

January 27th, 2026

Notice Of Meeting

You are requested to attend the meeting to be held on **Wednesday, 28th January 2026 at 7:00 pm** in **Bangor Castle, Bangor**.

Agenda

Agenda

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1. Prayer

2. Apologies

3. Declarations of Interest

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

4. Minutes of Item 16 Corporate Services Committee 13 January 2026

 04 Item 16 Estimates.pdf

Not included

*****IN PUBLIC*****

5. Prudential Capital Finance Regime

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7. District Rates for 2026/27

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ARDS AND NORTH DOWN BOROUGH COUNCIL

21 January 2026

Dear Sir/Madam

You are hereby invited to attend a hybrid 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 **Wednesday, 28 January 2026 at 7.00pm**.

Yours faithfully

Michael Steele
Acting Chief Executive
Ards and North Down Borough Council

A G E N D A

1. Prayer
2. Apologies
3. Declarations of Interest

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

4. Minutes of Item 16 Corporate Services Committee 13 January 2026

*****IN PUBLIC*****

5. Prudential Capital Finance Regime (Report attached)
6. Robustness of Estimates and Adequacy of Reserves (Report attached)
7. District Rates for 2026/27 (Report attached)

MEMBERSHIP OF ARDS AND NORTH DOWN BOROUGH COUNCIL

Alderman Adair	Councillor Harbinston
Alderman Armstrong-Cotter	Councillor Hennessy
Alderman Brooks	Councillor Hollywood
Alderman Cummings	Councillor S Irvine
Alderman Graham	Councillor W Irvine
Alderman McAlpine	Councillor Irwin
Alderman McRandal	Councillor Kennedy
Alderman McDowell	Councillor Kendall
Alderman McIlveen	Councillor Kerr

Alderman Smith	Councillor McBurney
Councillor Ashe	Councillor McClean
Councillor Blaney	Councillor McCollum (Mayor)
Councillor Boyle	Councillor McCracken
Councillor Brady	Councillor McKee
Councillor Cathcart	Councillor Moore (Deputy Mayor)
Councillor Chambers	Councillor Morgan
Councillor Cochrane	Councillor Newman
Councillor Douglas	Councillor Thompson
Councillor Edmund	Councillor Smart
Councillor Gilmour	Councillor Wray

Unclassified

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

Report Classification	Unclassified
Exemption Reason	Not Applicable
Council/Committee	Council Meeting
Date of Meeting	28 January 2026
Responsible Director	Director of Corporate Services
Responsible Head of Service	Head of Finance
Date of Report	21 January 2026
File Reference	FIN169
Legislation	Local Government Finance Act (NI) 2011
Section 75 Compliant	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Other <input type="checkbox"/> If other, please add comment below: Not applicable
Subject	Prudential Capital Financing Regime
Attachments	Appendix 1 Treasury And Investment Management Policy and Practices Appendix 2 Capital Strategy 2026-27 Appendix 3 Capital Budgets 2026-27 to 2028-29 Appendix 4 Minimum Revenue Provision Policy Statement 2026-27 Appendix 5 Treasury Management Strategy Statement 2026-27

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

Not Applicable

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February 2023. Although no updates to this policy are required this year it is included at Appendix 1.

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 Treasury Management Strategy Statement before the start of each financial year. This is set out in Appendix 5.

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 details 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 and on which the capital strategy has been based. Members should note that several projects on the schedule have a delivery period that is greater than the three-year plan.

Appendix 4 sets out the Council's minimum revenue provision policy as required by the Prudential Code and reflects changes made to the CIPFA Accounting Code in respect of leases.

RECOMMENDATION

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

Document Control

Policy Title	Treasury Management Policy Statement
Document Reference	POL – Corporate Services – Screening Number - Version
Policy Summary	
Review Requirements	
Document Owner/Job title	Policy Author Job Title only (do not add officer name)
Document Owner is responsible for ensuring that it is reviewed in line with the requirements of the Council's Policy Review Procedure and is kept up to date.	
Council Approval Date	

Version Control Record

Version Number	Version Date	Author(s)	Comments
1.0		(do not add officer name)	Council approval / Policy established

Consultation

	CLT	HOST	SCC	Unions
Date completed	--	-	-	-

Screening

Reference No	290		
EQIA Required?	No		

The current version of this document is available to all individuals accessing the Council's information and other associated assets and is published on the Council's intranet.

Treasury Management Policy Statement

Background

Regulation 19 of the Local Government (Capital Finance and Accounting) Regulations (Northern Ireland) 2011 requires the Council, in carrying out its capital finance functions, to have regard to the CIPFA Treasury Management in the Public Services Code of Practice 2021.

The Local Government Finance Act (Northern Ireland) 2011, section 25(1), also requires a Council to have regard to guidance issued by the Department of the Environment on Local Government Investments.

In setting this policy, Ards and North Down Borough Council will thereby adhere to the aforementioned guidance and Regulations and adopt the key principles detailed in section 4 of CIPFA's Treasury Management Code of Practice (2021 Edition), which are as follows:

1. Council should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities;
2. Council should ensure that policies and practices make clear that the effective management and control of risk are prime objectives of treasury management activities and that responsibility for these lies clearly within the Council. Appetite for risk should form part of the annual strategy, including any use of financial instruments for prudent management of risks, and Council should ensure that priority is given to security and portfolio liquidity when investing treasury management funds;
3. Council should acknowledge that the pursuit of value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this.

Actions

Accordingly, the Council will create and maintain, as the cornerstones for effective treasury and investment management:

1. a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
2. suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities
3. investment management practices (IMPs) for investments that are not for treasury management purposes

Definition

The Council defines its treasury management activities as “the management of its borrowings, investments and cash flows, including its banking, money market and capital market transactions, the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks”.

Objectives and Approach to Risk Management

This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council, and any financial instruments entered into to manage these risks.

The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable, comprehensive performance measurement techniques within the context of effective risk management.

Delegated Responsibilities

The Council delegates responsibility:

- for the implementation, regular monitoring and approval of its treasury management strategy, policies and practices to the Corporate Services Committee;
- for the execution and administration of treasury management decisions to the *Director of Corporate Services*,
- for *making long-term investment and borrowing decisions to any two of the following postholders:*
 - *Chief Executive as Chief Financial Officer*
 - *Director of Corporate Services*
 - *Head of Finance*
- for *making short-term investment and borrowing decisions to any two of the following postholders:*
 - *Chief Executive as Chief Financial Officer*
 - *Director of Corporate Services*
 - *Head of Finance*
 - *Capital, Corporate, Performance and Financial Operations Accountants*
- *For the effective scrutiny of the treasury management strategy and policies to the Audit Committee.*

Director's Responsibilities

The Director of Corporate Services duties will include:

- acting in accordance with the Council's policy statement, TMPs and IMPs and (if a CIPFA member) CIPFA's Standard of Professional Practice on treasury management;
- recommending treasury management policy and practices for approval, reviewing the same regularly and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budgets variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skill, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit and liaising with external audit;
- recommending the appointment of external service providers.

Reporting Requirements

The Council will receive reports on its treasury and investment management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after the close of the financial year in the form prescribed in the TMPs and IMPs.

Practices

CIPFA's Treasury Management Code of Practice recommends that an organisation's treasury management practices (TMPs) include those, from the following list, that are relevant to its treasury management powers and activities: -

TMP1	Risk management
TMP2	Performance measurement
TMP3	Decision-making and analysis
TMP4	Approved instruments, methods and techniques
TMP5	Organisation, clarity and segregation of responsibilities, and dealing arrangements
TMP6	Reporting requirements and management information arrangements
TMP7	Budgeting, accounting and audit arrangements
TMP8	Cash and cash flow management

- TMP9 Money laundering
- TMP10 Training and qualifications
- TMP11 Use of external service providers
- TMP12 Corporate governance

TMP 1 Risk Management

Introduction The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures cover all external investment.

The Director of Corporate Services will:

- design, implement and monitor all arrangements for the identification, management and control of treasury management risk;
- report at least annually on the adequacy of these arrangements; and
- report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Council's objectives in respect of risk management.

In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out annually in the Council's Annual Treasury Management Strategy.

Credit and Counterparty

The Council will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited. The Council will limit its investment activities to the instruments, methods and techniques listed in its annual Treasury Management Strategy and only with counterparties who are approved in accordance with the approach stated within the same document.

It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or whom it may enter into other financing or derivative arrangements.

The Council's credit and counterparty policies also set out its policy and practices relating to environmental, social and governance (ESG) investment considerations. However, as this is currently a developing area, any policies will not include ESG scoring or other real-time ESG criteria at individual investment level.

Continued on next page

TMP 1 Risk Management, Continued

Liquidity	<p>The Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its service objectives.</p> <p>The Council will not borrow earlier than required to meet cash flow needs unless there is a clear business case for doing so and will only do so for the current capital programme, to fund future debt maturities, or to ensure an adequate level of short-term investments to provide liquidity for the Council.</p> <hr/>
Interest Rate	<p>The Council will manage its exposure to fluctuations in interest rates with a view to containing its net interest costs or revenues in accordance with its treasury management policy and strategy and in accordance with TMP6 Reporting requirements and management information arrangements</p> <p>It will achieve this by the prudent use of its approved investments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This will be subject to the consideration and, if required, approval of any policy or budgetary implications.</p> <hr/>
Exchange	<p>This is not considered to be a material risk for the Council.</p> <hr/>
Inflation	<p>The Council will keep under review the sensitivity of its treasury assets and liabilities to inflation and will seek to manage the risk accordingly in the context of the Council's overall inflation exposures.</p> <hr/>
Refinancing	<p>The Council will ensure that its borrowing and other long-term liabilities are negotiated, structured and documented, and the maturity profile of the monies so raised is managed, with a view to obtaining offer terms for renewal or refinancing, if required, that are competitive and as favourable to the organisation as can reasonably be achieved in light of market conditions prevailing at the time.</p>

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TMP 1 Risk Management, Continued

Legal and Regulatory	The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.
Operational	The Council will ensure that it has identified the circumstances which may expose it to the risk of loss through inadequate or failed internal processes, people and systems or from external events. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.
Price	The Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests and will accordingly seek to protect itself from the effects of such fluctuations.

TMP2 Performance Measurement

Practice

The Council is committed to the pursuit of value for money in its treasury management activities, within the framework set out in its treasury management policy statement.

TMP3 Decision-making and analysis

Practice

The Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past and for accountability eg demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time.

TMP4 Approved Instruments, methods and techniques

Practice

The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in its annual Treasury Management Strategy, and within the limits and parameters defined in TMP1 Risk management

TMP5 Organisation, clarity, segregation of responsibilities and dealing arrangements

Practice

The Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principle on which this is based is that there is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If the Council intends, as a result of the lack of resources or other circumstances, to depart from these principles, the Director of Corporate Services will ensure that the reasons are properly reported in accordance with TMP6 Reporting requirements and management information arrangements and that the implications are properly considered and evaluated.

TMP6 Reporting requirements and management information arrangements

Practice

The Council will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum the Corporate Services committee will receive:

- an annual report on the strategy and plans to be pursued in the coming year
- a mid-year review and
- an annual report, after the close of the financial year, on the performance of the treasury management function, the effects of the decisions taken and the transactions executed in the past year, and any circumstances of non-compliance with this treasury management policy statement and TMPs.

TMP7 Budgeting, accounting and audit arrangements

Practice

The Director of Corporate Services will prepare, and the Council will approve and amend if necessary, an annual budget for treasury management as part of its annual Rate setting process. The budget will include both the costs involved in running the treasury management function and associated income. The Director of Corporate Services will exercise effective controls over this budget and will report upon and recommend any changes required in accordance with TMP6 Reporting requirements and management information arrangements.

The Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

The Audit Committee will have responsibility for the scrutiny of treasury management practices.

TMP8 Cash and cash flow management

Practice

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the Director of Corporate Services and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the Director of Corporate Services will ensure that these are adequate for the purposes of monitoring compliance with TMP1(2) Liquidity risk management, and for the purpose of identifying future borrowing needs (using a liability benchmark where appropriate).

TMP9 Money Laundering

Practice

The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions and will ensure that staff involved in this are properly trained.

TMP10 Training and qualifications

Practice

The Council recognises the importance of ensuring that staff, and elected Members, involved in treasury management are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to provide training to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

TMP11 Use of external service providers

Practice

The Council recognises that responsibility for treasury management decisions remain within the organisation. The Council also recognises that there is value in employing external providers in order to acquire access to specialist skills and resources. In such cases, the Council will ensure it does so for reasons which have been submitted to a full evaluation of the costs and benefits, and where services are subject to formal tender, legislative requirements will always be observed.

TMP12 Corporate governance

Practice

The Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

The Council has adopted and has implemented the key principles of CIPFA's Treasury Management Code. This is considered vital to the achievement of proper corporate governance in treasury management, and the Director of Corporate Services will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

Investment Management Policy Statement

Policy Statement

The CIPFA Prudential Code for Capital Finance in Local Authorities 2021 requires investments to be analysed between investments for treasury management and those that are not part of the treasury management activities ie

- investments for service purposes; and
- investments for commercial purposes

Service Purposes

Investments for service purposes are those that are taken or held primarily and directly for the delivery of public services (including housing, regeneration and local infrastructure) or in support of joint working with others to deliver such services. Service investments may or may not involve financial returns, however, obtaining those returns will not be the primary purpose of the investment. Service investments will normally constitute capital expenditure and it may be appropriate to borrow to finance service investments.

Commercial Purposes

Investments for commercial purposes are those that are taken or held primarily for financial return and are not linked to either the treasury management activities or for delivery of services. They include non-financial assets such as commercial property held primarily for financial return. The Council is not permitted to borrow for such investments

Objectives

The Council does not currently hold any service or commercial investments.

Should such investments be considered in future, the policy will be updated in line with the requirements of the both the CIPFA Prudential Code and Treasury Management Code.



Capital Strategy Report 2026/27

Executive Summary

Capital Programme

Investment Growth

- 2026/27: £25.4m
- 2028/29: £69.6m

→ Significant projects across **Active & Healthy Communities, Environmental Services, and Place & Prosperity**

Prioritised via **matrix**: Strategic fit | Need | Risk | Cost-benefited on strategic alignment.

Financing

Funding Mix (2026/27)

- Grants: **£6.98m**; Capital Receipts: **£0.73m**; Reserves: **£0.57m**; Borrowing: **£17.02m**

CFR: £76.3m → £144.6m by 2029

Treasury Management

Strategy: Low-cost borrowing + flexibility

External Debt: £59.1m → £124.2m (2026–2029)

Liability benchmark confirms **prudence**

Governance & Risk

10-year horizon

Risks: Rising costs | Deliverability | External obligations

Governance: Project Boards | Corporate Portfolio Board | Annual Council approval

Revenue Impact

Financing costs (Interest + MRP):

£10.9m in **2026/27** 15.3% of net revenue stream

£12.8m by **2028/29** 15.9% of net revenue stream

Asset Management

Structured policy for acquisition, maintenance & disposal

Capital receipts projected to rise by 2028/29

Skills & Expertise

Qualified finance & technical teams

External advisors for robust decisions

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.

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 2026/27, the Council is planning capital expenditure of £25.4m, as summarised in the table below:

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

Capital Expenditure by Directorate	2025/26 Forecast £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Active & Healthy Communities	7.434	13.454	8.355	25.938
Environmental Services	3.623	5.375	4.681	4.418
Place & Prosperity	0.921	4.141	16.549	27.251
Other	0.901	2.412	12.816	11.943
Total Capital Expenditure	12.879	25.382	42.401	69.550

Further details of the three-year capital plan from 2026/27 to 2028/29 are included in Appendix 3. Spending is subdivided into major projects, minor projects, other projects and leasing.

Capital Financing

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, leasing).

The planned financing of the above expenditure is as follows:

Table 2: Capital financing in £m

	2025/26 Forecast £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Capital Grants & Contributions	5.153	6.983	12.251	23.551
Capital Receipts	0.899	0.730	0.230	0.177
Revenue/Reserves	0.720	0.566	0	0
Debt (Borrowing)	6.031	17.024	29.866	45.769
Debt (Leases)	0.076	0.079	0.054	0.053
Total Financing	12.879	25.382	42.401	69.550

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:

- **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 e.g. 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 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

	2025/26 Forecast £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
MRP	7.646	8.493	8.504	7.531

The full MRP statement for 2026/27, 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)	31.03.26 Forecast £m	31.03.27 Estimate £m	31.03.28 Estimate £m	31.03.29 Estimate £m
Opening CFR	77.865	76.326	84.936	106.352
Capital Expenditure	12.879	25.382	42.401	69.550
Less Capital Grants	(5.153)	(6.983)	(12.251)	(23.551)
Less Capital Receipts applied	(0.899)	(0.730)	(0.230)	(0.177)
Less Reserves Financing	(0.720)	(0.566)	0	0
Less MRP (Borrowing)	(7.570)	(8.414)	(8.450)	(7.478)
Less MRP (Leases)	(0.076)	(0.079)	(0.054)	(0.053)
Total CFR	76.326	84.936	106.352	144.643

As can be seen from the above table, the CFR is expected to increase by approx. £68m over the next three years, reflecting the Council's ambition for capital investments during this period.

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.
- Capital ambition is balanced with affordability, measured by the impact of the capital programme on annual district 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 and revenue financing, 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 e.g. vehicle decarbonisation strategy and building energy saving initiatives.

- 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 artificial pitches replacement. Others are currently being drafted for business technology, waste management and leisure.
- 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 because of a strategy, this assessment is in the form of condition surveys or other relevant forms of appraisal.
- Heads of Service submit annual bids for inclusion in the Council's capital programme. The Budget Scrutiny Panel evaluates these bids against strategic priorities and financing costs, determining which projects proceed. The approved capital programme is presented to Council each January.
- Major capital schemes are overseen by individual project boards and a Corporate Projects Portfolio Board, which reports to the Council's Place and Prosperity Committee.

In determining the District Rate increase for 2026/27, 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 and energy saving initiatives for buildings.

Asset management

To ensure that capital assets continue to be of long-term use, the Council has an asset management policy in place.

The Asset Management Policy provides a structured framework for managing Council assets to ensure financial responsibility, operational efficiency, and compliance with best practice and legal standards. It supports the Council's strategic objectives by guiding the acquisition, maintenance, replacement, security, and disposal of assets.

Key Principles:

- Acquire only assets that meet identified needs and align with corporate strategies.
- Maintain assets to ensure safety, efficiency, and legal compliance.

- Replace assets based on approved strategies and useful life criteria.
- Keep accurate records for auditing and financial reporting.
- Ensure security of all moveable assets.
- Dispose of assets sustainably and in a way that maximises value.
- Manage leased (Right of Use) assets appropriately and account for them correctly.

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

	2025/26 Forecast £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Asset sales	0.075	0.075	0.170	2.328

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 in holding that cash. 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, on 31 December 2025, £54.5m of long-term borrowing at an average interest rate of 3.9% and £8.5m short-term treasury deposits at an average rate of 4.05%.

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

	31.03.26 Forecast £m	31.03.27 Estimate £m	31.03.28 Estimate £m	31.03.29 Estimate £m
External Debt – Borrowing	53.427	57.280	80.502	118.642
External Debt - Leases	5.716	5.637	5.583	5.530
Total External Debt	59.143	62.917	86.085	124.172
Capital Financing Requirement	76.326	84.936	106.353	144.642
Internal Borrowing	17.183	22.019	20.267	20.470

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 i.e. 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 assumes that cash and investment balances are kept to a minimum level of £5m at each year-end. This benchmark is currently £56m and is forecast to rise to £126m over the next three years.

Table 7: Borrowing and the liability benchmark in £m

	31.03.26 Forecast £m	31.03.27 Estimate £m	31.03.28 Estimate £m	31.03.29 Estimate £m
Forecast outstanding borrowing	58.998	62.695	85.808	123.843
Liability benchmark	56.240	65.576	88.757	125.933

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

	2025/26 limit £m	2026/27 limit £m	2027/28 limit £m	2028/29 limit £m
Authorised limit – borrowing	75.610	84.299	105.769	144.112
Authorised limit – leases	5.716	5.637	5.583	5.530
Authorised limit – total external debt	81.326	89.936	111.352	149.642
Operational boundary – borrowing	70.610	79.299	100.769	139.112
Operational boundary – leases	5.716	5.637	5.583	5.530
Operational boundary – total external debt	76.326	84.936	106.352	144.642

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 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 Finance 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 Statement for 2026/27, set out in Appendix 5.

Liabilities

In addition to external debt set out in table 6 above, the Council has also set aside £700k 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 i.e. 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

	2025/26 Forecast £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Financing costs (£m)	10.023	10.983	11.864	12.779
Proportion of net revenue stream	14.4%	15.3%	15.7%	15.9%

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 composed of well experienced staff.

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 2026/27, 2027/28, 2028/29

Project Category / Capital Project Name	2026/27 Council Contribution	2027/28 Council Contribution	2028/29 Council Contribution	3-year Council Contribution
Major Schemes				
Aurora - Roof Replacement	-	72,128	2,486,411	2,558,539
Bangor Castle	-	3,000,000	2,000,000	5,000,000
Bangor Waterfront - BYC	431,869	1,951,772	849,126	3,232,766
Bangor Waterfront - Marina	197,753	967,640	2,710,782	3,876,175
Bangor Waterfront - Music	19,798	57,600	846,737	924,134
Bangor Waterfront - Pickie	356,137	885,929	18,403	1,260,469
Bangor Waterfront - Urban Waterfront	96,959	417,301	2,598,953	3,113,213
Cemeteries Provision	593,000	174,267	7,377,790	8,145,056
Civic & Administrative Estate	566,854	9,586,826	9,690,201	19,843,881
Comber 3G Pitch	-	-	33,932	33,932
Greenways - Comber to Newtownards Section 3	23,028	813,258	5,317	841,603
Greenways - Newtownards to Green Road, Bangor	1,272,256	-	-	1,272,256
Holywood Sports Facilities	-	30,969	170,623	201,592
Marina Wetside	-	1,000,000	1,000,000	2,000,000
Newtownards Citizen Hub - Queens Hall	175,817	764,003	5,586,449	6,526,269
Newtownards Citizen Hub - Regent Street	3,915	93,953	-	97,868
Newtownards Citizen Hub - Town Hall	1,808	2,143	1,856	5,807
Peninsula 3G Pitch	43,963	1,565,304	4,864,198	6,473,465
Portavogie 3G Pitch	1,603,391	1,317,656	762	2,921,809
Ward Park Main Works	1,307,361	1,733,343	356,041	3,396,745
Whitespots Country Park	182,639	7,215	76,134	265,988
Major Schemes Total	6,876,547	24,441,307	40,673,714	71,991,568
Strategies				
Major Playpark Refurbishments	1,125,000	1,250,000	1,000,000	3,375,000
Older Children Play Provision	150,000	150,000	150,000	450,000
Replacement Artificial Pitches	500,000	500,000	500,000	1,500,000
Replacement ICT Hardware	175,000	175,000	200,000	550,000
Replacement Parks & Cemeteries Equipment	225,000	225,000	250,000	700,000
Replacement Vehicles	2,350,000	2,350,000	2,350,000	7,050,000
Strategies Total	4,525,000	4,650,000	4,450,000	13,625,000
Other Schemes				
Movilla Cemetery Extension	1,000,000	-	-	1,000,000
Tree & Woodland Strategy	1,000,000	-	-	1,000,000
Other Schemes Total	2,000,000	-	-	2,000,000
Minor Schemes				
Access Control ABMWLC	100,000	100,000	-	200,000
Artificial Xmas Trees	30,000	-	-	30,000
Aurora Lighting Conversion	250,000	-	-	250,000
Aurora Village Tiling	150,000	-	-	150,000
Bangor Art Piece	131,000	-	-	131,000
Bangor Marina - Cathodic Protection	277,000	-	-	277,000
C/Tag project	95,000	-	-	95,000
Church St Windows	100,000	-	-	100,000
Contributions to Projects	100,000	-	-	100,000
Energy Saving Initiatives	750,000	-	-	750,000
EV Charging Infrastructure	400,000	-	-	400,000
Facilitate Motorhomes at current sites	15,000	15,000	-	30,000
Floodgates Park	466,000	-	-	466,000
George Green Community Centre	25,000	-	-	25,000
Gillespie Monument Phase 2	90,000	-	-	90,000
Harbours Remedial works	50,000	-	-	50,000
HSE Workplace centralisation	100,000	-	-	100,000

Project Category / Capital Project Name	2026/27 Council	2027/28 Council	2028/29 Council	3-year Council
	Contribution	Contribution	Contribution	Contribution
Loughview Cemetery Visitor Shelter	50,000	-	-	50,000
Millisle Pitch Installation	125,000	-	-	125,000
New Financial System Implementation	40,000	-	-	40,000
New Machines for Carparks	235,000	-	-	235,000
North Down Coastal Path Working Group	100,000	100,000	100,000	300,000
Online Grants System	35,000	-	-	35,000
Portaferry (Cloughey Rd) Pitches	290,000	-	-	290,000
Portaferry Sports Centre New Gym Equipment	30,000	30,000	-	60,000
Property Maintenance Car Park Works	50,000	50,000	50,000	150,000
Property Maintenance Strategy M&E Works	500,000	520,000	490,000	1,510,000
Redburn Cemetery Gates	60,000	-	-	60,000
Soccer Pitch Drainage	120,000	120,000	120,000	360,000
Spa Refurb at ABM	85,000	-	-	85,000
Tablets for Inspections	15,000	15,000	7,500	37,500
Waste Management Replacement Equipment	55,000	55,000	55,000	165,000
Minor Schemes Total	4,919,000	1,005,000	822,500	6,746,500
Leasing				
Right of Use Assets	78,573	54,157	52,646	185,376
Leasing Total	78,573	54,157	52,646	185,376
Grand Total	18,399,120	30,150,464	45,998,860	94,548,444

Appendix 4

Annual Minimum Revenue Provision Policy Statement v1.0

Document Control



Policy Title	Annual Minimum Revenue Provision Policy Statement 2026/27
Document Reference	POL – Corporate Services – 420 – 1.0
Policy Summary	To ensure adequate provision is made to repay borrowings taken out by Council
Review Requirements	February 2027
Document Owner/Job title	Head of Finance
Council Approval Date	28 January 2026

Version Control Record

Version Number	Version Date	Author(s)	Comments
1.0	January 2026	Capital Accountant	Annual review

Consultation

	CLT	HOST	SCC	Unions
Date completed	-	-	-	-

Screening

Reference No	420		
EQIA Required?	No		

Appendix 4

Annual Minimum Revenue Provision Policy Statement v1.0



Annual Minimum Revenue Provision Policy Statement 2026/27

Introduction

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 Local Government Finance Act (NI) 2011 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.

MRP Statement:

- For capital expenditure incurred before 1 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 1 April 2012 i.e. before the introduction of MRP.
- For capital expenditure incurred after 1 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 2026/27 will not be subject to a MRP charge until 2027/28 or later.
- MRP on expenditure not related to fixed assets, but which has been capitalised by regulation or direction, e.g. 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 as required for strategic financial planning purposes.

Appendix 4

Annual Minimum Revenue Provision Policy Statement v1.0



Capital Financing Requirement

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	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
MRP on Capital Exp before 1 April 2012	1.470	1.467	1.467	1.437
MRP on Capital Exp after 1 April 2012	3.277	3.414	4.595	5.213
MRP not related to Fixed Assets	0.298	0.298	0.298	0.298
MRP on leases from 1 April 2024	0.076	0.079	0.054	0.053
VRP	2.525	3.235	2.090	0.530
Total MRP	7.646	8.493	8.504	7.531

Treasury Management Strategy Statement 2026/27

Executive Summary

External Context

- ▢ UK GDP Forecast → 1.5% average annual growth through 2030
- ▢ Inflation → Expected to decline to 2% by late 2026 / early 2027
- ▢ Bank Rate → Anticipated to reduce further, reaching ~3.25% in 2026

Council Position

- ▢ Borrowing: £54.5m
- ▢ Deposits: £8.5m
- ▢ Capital Financing Requirement (CFR)
→ £76.3m in 2026
→ Projected to rise to £144.6m by 2029 (major capital programmes)

Borrowing Strategy

- 🎯 Objective: Balance low interest costs with cost certainty
- 🔍 Approach:
- ✓ Prioritise internal borrowing & short-term loans
- ✓ Reduce costs & manage risk

Investment Strategy

- 💼 Expected Deposits: £7m–£12m (2026/27)
- 💵 Estimated Income: £407k
- 🔒 Priority: Security & Liquidity > Yield

Risk Management & Prudential Indicators

- ⚠ Impact of +/-1% Interest Rate Change
→ +/- £35k on revenue budget (2026/27)
→ Or +/- £539k by 2028/29
- 📏 Limits Set For:
 - Variable/fixed rate exposure
 - Maturity structure (mitigate refinancing risk)

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 and 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 most significant impacts on the Authority's treasury management strategy for 2026/27 are expected to include: the influence of the government's 2025 Autumn Budget, lower short-term interest rates alongside higher medium- and longer-term rates, slower economic growth, together with ongoing uncertainties around the global economy, stock market sentiment, and geopolitical issues.

The Bank of England's Monetary Policy Committee (MPC) cut Bank Rate to 3.75% in December 2025, as expected. The vote to cut was 5-4, with the minority instead favouring holding rates at 4.0%. Those members wanting a cut judged that disinflation was established while those preferring to hold Bank Rate argued that inflation risks remained sufficiently material to leave rates untouched at this stage.

Figures from the Office for National Statistics showed that the UK economy expanded by 0.1% in the third quarter of the calendar year, this was unrevised from the initial estimate. The most recent Monetary Policy Report (November) projected modest economic growth, with GDP expected to rise by 0.2% in the final calendar quarter of 2025. Annual growth is forecast to ease from 1.4% before improving again later, reflecting the delayed effects of lower interest rates, looser monetary conditions, stronger global activity, and higher consumer spending. The view of modest economic growth going forward was echoed by the Office for Budget Responsibility in its Economic and fiscal outlook published in line with the Autumn Statement which revised down its estimate of annual real GDP to around 1.5% on average between 2025 and 2030.

CPI inflation was 3.2% in November 2025, down from 3.6% in the previous month and below the 3.5% expected. Core CPI eased to 3.2% from 3.4%, contrary to forecasts of remaining at 3.6%. Looking forward, the MPC continues to expect inflation to fall, to around 3% in calendar Q1 2026, before steadily returning to the 2% target by late 2026 or early 2027.

Credit outlook

While lower interest rates may weigh on banks' profitability, strong capital positions, easing inflation, steady economic growth, low unemployment, and reduced borrowing costs for households and businesses all support a favourable outlook for the creditworthiness of institutions on (the Council's treasury management advisor) Arlingclose's counterparty list.

Arlingclose's advice on approved counterparties and recommended investment durations is kept under continuous review and will continue to reflect prevailing economic and credit conditions.

Interest rate forecast

Arlingclose currently forecasts that the Bank of England's Monetary Policy Committee will continue to reduce Bank Rate in 2026, reaching around 3.25%. This forecast reflects amendments made following the Autumn Budget and an assessment of the fiscal measures and their market implications, and following the BoE MPC meeting held on 18th December.

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

In the preparation of setting the budget, it has been assumed that new treasury investments will be made at an average rate of 3.75%, and that new long-term loans will be borrowed at an average rate of 5.5%.

Local Context

On 31 December 2025, the Council held £54.5m of borrowing and £8.5m of treasury deposits.

During the final quarter of 2025/26 borrowing level will fall by a further £1.3m, and the level of treasury deposits may 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.

Table 1: Balance Sheet Summary and Forecast

	31.3.25 Actual £m	31.3.26 Forecast £m	31.3.27 Estimate £m	31.3.28 Estimate £m	31.3.29 Estimate £m
Capital Financing Requirement	77.8	76.3	84.9	106.4	144.6
Less: Existing external debt	(62.7)	(58.9)	(55.8)	(53.2)	(50.6)
Internal borrowing requirement	15.1	17.4	29.1	53.2	94.0
Less: Balance Sheet resources	(24.4)	(25.1)	(24.4)	(22.6)	(23.7)
New Cumulative Borrowing/(Investments)	(9.3)	(7.7)	4.7	30.6	70.3

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 due to its significant capital investment programme. Table 1 above shows that the Council may be required to borrow up to £94m to finance the programme over the forecast period to March 2029. 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 £70m over the forecast period.

Under the CIPFA Prudential Code, the Council's total debt must remain below its highest projected Capital Financing Requirement (CFR) over the next three years. Table 1 confirms compliance with this requirement for 2026/27.

Liability benchmark

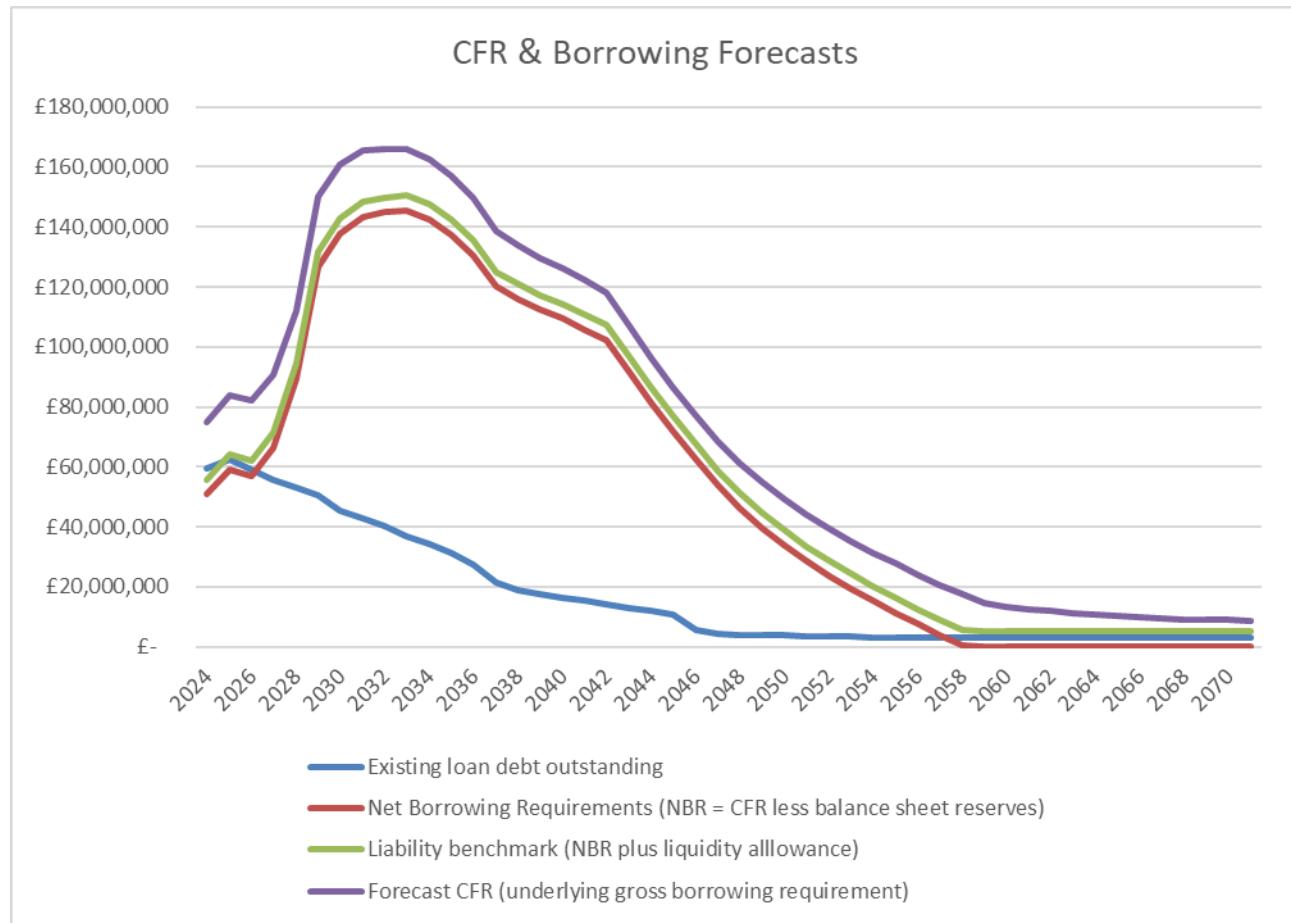
To compare the Council's forecast borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as table 1 above, but that cash and investment balances are kept to a minimum level of £5m at each year-end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

	31.3.25 Actual £m	31.3.26 Forecast £m	31.3.27 Estimate £m	31.3.28 Estimate £m	31.3.29 Estimate £m
Capital Financing Requirement	77.8	76.3	84.9	106.4	144.6
Less: Balance Sheet resources	(24.4)	(25.1)	(24.4)	(22.6)	(23.7)
Net borrowing requirement	53.4	51.2	60.5	83.8	120.9
Plus: Liquidity allowance	5.0	5.0	5.0	5.0	5.0
Liability benchmark	58.4	56.2	65.5	88.8	125.9

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 £58.9m borrowings, (£53.2 debt and £5.7m of leases) by 31 March 2026. The balance sheet forecast in table 1 above shows that the Council expects to make low borrowings in 2026/27 in comparison to the subsequent years, as the capital investment plan progresses.

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 have fallen over the past year, and are expected to fall a little further, and it is therefore likely to be more cost effective over the medium-term to either use internal resources, or to borrow short-term loans instead.

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

The Council has previously raised most 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.

Sources of borrowing

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

- Government Loans Fund (via the Department of Finance, DoF)
- National Wealth Fund Ltd (formerly UK Infrastructure Bank Ltd)
- any institution approved for investments including UK local authorities, Government departments and arms-length bodies
- any other bank, building society or insurance company 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:

- leasing
- hire purchase
- sale and leaseback
- similar asset-based finance

LOBOs

The Council no longer holds any Lender's Option Borrower's Option (LOBO) loans, which previously allowed lenders to increase interest rates at predetermined dates. This change has reduced the Council's exposure to interest rate risk.

Investment Strategy

The Council currently holds treasury deposits of £8.5m as at the end of December 2025, representing income received in advance of expenditure plus balances and reserves held. This level is expected to fall slightly by the end of March 2026. During the 2026/27 financial year funds will be utilised to contribute to the financing of the capital investment programme. It is also expected that significant capital receipts will be received during next year and treasury deposits month-end balances will range from £7m to £12m.

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 2025/26. Other than short-term deposits of any grants received in advance or monies borrowed in advance of need or significant cash receipts, it is expected that current levels of investments will be maintained.

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,
- 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 2025/26.

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 2026/27 is £407k, based on estimated cashflows and investment balances earning interest at an average rate of 3.75%.

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%	2026/27	2027/28	2028/29
rise in interest rates – cost increases by	£35k	£201k	£539k
fall in interest rates – cost reduces by	£35k	£201k	£539k

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	2025/26	2026/27	2027/28	2028/29
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	2025/26		2026/27	
	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:

	2026/27	2027/28	2028/29
Principal sums invested > 364 days	£nil	£nil	£nil

Other Items

There are a few 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 Newry, Mourne and Down District 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.

Unclassified

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

Report Classification	Unclassified
Exemption Reason	Not Applicable
Council/Committee	Council Meeting
Date of Meeting	28 January 2026
Responsible Director	Chief Executive
Responsible Head of Service	Head of Finance
Date of Report	21 January 2026
File Reference	FIN169
Legislation	Local Government Finance Act (NI) 2011
Section 75 Compliant	Yes <input checked="" 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	Appendix 1 District Rate Calculation Appendix 2 Service Budgets

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.

Not Applicable

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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 September 2025 and detailed work has been carried out with Directors, Heads 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). Pay increases are directly linked to Government policy with regard to the setting of the national living wage.
- Medium term – Trade Unions demanding pay and grading review.

Waste Management

- Additional costs associated with the Extended Producer Responsibility income are unknown, but there is an expectation that quality standards of waste will have to improve through new investment.
- The level of income received each year is likely to reduce year on year, as producers improve their approach to the creation of packaging materials to limit their cost exposure.
- If Council collection quality does not meet efficiency and effectiveness targets it may be exposed to fines.

Car Parks

- Income is at risk if Council is unable to implement its proposed Carpark Order. Council is dependent on the Department for Infrastructure revoking its order in order to do this.

Financial resilience

- The Council's low reserves and high capital appetite leaves the rate payer exposed to interest rate fluctuation.
- The Council is not resourced financially or operationally to deal with the challenges of the Climate Change Act and moving to net zero.

Priorisation

- Further work is required to align budget setting more coherently with the Corporate Plan.
- Underlying tension in the capital investment programme between statutory requirements, investing in modern efficient facilities, stimulating economic regeneration and broader boroughwide sporting facilities.
- The long-term decline in the non-domestic rate base presents a significant financial challenge to the Council. Although progress has again been made this year, the budget is still not sufficiently orientated towards resolving the non-domestic rate problem.

Not Applicable

52

A number of iterations have been reported to meetings of the Corporate Services Committee during the estimates process, before being agreed at the meeting on 13 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:

Category	Test	£'000
Payroll	2025/26 pay increase 1% higher than budget	436
Capital Financing	Interest Rates 1% higher than budget	35
Waste	5% increase	370
Maintenance	5% increase	164
Energy	Prices 10% higher than budget	339
Other Expenditure	5% increase	1,330
Service Income	5% reduction	832
Rates Income	Actual income 1% less than estimated	700
Average		526

If two of the risks materialised that maximum exposure that Council would have would be in the region of £2.2M. The increased general fund balance and a reallocation of Earmarked Funds would be adequate to absorb these costs in the short term, although both would need replenished in the following years.

On the basis that:

1. the capital and revenue budget estimates for 2026/27 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 continuing:
 - a. with its 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.
 - b. within the realignment of its budgets to meet the strategic outcomes set out in the corporate plan in order to address the risks already identified.

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

Not Applicable

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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.

In line with its budgeting strategy the Council has considered the adequacy of reserves throughout this Estimates process, including the establishment of a new strategic waste fund within the Earmarked Fund. 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.

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 establishes a strategic waste fund within the Earmarked Fund and notes the Chief Financial Officers report on the robustness of estimates and adequacy of reserves.

Not Applicable

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Appendix

Summary Balance Sheet

	Actual	Forecast	Budgeting	Planning
	Mar 2025	Mar 2026	Mar 2027	Mar 2028
Long Term Assets	330,805	336,013	352,386	382,076
Cash	12,003	8,338	2,699	2,632
Other Current Assets	13,031	13,031	13,031	13,031
Short Term Borrowing	(3,669)	-	-	-
Other Current Liabilities	(12,415)	(12,415)	(12,415)	(12,415)
Long Term Borrowing	(59,067)	(59,142)	(62,917)	(86,085)
Other Long Term Liabilities	(39,151)	(39,151)	(39,151)	(39,151)
Net Assets	241,537	246,673	253,633	260,088
Useable Reserves				
Capital Receipts Reserve	2,461	1,638	983	922
Capital Grants Unapplied Reserve	19,130	19,130	19,130	19,130
Revenue Grants Unapplied Reserve	167	167	167	167
Earmarked Funds	15,276	15,192	14,678	14,168
General Fund	7,600	8,180	8,430	8,680
Unusable Reserves	196,903	202,366	210,246	217,021
Net Worth	241,537	246,673	253,633	260,088

ITEM 7**Ards and North Down Borough Council**

Report Classification	Unclassified
Exemption Reason	Not Applicable
Council/Committee	Council Meeting
Date of Meeting	28 January 2026
Responsible Director	Director of Corporate Services
Responsible Head of Service	Head of Finance
Date of Report	20 January 2026
File Reference	FIN166
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	2026/27 District Rate and Service Budgets
Attachments	Appendix 1 District Rate Calculation Appendix 2 Service Budgets

Background

This report is to present to Members the proposed district rates for the 2026/27 financial year.

The Corporate Services Committee at its meeting on 13 January recommended, subject to ratification, a domestic district rate increase of 4.74% for the 2026/27 financial year. Appendix 1 sets out the formal calculation. Appendix 2 sets out 2026/27 Service budgets.

RECOMMENDATION

It is recommended that Council sets for the 2026/27 financial year a non-domestic district rate of 27.0109p in the pound and a domestic district rate of 0.4445p in the pound. It is, further, recommended to approve 2026/27 Service budgets in Appendix 2.

Not Applicable

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Appendix 1 – District Rate Calculation

Total Amount to be Raised	72,899,100
Reduced by Rates Support Grant	
+/- Balance Applied	0
Amount to be Raised <i>(via District Rates, De-rating and Transferred Functions Grants)</i>	72,899,100
Total Penny Product (from table below)	2,698,880
Non-Domestic District Rate	27.0109
Council Specific Conversion Factor	0.016458
Domestic District Rate	0.4445

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>	2,600,600
Estimated Penny Product (De-rated) <i>(To be based on figure provided by DoF)</i>	79,420
Derived Penny Product (Transferred Functions Grant) (Fixed amount)	18,860
Total Penny Product	2,698,880

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>	2,145,206
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>	509,426
Rates Support Grant	0

Amount payable by DoF	
Estimated Amount to be Raised via District Rates (Rateable)	70,244,468

Not Applicable

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Appendix 2 – 2026/27 Service Budgets

	2026/27 Proposed Budgets £	2027/28 Indicative Budgets £
Active Health & Communities		
3100 Active Health & Communities HQ	220,000	223,900
3200 Environmental Health & Regulatory Services	3,841,100	3,917,600
3300 Community Development	2,764,400	2,817,100
3400 Leisure	600,000	685,300
Totals	7,425,500	7,643,900
Environmental Services		
4100 Environmental Services HQ	217,200	220,900
4200 Waste and Cleansing Services	15,683,300	16,515,200
4300 Estates	10,563,100	11,245,600
4400 Parks & Cemeteries	6,043,900	6,184,100
Totals	32,507,500	34,165,800
Place and Prosperity		
5100 Place and Prosperity HQ	280,900	287,200
5200 Economic Growth	2,500,900	2,588,200
5300 Planning & Building Control Services	2,404,700	2,480,700
5400 Tourism, Arts & Heritage	3,271,700	3,339,200
5500 Capital Development	515,100	525,300
Totals	8,973,300	9,220,600
Corporate Services		
1100 Corporate Services HQ	183,500	186,300
1200 Finance	1,236,300	1,407,500
1300 Strategic Change	3,422,600	3,667,100
1400 Human Resources	1,213,600	1,238,400
1500 Corporate Governance	5,629,400	5,849,000
Totals	11,685,400	12,348,300
Chief Executive Office		
2100 Chief Executive	450,200	459,900
2200 Community Planning & Climate Change	492,300	500,300
2300 Communications and Marketing	1,167,900	1,194,500
Totals	2,110,400	2,154,700
NET COST OF SERVICES	62,702,100	65,533,300
Corporately Managed		
9200 Staff Turnover Allowance	(2,127,000)	(2,201,400)
9300 Capital Financing	11,108,400	12,138,700
9400 Transfer To or (From) Funds	1,215,600	530,000
9500 District Rates & General Grants	(72,899,100)	(76,250,600)
Total	(62,702,100)	(65,783,300)
Grand Totals	-	(250,000)