



## 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
<b>Total</b>	<b>13.27</b>	<b>0.00</b>	<b>13.27</b>	<b>28.66</b>

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
<b>TOTAL</b>	<b>8.16</b>	<b>15.09</b>	<b>23.25</b>	<b>0.00</b>	<b>23.25</b>

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

	<b>2024/25 Actual £m</b>	<b>2025/26 Forecast £m</b>	<b>2026/27 Budget £m</b>	<b>2027/28 Budget £m</b>	<b>2028/29 Budget £m</b>	<b>2029/30 Budget £m</b>
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
<b>Proportion</b>	<b>3.07%</b>	<b>2.81%</b>	<b>2.47%</b>	<b>2.37%</b>	<b>2.32%</b>	<b>2.25%</b>

### **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 regarding 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**

<b>Total investment exposure</b>	<b>31/03/2025 Actual £m</b>	<b>31/03/2026 Forecast £m</b>	<b>31/03/2027 Forecast £m</b>
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
<b>TOTAL INVESTMENTS</b>	<b>48.52</b>	<b>45.60</b>	<b>48.11</b>
Commitments to lend	15.39	17.31	18.80
<b>TOTAL EXPOSURE</b>	<b>63.91</b>	<b>62.91</b>	<b>66.91</b>

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**

<b>Investments funded by borrowing</b>	<b>31/03/2025 Actual £m</b>	<b>31/03/2026 Forecast £m</b>	<b>31/03/2027 Forecast £m</b>
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
<b>TOTAL FUNDED BY BORROWING</b>	<b>13.27</b>	<b>11.35</b>	<b>9.86</b>

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)**

<b>Investments net rate of return</b>	<b>2024/25 Actual £m</b>	<b>2025/26 Forecast £m</b>	<b>2026/27 Forecast £m</b>
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.