

February 7th, 2024

Notice Of Meeting

You are requested to attend the meeting to be held on **Tuesday, 13th February 2024 at 7:00 pm** in **Hybrid - City Hall, Bangor & via Zoom**.

Agenda

Virtual Meeting Guidance

[Guidance for virtual Council meetings.pdf](#)

Not included

Agenda

[SpC 13.02.2024 Agenda.pdf](#)

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1. Prayer

2. Apologies

3. Declarations of Interest

***** IN CONFIDENCE *****

4. Minutes of Special Corporate Services Committee held on 25 January 2024

Copy attached

[SpCS 25.01.2024 Minutes.pdf](#)

Not included

****OUT OF CONFIDENCE****

5. Prudential Capital Financing Regime

Report attached

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6. Robustness of Estimates and Adequacy of Reserves

Report attached

7. 2024/2025 District Rate

Report attached

ARDS AND NORTH DOWN BOROUGH COUNCIL

7 February 2024

Dear Sir/Madam

You are hereby invited to attend a hybrid Special Meeting (in person and via Zoom) of Ards and North Down Borough Council which will be held at the City Hall, The Castle, Bangor on Tuesday 13 February 2024 commencing at 7.00pm.

Yours faithfully

Stephen Reid
Chief Executive
Ards and North Down Borough Council

AGENDA

1. Prayer
2. Apologies
3. Declarations of Interest

*****IN CONFIDENCE*****

4. Minutes of Special Corporate Services Committee held on 25 January 2024 (attached)

*****OUT OF CONFIDENCE*****

5. Prudential Capital Financing Regime (Report attached)
6. Robustness of Estimates and Adequacy of Reserves (Report attached)
7. 2024/2025 District Rate (Report attached)

MEMBERSHIP OF ARDS AND NORTH DOWN BOROUGH COUNCIL

Alderman Adair	Councillor Hollywood
Alderman Armstrong-Cotter	Councillor S Irvine
Alderman Brooks	Councillor W Irvine
Alderman Cummings	Councillor Irwin (Deputy Mayor)
Alderman Graham	Councillor Kennedy
Alderman McAlpine	Councillor Kendall
Alderman McDowell	Councillor Kerr
Alderman McIlveen	Councillor MacArthur
Alderman Smith	Councillor Martin
Councillor Ashe	Councillor McCollum
Councillor Blaney	Councillor McCracken
Councillor Boyle	Councillor McKee
Councillor Cathcart	Councillor McKimm
Councillor Chambers	Councillor McLaren
Councillor Creighton	Councillor McRandal
Councillor Cochrane	Councillor Moore
Councillor Douglas	Councillor Morgan
Councillor Edmund	Councillor Rossiter
Councillor Gilmour (Mayor)	Councillor Smart
Councillor Harbinson	Councillor Wray

Unclassified

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ITEM 5**Ards and North Down Borough Council**

Report Classification	Unclassified
Council/Committee	Council Meeting
Date of Meeting	13 February 2024
Responsible Director	Director of Corporate Services
Responsible Head of Service	Head of Finance
Date of Report	06 February 2024
File Reference	FIN165
Legislation	Local Government Finance Act (NI) 2011
Section 75 Compliant	Yes <input type="checkbox"/> No <input type="checkbox"/> Other <input checked="" type="checkbox"/> If other, please add comment below:
Subject	Prudential Capital Financing Regime
Attachments	Appendix 1 Treasury Management Strategy Statement 2024-25 Appendix 2 Capital Strategy 2024-25 Appendix 3 Capital Budgets 2024-25 Appendix 4 Minimum Revenue Provision Policy Statement 2024-25

Treasury and Investment Management Policy, Practices and Strategy Statement

The Council is required to adopt 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 and Investment Management Policy and Practices. The Council approved this strategy in February 2023, no updates to this policy are required this year.

In addition, the former Department of the Environment (DOE) issued Guidance on Local Council Investments in October 2011 that requires the Council to approve a

Unclassified

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Treasury Management Strategy Statement before the start of each financial year. This is set out in Appendix 1.

Capital Strategy

The Local Government Finance Act (NI) 2011 requires the Council to have regard to the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code for Capital Finance in Local Authorities 2018 Edition (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice.

This capital strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of Council services along with an overview of how associated risk is managed and the implications for future financial sustainability.

To demonstrate that the Council has fulfilled its objectives, the Capital Strategy sets out the indicators that must be set and monitored each year.

This strategy is set out in Appendix 2 and the Prudential Code requires that it is made available on the Council website.

Appendix 3 sets out the capital budgets (net of any funding receivable) for the next three years on which the capital strategy has been based. Members should note that a number of projects on schedule have a delivery period that is greater than the three-year plan.

Appendix 4 set out the Council's minimum revenue provision policy as required by the Prudential Code.

RECOMMENDATION

It is recommended that Council approves the report and associated appendices.



Treasury Management Strategy Statement 2024/25

Introduction

Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council, when borrowing and/or investing substantial sums of money is 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.

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. In addition, the former Department of the Environment (DoE) issued Guidance on Local Authority Investments in October 2011 that requires the Council to approve an investment strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the Local Government Finance Act (Northern Ireland) 2011 to have regard to both the CIPFA Code and the DoE Guidance.

In accordance with the DOE Guidance, the Council will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, or in the Council's capital programme or in the level of its investment balance.

External Context

Economic background

The impact on the UK from higher interest rates and inflation, a weakening economic outlook, an uncertain political climate due to an upcoming general election, together with war in Ukraine and the Middle East, will be major influences on the Council's treasury management strategy for 2024/25.

The Bank of England (BoE) increased Bank Rate to 5.25% in August 2023, before maintaining this level for the rest of 2023.

Looking ahead, the BoE forecasts that higher interest rates will constrain GDP growth, which will remain weak over the forecast horizon and expects CPI inflation to continue falling slowly but taking until early 2025 to reach the 2% target before dropping below target during the second half of 2025 and into 2026.

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Credit outlook

During 2023 Moody's rating agency revised its outlook on the UK sovereign to stable from negative to reflect its view of restored political predictability following the volatility after the 2022 mini-budget and in recognition of the UK's economic resilience and strong institutional framework. Following this, they also revised the outlook on five UK banks to stable from negative.

There remain competing tensions in the banking sector, on one side from higher interest rates boosting net income and profitability against another of a weakening outlook and likely recessions that increase the possibility of a deterioration in the quality of banks' assets.

However, the institutions on the Council's treasury management adviser counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

Interest rate forecast

Although UK inflation and wage growth remain elevated, the Council's treasury management adviser Arlingclose forecasts that Bank Rate has peaked at 5.25% and that the BoE will start reducing rates in 2024 to stimulate the UK economy. Arlingclose sees rate cuts from Q3 2024 to a low of around 3% by early to mid-2026.

Arlingclose expects long-term gilt yields to be broadly stable at current levels (amid continued volatility) but remaining relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.

For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate of 5%, and that new long-term loans will be borrowed at an average rate of 5.3%.

Local Context

On 1 February 2024, the Council held £59.7m of borrowing and £10m of treasury deposits.

It is not expected that the borrowing level will change for the remainder of 2023/24, but the level of treasury deposits will likely fall depending on the timing of income and expenditure cashflows over the remaining months.

Forecast changes in the capital financing and borrowing requirements for the current year and over the next three financial years are shown in table 1 below.

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Table 1: Balance Sheet Summary and Forecast

	31.3.23 Actual £m	31.3.24 Forecast £m	31.3.25 Estimate £m	31.3.26 Estimate £m	31.3.27 Estimate £m
Capital Financing Requirement	76.3	75.8	84.0	94.1	100.9
Less: Existing external debt	(63.7)	(59.7)	(61.0)	(57.1)	(53.7)
Internal borrowing requirement	12.6	16.2	22.9	37.0	47.2
Less: Balance Sheet resources	(20.8)	(21.7)	(20.4)	(19.4)	(18.8)
New Cumulative Borrowing/(Investments)	(8.2)	(5.5)	2.5	17.6	28.4

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 or internal borrowing.

The Council has an increasing CFR (underlying need to borrow) due to its significant capital investment programme. Table 1 above shows that the Council may be required to borrow up to £47m to finance the programme over the forecast period to March 2027. However, the Council's current strategy is to maintain borrowing and investments below their underlying levels, by utilising the availability of balance sheet reserves to maintain its actual borrowing level under the underlying level. This is sometimes known as internal borrowing and reduces the forecast for future new borrowing to £28m over the forecast period.

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 above shows that the Council expects to comply with this recommendation during 2024/25.

Liability benchmark

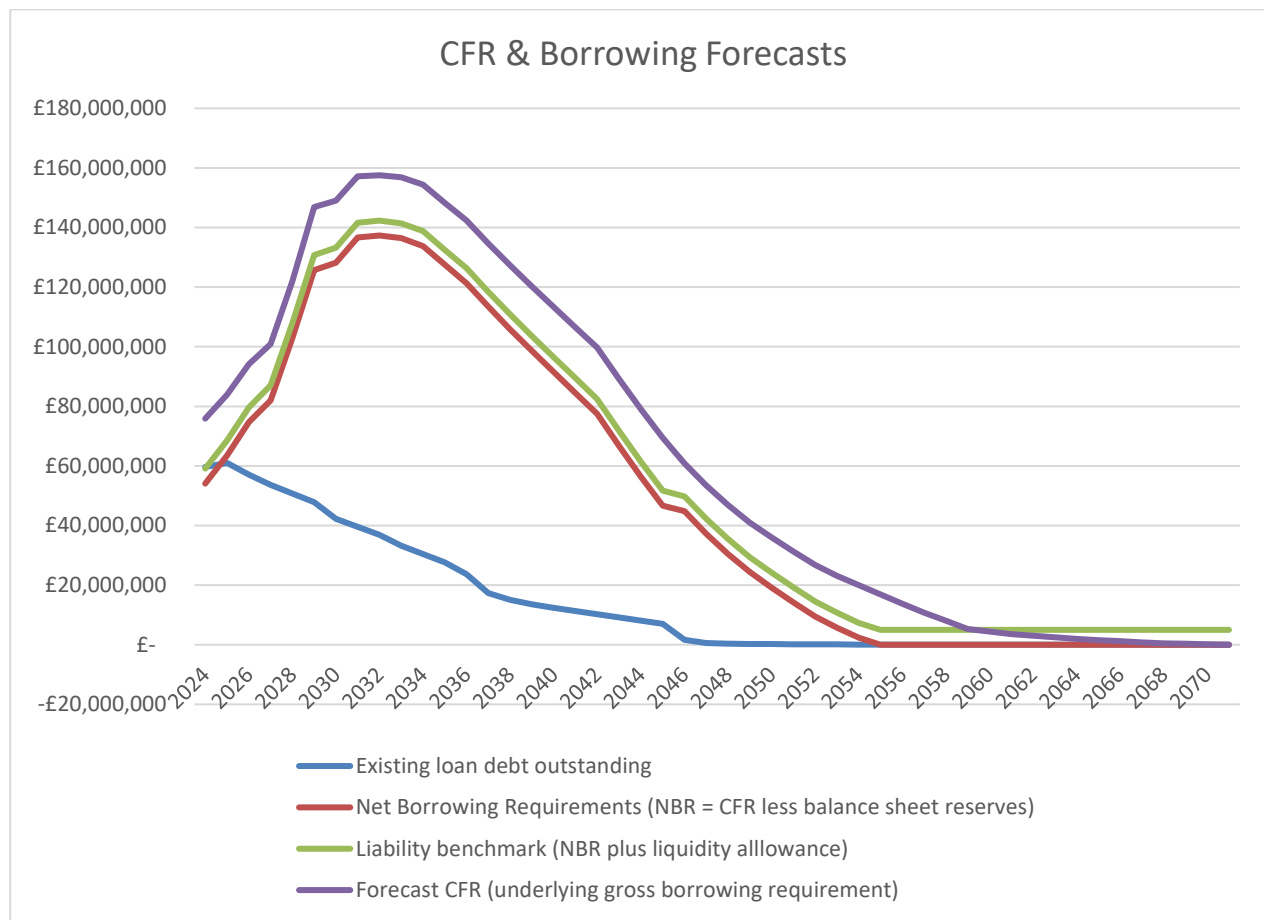
To compare the Council's forecast borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as table 1 above, but that cash and investment balances are kept to a minimum level of £5m at each year-end to maintain sufficient liquidity but minimise credit risk.

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.

Table 2: Liability benchmark

	31.3.23 Actual £m	31.3.24 Forecast £m	31.3.25 Estimate £m	31.3.26 Estimate £m	31.3.27 Estimate £m
Capital Financing Requirement	76.3	75.8	84.0	94.1	100.9
Less: Balance Sheet resources	(20.8)	(21.7)	(20.4)	(19.4)	(18.9)
Net borrowing requirement	55.5	54.1	63.6	74.7	82.0
Plus: Liquidity allowance	5.0	5.0	5.0	5.0	5.0
Liability benchmark	60.5	59.1	68.6	79.7	87.0

Following on from these medium-term forecasts, the long-term forecasts of the Council's CFR, liability benchmark and existing debt portfolio are shown in the chart below:



- The **blue** line shows how the Council's existing debt portfolio will mature over the long-term; this is the effect of no capital expenditure in the future.
- The other three lines show estimated forecasts of different borrowing strategies for the financing of planned future capital expenditure, as follows:
 - the **purple** line is the CFR or gross external borrowing requirement i.e. borrowing without utilisation of any internal resources;
 - the **red** line is the net external borrowing requirement i.e. borrowing only the amount required after the use of all internal resources; and
 - the **green** line is the liability benchmark, which is the borrowing required after the use of internal resources which are not required to be held for liquidity and treasury management purposes. The Council uses this forecast for budget setting purposes.

Borrowing Strategy

The Council is forecast to hold £59.7m of total borrowings by 31 March 2024, a decrease of £4m on the previous year. The balance sheet forecast in table 1 above shows that the Council expects to make minimal borrowings in 2024/25 in comparison to the next two years, as the capital investment plan progresses.

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Objectives

The Council's primary objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required.

Strategy

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 are currently at a 15-year high but are expected to fall in the coming years 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.

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 2024/25 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

The Council has previously raised the majority of its long-term borrowing from the Government Loans Fund via the Department of Finance but will consider long-term loans from other sources including banks, local authorities and other government sources in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code.

Approved Sources

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

- Government Loans Fund (via the Department of Finance, DoF);
- UK Infrastructure Bank Ltd
- any institution approved for investments including UK local authorities, Government departments and arms-length bodies;
- any other bank or building society authorised to operate in the UK;
- UK public and private sector pension funds (except NILGOSC and NICS Pension Funds);
- capital market bond investors;
- UK Municipal Bonds Agency plc and other special purpose companies created to enable Council bond issues.

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

- leases;
- hire purchase;
- sale and leaseback.

LOBOs

The Council holds £1m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. Although lenders are unlikely to exercise their options in the current relatively low interest rate environment, there remains an element of refinancing risk, given

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interest rates have started to rise. The Council will take the option to repay LOBO loans at no cost if it is viable and it has the opportunity to do so. Below is a summary of the LOBO loans currently held by Council at a variable rate:

Table 3: LOBO loans held at variable rate

Lender	Loan Amount	Interest Rate	Expiry Date
Lloyds Bank	£1,000,000	6.590%	Apr 2025

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 limit on the net exposure to variable interest rates in the treasury management indicators below.

Debt Rescheduling

The Department of Finance allows Councils to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. The Council, in line with advice from Arlingclose, 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.

Investment Strategy

The Council currently holds treasury deposits of £10m, representing income received in advance of expenditure plus balances and reserves held. This level is expected to fall slightly by the end of March 2024 and fall further during the 2024/25 financial year, as the funds are utilised to contribute to the financing of the capital investment programme.

Objectives

Both the CIPFA Code and the DOE Guidance require 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 receiving unsuitably low investment income. The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing, in accordance with the statement set out in the 'ESG Policy' section below.

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 Council has extended its investment facilities in recent years, to include money market funds in addition to unsecured bank deposits, to diversify risk into different sectors and boost investment income. Given the increasing risk and continued low returns from short-term unsecured bank deposits, the Council will aim to further diversify, as far as practically possible and if investment levels require it, into more secure and higher yielding asset classes during 2024/25. Other than short-term deposits of any grants received in advance or monies borrowed in advance of need but within the authorised limits over the forecast period, it is expected however that only minimum levels of investments will be maintained.

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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.

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 ESG policy 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.

Approved Counterparties

In accordance with guidance from the DOE and CIPFA and in order to minimise the risk to investments, the Council will only consider counterparties with a minimum acceptable credit quality, meaning that investment decisions are never made solely based on credit ratings but are considered along with other relevant factors.

The Council will therefore adhere to the approved counterparty list provided and continually updated by its treasury advisors, Arlingclose, who consider credit ratings from a selection of external rating agencies together with other market factors, with the end product being a listing of the relative creditworthiness of counterparties. This information will be used by the Council to determine which counterparties to place investments with and the maximum duration for investments. All counterparties on the Arlingclose approved counterparty list have a minimum credit rating of A-.

Arlingclose will alert the Council to changes in counterparty creditworthiness and provide updated approved counterparty lists as these changes are notified. 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.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn 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.

Specified Investments

The Council deals only in specified investments ie. those which offer high security and high liquidity and satisfy the conditions set out below:

- investments denominated in pound sterling,
- investments due to be repaid within 12 months of arrangement,
- investments not defined as capital expenditure by legislation,

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- invested with one of:
 - the UK Government,
 - a UK local Council, parish council or community council, or
 - a body or investment scheme of “high credit rating”, and
- investments where the principal sum to be repaid at maturity is the same as the initial sum invested, other than investments in the UK Government.

Non-specified Investments

Non-specified investments are those investments which do not, by definition, meet the requirements of a specified investment as set out above. They present a higher risk and therefore this Council does not intend to make any Non-Specified investments in 2023/24.

Investment Limits

The Council will invest surplus cash balances with each approved counterparty to a maximum of the greater of £3m or 30% of the overall investment, allocated in accordance with security, liquidity and yield. This includes cash sums placed in the investment account held with the Council’s corporate banking provider. However, the total balance held in the Council’s bank accounts may exceed these levels for a short period of time only (no longer than 4 working days) when:

- funding and income receipts are received into the bank account late in the day ie. after bank cut-off times have passed to enable funds to be placed with other approved counterparties; or
- investments are repaid into the bank account in advance of need to ensure availability of cleared funds for large payments on following day(s).

Financial Implications

The budget for investment income for 2024/25 is £496k, based on estimated cashflows and investment balances earning interest at an average rate of 5%.

Treasury Management Prudential Indicators

Debt Related Treasury Activity Limits

The Council measures and manages its exposure to debt related treasury management risks using the following indicators and limits:

Interest rate exposure

This indicator is set to monitor the Council's exposure to the use of interest rate forecasts in its revenue budgets and shows the impact of a 1% rise or fall in interest rates.

Revenue budget impact of a 1%	2024/25	2025/26	2026/27
rise in interest rates – cost increases by	£22,500	£121,000	£250,000
fall in interest rates – cost reduces by	£22,500	£121,000	£250,000

Upper limits on variable and fixed interest rate exposure

These identify maximum limits for variable and fixed interest rates based upon the total debt position.

Interest rate exposures	2023/24	2024/25	2025/26	2026/27
Variable interest rate exposure - upper limit	30%	30%	30%	30%
Fixed interest rate exposure - upper limit	100%	100%	100%	100%

Maturity structure of borrowing.

These limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing within a short timeframe. Both upper and lower limits are set as follows:

Maturity structure of fixed interest rate borrowing	2023/24		2024/25	
	Lower Limit	Upper Limit	Lower Limit	Upper Limit
Under 12 months	0%	15%	0%	15%
12 months to 2 years	0%	15%	0%	15%
2 years to 5 years	0%	20%	0%	20%
5 years to 10 years	0%	30%	0%	30%
10 years and above	30%	90%	30%	90%

Investment Treasury Indicator

Principal sums invested for more than 364 days.

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. As it is not intended to enter into any non-specified investments, the Council is asked to approve the following limits:

	2024/25	2025/26	2026/27
Principal sums invested > 364 days	£nil	£nil	£nil

Other Items

There are a number of additional items that the Council is obliged by CIPFA or the DOE to include in its Treasury Management Strategy.

Policy on Use of Financial Derivatives

The Council will not use standalone financial derivatives (such as swaps, forwards, futures and options). Derivatives embedded into loans and investments, including pooled funds and forward starting transactions, may be used, and the risks that they present will be managed in line with the overall treasury risk management strategy.

Markets in Financial Instruments Directive (MiFID)

The Council has retained retail client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a smaller range of services but with 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.

Investment Training

The Council recognises that investments, as well as wider treasury management issues require a high level of specialist knowledge. The Council will review staff training needs in respect of Treasury Management skills as part of its employee appraisal scheme and continuing professional development requirements. In addition, it is recommended that training should be provided for elected members to enable them to provide effective scrutiny of the strategy and to have the knowledge to make informed decisions.

Investment Advisers

Through a collaborative procurement process with the lead Council being Armagh City, Banbridge and Craigavon Borough Council, the Council has appointed Arlingclose Ltd as treasury management advisers. Whilst Arlingclose provides the Council with specific advice on investments, debt and capital finance issues, the Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.



Capital Strategy Report 2024/25

Introduction

This capital strategy report gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of Council services along with an overview of how associated risk is managed and the implications for future financial sustainability.

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

From 1 April 2024, due to a change in accounting rules, the Council will be required to bring onto its Balance Sheet any 'right of use' assets which it currently accounts for as operating leases. Operating leases are currently treated as 'pay as you go' arrangements, with rentals expensed (charged to the General Fund) in the year they are paid. In recognising any rights acquired under such leases to use an asset, the new rules now require that these assets are included on the Balance Sheet with a corresponding liability to repay the lease over its term. This has resulted in changes to the prudential indicators for 2024/25 and subsequent years, summarised where relevant in this report.

Capital Expenditure and Financing

Capital Expenditure

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 may include spending on assets owned by other bodies. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £5,000 are not capitalised and are instead charged to revenue. In addition, expenditure incurred on enhancing an existing asset can be capitalised if it either extends the asset's useful life or significantly enhances the service potential of the asset.

In 2024/25, the Council is planning capital expenditure of £23.9m, as summarised in the table below:

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Table 1: Prudential Indicator: Estimates of Capital Expenditure in £m

Capital Expenditure by Directorate	2023/24 Forecast £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Community & Wellbeing	2.857	11.732	17.271	14.981
Environment	2.550	3.108	2.885	2.500
Place & Prosperity	2.176	3.476	9.998	11.133
Other	0.205	1.090	0.439	1.168
Total Capital Expenditure	7.788	19.406	30.593	29.782
Add Leases onto Balance Sheet	-	4.515	-	-
Total Capital Expenditure (including Leases)	7.788	23.921	30.593	29.782

Further details of the three-year capital plan from 2024/25 to 2026/27 are included in appendix 3. £4.514m shown against leases for 2024/25 arises from the change in the accounting rules for leases and does not represent cash expenditure.

Capital Financing

Capital financing refers to how capital expenditure is financed, which can be from a number of different sources as follows:

- Capital grants;
- Capital receipts from the disposal of assets;
- Usable reserves; or
- Debt - borrowings and leases

The planned financing of the above expenditure is as follows:

Table 2: Capital financing in £m

	2023/24 Forecast £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Capital Grants & Contributions	1.983	7.309	11.725	14.956
Capital Receipts	0.895	1.346	0.953	0.550
Revenue/Reserves	0.009	0.409	0.395	-
Debt (Borrowing)	4.901	10.342	17.520	14.276
Debt (Leases)	-	4.515	-	-
Total Financing	7.788	23.921	30.593	29.782

Debt is only a temporary source of finance since loans and leases must be repaid. Therefore, where capital expenditure is financed from borrowings or leases, the capital expenditure and associated borrowing costs are met from annual revenue budgets over time. Together, these costs are referred to as capital financing charges and are made of two separate elements:

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- **MRP (minimum revenue provision)** – this is the amount charged to revenue each year over the life of an asset until the total cost of the asset has been matched eg. an asset costing £1m with a 10 year life will result in an annual MRP charge of £100k for each year of the asset's life.
- **Loan Interest** – this is the annual interest repayments on borrowings that are taken out in order to finance capital expenditure upfront.

The forecasts for MRP, which now include a provision for leases, are as follows:

Table 3: Replacement of debt finance in £m

	2023/24 Forecast £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
MRP	5.376	6.784	7.353	7.485

The full MRP statement for 2024/25, which is required to be approved by the Council, is set out in Appendix 4.

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. Based on the above figures for expenditure and financing, the Council's estimated forecast CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £m

Capital Financing Requirement (CFR)	31.03.24 Forecast £m	31.03.25 Estimate £m	31.03.26 Estimate £m	31.03.27 Estimate £m
Opening CFR	76.328	75.853	83.926	94.093
Capital Expenditure	7.788	19.406	30.593	29.782
Leases onto Balance Sheet	-	4.515	-	-
Less Capital Grants	(1.983)	(7.309)	(11.725)	(14.956)
Less Capital Receipts applied	(0.895)	(1.346)	(0.953)	(0.550)
Less Reserves Financing	(0.009)	(0.409)	(0.395)	-
Less MRP (Borrowing)	(5.376)	(6.411)	(7.003)	(7.153)
Less MRP (Leases)	-	(0.373)	(0.350)	(0.332)
Total CFR	75.853	83.926	94.093	100.884

As can be seen from the above table, the CFR is expected to increase by approx. £25m over the next three years, reflecting the Council's ambition for capital investments during this period.

Capital Strategy and Governance

Capital financing is the second largest revenue expenditure area after payroll costs and the Council's capital strategy therefore forms a fundamental part of the annual revenue budget setting process.

In considering its strategy for this year, the following key principles were identified:

- Long-term impact of capital decisions considered – financial planning based on an indicative 10-year capital programme.
- Major projects are prioritised in line with corporate objectives - all major schemes (ie. one-off projects with gross capital expenditure greater than £500,000) have been ranked using a formal matrix based on corporate alignment, need, risk, readiness and cost-benefit score.
- Capital ambition is balanced with affordability, measured by the impact of the capital programme on annual Rate increases, which can be smoothed by planning to raise additional MRP when affordable in order to facilitate the taking of MRP holidays when less affordable.
- Minor purchases limited to availability of capital receipts, subject to approval of business cases.

The following risks have also been considered:

- Increased costs of both the capital programme and the cost of borrowing.
- Impact of external funder obligations.
- Adequacy of recurring capital expenditure budgets due to emerging issues eg. vehicle decarbonisation strategy.
- Deliverability of the capital programme in the medium term, considering Officer resources and other external factors.

The following additional governance arrangements are in place:

- Maintenance and replacement strategies provide a framework within which this capital expenditure is incurred. Currently these are in place for property, vehicle replacement, parks equipment replacement and two are currently being drafted for business technology replacements and artificial sports pitch replacements.
- Projects cannot proceed until there has been some form of assessment of need. For one-off projects this takes the form of a business case. For expenditure incurred as a result of a strategy, this assessment is in the form of condition surveys or other relevant forms of appraisal.
- Major capital schemes are overseen by individual project boards and a Corporate Projects Portfolio Board, which reports to the Council's Corporate Services Committee.

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In determining the District Rate increase for 2024/25, sufficient provision has been made to maintain the current estimated delivery timeframe of 10 years for major capital projects, include adequate funding for operational capital expenditure and make provision for future developments in vehicle decarbonisation.

However, given the significant impact on future rate setting and exposure to risks identified, the Council proposes to undertake a thorough review of the 10-year capital programme in the incoming year.

Asset management

To ensure that capital assets continue to be of long-term use, the Council:

- for land and buildings, approved an estates strategy and an estates management plan, in December 2018 and September 2019 respectively; and
- for all other assets, approved an asset management policy in March 2023.

The Estates strategy has three overarching objectives:

- To support a refreshed focus on communities and people, economic regeneration and tourism, the quality of our environment and the core services provided by the Council and its partners.
- To generate capital and revenue efficiencies to support the delivery of corporate objectives and improved social outcomes.
- To create linkage between capital receipts and revenue efficiencies and the process of developing and prioritising capital investment programmes.

It has been designed to align with the spirit of the *Big Plan* 'Creating Positive Outcomes for Everyone' – the Community Plan for Ards and North Down and to support the Council's Corporate Plan which was launched in April 2021.

On this basis the Estate Strategy will run until 2025 at which point in time it will be refreshed and updated to align with the new Corporate Plan due to be launched in April 2024.

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. The Council has included capital receipts in its three-year financial plan as follows:

Table 5: Capital receipts in £ millions

	2023/24 Forecast £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Asset sales	0.213	0.100	-	-

Treasury Management

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 unauthorised 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.

Due to decisions taken in the past, the Council currently has (at 1 February 2024) £59.65m of long-term borrowing at an average interest rate of 3.87% and £10m short-term treasury deposits at an average rate of 5.25%.

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 may therefore seek to strike a balance between cheap short-term loans and long-term fixed rate loans where the future cost is known but higher.

Projected levels of the Council's total outstanding debt over the next three years are shown below, compared with the capital financing requirement (see above).

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

	31.03.24 Forecast £m	31.03.25 Estimate £m	31.03.26 Estimate £m	31.03.27 Estimate £m
External Debt – Borrowing	59.651	61.225	72.574	79.981
External Debt - Leases	-	4.142	3.792	3.460
Total External Debt	59.651	65.367	76.366	83.441
Capital Financing Requirement	75.853	83.926	94.093	100.884
Internal Borrowing	16.202	18.559	17.727	17.443

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.

The difference between the external debt and the capital financing requirement represents the Council's internal borrowing ie. the amount of cash backed reserves the Council has available to defer the need to externally borrow for capital purposes.

Liability benchmark

To compare the Council's forecast borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This

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assumes that cash and investment balances are kept to a minimum level of £5m at each year-end. This benchmark is currently £59m and is forecast to rise to £87m over the next three years.

Table 7: Borrowing and the liability benchmark in £m

	31.03.24 Forecast £m	31.03.25 Estimate £m	31.03.26 Estimate £m	31.03.27 Estimate £m
Forecast outstanding borrowing	59.651	65.367	76.366	83.441
Liability benchmark	59.117	68.564	79.680	87.036

Affordable borrowing limit

The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

As the Council’s underlying need to borrow is determined by its CFR, the operational boundary is set at the same level as the CFR. The authorised limit is set at level higher than this to allow ‘headroom’ for timing changes in estimated cashflows for capital expenditure.

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

	2023/24 limit £m	2024/25 limit £m	2025/26 limit £m	2026/27 limit £m
Authorised limit – borrowing	86.235	84.784	95.301	102.424
Authorised limit – leases	-	5.142	4.792	4.460
Authorised limit – total external debt	86.235	89.926	100.093	106.884
Operational boundary – borrowing	81.235	79.784	90.301	97.424
Operational boundary – leases	-	4.142	3.792	3.460
Operational boundary – total external debt	81.235	83.926	94.093	100.884

Treasury Investments Strategy

Treasury investments arise from receiving cash before it is paid out again. Council only makes short term deposits as part of this investment strategy as they are all with term of less than 365 days.

The Council’s policy on treasury investments is to prioritise security and liquidity over yield, that 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

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government, other local authorities or selected high-quality banks, to minimise the risk of loss. Short-term investments may also 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.

Governance

Decisions on treasury management investments and borrowing are made daily and are therefore delegated to the Director of Corporate Services and his senior staff, who must act in line with the treasury management strategy approved annually by Council. Reports on treasury management activity are presented to the Corporate Services Committee both during the year and the end of each financial year.

Further details on treasury investments are included in the Treasury Management Strategy for 2024/25.

Liabilities

In addition to external debt set out in table 6 above, the Council has also set aside £1.3m to cover various risks, including public and employee liability insurance claims and other environmental and legal liabilities. The Council is also at risk of having to pay a share of potential financial penalties associated with the procurement process of a residual waste treatment project. Council has not put aside any money for this purpose.

Governance

Decisions on incurring new discretionary liabilities are taken by members of the Corporate Leadership Team in consultation with the Director of Corporate Services. The risk of liabilities crystallising and requiring payment is monitored by individual directors and reported to the appropriate standing committee as necessary.

Revenue Budget Implications

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP, known as capital financing costs, are charged to revenue. These financing costs are compared to the net revenue stream ie. the amount funded from District Rates and general government grants, to show the proportion of the net revenue stream which is made up of capital financing costs.

Table 9: Prudential Indicator: Proportion of financing costs to net revenue stream

	2023/24 Forecast £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Financing costs (£m)	7.782	9.174	10.099	10.878
Proportion of net revenue stream	12.4%	13.9%	14.1%	14.2%

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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. Due to the significant capital investment programme, Council has prioritised major capital expenditure with a view to ensuring that the proposed capital programme is prudent, affordable and sustainable in the longer term.

Knowledge and Skills

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Director of Corporate Services, along with his senior Finance team, are qualified accountants with substantial experience. In addition, the Strategic Capital Development team is led by a well experienced qualified architect and supported by an experienced quantity surveyor.

Where Council staff 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 consultants. 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.

Appendix 3 Proposed Capital budgets for 2024/25 – 2026/27

Project Description	2025	2026	2027
Bangor Waterfront - BYC	98,267	183,489	837,365
Bangor Waterfront - Marina	198,594	390,219	879,957
Bangor Waterfront - Music	20,381	56,611	201,881
Bangor Waterfront - Pickie	40,412	87,186	240,073
Bangor Waterfront - Urban Waterfont	89,923	177,561	488,629
Civic & Administrative Estate	-	113,874	467,980
Aurora - Pool Floors & Booms	133,257	2,800,334	-
Newtownards Citizen Hub	6,812	109,443	174,494
Greenways - Newtownards to Green Road, Bangor	518,351	119,903	-
Portaferry Public Realm	136,549	-	-
Greenways - Comber to Newtownards	427,226	304,540	4,898
Cemeteries Provision	87,968	183,447	5,657,053
Digital Innovation Hub	431,149	373,830	195,020
Ward Park Main Works	2,048,778	3,807,613	45,530
Peninsula 3G Pitch	61,248	1,581,528	529,983
Gateway Centre at Whitespots	-	-	-
Greenways - Donaghadee to Green Road	-	-	1,346
Whitespots Country Park	16,441	321,785	264,047
Peace Plus Projects	-	-	-
Portavogie 3G Pitch	746,141	1,933,620	13,559
Donaghadee Sports Facilities	-	-	249,155
New Playpark, Ashbury/Ballycrochan, Bangor	169,152	-	-
Soccer Pitch Drainage	120,000	120,000	-
Cemeteries Electronic Gates (Comber & Redburn)	45,000	-	-
Cemeteries Resurfacing (Comber & Greyabbey)	30,000	-	-
Cemeteries New Grass Mower	40,000	-	-
Hunts Park Path Network upgrade	78,000	-	-
Walled Garden New Robotic Mower	18,000	-	-
Senior Ranger Vehicle	30,000	-	-
Tree Management Software	30,000	-	-
Cemeteries Visitor Shelter (Loughview)	-	50,000	-
Urban Sweeping Vehicles	-	120,000	-
Castle Park Welfare Facilities	-	75,000	-
Cemeteries Machinery Store (Clandeboye)	-	100,000	-
ABMWLC Balcony Floor enhancement	25,000	-	-
ABMWLC Splash Pool Floor replacement	75,000	-	-

Project Description	2025	2026	2027
Aurora Sports Hall Floor replacement	170,000	-	-
Ward Park Synthetic Cricket Wicket	20,000	-	-
Aurora Pools Timing Clocks replacement	-	115,000	-
Comber Leisure Centre Spin Bikes replacements	-	88,000	-
Portaferry Sports Centre New Gym Equipment	-	100,000	-
Floodgates Park	50,000	450,000	-
Millisle Pitch Installation	-	375,000	-
Groomsport Harbour Ground Chains	69,000	-	-
Access Control Systems (Balloo & North Rd)	44,000	-	-
Smart Lighting Installation (Carparks)	80,000	-	-
Aurora Emergency Lighting Upgrade	135,000	135,000	-
Aurora Lighting Conversion	250,000	250,000	-
Bangor Marina, Cathodic Protection	315,000	-	-
Hibernia Street - Car Park Development	68,000	-	-
Bangor Art Piece	79,250	145,250	-
New Financial System Implementation	560,000	125,000	-
New Projects Provision	-	-	500,000
Replacement Parks & Cemeteries Equipment	225,000	225,000	225,000
Play Strategy Older Children Play Provision	150,000	150,000	150,000
Replacement Artificial Pitches	500,000	500,000	500,000
Replacement Vehicles	2,350,000	2,350,000	2,350,000
Property Maintenance Strategy Playparks	500,000	500,000	500,000
Property Maintenance Strategy Building Works	100,000	100,000	100,000
Property Maintenance Strategy Car Park Works	80,000	50,000	50,000
Replacement ICT Hardware	530,000	200,000	200,000
	11,996,901	18,868,234	14,825,971

Annual Minimum Revenue Provision Policy Statement 2024/25

Where the Council finances capital expenditure by borrowings, 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). The Act and the Local Government (Capital Finance and Accounting) Regulations (NI) 2011 require the Council to have regard to the Department of Environment's Guidance on Minimum Revenue Provision (the DOE Guidance), most recently issued in 2011.

The aim of the DOE Guidance is to ensure that debt is repaid over a period that is reasonably commensurate with the period over which the capital expenditure provides benefits. It requires the Council to approve an Annual MRP Statement each year.

From 1 April 2020, due to a change in accounting rules for leases, MRP will include prudent provision for future lease obligations. It is therefore recommended that Council approves the following MRP Statement for 2024/25:

- For capital expenditure incurred before 1st April 2012 and fully financed from borrowings, the revenue provision will be the sum of loan principal repayments due and amounts set aside for maturity loans on all borrowings taken out before 1st April 2012 ie. before the introduction of MRP.
- For capital expenditure incurred after 1st April 2012, MRP will be determined by charging the expenditure over the expected useful life of the relevant assets, in equal instalments, starting in the year after the asset becomes operational. On this basis, capital expenditure incurred during 2024/25 will not be subject to a MRP charge until 2025/26 or later.
- MRP on expenditure not related to fixed assets, but which has been capitalised by regulation or direction (eg. public realm schemes), will be charged over the period in which the expenditure provides benefit.
- MRP for 'right of use' assets acquired by leases will be equal to the element of the rent or charge that goes to write down the balance sheet liability.
- Additional and holiday provisions in the form of voluntary revenue provision (VRP) may also be applied.

Based on the Council's forecast of its Capital Financing Requirement over the next 3 years, the forecasts for MRP are as follows:

MRP Estimates	2023/24 £m	2024/25 £m	2025/25 £m	2026/27 £m
MRP on Capital Exp before 1 April 2012	1.970	1.760	1.470	1.468
MRP on Capital Exp after 1 April 2012	3.105	3.567	3.734	4.691
MRP not related to Fixed Assets	0.289	0.289	0.299	0.299
MRP on leases from 1 April 2024	-	0.373	0.350	0.332
VRP	0.012	0.795	1.500	0.695
Total MRP	5.376	6.784	7.353	7.485

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ITEM 6**Ards and North Down Borough Council**

Report Classification	Unclassified
Council/Committee	Council Meeting
Date of Meeting	13 February 2024
Responsible Director	Chief Executive
Responsible Head of Service	Head of Finance
Date of Report	06 February 2024
File Reference	FIN163
Legislation	Sec 4 and 6 Local Government Finance Act 2011
Section 75 Compliant	Yes <input type="checkbox"/> No <input type="checkbox"/> Other <input checked="" type="checkbox"/> If other, please add comment below:
Subject	Robustness of Estimates and Adequacy of Reserves
Attachments	

Background

Section 4 of the Local Government Finance Act 2011 requires the Chief Financial Officer of a council to submit a report on the robustness of the estimates and for the Council to have regard to this report when considering the estimates.

In addition, Section 6 requires the Chief Financial Officer of a council to submit a report on the adequacy of reserves and for the Council to have regard to this when considering the estimates.

Robustness of Estimates

The aim of the Medium-Term Financial Plan (MTFP) is to give the Council a realistic and sustainable plan that reflects the Council's priorities and the policy of reasonable Council Rate increases as reflected in the Corporate Plan.

The detailed estimates have been formulated in the context of the budgeting strategy agreed in August 2023 and detailed work has been carried out with Directors, Heads

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of Service and Service Unit Managers for the various services. This work underpins the MTFP, taking into account forecast outturn, current spending plans, the likely future demand level pressures for both revenue and capital expenditure and the risk environment. The major risks to the MTFP are:

Pay issues

- Pay budget significantly increasing (but workforce numbers staying largely static despite new demands)
- Significant pay issues, including outstanding pay claims need to be addressed in the short term.

Strategic savings

- Environment and Community & Wellbeing are the largest budgets and are the ones which have the most scope for savings to be derived from modifications to service delivery, operating models or estate rationalisation.

Financial resilience

- The Council's low reserves and high capital appetite leaves the Council exposed to interest rate fluctuation.

Prioritisation

- Work is required to align budget setting more coherently with the Corporate Plan.
- The non-domestic rate base is declining and presents a significant financial challenge to the Council now and into the long term.
- The budget is not sufficiently orientated towards resolving the non-domestic rate problem.

Climate change

- The Council is not resourced financially or operationally to deal with the challenges of the Climate Change Act and moving to net zero.

A number of iterations have been reported to special meetings of the Corporate Services Committee during the estimates process, before being agreed at the meeting on 25 January. As part of this process management have carried out some 'stress testing' of the budgets. The results are set out in the table below:

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Category	Test	£'000
Payroll	24/25 pay increase 1% higher than budget	372
Capital Financing	Interest Rates 1% higher than budget	23
Waste Disposal	Landfill tonnage 5% higher than budget	208
Maintenance	Maintenance costs 15% higher than budget	345
Energy	Prices 10% higher than budget	352
Other Expenditure	5% increase	695
Service Income	5% reduction	628
Rates Income	Actual income 1% less than estimated	638
	Average	407

The Council has contingency amounts set aside in its Earmarked Fund to deal with both the energy and rates income risks. In addition, if two of the risks materialised that maximum exposure that Council would have would be in the region of £1M. The increased general fund balance would be adequate to absorb these costs in the short term, although would need replenished in the following years.

On the basis that:

1. the capital and revenue budget estimates for 2024/25 presented to this meeting, have been prepared in line with the CIPFA Treasury Management Code, Prudential Code and the Code of Practice on Local Authority Accounting;
2. the stress tests do not identify any substantial risks;
3. in the coming year the Council will commit to:
 - a. a review of the Reserves Policy to see how financial resilience could be further enhanced, to include the consideration of the merits of a Reserves strategy.
 - b. undertake a thorough review of the 10-year capital plan, given the significant impact on future rate setting and the risk exposure noted through this rate setting process.
 - c. agreeing a budgeting strategy for the life of the next corporate plan in order to address the strategic risks already identified.

the Chief Executive is satisfied that the budgets set are robust.

Adequacy of Reserves

The Local Government Finance Act (NI) 2011 requires the Chief Financial Officer of a council to submit a report to council on the adequacy of any proposed level of financial reserves for a financial year.

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In line with its budgeting strategy the Council has considered the adequacy of reserves throughout this Estimates process. The appendix sets out the forecast year end reserves position for the current and next financial years and the Chief Executive is content with the adequacy of these. It is noted that the forecast General Fund balance is forecast meet the Reserve Policy target level of 7.5%.

Cognisance has also been taken of the CIPFA Local Authority Accounting Panel Bulletin 99 (issued July 2014), which gives guidance on the level of reserves and the financing of Council expenditure.

RECOMMENDATION

It is recommended that Council note the report.

Unclassified

Appendix

Summary Balance Sheet

	Forecasting	Budgeting	Planning	Planning	Planning
	Mar 2024	Mar 2025	Mar 2026	Mar 2027	Mar 2028
Long Term Assets	306,519	315,514	332,081	345,807	374,156
Cash	5,534	1,804	1,687	1,405	1,392
Other Current Assets	9,632	9,632	9,632	9,632	9,632
Short Term Borrowing	-	-	-	-	-
Other Current Liabilities	(6,369)	(6,369)	(6,369)	(6,369)	(6,369)
Long Term Borrowing	(59,651)	(61,226)	(72,574)	(79,981)	(101,246)
Other Long Term Liabilities	(38,991)	(38,991)	(38,991)	(38,991)	(38,991)
Net Assets	216,674	220,365	225,466	231,503	238,575
Useable Reserves					
Capital Receipts Reserve	2,974	1,828	875	325	(175)
Capital Grants Unapplied Reserve	5,032	5,032	5,032	5,032	5,032
Revenue Grants Unapplied Reserve	867	867	867	867	867
Earmarked Funds	10,768	10,040	9,795	9,629	10,019
General Fund	7,043	7,543	7,793	7,943	8,293
Unusable Reserves	189,990	195,055	201,104	207,708	214,539
Net Worth	216,674	220,365	225,466	231,503	238,575

ITEM 7

Ards and North Down Borough Council

Report Classification	Unclassified
Council/Committee	Council Meeting
Date of Meeting	13 February 2024
Responsible Director	Director of Corporate Services
Responsible Head of Service	Head of Finance
Date of Report	01 February 2024
File Reference	FIN163
Legislation	Sec. 3 Local Government Finance Act (NI) 2011
Section 75 Compliant	Yes <input type="checkbox"/> No <input type="checkbox"/> Other <input checked="" type="checkbox"/> If other, please add comment below:
Subject	2024/25 District Rate
Attachments	

This report is to present to Members the proposed district rates for the 2024/25 financial year.

The Corporate Services Committee at its special meeting on 25 January recommended, subject to ratification, a district rate increase of **5.98%** for the 2024/25 financial year. Appendix 1 sets out the formal calculation. Appendix 2 sets out 2024/25 Service budgets.

RECOMMENDATION

It is recommended that Council sets for the 2024/25 financial year a non-domestic district rate of 27.8467p in the pound and a domestic district rate of 0.4095p in the pound. It is, further, recommended to approve 2024/25 Service budgets on Appendix 2.

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Appendix 1– District Rate Calculation

Total Amount to be Raised	65,696,600
Reduced by Rates Support Grant	0
+/- Balance Applied	500,000
Amount to be Raised <i>(via District Rates, De-rating and Transferred Functions Grants)</i>	66,196,600
Total Penny Product <i>(from table below)</i>	2,377,170
Non-Domestic District Rate	27.8468
Council Specific Conversion Factor	0.014707
Domestic District Rate	0.4095

Penny Product Information	
Estimated Penny Product (Rateable) - <i>(To be based on figure provided by LPS, DoF, which is total of non-domestic and domestic penny products, with rating policy reductions applied; as this is for rate setting the council specific conversion factor will have been applied to domestic capital values)</i>	2,290,750
Estimated Penny Product (De-rated) <i>(To be based on figure provided by DoF)</i>	67,560
Derived Penny Product (Transferred Functions Grant) (Fixed amount)	18,860
Total Penny Product	2,377,170

Grants payable by DfC	
Estimated De-rating Grant (DRG) <i>(De-rating Grant payable by DfC during year will be Estimated PP (De-rated) x Non-domestic District Rate)</i>	1,881,323
Transferred Functions Grant (TFG) <i>(includes NI Local Government Commissioner for Standards Costs)</i> <i>(Derived Penny Product (TFG) x Non-domestic District Rate)</i>	525,189
Rates Support Grant	0

Amount payable by DoF	
Estimated Amount to be Raised via District Rates (Rateable)	63,790,088

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Appendix 2 – 2024/25 Service Budgets

Proposed Budgets by Service

		2023/24 Budget	2024/25 Proposed Budget
		£	£
Row	Community and Wellbeing		
100	Community & Wellbeing HQ	211,800	220,400
110	Environmental Health	2,336,900	2,332,600
120	Community and Culture	2,495,000	2,484,500
140	Parks and Cemeteries	4,466,700	5,067,300
150	Leisure	2,692,400	2,559,400
	Totals	12,202,800	12,664,200
Row	Environment		
200	Environment HQ	203,300	211,400
210	Environmental and Cleansing Services	16,707,500	17,701,900
220	Assets and Property Services	10,967,800	9,843,000
230	Regulatory Services	256,500	570,800
	Totals	28,135,100	28,327,100
Row	Prosperity		
700	Prosperity HQ	132,000	154,000
720	Economic Development	1,303,000	1,321,200
730	Planning	1,541,500	1,740,400
740	Tourism	1,530,700	1,927,900
	Totals	4,507,200	5,143,500
Row	Place		
800	Place HQ	266,400	336,400
810	Regeneration	1,186,800	1,095,700
820	Strategic Capital Development	365,100	579,600
	Totals	1,818,300	2,011,700
Row	Corporate Services		
1000	Corporate Services HQ	153,700	164,500
1010	Internal Audit	100,000	100,000
1020	Finance	868,700	766,300
1030	Strategic Transformation	2,066,800	2,436,300
1040	Human Resources & OD	1,119,700	1,318,900
1050	Administration	3,734,400	4,358,400
	Totals	8,043,300	9,144,400
Row	Chief Executive		
600	Chief Executive	918,400	622,200
610	Community Planning	192,400	231,400
630	Communications & Marketing	848,900	901,500
	Totals	1,959,700	1,755,100
9010	Restructuring & Staff Turnover Allowance	(1,100,000)	(1,650,000)
	NET COST OF SERVICES	55,566,400	57,396,000
Row	Non Service Income and Expenditure		
9030	Capital Financing	7,866,800	8,781,600
9040	Transfer To or (From) Funds	(689,900)	(481,000)
9090	District Rates & Grants	(62,743,300)	(66,196,600)
	Totals	(55,566,400)	(57,896,000)
	Grand Totals	-	(500,000)