3.25**	**3.25**	**3.25**	**3.25**	**3.25**	**3.25**	**3.25**	**3.25**
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
3-month money market rate													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	**3.90**	**3.65**	**3.50**	**3.40**	**3.35**	**3.35**	**3.35**	**3.35**	**3.35**	**3.35**	**3.35**	**3.35**	**3.35**
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
5yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	**3.92**	**3.90**	**3.85**	**3.80**	**3.75**	**3.75**	**3.75**	**3.75**	**3.75**	**3.75**	**3.75**	**3.80**	**3.80**
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
10yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	**4.48**	**4.40**	**4.35**	**4.30**	**4.25**	**4.25**	**4.25**	**4.25**	**4.25**	**4.25**	**4.25**	**4.30**	**4.30**
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
20yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	**5.13**	**4.90**	**4.85**	**4.80**	**4.75**	**4.75**	**4.75**	**4.75**	**4.75**	**4.75**	**4.75**	**4.80**	**4.80**
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
50yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	**4.73**	**4.50**	**4.50**	**4.45**	**4.45**	**4.45**	**4.45**	**4.45**	**4.45**	**4.45**	**4.45**	**4.50**	**4.50**
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85

PWLB Standard Rate = Gilt yield + 1.00%
PWLB Certainty Rate = Gilt yield + 0.80%
PWLB HRA Rate = Gilt yield + 0.40%
National Wealth Fund (NWF) Rate = Gilt yield + 0.40%

Appendix B

Existing Investment & Debt Portfolio Position

	31/12/25 Actual Portfolio £m	31/12/25 Average Rate %
External borrowing:		
Public Works Loan Board	176.70	3.94
Total external borrowing	**176.70**	**3.94**
Total other long-term liabilities:	**0.00**	**0.00**
Total gross external debt	**176.70**	**3.94**
Treasury investments:		
The UK Government	0.00	0.00
Local authorities	0.00	0.00
Banks (unsecured)	0.00	0.00
Money Market Funds	40.00	3.87
Total treasury investments	**40.00**	**3.87**
Net debt	**136.70**	

North East Derbyshire District Council

Capital Strategy 2026/27 – 2029/30

Introduction

1.1 This capital strategy report gives a high-level overview of how capital expenditure; capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these sometime technical areas.

1.2 Decisions made this year on capital and treasury management will have financial consequences for the Council for many years into the future. They are therefore subject to both a national regulatory framework and to a local policy framework, summarised in this report.

Capital Expenditure and Financing

1.3 Capital expenditure is where the Council spends money on assets, such as property or vehicles that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are not capitalised and are charged to revenue in year.

In 2026/27, the Council is planning capital expenditure of £33.85m as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure

	2024/25 Actual £m	2025/26 Forecast £m	2026/27 Budget £m	2027/28 Budget £m	2028/29 Budget £m	2029/30 Budget £m
General Fund Services	20.69	23.33	4.96	4.15	2.32	3.22
Council Housing (HRA)	33.04	23.75	28.89	26.48	16.72	15.72

	2024/25 Actual £m	2025/26 Forecast £m	2026/27 Budget £m	2027/28 Budget £m	2028/29 Budget £m	2029/30 Budget £m
TOTAL	**53.73**	**47.08**	**33.85**	**30.63**	**19.04**	**18.94**

1.4 The main General Fund capital projects include replacement vehicles, general asset refurbishment, ICT replacement, disabled facilities grant funded adaptations, Clay Cross Towns Fund programme and UKSPF Projects. Following a change in the Prudential Code, the Council no longer incurs capital expenditure on investments.

1.5 The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately. The main HRA capital projects involve refurbishment of council dwellings, a regeneration project at Stonebroom, a stock purchase programme and improvement work to the energy efficiency of the Council's non-traditional housing stock.

1.6 **Governance**: Projects are included in the capital programme as part of the annual budget review or through ad hoc approval during the year. The capital programme is refreshed each year, and the new requirements are presented to Council for approval annually. Full details of the Council's Capital Programme can be seen at **Appendix A** to this report.

1.7 All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing and leasing). The planned financing of the above expenditure is as follows:

Table 2: Financing of Capital Programme (Appendix A)

	2024/25 Actual £m	2025/26 Forecast £m	2026/27 Budget £m	2027/28 Budget £m	2028/29 Budget £m	2029/30 Budget £m
External Sources	11.63	17.46	10.52	4.37	1.02	1.02
Capital Receipts	4.56	3.97	2.44	3.12	2.30	2.38
Own Resources	15.20	17.50	16.70	16.36	15.72	14.72
Debt	22.34	8.15	4.19	6.78	0.00	0.82
TOTAL	**53.73**	**47.08**	**33.85**	**30.63**	**19.04**	**18.94**

1.8 Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to repay and/or replace debt finance. Planned MRP and use of capital receipts are as follows:

Table 3: Replacement of debt finance

	2024/25 Actual £m	2025/26 Forecast £m	2026/27 Budget £m	2027/28 Budget £m	2028/29 Budget £m	2029/30 Budget £m
Capital Resources	0.00	0.00	0.00	0.00	0.00	0.00
Minimum Revenue Provision (MRP)	0.25	0.57	1.18	1.38	1.38	1.30
Total	0.25	0.57	1.18	1.38	1.38	1.30

The Council's full minimum revenue provision statement is **Appendix B** to this report.

1.9 The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase by £3.11m during 2026/27. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement

	31/3/2025 Actual £m	31/3/2026 Forecast £m	31/3/2027 Budget £m	31/3/2028 Budget £m	31/3/2029 Budget £m	31/3/2030 Budget £m
General Fund Services	35.17	35.80	35.23	33.34	33.09	32.21
Council Housing (HRA)	164.19	175.27	178.95	185.73	185.73	185.73
TOTAL CFR	**199.36**	**211.07**	**214.18**	**219.07**	**218.82**	**217.94**

1.10 **Asset management:** The Council's assets require regular maintenance to ensure they remain safe and fit for purpose. It is also important for income generation that assets remain in a good condition and so remain lettable. A planned approach yields savings in running costs and energy efficiency benefits over time as works are completed and asset conditions improve.

1.11 **Asset disposals:** When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council is currently also permitted to spend capital receipts "flexibly" on service transformation projects up until and including 2029/30. Repayments of capital grants, loans and investments also generate capital receipts. The Council plans to receive £5.81m of capital receipts in the coming financial year as follows:

Table 5: Capital receipts receivable

	2024/25 Actual £m	2025/26 Forecast £m	2026/27 Budget £m	2027/28 Budget £m	2028/29 Budget £m	2029/30 Budget £m
Asset Sales	3.74	3.17	2.50	2.50	2.50	2.50
Loans Repaid	3.01	3.26	3.31	2.19	0.39	0.39
TOTAL	**6.75**	**6.43**	**5.81**	**4.69**	**2.89**	**2.89**

Treasury Management

1.12 Treasury Management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

1.13 Due to decisions taken in the past, the Council currently has £172.70m borrowing at an average interest rate of 3.93% and £23.50m treasury investments at an average rate of 3.60%.

1.14 **Borrowing strategy:** The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheap short-term loans and long-term fixed rate loans where the future cost is known but higher.

1.15 The Council does not borrow to invest for the primary purpose of financial return and therefore retains full access to the Public Works Loans Board.

1.16 Projected levels of the Council's total outstanding debt (which comprises borrowing and leases) are shown below, compared with the capital financing requirement (see above):

Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement

	31/3/2025 Actual £m	31/3/2026 Forecast £m	31/3/2027 Budget £m	31/3/2028 Budget £m	31/3/2029 Budget £m	31/3/2030 Budget £m
Debt (incl. leases)	161.30	172.00	177.70	186.11	187.62	189.12
Capital Financing Requirement	199.36	211.07	214.18	219.07	218.82	217.94

1.17 Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from **Table 6**, the Council expects to comply with this in the medium term.

1.18 **Liability benchmark:** To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £10m at each year end. This benchmark is currently £10m and is forecast to remain the same over the next three years:

Table 7: Borrowing and the Liability Benchmark

	31/3/2025 Actual £m	31/3/2026 Forecast £m	31/3/2027 Budget £m	31/3/2028 Budget £m	31/3/2029 Budget £m	31/3/2030 Budget £m
Existing Borrowing	161.30	172.00	177.70	186.11	187.62	189.12
Liability Benchmark	159.30	172.29	178.52	186.74	188.06	189.37

1.19 The table above shows that the Council expects to remain borrowed at around or just above its liability benchmark in the short term and then in line with the it in the longer term. This is because of the capital investment decisions made to borrow additional sums for the development of Clay Cross Active, the North Wingfield New Build Project and the Stonebroom Regeneration project.

1.20 **Affordable borrowing limit:** The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year and to keep it under review. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

Table 8: Prudential Indicators: Authorised limit and operational boundary for external debt

	2025/26 limit £m	**2026/27 limit £m**	**2027/28 limit £m**	**2028/29 limit £m**	**2029/30 limit £m**
Authorised Limit – Borrowing	220.79	223.37	228.44	228.38	227.69
Authorised Limit – Leases	0.28	0.81	0.63	0.44	0.25
Authorised Limit – Total External Debt	**221.07**	**224.18**	**229.07**	**228.82**	**227.94**
Operational Boundary – Borrowing	215.79	218.37	223.44	223.38	222.69
Operational Boundary – Leases	0.28	0.81	0.63	0.44	0.25
Operational Boundary – Total External Debt	**216.07**	**219.18**	**224.07**	**223.82**	**222.94**

1.21 **Treasury Investment strategy:** Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

1.22 The Council’s policy on treasury investments is to prioritise security and liquidity over yield, which is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy, and the Council may request its money back at short notice.

Table 9: Treasury Management investments

	31/3/2025 Actual £m	**31/3/2026 Forecast £m**	**31/3/2027 Budget £m**	**31/3/2028 Budget £m**	**31/3/2029 Budget £m**	**31/3/2030 Budget £m**
Near-Term Investments	12.00	11.00	15.00	10.00	10.00	10.00
Longer-Term Investments	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	**12.00**	**11.00**	**15.00**	**10.00**	**10.00**	**10.00**

1.23 **Risk management:** The effective management and control of risk are prime objectives of the Council’s treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.

1.24 **Governance:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Chief Finance Officer and staff, who must act in line with the treasury management strategy approved by Council. Quarterly reports on treasury management activity are presented to the Audit and Corporate Governance Scrutiny Committee who are responsible for scrutinising treasury management decisions. Six monthly updates are provided for Council.

Investments for Service Purposes

1.25 The Council can make investments to assist local public services, including making loans to local service providers and businesses to promote economic growth. Total investments for service purposes are currently valued at £20m with the largest being Rykneld Homes Limited providing a net return after all costs of 4.35%.

1.26 **Risk Management:** In light of the public service objective, the Council is willing to take more risk than with treasury investments, however it still plans for such investments to at least break even after all costs. The risk of incurring unexpected losses is managed by the use of estimated credit losses. Provisions for expected credit losses are made to ensure that the Council can finance any sums due to the Council which are deemed to be irrecoverable after all recovery measures have been exhausted. A limit of £20.00m is placed on total investments for service purposes to ensure that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services. This includes loans to Rykneld Homes Ltd to allow development of social housing. Rykneld Homes Ltd is a wholly owned subsidiary of the Council, limited by guarantee.

1.27 **Governance:** Decisions on service investments are made by the relevant service manager and submitted to Cabinet then Council in consultation with the Chief Finance Officer and must meet the criteria and limits laid down in the Investment Strategy. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme. The relevant service director is responsible for ensuring that adequate due diligence is carried out before investment is made.

Commercial Activities

1.28 With central government financial support for local public services declining, the Council has invested in developing residential property through Mypad. Currently, an investment of £8.66m has been made into Mypad and no further future investment is approved.

1.29 **Risk Management:** With financial return being the main objective, the Council accepts higher risk on commercial investment than with treasury investments. The principal risk exposures include build cost estimates, sales values estimates and demand. These risks are mitigated by working with experienced builders and professionals who have knowledge of the local market. In order that commercial investments remain proportionate to the size of the Council, and to ensure that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services. Contingency plans are in place should expected yields not materialise.

1.30 **Governance:** Decisions on commercial investments are made by Council in line with the criteria and limits approved in the Investment Strategy. Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the capital programme. The Chief Financial Officer is responsible for ensuring that adequate due diligence is carried out before investment is made.

Table 10 – Prudential Indicator: Net income from commercials & service investments to net revenue scheme.

	2024/25 Actual £m	**2025/26 Forecast £m**	**2026/27 Budget £m**	**2027/28 Budget £m**	**2028/29 Budget £m**	**2029/30 Budget £m**
Net income from commercial investments	0.46	0.46	0.44	0.44	0.44	0.44
Net income from service investments	0.65	0.57	0.61	0.51	0.39	0.39
Total net income from service and commercial investments	1.11	1.03	1.05	0.95	0.83	0.83
Proportion of net revenue stream	6.59%	5.49%	5.14%	4.44%	3.77%	3.67%
Proportion of usable revenue reserves	**3.54%**	**3.29%**	**3.41%**	**3.23%**	**3.04%**	**3.49%**

Other Liabilities

1.31 In addition to debt of £172.7m detailed above, the Council is committed to making future payments to cover its net pension fund deficit (valued at £10.55m). It has also set aside £0.3m to cover risks of business rates appeals and £0.45m to cover risks of water claims.

1.32 **Governance:** Decisions on incurring new discretional liabilities are taken to Council for approval. The risk of liabilities occurring and requiring payment are monitored as part of the year-end process.

Revenue Budget Implications

1.33 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, Business Rates and general government grants.

Table 11: Prudential Indicator: Proportion of financing costs to net revenue stream

	2024/25 Actual £m	**2025/26 Forecast £m**	**2026/27 Budget £m**	**2027/28 Budget £m**	**2028/29 Budget £m**	**2029/30 Budget £m**
Financing Costs	(1.25)	(0.69)	0.12	0.51	0.76	0.77
Proportion of Net Revenue Stream	(7.43%)	(3.66%)	0.60%	2.37%	3.46%	3.38%

1.34 **Sustainability:** Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Chief Finance Officer is satisfied that the proposed capital programme is prudent, affordable and sustainable because all borrowing is repaid via the Revenue Account over the standard lives of the assets purchased.

Knowledge and Skills

1.35 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. Suitably qualified and experienced officers are employed throughout the Council to perform such functions.

1.36 Where Council officers do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

1.37 Members receive individual training and development through the Member Development Programme and are periodically required to attend seminars held by the external treasury management advisors.

Treasury Management Operations

1.38 As mentioned above the Council uses external treasury management advisors. The company provides a range of services which include:

- Technical support on treasury matters, capital finance issues and the drafting of Member reports;
- Economic and interest rate analysis;
- Debt services which includes advice on the timing of borrowing;
- Debt rescheduling advice surrounding the existing portfolio;
- Generic investment advice on interest rates, timing and investment instruments;
- A number of places at training events offered on a regular basis.
- Credit ratings/market information service comprising the three main credit rating agencies;
-

1.39 Whilst the advisers provide support to the internal treasury function, under current market rules and the CIPFA Code of Practice the final decision on treasury matters remains with the Council. This service is subject to regular review. It should be noted that the Council has Arlingclose Ltd as external treasury management advisors, for a period of up to 3 years commencing 1st September 2025.

Banking Contract

1.40 The contract with the Councils banking provider Lloyds Bank was extended on the 10th February 2022 for a period of up to 7 years.

Business Continuity Arrangements

1.41 As part of the Councils business continuity arrangements officers have sought to set up and provide alternative banking arrangements for the Council should they be required at short notice. These arrangements effectively mean a separate bank account is in place with the required security controls and appropriate officer access to undertake transactions. This account is with Barclays Bank and will only be utilised should a business continuity need or similar issue arise. Officers will continue to review this arrangement.

Appendix A

Capital Programme 2025-2030

Capital Expenditure	Revised Budget 2025/26 £	Original Budget 2026/27 £	Original Budget 2027/28 £	Original Budget 2028/29 £	Original Budget 2029/30 £
Housing Revenue Account					
HRA Capital Works	14,045,000	14,587,000	14,200,000	14,200,000	14,200,000
HRA Capital Works - Non Traditional Properties	0	0	0	500,000	500,000
Stock Purchase Programme (1-4-1)	3,022,000	1,000,000	1,000,000	1,000,000	1,000,000
North Wingfield New Build Project	1,559,000	0	0	0	0
Stonebroom Regeneration	1,753,000	9,800,000	7,753,360	0	0
Garage Demolitions	30,000	23,000	23,000	23,000	23,000
Warm Homes Social Housing Fund (RHL)	3,339,920	2,975,960	2,502,730	0	0
Small scale regeneration schemes	0	500,000	1,000,000	1,000,000	0
HRA - Capital Expenditure	**23,748,920**	**28,885,960**	**26,479,090**	**16,723,000**	**15,723,000**
General Fund					
Private Sector Housing Grants (DFG's)	1,017,106	1,017,106	1,017,106	1,017,106	1,017,106
ICT Schemes	359,000	410,000	348,000	40,000	40,000
Clay Cross Football Pitch	9,000	0	0	0	0
Asset Refurbishment - General	639,000	500,000	500,000	500,000	500,000
Asset Refurbishment - Mill Lane	316,000	0	0	0	0
Dronfield Sports Centre Carbon Efficiencies Programme	60,000	0	0	0	0
Fuel Island Project	420,000	0	0	0	0
Southern Vehicle Hub	310,000	0	0	0	0
Coney Green Telephony System	162,000	0	15,000	0	0
Replacement of Vehicles	3,108,120	1,011,000	247,000	730,000	1,632,000
Contaminated Land	42,000	0	0	0	0
Sharley Park 3G pitch	968,000	0	0	0	0
Sharley Park 3G pitch Replacement Fund	27,000	27,000	27,000	27,000	27,000
CX Town Market Street Regeneration	10,533,000	0	0	0	0
CX Town Sharley Park Active Community Hub	2,828,000	0	0	0	0
CX Town Low Carbon Housing Challenge Fund	655,000	0	0	0	0
CX Town Rail Station Feasability	44,000	0	0	0	0
CX Town Programme Management	373,000	0	0	0	0
Pride in the Public Realm Eckington Southgate - UK SPF Grants	30,000	0	0	0	0
Pride in the Public Realm Killamarsh - UK SPF Grants	10,000	0	0	0	0
Pride in the Public Realm Other - UK SPF Grants	37,803	0	0	0	0
Quality Parks and Play Areas - UK SPF Grants	160,060	0	0	0	0
Shop Fronts - UK SPF Grants	210,000	0	0	0	0
Management & Admin - UK SPF Grants	12,197	0	0	0	0
Warm Homes Local Grant Project	1,000,000	2,000,000	2,000,000	0	0
General Fund Capital Expenditure	**23,330,286**	**4,965,106**	**4,154,106**	**2,314,106**	**3,216,106**
Total Capital Expenditure	**47,079,206**	**33,851,066**	**30,633,196**	**19,037,106**	**18,939,106**

Capital Financing	2025/26	2026/27	2027/28	2028/29	2029/30
Housing Revenue Account					
Major Repairs Reserve	(15,545,000)	(15,500,000)	(15,500,000)	(14,700,000)	(14,700,000)
Prudential Borrowing - HRA	(4,334,000)	(3,680,140)	(6,776,360)	0	0
Development Reserve	(1,084,404)	(1,196,350)	(847,160)	(1,023,000)	(23,000)
External Grant - Homes England	0	(6,119,860)	0	0	0
External Grant - Warm Homes Social Housing Fund Grant (RHL)	(1,115,760)	(1,389,610)	(1,355,570)	0	0
Capital Receipts	0	0	(1,000,000)	0	0
1-4-1 Receipts	(1,669,756)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
HRA Capital Financing	**(23,748,920)**	**(28,885,960)**	**(26,479,090)**	**(16,723,000)**	**(15,723,000)**
General Fund					
Disabled Facilities Grant	(1,017,106)	(1,017,106)	(1,017,106)	(1,017,106)	(1,017,106)
External Grant - Lottery Funded Schemes	(9,000)	0	0	0	0
External Grant - Contaminated Land	(42,000)	0	0	0	0
External Grant - Clay Cross Towns Fund	(12,372,000)	0	0	0	0
External Grant - Sharley Park 3G pitch	(750,000)	0	0	0	0
External Grant - UKSPF	(460,060)	0	0	0	0
External Grant - Food Waste Vehicles	(697,530)	0	0	0	0
External Grant - Sport England for CCA	0	0	0	0	0
External Grant - Warm Homes Local Grant	(1,000,000)	(2,000,000)	(2,000,000)	0	0
Prudential Borrowing - Vehicle Replacement	(1,927,340)	(505,500)	0	0	(816,000)
Prudential Borrowing - Sharley Park Leisure Centre	(1,673,000)	0	0	0	0
Prudential Borrowing - Sharley Park Leisure Centre 3G pitch	(218,000)	0	0	0	0
RCCO - Mill Lane Refurbishment	(316,000)	0	0	0	0
RCCO - Coney Green Telephony System	(162,000)	0	(15,000)	0	0
RCCO - CCA (use of Reserves)	(388,000)	0	0	0	0
Useable Capital Receipts	(2,298,250)	(1,442,500)	(1,122,000)	(1,297,000)	(1,383,000)
General Fund Capital Financing	**(23,330,286)**	**(4,965,106)**	**(4,154,106)**	**(2,314,106)**	**(3,216,106)**
HRA Development Reserve					
Opening Balance	(112,695)	0	0	0	0
Amount due in year	(971,709)	(1,196,350)	(847,160)	(1,023,000)	(23,000)
Amount used in year	1,084,404	1,196,350	847,160	1,023,000	23,000
Closing Balance	**0**	**0**	**0**	**0**	**0**
Major Repairs Reserve					
Opening Balance	(589,461)	(544,461)	(44,461)	(44,461)	(44,461)
Amount due in year	(15,500,000)	(15,000,000)	(15,500,000)	(14,700,000)	(14,700,000)
Amount used in year	15,545,000	15,500,000	15,500,000	14,700,000	14,700,000
Closing Balance	**(544,461)**	**(44,461)**	**(44,461)**	**(44,461)**	**(44,461)**
Capital Receipts Reserve					
Opening Balance	(2,504,188)	(1,705,938)	(1,763,438)	(2,141,438)	(2,344,438)
Income expected in year	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)
Allowable Debt/Pooling Expenses	0	0	0	0	0
Amount used in year	2,298,250	1,442,500	1,122,000	1,297,000	1,383,000
Closing Balance	**(1,705,938)**	**(1,763,438)**	**(2,141,438)**	**(2,344,438)**	**(2,461,438)**
Capital Receipts Reserve 1-4-1 receipts					
Opening Balance	(314,370)	(314,370)	(314,370)	(314,370)	(314,370)
Income expected in year	(1,669,756)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Amount used in year	1,669,756	1,000,000	1,000,000	1,000,000	1,000,000
Closing Balance	**(314,370)**	**(314,370)**	**(314,370)**	**(314,370)**	**(314,370)**
Total Capital Financing	**(47,079,206)**	**(33,851,066)**	**(30,633,196)**	**(19,037,106)**	**(18,939,106)**

Appendix B

Annual Minimum Revenue Provision Statement 2026/27

Where the Council finances General Fund capital expenditure with debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Council to have regard to the Ministry of Housing, Communities and Local Government's *Guidance on Minimum Revenue Provision* (the MHCLG Guidance) most recently issued in April 2024.

The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is aligned with that over which the capital expenditure provides benefits.

The MHCLG Guidance requires the Council, to approve an Annual MRP Statement each year, and provides a number of options for calculating a prudent amount of MRP but does not preclude the use of other appropriate methods. The following statement incorporates options recommended in the Guidance as well as locally determined prudent methods.

MRP is calculated by reference to the capital financing requirement (CFR) which is the total amount of past capital expenditure that has yet to be permanently financed, noting that debt must be repaid and therefore can only be a temporary form of funding. The CFR is calculated from the Council's balance sheet in accordance with the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Expenditure in Local Authorities, 2021 edition.

In line with this guidance the Council has adopted the following approach:

- For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.

- For assets acquired by leases, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

- Where former operating leases have been brought onto the balance sheet due to the adoption of the *IFRS 16 Leases* accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or incentives, then the annual MRP charges will be adjusted so that the overall charge for MRP over the life of the lease reflects the value of the right-of-use asset recognised on transition rather than the liability.

Capital Loans

- For capital expenditure on loans to third parties which were made primarily for financial return rather than direct service purposes, MRP will be charged in accordance with the policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. This MRP charge will be reduced by the value any repayments of loan principal received during in the year, with the capital receipts so arising applied to finance the expenditure instead.

- For capital expenditure on loans to third parties which were made primarily for service purposes, the Authority will make nil MRP except as detailed below for expected credit losses. Instead, the Authority will apply the capital receipts arising from the repayments of the loan principal to finance the expenditure in the year they are received.

- For capital loans made on or after 7th May 2024 where an expected credit loss is recognised during the year, the MRP charge in respect of the loan will be no lower than the loss recognised. Where expected credit losses are reversed, for example on the eventual repayment of the loan, this will be treated as an overpayment.

- For capital loans made before 7th May 2024 and for loans where expected credit losses are not applicable, where a shortfall in capital receipts is anticipated, MRP will be charged to cover that shortfall over the remaining life of the assets funded by the loan.

Housing Revenue Account

- No MRP will be charged in respect of assets held within the Housing Revenue Account but depreciation on those assets will be charged in line with regulations.

Capital expenditure incurred during 2026/27 will not be subject to a MRP charge until 2027/28 or later.

Based on the Council's latest estimate of its Capital Financing Requirement on 31st March 2026, the budget for MRP has been set as follows:

	31/03/26 Estimated CFR £m	2026/27 Estimated MRP £m
Supported Capital Expenditure after 31.03.2008	0.00	0.00
Unsupported Capital Expenditure after 31.03.2008	35.51	1.11
Leases	0.29	0.07
Total General Fund	**35.80**	**1.18**
Assets in the Housing Revenue Account	48.18	0.00
HRA Subsidy Reform Payment	127.09	0.00
Total Housing Revenue Account	**175.27**	**0.00**
Total	**211.07**	**1.18**

Capital Receipts

Proceeds from the sale of capital assets are classed as capital receipts and are typically used to finance new capital expenditure. Where the Council decides instead to use capital receipts to repay debt and hence reduce the CFR, the calculation of MRP will be adjusted as follows:

- Capital receipts arising on the repayment of principal on capital loans to third parties will be used to lower the MRP charge in respect of the same loans in the year of receipt, if any.
- Capital receipts arising on the repayment of principal on finance lease receivables will be used to lower the MRP charge in respect of the acquisition of the asset subject to the lease in the year of receipt, if any.
- Capital receipts arising from other assets which form an identified part of the Council's MRP calculations will be used to reduce the MRP charge in respect of the same assets over their remaining useful lives, starting in the year after the receipt is applied.

Any other capital receipts applied to repay debt will be used to reduce MRP in varying numbers of equal instalments starting in the year after receipt is applied. The varying number will depend on the asset type the debt is based on.

<u>Revenue Account (HRA)</u>

Following the budget on 30 October 2018, the legislation that capped the amount of HRA debt a local housing authority could hold was revoked with immediate effect. The capital financing requirements relating to the HRA will remain the same so there will still be no requirement for an MRP and levels of debt will be managed through prudential borrowing limits controlled by the Treasury Management Strategy.

Removing the debt cap and not having a statutory requirement to make a provision to repay debt presents a significant risk to the HRA. Very careful treasury management is needed to ensure that the Council's HRA borrowing remains affordable, prudent and reasonable and that the HRA remains sustainable over the long term.

North East Derbyshire District Council

Non-Treasury Investment Strategy 2026/27 – 2029/30

Introduction

1.1 The Council invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
- to support local public services by lending to or buying shares in other organisations (**service investments**), and
- to earn investment income (known as **commercial investments** where this is the main purpose).

1.2 This investment strategy meets the requirements of the statutory guidance issued by the Government in January 2018, and focuses on the second and third of these categories.

1.3 The statutory guidance defines investments as "all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios." The Council interprets this to exclude (a) trade receivables which meet the accounting definition of financial assets but are not investments in the everyday sense of the word and (b) property held partially to generate a profit but primarily for the provision of local public services. This aligns the Council's definition of an investment with that in the 2021 edition of the CIPFA Prudential Code, a more recent piece of statutory guidance.

Treasury Management Investments

1.4 The Council typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £11.00m and £15.00m during the 2026/27 financial year.

1.5 **Contribution:** The contribution that these investments make to the objectives of the Council is to support effective treasury management activities.

1.6 **Further details:** Full details of the Council's policies and its plan for 2026/27 for treasury management investments are covered in the Treasury Management Strategy.

Service Investments: Loans

1.7 **Contribution:** The Council lends money to assist local public services, including making loans to local service providers and businesses to stimulate local economic growth. This includes loans to Rykneld Homes Ltd to allow development of social housing. Rykneld Homes Ltd is a wholly owned subsidiary of the Council, limited by guarantee. It also includes a loan to Mypad for a mixed tenure housing development scheme in the district.

1.8 **Security:** The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Council, upper limits on the outstanding loans to each category of borrower have been set as follows:

Table 1: Loans for service purposes

Category of borrower	31/3/2025 actual			2026/27
	Balance owing £m	Loss allowance £m	Net figure in accounts £m	Approved limit £m
Rykneld Homes Ltd	6.24	0.00	6.24	20.00
Mypad	7.03	0.00	7.03	8.66
Total	**13.27**	**0.00**	**13.27**	**28.66**

1.9 Accounting standards require the Council to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Council's statement of accounts are shown net of this loss allowance. However, the Council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

1.10 **Risk assessment:** The Council assesses the risk of loss before entering into and whilst holding service loans by requiring a fully costed business case in all instances that includes any investment/loan requirements and financial/risk implications. A significant amount of due diligence work is undertaken in each case to ensure the business case is robust. The strength of the partnership between Rykneld Homes company and the Council and Mypad and the Council helps to mitigate any risk associated with non-payment.

Commercial Investments: Property

1.11 **Contribution:** The Council invests in local, commercial and residential property with the intention of making a profit that will be spent on local public services. These are mainly industrial units owned across the district.

Table 3: Property held for investment purposes

Property	Actual	31/3/2025 actual		31/3/2026 expected	
	Purchase cost £m	Gains or (losses) £m	Value in accounts £m	Gains or (losses) £m	Value in accounts £m
Industrial Units	4.70	5.40	10.10	0.00	10.10
Land	1.66	9.15	10.81	0.00	10.81
Commercial Properties	0.84	0.03	0.87	0.00	0.87
Shared Ownership Properties	0.96	0.51	1.47	0.00	1.47
TOTAL	**8.16**	**15.09**	**23.25**	**0.00**	**23.25**

1.12 **Security:** In accordance with government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.

1.13 A fair value assessment of the Council's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment. Should the 2025/26 year end accounts preparation and audit process value these properties below their purchase cost, then an updated investment strategy will be presented to full council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.

1.14 Where value in the accounts is below purchase cost, the fair value of the Council's investment property portfolio would no longer be sufficient to provide security against loss, and the Council would therefore need to take mitigating actions to protect the capital invested. These actions could include maintaining the investment properties to a required standard and once vacant, advertising any empty investment properties quickly and with professional advertising agencies.

1.15 **Risk assessment:** The Council assesses the risk of loss before entering into and whilst holding property investments by working with experienced professionals who have extensive knowledge of the projects, properties and local markets. In order that commercial investments remain proportionate to the size of the Council, these are subject to overall maximum investment limits and contingency plans are in place should expected yields not materialise.

1.16 **Liquidity:** Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. The Council's Treasury Management Strategy provides assurances through limits on long-term investments to ensure that the invested funds or suitable alternatives can be accessed when they are needed, for example to repay capital borrowed.

Loan Commitments and Financial Guarantees

1.17 Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Council and are included here for completeness.

1.18 The Council has contractually committed to make up to £20.00m of loans to Rykneld Homes Limited should it request it.

Proportionality

1.19 The Council is to some extent dependent on income generating investment activity to achieve a balanced revenue budget. Table 4 below shows the extent to which the expenditure planned to meet the service delivery objectives is dependent on achieving the expected net profit from investments over the lifecycle of the Medium-Term Financial Plan. Should it fail to achieve the expected net profit, the Council's contingency plans for continuing to provide these services are to meet the shortfalls from other efficiencies generated within the general fund revenue budget or utilise reserves set aside for this purpose.

Table 4: Proportionality of investments

	2024/25 Actual £m	2025/26 Forecast £m	2026/27 Budget £m	2027/28 Budget £m	2028/29 Budget £m	2029/30 Budget £m
Net Service Expenditure	14.99	16.35	17.80	18.60	18.97	19.57
Net Investment Income	0.46	0.46	0.44	0.44	0.44	0.44
Proportion	**3.07%**	**2.81%**	**2.47%**	**2.37%**	**2.32%**	**2.25%**

Borrowing in Advance of Need

1.20 Government guidance is that local authorities must not borrow more than or in advance of their needs purely to profit from the investment of the extra sums borrowed.

Capacity, Skills and Culture

1.21 **Elected members and statutory officers:** The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. Suitably qualified and experienced officers are employed throughout the Council to perform such functions.

1.22 Where Council officers do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

1.23 Members receive individual training and development through the Member Development Programme and are periodically required to attend seminars held by the external treasury management advisors.

1.24 **Commercial deals:** All Officers involved in negotiating such arrangements are aware of the core principles of the prudential framework and of the regulatory regime within which local authorities operate and considerable due diligence is undertaken in all instances.

1.25 **Corporate governance:** All decisions regards new loans or investments of this nature are considered by the Council's Cabinet before being recommended for approval at Council. Any presentation to members will have been through a fully costed business case that includes any investment/loan requirements and financial/risk implications. A significant amount of due diligence work is undertaken in each case to ensure the business case is robust before reporting to Cabinet.

Investment Indicators

1.26 The Council has set the following quantitative indicators to allow elected members and the public to assess the Council's total risk exposure as a result of its investment decisions.

1.27 **Total risk exposure:** The first indicator shows the Council's total exposure to potential investment losses. This includes amounts the Council is contractually committed to lend but have yet to be drawn down and guarantees the Council has issued over third party loans.

Table 5: Total investment exposure

Total investment exposure	31/03/2025 Actual £m	31/03/2026 Forecast £m	31/03/2027 Forecast £m
Treasury management investments	12.00	11.00	15.00
Service investments: Loans – Rykneld Homes Ltd	6.24	6.97	8.18
Service investments: Loans – Mypad	7.03	4.38	1.68
Commercial investments: Property	23.25	23.25	23.25
TOTAL INVESTMENTS	**48.52**	**45.60**	**48.11**
Commitments to lend	15.39	17.31	18.80
TOTAL EXPOSURE	**63.91**	**62.91**	**66.91**

1.28 **How investments are funded:** Government guidance is that these indicators should include how investments are funded. Since the Council does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. To date these investments have been funded by usable reserves and income received in advance of expenditure.

Table 6: Investments funded by borrowing

Investments funded by borrowing	31/03/2025 Actual £m	31/03/2026 Forecast £m	31/03/2027 Forecast £m
Treasury management investments	0.00	0.00	0.00
Service investments: Loans – Rykneld Homes Ltd	6.24	6.97	8.18
Service investments: Loans – Mypad	7.03	4.38	1.68
Commercial investments: Property	0.00	0.00	0.00
TOTAL FUNDED BY BORROWING	**13.27**	**11.35**	**9.86**

1.29 **Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 7: Investment rate of return (net of all costs)

Investments net rate of return	**2024/25 Actual £m**	**2025/26 Forecast £m**	**2026/27 Forecast £m**
Treasury management investments	5.85%	3.60%	3.67%
Service investments: Loans – Rykneld Homes Ltd	3.51%	3.51%	4.35%
Service investments: Loans – Mypad	5.09%	5.09%	5.09%
Commercial investments: Property	1.99%	1.99%	1.90%

1.30 The indicators used to report on the risks and opportunities associated with investment decisions will be kept under review as the Council's Investment Strategy and activities evolve over time.

North East Derbyshire District Council

Flexible Use of Capital Receipts Strategy 2026/27 to 2029/30

Introduction

1.1 As part of the November 2015 Spending Review, the Government announced that it would introduce flexibility for the period of the Spending Review for local authorities to use capital receipts from the sale of assets to fund the revenue costs of service reform and transformation.

The Guidance

1.2 The guidance issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003 specified that:

- Local authorities will only be able to use capital receipts from the sale of property, plant and equipment received in the years in which this flexibility is offered. They may not use their existing stock of capital receipts to finance the revenue costs of reform.

- Local authorities cannot borrow to finance the revenue costs of the service reforms.

- The expenditure for which the flexibility can be applied should be the up-front (set up or implementation) costs that will generate future ongoing savings and/or transform service delivery to reduce costs or to improve the quality of service delivery in future years. The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure.

- The key determining criteria to use when deciding whether expenditure can be funded by the new capital receipts flexibility is that it is forecast to generate ongoing savings to an authority's net service expenditure.

- In using the flexibility, the Council will have due regard to the requirements of the Prudential Code, the CIPFA Local Authority Accounting Code of Practice and the current edition of the Treasury Management in Public Services Code of Practice.

1.3 The Council is also required to prepare a "Flexible use of capital receipts strategy" before the start of the year to be approved by Council which can be part of the budget report to Council. This Strategy therefore applies to the financial year 2026/27 to 2029/30.

Examples of qualifying expenditure

1.4 There are a wide range of projects that could generate qualifying expenditure and the list below is not prescriptive. Examples of projects include:

- Sharing back-office and administrative services with one or more other council or public sector bodies;
- Investment in service reform feasibility work, e.g. setting up pilot schemes;
- Collaboration between local authorities and central government departments to free up land for economic use;
- Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation;
- Sharing Chief Executives, management teams or staffing structures;
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible;
- Aggregating procurement on common goods and services where possible, either as part of local arrangements or using Crown Commercial Services or regional procurement hubs or Professional Buying Organisations;
- Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training;
- Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (e.g. through selling services to others);
- Integrating public facing services across two or more public sector bodies (e.g. children's social care, trading standards) to generate savings or to transform service delivery.

The Council's Proposals

1.5 Government has provided a definition of expenditure which qualifies to be funded from capital receipts. This is: "Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any public sector delivery partners. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility."

1.6 The Government's use of flexible capital receipts directive has been extended until 31st March 2030.

1.7 The Council currently has no plans to utilise the use of flexible capital receipts during the period of the Medium Term Financial Plan 2026/27 to 2029/30.

Impact on Prudential Indicators

1.8 The guidance requires that the impact on the Council's Prudential Indicators should be considered when preparing a Flexible Use of Capital Receipts Strategy. The Council's current capital programme does not utilise the capital receipts that will be generated to fund the above proposal. Therefore, there will be no change to the Council's Prudential Indicators that are contained in the Treasury Management Strategy Statement.

1.9 The Council is not utilising the flexible use of capital receipts within its current medium term financial plan, but it is good practice to include one as part of the Treasury Management suite of Strategies.

North East Derbyshire District Council

Audit Committee

19 January 2026

Accounting Policies 2025/26

Report of the Director of Finance and Resources (S151 Officer)

Classification:	This report is public
Report By:	**Jayne Dethick, Director of Finance and Resources (S151 Officer)**
Contact Officer:	**Jayne Dethick**

PURPOSE / SUMMARY

To request approval by the Audit Committee of the accounting policies that it is proposed to adopt for the current financial year in the preparation of the Statement of Accounts 2025/26.

RECOMMENDATIONS

1. That the Audit Committee approves the Accounting Policies detailed at **Appendix 1** to this report.

2. Members are requested to note that any proposed amendments or changes to these policies will be reported back to this Committee, together with an explanation for the reasons a change is considered to be appropriate and detailing any financial implications of the amendments.

IMPLICATIONS

Finance and Risk: **Yes☒** **No ☐**

Details:

There are no direct financial implications arising from this report. The accounting policies will however be used to determine the accounting treatment of the financial transactions of the Council for 2025/26 and will therefore influence the presentation and understanding of the financial position of the Council as at 31 March 2026.

None of the policies outlined in **Appendix 1** are considered to be in conflict with legislative or IFRS requirements therefore the risk of adopting a policy that contravenes good practice is considered minimal. The greater risk is the failure to ensure that the policy and the actual accounting treatment are consistent. To minimise this risk the accounts production timetable for 2025/26 has officer review time built in to cross check the policies to the actual treatment of items within the accounts.

On Behalf of the Section 151 Officer

Legal (including Data Protection): **Yes☒** **No ☐**

Details:

The agreement of appropriate Accounting Policies is part of the process of ensuring that the Council satisfies its legal obligation to prepare a Statement of Accounts. The accounting policies adopted by the Council must comply with current legislation, the Code of Practice on Local Government Accounting and IFRS requirements. Officers have given careful consideration to the policies detailed at Appendix 1 to ensure that they meet all these requirements.

On Behalf of the Solicitor to the Council

Staffing: **Yes☐** **No ☒**

Details:

There are no staffing issues arising directly from this report.

On behalf of the Head of Paid Service

DECISION INFORMATION

Decision Information	
Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: **NEDDC:** **Revenue - £125,000 ☐ Capital - £310,000 ☐** ☒ *Please indicate which threshold applies*	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
District Wards Significantly Affected	None
Equality Impact Assessment (EIA) details:	
Stage 1 screening undertaken • Completed EIA stage 1 to be appended if not required to do a stage 2	No, not applicable
Stage 2 full assessment undertaken • Completed EIA stage 2 needs to be appended to the report	No, not applicable
Consultation: **Leader / Deputy Leader ☐ Cabinet ☐** **SMT ☐ Relevant Service Manager ☐** **Members ☒ Public ☐ Other ☐**	No Details:

Links to Council Plan priorities; • **A great place that cares for the environment** • **A great place to live well** • **A great place to work** • **A great place to access good public services**
All

REPORT DETAILS

1 **Background** *(reasons for bringing the report)*

1.1 The Accounting Policies adopted by the Council determine the accounting treatment that is applied to transactions during the financial year and in the preparation of the Statement of Accounts at the year end. They determine the specific principles, bases, conventions, rules and practices that will be applied by the Council in preparing and presenting its financial statements. The accounting policies themselves are published within the Statement of Accounts in accordance with the Code of Practice on Local Government Accounting and incorporate the requirements of International Financial Reporting Standards (IFRS).

1.2 The approval of the accounting policies to be applied by the Council demonstrates that due consideration is being given to which policies to adopt and apply and that those charged with corporate governance are fully informed prior to the commencement of the Statement of Accounts preparation of the policies that are being adopted.

1.3 This report therefore presents the accounting policies that the Council will apply in the preparation of the Statement of Accounts 2025/26.

2. Details of Proposal or Information

Accounting Policies

2.1 Officers have assessed the accounting policies that are deemed necessary to explain clearly and underpin the accounting treatment of transactions within the Council’s Statement of Accounts for 2025/26. In undertaking this assessment a review of all accounting policies previously agreed has been undertaken to check their relevance, clarity, legislative compliance and that they are in accordance with the latest version of the code of practice and IFRS requirements.

2.2 With regard to the policies proposed in respect of 2025/26 these are largely unchanged from previous years.

2.3 As the Statement of Accounts for 2025/26 are prepared it may be necessary to amend a policy in order to adopt a more appropriate accounting policy. If this occurs, the change and the reason for the change will be reported back to the Audit Committee at its next available meeting. Full details of all the proposed accounting policies are provided at **Appendix 1**.

3 Reasons for Recommendation

3.1 This report sets out the Accounting Policies which it is proposed to adopt in respect of the 2025/26 Statement of Accounts for consideration by the Audit Committee. Given that the policies adopted have a significant influence upon the Accounting Statements it is important that these are given appropriate consideration at the outset of the preparation of the Statement of Accounts. This helps ensure that they are applied consistently in the preparation of the Accounts. The Policies which are recommended for adoption are largely in line with those that were used in the previous financial year (2024/25) with no significant changes at this time.

4 Alternative Options and Reasons for Rejection

4.1 The Council is required to have appropriate Accounting Policies within its Statement of Accounts. Officers have developed what they consider to be an appropriate set of policies based upon those adopted in previous financial years and taking account of changes as required by current legislation. The preparation and consideration of this report is part of a process intended to ensure that alternative options are given appropriate consideration.

DOCUMENT INFORMATION

Appendix No	**Title**
1	Accounting Policies

Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet you must provide copies of the background papers)

None

APPENDIX 1

Accounting Policies and General Notes

1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2025/26 financial year and its position at the year-end of 31 March 2026. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which require them to be prepared in accordance with proper accounting practices. These practices primarily consist of the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 supported by UK endorsed International Financial Reporting Standards (IFRS).

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Council does not have any transactions that are reclassifiable to the Surplus or Deficit on the Provision of Services. As such we have not grouped the items in Other Comprehensive Income and Expenditure into amounts that may be reclassifiable and amounts that are not.

The Council has followed the requirements of International Accounting Standard (IAS) 1 in preparing the Statement of Accounts. Its objectives are to ensure that for all material items the Council:

- Adopts accounting policies most appropriate to its particular circumstances for the purpose of giving a true and fair view;
- Reviews the accounting policies regularly to ensure that they remain appropriate, and changes them when a new policy becomes more appropriate;
- Ensures that sufficient information is disclosed in the financial statements to enable users to understand the accounting policies adopted and how they have been implemented.

The general principles adopted in compiling the accounts are those set out by CIPFA in the Code of Practice on Local Authority Accounting in the United Kingdom, which is recognised by statute as representing proper accounting practice. In addition, the Local Authority Accounting Panel Standards Committee periodically issue bulletins on accounting practice. These accounting policies conform with those principles, which are applicable to Local Authorities.

2 Accounting Concepts

The concepts used in selecting and applying the most appropriate policies and estimation techniques are as follows:

- The qualitative characteristics of financial information – relevance, reliability, comparability, and understanding;

- Materiality (all major transactions and events are included);
- The accounting concepts of accruals, going concern and primacy of legislative requirements.

3 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from fees, charges and rents due from customers are recognised when the Council transfers the risk and rewards of ownership to the purchaser, and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction, and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for in the year to which it relates and are based on an effective interest rate for the relevant financial instrument rather than the cash flow fixed or determined by the contract.
- Where income and expenditure has been recognised but cash has not been received or paid a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

Grant claims are submitted on an actual basis wherever possible, however if the information to do this is not available then a best estimate basis is adopted.

4 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are short-term, highly liquid investments that mature within three months and are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

5 Charge to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year.

- depreciation – attributable to the assets used by the relevant service.
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which losses can be written off.
- amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation costs are therefore replaced by the contribution in the General Fund of a Minimum Revenue Provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The Council's policy for the calculation of the statutory provision for the repayment of debt is determined each year by the Council in the Treasury Management Strategy. The Council has decided that for 2025/26 the outstanding general fund debt prior to 1 April 2007 will be repaid at a rate of £0.056m per year until the debt is extinguished. All other prudential borrowing for the General Fund is repaid based on the life of the asset.

6 Collection Fund

The transactions of the Collection Fund are wholly prescribed by legislation. Billing authorities have no discretion to determine which receipts and payments are accounted for within the fund and which outside.

<u>NNDR – Impairment of Appeals</u>

Each year the Council commissions an independent assessment of the outstanding appeals lodged with the Valuation Office. The assessment has reviewed every individual appeal and estimate of the likelihood of the appeal succeeding based on the category of appeal and previous appeal determinations.

The rateable value and the period covered by the appeal have been used to establish a prudent provision to meet the estimated costs of successful appeals.

7 Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the accounting statements; they are disclosed by way of notes where it is probable that there will be an inflow of economic benefit or service potential.

8 Contingent Liabilities

A contingent liability arises when an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. Contingent Liabilities are not recognised in the accounting statements; but are disclosed in a note to the accounts.

9 Expected Credit Losses

The Council's accounting policy does not strictly comply with the expectations of IFRS9 which requires a credit loss estimation approach. The Council is satisfied that there are no material differences in the overall value of the estimated loss and provision under the two approaches. Provisions for expected credit losses are made to ensure that the Council can finance any sums due to the Council which are subsequently deemed to be irrecoverable after all recovery measures have been exhausted. This sum is reduced annually by sums written off and increased by any contributions from the revenue account. The provision is netted off against debtors in the Balance Sheet and not included in the provisions total.

The provision in respect of overdue council tax, housing benefit overpayments, rents and NNDR is calculated by category on a percentage basis based upon previous experience of the recovery of debts of that type. The provision for other sundry debts is calculated by reference to the age of the debt involved, and the Council's previous experience of recovering such debt.

10 Employee Benefits

Benefits Payable during Employment

Short term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g., cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end, but which can be carried forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, as this is the period in which the employee takes the benefit.

The accrual is charged to the relevant service area of the Comprehensive Income and Expenditure Statement but then is reversed out through the Movement in Reserves Statement so that the annual leave is charged to revenue in the financial year in which the annual leave occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the Pension Fund or pensioner in year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with accrued debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year end.

Post Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme administered on behalf of the Council by Derbyshire County Council. The scheme provides defined benefits to members (lump sums and pensions) earned as employees working for the Council.

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefit scheme:

- The liabilities of the Derbyshire County Council Pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e., an assessment of future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.

- Liabilities are discounted to their value at current prices using a discount rate.

- The assets of the Derbyshire County Council Pension fund attributable to the Council are included in the Balance Sheet at their fair value:

    - quoted securities – current bid price;
    - unquoted securities – professional estimate;
    - unitised securities – average of the bid and offer rates;

- property – market value.

The change in the net pension's liability is analysed into the following components:

- Current Service Cost – the increase in liabilities as result of years of service earned this year. This is allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

- Past Service Cost – the increase in liabilities arising as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years. These costs are debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement, as part of Non-Distributed Costs.

- Interest Costs – the expected increase in the present value of liabilities during the year as they move one year closer to being paid. The cost is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Remeasurements – comprising:

- The Return on Plan Assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pension Reserve as Other Comprehensive Income and Expenditure.

- Actuarial Gains and Losses – change in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- Contributions paid to the County Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pension Reserve therefore measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows, rather than as benefits are earned by employees.

<u>Discretionary Benefits</u>

The Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

11 Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.

- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial impact.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

12 Exceptional Items

Exceptional items are included in the cost of the service to which they relate or on the face of the Comprehensive Income and Expenditure Statement if that degree of prominence is necessary in order to give a fair presentation of the accounts. An adequate description of each exceptional item is given within the notes to the accounts.

13 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result in a change of accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council’s financial position or financial performance. Where a change is made it is applied retrospectively by adjusting the opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in the prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the period.

14 Financial Instruments

The Council is required to recognise, measure, present and disclose information about any financial instruments. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Typical financial assets include bank deposits, trade receivables and other receivables, loans receivable and advances. Typical financial liabilities include trade payables and other payables, borrowings and financial guarantees. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest). Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics.

There are three main classes of financial assets measured at:

- amortised cost,
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI).

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

When loans are made at less than market rates (a soft loan) a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost that the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the organisation, with the difference serving to increase the amortised cost of the loan in the balance sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured as FVPL are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price.
- other instruments with fixed and determinable payments – discounted cash flow analysis.
- equity shares with no quoted market prices – multiple valuation techniques (which include market approach, income approach and cost approach).

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Where fair value cannot be measure reliably, the instrument is carried at cost (less any impairment losses).

15 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

16 Heritage Assets

Heritage assets are a distinct class of asset which are reported separately from property, plant and equipment and intangible assets.

Recognition

Heritage assets are classed as “a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge or culture” or “an intangible asset with cultural, environmental or historical significance”. A general de-minimis limit of £0.010m is applied to all fixed assets.

Measurement

Only heritage assets that have a cost or value available are required to be entered into the Balance Sheet. Where information on the cost or value is not available and the cost of obtaining the information outweighs the benefits to the user of the statements, the code does not require that the asset is recognised in the Balance Sheet, although appropriate disclosure is needed where heritage assets are not recognised in the Balance Sheet.

Unlike other assets, a full valuation every five years is not required. Valuations can be done whenever the Council requires. The valuations may be made by any method that is appropriate and relevant, this may include insurance valuations.

However, the code does require that authorities review the carrying amounts of heritage assets with sufficient regularity to ensure they remain current. Because of this the Council has determined that a five-year review will be carried out.

Impairment

Impairment reviews are only required in limited circumstances. However, the Council has determined that a five-year review will be carried out. An immediate review will need to be carried out where an asset has suffered physical deterioration or breakage of a heritage asset; or where new doubts arise as to the authenticity of a heritage asset.

Where impairment is identified as part of this review and it is deemed material, or as a result of a valuation exercise, this is accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the accumulated gains).

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on some heritage assets, ones with a definite life, by the systematic allocation of their depreciable amounts over their useful lives.

- Depreciation is calculated on a straight-line allocation over the useful life of the asset.

For any heritage assets with indefinite lives no depreciation is required.

Revaluation gains are also depreciated, where applicable, with an amount equal to the difference between the current value depreciation charged on assets and the depreciation that would have been chargeable based on their historic cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals

When it becomes probable that an asset is to be sold it is reclassified as an Asset Held for Sale. The asset is revalued before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to the fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classed as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as assets held for sale. They are adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale.

Assets that are abandoned or scrapped are not classified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposal are credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e., netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received from disposal proceeds in excess of £0.010m are categorised as capital receipts. The balance of receipts is credited to the Capital Receipts Reserve and can only be used either to finance new capital investment or set aside to reduce the Council's underlying need to borrow. Receipts are appropriated to the Reserve from the Movement on Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing.

Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

17 Intangible Assets

Expenditure on non-monetary assets that do not have a physical substance but are identifiable and controlled by the Council as a result of past events (for example computer software) are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Intangible Assets are initially measured at cost. Amounts are only re-valued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice no intangible asset, held by the Council, meets this criterion and they are therefore carried at amortised cost.

The depreciable amount of an intangible asset is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement.

Each intangible asset is tested for impairment each year to see if there is an indication that the asset might be impaired; any losses recognised are posted to the relevant service lines in the Comprehensive Income and Expenditure Statement. Any gain or loss arising from the disposal of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains or losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for sale proceeds above £0.010m) the Capital Receipts Reserve.

18 Interests in Companies and Other Entities

The Council has a material interest in Rykneld Homes Limited, a company limited by guarantee, which is an Arm’s Length Management Organisation (ALMO).

The ALMO is a wholly owned subsidiary, which was formed on 1 April 2007 and as a result the Council are required to prepare Group Accounts. In the Council’s own single-entity accounts, the interests in companies and other entities are recorded as investments, i.e., at cost, less any provision for losses, however, due to the low value of this investment (£1) this is not included in the financial statements as this is below our materiality level.

19 Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

20 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of service or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are re-valued according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income and Expenditure line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement on Reserves Statement and posted to the Capital Adjustment Account and (for sale proceeds above £0.010m) the Capital Receipts Reserve.

21 Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other ventures' that involve the use of assets and resources of the ventures' rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the share of expenditure it incurs and the share of income it earns from the operation.

Jointly controlled assets are items of property, plant and equipment that are jointly controlled by the Council and other ventures', with the assets being used to obtain benefits for the ventures'. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

The Council has the following jointly controlled operations:

Internal Audit Services – with Bolsover District Council and Chesterfield Borough Council

ICT Services – with Bolsover District Council and Derbyshire Dales District Council

Environmental Health Services – with Bolsover District Council

The Council does have jointly controlled assets with Chesterfield Borough Council and Bolsover District Council regarding the operation of a crematorium. On the basis of materiality, the Council does not include any figures for the joint crematorium within the Statement of Accounts.

22 Leases

The Council as a Lessee

The Council classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. The Code expands the scope of IFRS16 Leases to include arrangements with nil consideration, peppercorn or nominal payments.

Initial Measurement

Leases are recognised as right-of-use assets with corresponding liability at the date from which the leased asset is available for use (or IFRS16 transition date, if later). The leases are typically for fixed periods in excess of 1 year but may have extension options.

The council initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the council's incremental borrowing rate at whatever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- Fixed payments, including in-substance fixed payments.
- Variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date.
- Amounts expected to be payable under a residual value guarantee.
- The exercise price under a purchase option that the council is reasonably certain to exercise.
- Lease payments in an optional renewal period if the council is reasonably certain to exercise an extension option.
- Penalties for early termination of a lease, unless the council is reasonably certain not to terminate early.

The right of use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received.

However, for peppercorn, nominal payment or nil consideration leases, the asset is measured at fair value.

Subsequent Measurement

The right of use asset is subsequently measured using the fair value model. The council considers the cost model to be a reasonable proxy except for:

- Assets held under non-commercial leases.
- Leases where rent reviews do not necessarily reflect market conditions.
- Leases with terms of more than 5 years that do not have any provisions for rent reviews.
- Leases where rent reviews will be at periods of more than 5 years.

For these leases, the asset is carried at the revalued amount. In these financial statements, right of use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases have been valued using market prices or rentals for equivalent land and properties.

The right of use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method. The lease liability is remeasured when:

- There is a change in future lease payments arising from a change in index or rate.
- There is a change in the group’s estimate of the amount expected to be payable under a residual value guarantee.
- The council changes its assessment of whether it will exercise a purchase, extension or termination option or
- There is a revised in-substance fixed lease payment.

When such a remeasurement occurs, an adjustment is made to the carrying amount of the right of use asset, with any further adjustments required from remeasurement being recorded in the income statement.

Low value and short lease exemption

As permitted by the Code, the council excludes leases:

- For low value items that cost less than £0.010m when new, provided they are not highly dependent on or integrated with other items.
- With a term shorter than 12 months (comprising the non-cancellable period plus any extension options that the council is reasonably certain to exercise and any termination options that the council is reasonably certain not to exercise).

Lease expenditure

Expenditure in the Comprehensive Income & Expenditure Statement includes interest, straight-line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rentals for leases of low-value items or shorter than 12 months are expensed.

Depreciation and impairments are not charged against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal, matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and
Finance income credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve. The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

The Council currently has no finance leases for property where this policy applies.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained on the Balance Sheet. Rental Income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments e.g. there is a premium paid at the start of the lease.

Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the asset and charged as an expense over the lease term on the same basis as rental income.

23 Property, Plant and Equipment

Property, Plant and Equipment are non-current assets that have physical substance are held for use in the provision of services, for rental to others, or for administrative purposes and are expected to be used during more than one financial year.

Recognition

Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides is for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of the asset (e.g., repairs and maintenance) is charged to revenue as it is incurred. A general de-minimis limit of £0.010m is applied to non-current assets.

Measurement

Assets are initially measured at cost, comprising the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its current value, unless the acquisition does not have commercial substance (i.e., it will not lead to a variation in the cash flows of the Council). If an asset is acquired via an exchange the cost of acquisition is the carrying amount of the asset exchanged by the Council.

Donated assets are measured at fair value. The difference between fair value and the consideration paid is credited to the Taxation and Non-Specific Grant income line of the Comprehensive Income and Expenditure Statement, unless the donated asset has been made conditionally. Until all conditions are met the gain is held in the Donated Assets Account. Gains that are credited to the Comprehensive Income and Expenditure Statement are reversed out of the General Fund balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost;
- Dwellings – current value, determined using the basis of existing use for social housing;
- Surplus assets – fair value, estimated at the highest and best use from a market participant's perspective;
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use.

Where there is no market based evidence for the current value of an asset because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are re-valued where there have been material changes in the value, but as a minimum every five years. Valuations are undertaken by a professionally qualified valuer. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance, up to the value of the accumulated gains;

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since April 2007, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

At the end of each reporting period an assessment is made of whether there is any indication that an asset may be impaired. If there is an indication of impairment, and it is deemed material. The recoverable amount of the asset is estimated to determine the impairment loss.

Where impairment losses are identified they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance, up to the value of accumulated gains;

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception for assets without a determinable finite useful life (i.e., freehold land) and assets that are not yet available for use (i.e., assets under construction).

Depreciation is calculated on the following bases:

- Land – Not depreciated.
- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- Infrastructure Assets – Straight-line allocation over life of asset.
- Vehicles, plant furniture and equipment – straight-line allocation over the useful life of the asset.
- Community assets – are not depreciated.
- Council Dwellings – Straight Line allocation over the life of the property (also, subject to componentisation).

Items of property, plant and equipment are not depreciated until they become available for use (i.e., when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management). Depreciation ceases at the earlier of the date that items of property, plant and equipment are classified as held for sale and the date they are derecognised.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable, based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Where an item of Property, Plant and Equipment exceed £1m in value and has major components whose costs are significant in relation to the total cost of the item, the components are depreciated separately. The Council deems “significant” to be 25% or more of the total cost of the asset. The Council also applies the following de minimis levels with regard to component accounting.

Components are not separately identified where:

- The useful life of the asset is less than 10 years
- The depreciation charge based on the life of the component would differ from that for the total asset by less than £0.010m.

- The component life must be materially different to the main asset to be treated as a component.

For grouped assets such as Council Dwellings a practical level of componentisation has been applied which links to the work programmes carried out within capital programme. An appropriate life has been assigned to each of these components.

Disposals

When it becomes probable that an asset is to be sold it is reclassified as an Asset Held for Sale. The asset is re-valued before reclassification at its existing use value then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to the fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.
To be classified as an asset held for sale an asset must meet the following criteria:

- The asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets;
- The sale must be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated;
- The asset must be actively marketed for sale at a price that is reasonable in relation to its current value;
- The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

If assets no longer meet the criteria to be classed as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as assets held for sale. They are adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale.

Assets that are abandoned or scrapped are not classified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposal are credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e., netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for disposals, in excess of £0.010m are treated as capital receipts. A proportion of Housing receipts is payable to central government. The balance of receipts is credited to the Capital Receipts Reserve and can only be used for new capital investment or set aside to reduce the Council's underlying need to borrow. Receipts are appropriated to the Reserve from the General Fund balance in the Movement in Reserves Statement.

The gain or loss on the sale of assets is not a charge against council tax. Amounts are appropriated to the Capital Adjustment Account in the Movement in Reserves Statement

24 Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation.

Provisions are charged to the appropriate service revenue account in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured as a best estimate at the balance sheet date of the expenditure required to settle the obligation taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of the financial year – where it becomes more likely than not that a transfer of economic benefit will not be required (or lower settlement anticipated) the provision is reversed and credited back to the relevant service revenue account.

25 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to count against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage accounting processes for non-current assets, financial instruments, and retirement and employee benefits and do not represent usable resources for the Council.

26 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year which may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General

Fund balance to the Capital Adjustment Account then reverses out the amounts charged so there is no impact on the level of council tax.

27 Value Added Tax (VAT)

The Council is normally able to recover all VAT. Where this is the case VAT is not included in the income and expenditure statements. Where the Council is unable to recover VAT, it is charged to the appropriate service.

28 Segmental Analysis

The Council operates with three directorates. All services of the Council fall into one of these directorates. The main service areas within each directorate are as follows:

Organisation and Place Directorate – Environmental Health, Streetscene, Planning, Legal, Governance, Elections, Scrutiny, Human Resources, Health and Safety.
Finance and Resources Directorate – Payroll, Procurement, Financial Services, Revenues and Benefits, Audit (client), Community Safety, ICT, Communications, Housing (client lead for Rykneld Homes), Housing Strategy, Homelessness.

Growth and Assets Directorate – Emergency Planning, Regeneration and Programmes; Tourism, Property Estates and Assets; Leisure.

North East Derbyshire District Council

Audit Committee

19 January 2026

Committee Work Programme May 2025 – April 2027

Report of the Assistant Director of Governance and Monitoring Officer

Classification: This report is public

Report By: Tom Scott – Governance and Scrutiny Officer

Contact Officer: Tom Scott thomas.scott@ne-derbyshire.gov.uk 01246 217045

PURPOSE / SUMMARY

To enable the Audit Committee to review the proposed Work Programme for the period May 2025 – April 2027.

RECOMMENDATIONS

1. That the Committee notes and approves the proposed Audit Committee Work Programme for the period May 2025 – April 2027 as set out in the attached **Appendix 1**.

IMPLICATIONS

Finance and Risk: **Yes☒** **No ☐**
Details:

Risk - the development of a Work Programme for the Audit Committee will provide an appropriate structure to assist and support the Committee's work. This will help to ensure that the Committee continues to operate effectively and that the Council's governance and accountability arrangements remain robust. The Programme is designed to allow the Audit Committee to continue its flexible approach to its and consider work the range of matters which are within its remit. There are no financial issues arising from the report.

On Behalf of the Section 151 Officer

Legal (including Data Protection): Yes☐ No ☒
Details:

There are no legal issues or Data Protection matters arising directly from this report.

On Behalf of the Solicitor to the Council

Staffing: Yes☐ No ☒
Details:

There are no staffing issues arising from the report.

On behalf of the Head of Paid Service

DECISION INFORMATION

Decision Information	
Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: **NEDDC:** **Revenue - £100,000 ☐ Capital - £250,000 ☐** ☒ *Please indicate which threshold applies*	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
District Wards Significantly Affected	None
Consultation: **Leader / Deputy Leader ☐ Cabinet ☐** **SAMT ☐ Relevant Service Manager ☐** **Members ☒ Public ☐ Other ☐**	Yes Details: Members of the Audit Committee

Links to Council Ambition (NED) priorities or Policy Framework including Climate Change, Equalities, and Economics and Health implications.
None.

REPORT DETAILS

1 Background

1.1 The Audit Committee considers a range of financial and governance issues on a regular basis. Given the number of matters that are examined by the Committee it is appropriate that a Work Programme continues to be in place.

1.2 The Work Programme is set out in the attached **Appendix 1**. It should be recognised that the work plan is a live document to which matters may be added or removed as appropriate and approved by the Committee, including standing items.

1.3 The Work Programme enables Members to give structured consideration as to whether the proposed agenda items are appropriate and serve to meet the objectives of the Committee. That question needs to be considered in the light of the Council's Constitution, Chartered Institute of Public Finance and Accountancy (CIPFA) Guidance on the role of an Audit Committee and established good practice.

2. Details of Proposal or Information

2.1 To enable the Audit Committee to review the Work Programme for the period May 2025 – April 2027.

3 Reasons for Recommendation

3.1 To enable the Committee to consider the Work Programme for the period May 2025 – April 2027.

4 Alternative Options and Reasons for Rejection

4.1 There are no other options proposed.

DOCUMENT INFORMATION

Appendix No	Title
1	Committee Work Programme May 2025 – April 2027.
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) you must provide copies of the background papers)	

AUDIT COMMITTEE

WORK PROGRAMME

MAY 2025 - APRIL 2027

DATE OF MEETING	ITEM
28 July 2025	• External Audit Update • Risk Management Update • Treasury Management Update • Annual Governance Statement • Code of Corporate Governance • Annual Statement of Accounts • Going Concern Report • Internal Audit Progress Report • Internal Audit Consortium Annual Report
24 November 2025	• Internal Audit Progress Report • Monitoring the implementation of Internal Audit recommendations • External Audit Completion Report • Safeguarding Update
19 January 2026	• Risk Management Update • Treasury Management Refresher training • Treasury Management Strategies • Proposed Accounting Policies • Internal Audit Progress Update • Proposed External Review of Internal Audit
27 April 2026	• External Audit Update • Risk Management Update • Annual Review of Effectiveness of Internal Audit • Evaluate the Effectiveness of the Audit and Corporate Governance Committee • Internal Audit Progress Update • Monitoring the implementation of Internal Audit recommendations • Internal Audit Plan • Review of the Internal Audit Charter
July 2026 *	• External Audit Update • Risk Management Update • Treasury Management Update • Annual Governance Statement • Code of Corporate Governance • Annual Statement of Accounts • Going Concern Report

	• Internal Audit Progress Report • Internal Audit Consortium Annual Report
November 2026 *	• Internal Audit Progress Report • Monitoring the implementation of Internal Audit recommendations • External Audit Completion Report
January 2027 *	• External Audit Update • Risk Management Update • Treasury Management Refresher training • Treasury Management Strategies • Proposed Accounting Policies • Internal Audit Progress Update • Review of the Internal Audit Charter
April 2027 *	• External Audit Update • Risk Management Update • Annual Review of Effectiveness of Internal Audit • Evaluate the Effectiveness of the Audit and Corporate Governance Committee • Internal Audit Progress Update • Monitoring the implementation of Internal Audit recommendations • Internal Audit Plan

**actual dates to be confirmed with Governance*

By virtue of paragraph(s) 3, 5 of Part 1 of Schedule 12A of the Local Government Act 1972.

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