



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 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 discretionary 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 Council's 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 Council's 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 Feasibility	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.

Revenue Account (HRA)

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.