Appendix A

Treasury Management Activity Report Quarter 1 2023/24

1. Introduction

1.1 The Authority has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Authority to approve treasury management semi-annual and annual reports.

1.2 This quarterly report includes the new requirement in the 2021 Code, mandatory from 1st April 2023, of quarterly reporting of the treasury management prudential indicators.

1.3 The Authority's treasury management strategy for 2023/24 was approved at a Council meeting on 23 February 2023. The Authority has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Authority's treasury management strategy.

2. External Context (provided by Arlingclose)

2.1 Economic background: From the start of the quarter until May it looked like peak global monetary policy rates were in sight as inflation continued to ease and central banks turned more dovish in tone. Only a few weeks later, stronger and more persistent inflation data, particularly in the UK, changed the picture.

2.2 The UK situation was not welcome news for the Bank of England. GDP growth was weak, confirmed at 0.1% in Q1, although more recent monthly GDP data has been somewhat better. The housing market has stalled, consumer demand is weak but seemingly recovering despite higher interest rates, and labour demand remained strong, with repercussions for wage growth which is accelerating.

2.3 April data showed the unemployment rate increased to 3.8% (3mth/year) while the employment rate rose to 76.0%. Pay growth was 6.5% for total pay (including bonuses) and 7.2% for regular pay, the largest growth rate of the latter outside of the Covid pandemic. Once adjusted for inflation, however, growth in total pay and regular pay remained negative.

2.4 Inflation fell from its peak of 11.1% reached in October 2022, but annual headline CPI in May 2023 was higher than the consensus forecast at 8.7% (8.4% expected), largely driven by services inflation, while the annual measure of underlying core inflation rose to 7.1% from 6.8%.

2.5 After a sharp rise in interest rate expectations, with clearly serious implications for mortgage markets due to higher inflation and wage data, the Bank of England's Monetary Policy Committee reaccelerated monetary policy tightening over the period with a 0.25% rise in May to a 0.5% rise in June, taking Bank Rate to 5.0%. At both meetings the vote was 7-2 in favour of increasing rates, with the two dissenters preferring to keep rates on hold.

2.6 Interest rate expectations priced in further hikes in policy rates. Arlingclose, the authority's treasury adviser, revised its forecast to forecast a further 0.5% of monetary tightening to take Bank Rate to 5.5%. The risks, however, are that rates could be higher; financial markets are forecasting policy interest rates above 6%.

2.7 With many mortgages at low fixed rates now systematically being re-set over the next 12-24 months at higher rates at the end of their fixed rate period, there has been a lagged effect of the feed through of monetary policy on households' disposable income. The economic slowdown is expected to develop over time and therefore, despite the GfK measure of consumer confidence rising to -24 in June, it is likely confidence will be negatively affected at some point. The manufacturing sector contracted during the quarter according to survey data, which will eventually feed into services, whose expansion is slowing.

2.8 Despite the US Federal Reserve increasing its key interest rate to 5.00-5.25% over the period, activity in the region continued to defy monetary tightening, particularly in labour markets which have so far appeared robust, supporting the Fed's assertations of two more rate hikes after it paused in June. Annual US inflation continued to ease, falling from 4.9% in April to 4.0% in May, the lowest level since March 2021. US GDP growth at 2% annualised in the first calendar quarter of 2023 was also significantly stronger than expected against the initial estimate of 1.3%.

2.9 In the euro zone, the picture was somewhat different. The European Central Bank maintained its hawkish tone and increased its key deposit, main refinancing, and marginal lending interest rates to 3.50%, 4.00% and 4.25% respectively. There were signs of weakening activity, particularly in Germany whose manufacturing sector has taken a hit from high energy prices and weaker global demand. However, inflation remained sticky, annual headline CPI fell to 5.5% in June while annual core inflation rose to 5.4% from 5.3%, which means the ECB is unlikely to stop monetary tightening.

2.10 Financial markets: Financial market sentiment and bond yields remained volatile, the latter continuing their general upward trend as uncertainty and concern over higher inflation and higher interest rates continued to dominate.

2.11 Gilt yields rose over the period. The 5-year UK benchmark gilt yield rose from 3.30% to 4.67%, the 10-year gilt yield from 3.43% to 4.39%, and the 20-year yield from 3.75% to 4.51%. The Sterling Overnight Rate (SONIA) averaged 4.37% over the quarter.

2.12 Credit review: Having completed a review of its credit advice on unsecured deposits at UK and non-UK banks following concerns of a wider financial crisis after the collapse of Silicon Valley Bank purchase of Credit Suisse by UBS, as well as other well-publicised banking sector issues, in March Arlingclose reduced the advised maximum duration limit for all banks on its recommended counterparty list to 35 days.

2.13 Over the period S&P upgraded NatWest Group and related entities to A+ (except NatWest Markets which was upgraded to A), revised the UK sovereign outlook to stable from negative, and upgraded both Barclays Bank PLC and Barclays Bank UK PLC to A+.

2.14 Fitch put the US sovereign rating on Rating Watch Negative following increased political partisanship which at the time was hindering the latest resolution to raise the debt ceiling. It also upgraded the outlook on United Overseas Bank to stable, the outlook on Clydesdale to positive, and the outlook on Bank of Montreal to stable.

2.15 Moody's withdrew Guildford BC's rating (who chose not to continue being rated) and affirmed the Aaa rating of the European Investment Bank.

2.16 Arlingclose continued to monitor and assess credit default swap levels for signs of ongoing credit stress but made no changes to the counterparty list or recommended durations over the quarter. Nevertheless, heightened market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.

3. Local Context

3.1 On 30th June 2023, the Authority had net borrowing of £9.6m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.3.23 Estimated £m
General Fund CFR	38.5
HRA CFR	56.6
Total CFR	**95.2**
External borrowing	62.6
Internal borrowing	32.6
Total Borrowing	**95.2**

3.2 The treasury management position on 30 June 2023 and the change over the preceding three months is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.23 Balance £m	Movement £m	30.06.23 Balance £m	30.06.23 Rate %
Long-term borrowing	59.8	0.0	59.8	3.6%
Short-term borrowing	2.7	0.0	2.7	4.2%
Total borrowing	**62.6**	**0.0**	**62.6**	**3.6%**
Long-term investments	0.0	0.0	0.0	0.0%
Short-term investments	39.0	-4.0	35.0	4.6%
Cash and cash equivalents	4.1	13.9	18.0	4.7%
Total investments	**43.1**	**9.9**	**53.0**	**4.7%**
Net borrowing	**19.5**	**-9.9**	**9.6**	

4.0 Borrowing

4.1 CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority.

4.2 PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield the Authority intends to avoid this activity in order to retain its access to PWLB loans.

4.3 The Authority currently holds £8.9m in commercial investments that were purchased prior to the change in the CIPFA Prudential Code. These commercial investments are primarily for local regeneration and growth with a secondary objective of financial return. Before undertaking further additional borrowing the Authority will review the options for exiting these investments.

4.4 As shown in table 1 the authority has internally borrowed £32.6m. This internal borrowing foregoes a potential interest income rate of 4.7%. Current one year external borrowing rates with the PWLB are 6.4% as at 30 June 2023. An additional rate for HRA specific borrowing has been implemented from June 2023 which is 0.4% lower than standard PWLB rates.

5. Borrowing Strategy and Activity

5.1 As outlined in the treasury strategy, the Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective. The Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

5.2 There has been a substantial rise in the cost of both short- and long-term borrowing over the last 18 months. In this quarter, Bank Rate rose from 4.25% at the beginning of April to 5.0% at the end of the quarter and was also significantly higher than its level of 1.25% at the end of June 2022.

5.3 Gilt yields faced upward pressure since early April following signs that UK growth has been more resilient and inflation stickier than expected. Consequently, PWLB borrowing rates continued to rise over the quarter. On 30th June, the PWLB certainty rates for maturity loans were 5.25% for 10 year loans, 5.36% for 20-year loans and 4.95% for 50-year loans. Their equivalents on 31st March 2023 were 4.33%, 4.70% and 4.41% respectively.

5.4 A new PWLB HRA rate which is 0.4% below the certainty rate has been made available from 15th June 2023. Initially available for a period of one year, this discounted rate is to support local authorities borrowing for the Housing Revenue Account and for refinancing existing HRA loans, (add, if applicable) providing a window of opportunity for HRA-related borrowing.

5.5 As the Council has not undertaken any new borrowing this financial year the effects of these rate rises have not been felt. However, should the Council decide to borrow in the next year this effect will increase the cost of borrowing.

5.6 At 30th June 2023 the Authority held £62.6m in loans, there has been no decrease since 31st March 2023 as no principle has yet been repaid this year. A breakdown of outstanding loans is shown below in table 3.

Table 3: Borrowing Position

	31.3.23 Balance £m	Net Movement £m	31.06.23 Balance £m	31.06.23 Weighted Average Rate %	31.06.23 Weighted Average Maturity (years)
Public Works Loan Board	55.1	0.0	55.1	3.4%	15.7
Banks (LOBO)	3.5	0.0	3.5	4.8%	31.6
Banks (fixed-term)	3.9	0.0	3.9	4.7%	30.6
Local authorities (long-term)	0.0	0.0	0.0	0.0%	0.0
Local authorities (short-term)	0.0	0.0	0.0	0.0%	0.0
Total borrowing	**62.6**	**0.0**	**62.6**	**0.0**	**17.5**

5.7 There remains a strong argument for diversifying funding sources, particularly if rates can be achieved on alternatives which are below gilt yields + 0.80%. The Authority will evaluate and pursue these lower cost solutions and opportunities with its advisor Arlingclose.

5.8 The Authority has £3.5m LOBO loans with call dates within the next 12 months on the 8 August 2023 and 8 February 2024. The Authority has liaised with their treasury management advisors Arlingclose over the likelihood of the options being exercised. If the option is exercised the Authority plans to repay the loan at no additional cost. If required, the Authority is likely to repay the LOBO loans with available cash. It may then consider replacing this in the future with external borrowing if interest rates are advantageous.

5.9 As interest rates increase there is an increased chance that the LOBO loan held by the authority will be called. The Council recently calculated that the chance of this occurring is still low at about 10% likelihood.

6. Treasury Investment Activity

6.1 CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20th December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

6.2 The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Authority's investment balances have ranged between £43.3m and £57.7m million due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.3.23 Balance £m	Net Movement £m	30.06.2023 Balance £m	30.06.2023 Income Return %	30.06.2023 Weighted Average Maturity days
Banks & building societies (unsecured)	2.0	0.0	2.0	4.5%	1.3
Government (incl. local authorities)	37.0	-4.0	33.0	4.6%	86.8
Money Market Funds	4.1	13.9	18.0	4.7%	0.3
Total investments	**43.1**	**9.9**	**53.0**	**4.7%**	**88.5**

6.3 The above graph shows an increase in total investment balances since 31 March 2023. This notable increase can be partly attributed to the timing of receipts received by the Council, where funds were acquired before being utilized for payments. Moreover, the accumulation of investment balances can also be attributed to various other factors. One such factor is the potential slippage in the capital programmme, where delays or project complexities result in unutilized funds. Additionally, the Council planning to accumulate reserves for future use, enhancing financial stability and preparedness.

6.4 Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

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

6.6 Bank Rate increased by 0.75%, from 4.25% at the beginning of April to 5% by the end of June, with the prospect of further increases to come. Short-dated cash rates rose commensurately, with 3-month rates rising to around 5.25% and 12-month rates to nearly 6%. The rates on DMADF deposits also rose, ranging between 4.8% and 5.4% by the end of June and Money Market Rates between 4.7% and 4.8%.

6.7 The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5 below.

Table 5: Investment Benchmarking – Treasury investments managed in-house*

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
31.03.2023	4.07	AA-	14%	78	3.49%
Similar Las	4.74	A+	63%	56	0.73%
All Las	4.71	A+	59%	12	1.59%

**From last available benchmarking data*

6.8 The Authority has budgeted £795,000 in interest income from investments after deductions in 2023/24. Actual income received by June 30 2023 was £539,000. We are now forecasting the risk adjusted interest received by March 31 2024 to be £1.5m and after deductions income to be £1.2m.

6.9 Interest rates can and have been extremely volatile over the financial year and are likely to be similarly volatile in the upcoming months. Therefore, for the purpose of budget setting these forecasts are reduced by 20% to ensure that there is not an overreliance placed on interest return for creating a balanced budget.

6.10 The updated forecast of £1.2m will be split between the General Fund (GF) and Housing Revenue Account (HRA). This split will be 51% to the GF and 49% to HRA. The percentage split is worked using the investment balances for both funds throughout the year as a percentage of the overall investment fund. This is subject to change.

6.11 Interest forecasts are notoriously difficult to predict and are subject to change particularly in an unstable interest rate environment and constantly changing economic environment. The increase from £795,000 forecasted to £1.2m forecasted is as a result of this changing economic situation and also as a result of the Council having higher investment balances than expected due to delayed repayment of Covid Grants, Business rates levy and S31 funds and slippage in capital programmes. These factors have both boosted the Councils overall Treasury Balances and the return received on investments.

7. Non-Treasury Investments

7.1 The definition of investments in CIPFA's revised 2021 Treasury Management Code covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).

7.2 Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) and Welsh Government also includes within the definition of investments all such assets held partially or wholly for financial return.

7.3 The Authority held £8.9m of investments made for commercial purposes. This consisted entirely of directly owned property and land. A full list of the Authority's non-treasury investments is available in the Investment Strategy 2023-24 document. These investments are forecasted to generate £395,000 in investment income in 23/24 for the Authority after taking account of direct costs.

7.4 The main purpose of these investments is regeneration of the local area rather than investment income. All commercial investments are located within the District.

8. Treasury Performance

8.1 The Authority measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates.

8.2 Since the beginning of the reporting period the Council has paid £81,000 in interest on borrowing. The forecasted amount to be spent on interest on loans for the financial year 23/24 in total is £2.2m. The overall interest rate on borrowing is 3.6%. For comparison purposes the current PWLB Maturity Loan rate for new 10 year borrowing is 6.4%. This represents a good rate of borrowing in the current environment

8.3 During the reporting period the Council has not yet paid back any principle on its loans. It is forecasting to repay £2.7m in PWLB loan principle by the end of the year. £1.2m of this is annuity loans whereby regular payments are made throughout the lifetime of the loan and the other is a maturity loan of £1.5m. There is no intention to borrow to replace these loans as the Council currently has the resources to absorb this.

8.4 The Council does not expect to undertake any new borrowing in the 2023/24 financial year and none has so far been undertaken.

8.5 As discussed in section 6.7 investment interest income during the reporting period was £538,000 before deductions. The Councils Investment interest return percentage on 30 June 2023 was 4.7%. For comparison purposes the Daily Sterling Overnight Index Average (SONIA) which is used for benchmarking purposes was 4.9%. For similar local authorities the most recent benchmarking data which is from 31 March 2023 showed an investment return of 0.73% largely due to the poor performance of external funds in which North West Leicestershire District Council is not involved. This is shown in Appendix 1.

9. Compliance

9.1 The S151 Officer reports that all treasury management activities undertaken during the quarter complied fully with the CIPFA Code of Practice. There was one breach of the Authority's approved Treasury Management Strategy whereby overnight £5.5m remained in the authorities bank account. The limit on overnight amounts kept in the account is £2.5m in the TMSS. This breach was a result of an investment being returned to the Councils bank account after dealing was completed for the day. Although this is a breach of the TMSS the funds remained in the Councils own bank account so exposure to risk was minimal. Steps have been put into place to ensure this is not repeated.

9.2 Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 5 below.

Table 5: Debt Limits

	Q1 Maximum During Period	30.06.23 Actual	2023/24 Operational Boundary	2023/24 Authorised Limit	Complied?
Borrowing	£62.6m	£62.6m	£95.1m	£105.1m	Yes

9.3 Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure. However, there were no days in the reporting period in which the operational boundary was breached.

Table 6: Investment Limits

	Q1 Maximum	30.06.2023 Actual	2023/24 Limit	Complied?
The UK Government	£33.5m	£28m	Unlimited	Yes
Local authorities & other government entities	£9m	£5m	£60m	Yes
Secured investments	£0m	£0m	£60m	Yes
Banks (unsecured)	£2m	£2m	£60m	Yes
Building societies (unsecured)	£0m	£0m	£5m	Yes
Registered providers (unsecured)	£0m	£0	£12.5m	Yes
Money market funds	£22m	£18m	£60m	Yes
Strategic pooled funds	£0m	£0	£25m	Yes
Real estate investment trusts	£0m	£0	£12.5m	Yes
Other investments	£0m	£0	£2.5m	Yes

10. Treasury Management & Prudential Indicators

10.1 The Authority measures and manages its exposures to treasury management risks using the following indicators.

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

	31.03.23 Actual	2023/24 Target	Complied?
Portfolio average credit rating	AA-	A-	Yes

**From last available benchmarking data*

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

	30.06.23 Actual	2023/24 Target	Complied?
Total cash available within 3 months	£24m	£2.5m	Yes

10.4 **Interest Rate Exposures**: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interests was:

Interest rate risk indicator	30.06.23 Actual	2023/24 Limit	Complied?
Upper limit on one-year revenue impact of a 1% rise in interest rates	386,155	-600,000	Yes
Upper limit on one-year revenue impact of a 1% fall in interest rates	-386,155	-600,000	Yes

10.5 The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at current rates. Due to the majority of our investments maturing in year and the majority of our borrowing maturing in later years this means that we would benefit from an increase in Interest rates (as we replace investments with higher rates but not borrowing) but are negatively impacted by a decrease in interest rates for the same reason.

10.6 This is demonstrated in the above figures which show a positive return from an increase and a negative return from a decrease in interest rates. Both of these impact are within reasonable limits for the revenue budget. The Council also takes further precautions by reducing its interest forecast by a risk adjusted amount of 80% as discussed in paragraph 6.8.

10.7 For context, the changes in interest rates during the quarter were:

	31/3/23	30/6/23
Bank Rate	4.25%	5.00%
1-year PWLB certainty rate, maturity loans	4.78%	6.22%
5-year PWLB certainty rate, maturity loans	4.31%	5.71%
10-year PWLB certainty rate, maturity loans	4.33%	5.25%
20-year PWLB certainty rate, maturity loans	4.70%	5.36%
50-year PWLB certainty rate, maturity loans	4.41%	4.95%

10.8 **Maturity Structure of Borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. [This indicator covers the risk of replacement loans being unavailable, not interest rate risk.] The upper and lower limits on the maturity structure of all borrowing were:

	30.06.23 Actual £m	30.06.23 Actual %	Upper Limit	Lower Limit	Complied?
Under 12 months	6.2	10%	70%	0%	Yes
12 months and within 24 months	1.3	2%	30%	0%	Yes
24 months and within 5 years	3.2	5%	30%	0%	Yes
5 years and within 10 years	2.5	4%	90%	0%	Yes
10 years and within 20 years	43.8	70%	90%	0%	Yes
20 years and above	5.7	9%	30%	0%	Yes

10.9 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment. As the LOBO functions this way an additional £3.5m is included in the under 12 months section and removed from the 20 years and above section despite the LOBO maturing in 2055.

10.10 **Principal Sums Invested for Periods Longer than a year:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

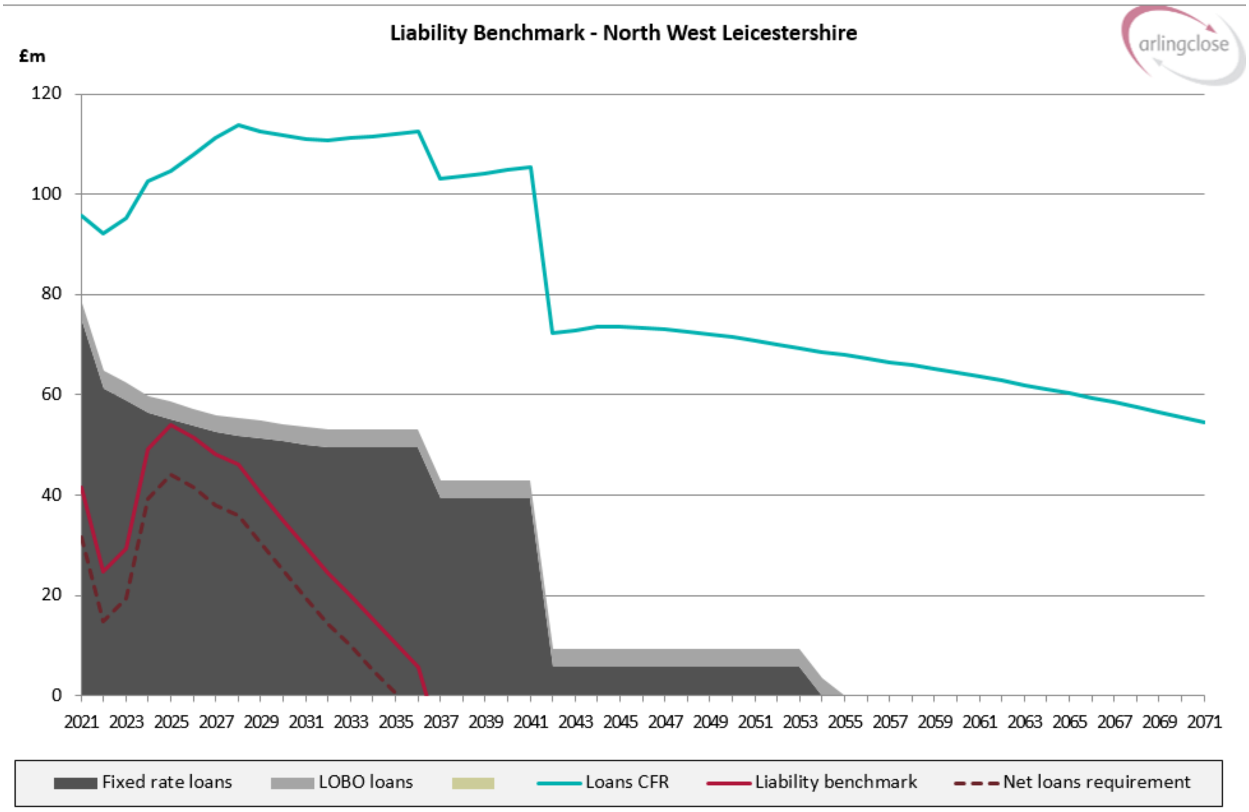
	2023/24	2024/25	2025/26	No Fixed Date
Actual principal invested beyond year end	£0	£0	£0	£0
Limit on principal invested beyond year end	£60m	£10m	£10m	£10m
Complied?	Yes	Yes	Yes	Yes

10.11 **Liability Benchmark**: This new indicator compares the Authority's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. 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. It represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £10m required to manage day-to-day cash flow.

	31.3.23 Estimate	31.3.24 Forecast	31.3.25 Forecast	31.3.26 Forecast
Loans CFR	95.2	102.6	104.5	108
Less: Balance sheet resources	-75.9	-63.4	-60.6	-66.5
Net loans requirement	**19.3**	**39.3**	**44**	**41.5**
Plus: Liquidity allowance	10	10	10	10
Liability benchmark	**29.3**	**49.3**	**54**	**51.5**
Existing external borrowing	**62.6**	**59.8**	**58.6**	**57.3**

*The 31.3.23 position is an estimate due to statement of accounts not yet being published

10.12 Following on from the medium-term forecast above, the long-term liability benchmark assumes no capital expenditure funded by borrowing after 2023/24, minimum revenue provision on new capital expenditure based on a variable asset life depending on asset type (This can vary from 5 – 50 years) and income, expenditure and reserves all increasing by inflation of 2.5% p.a. This is shown in the chart below together with the maturity profile of the Authority's existing borrowing.

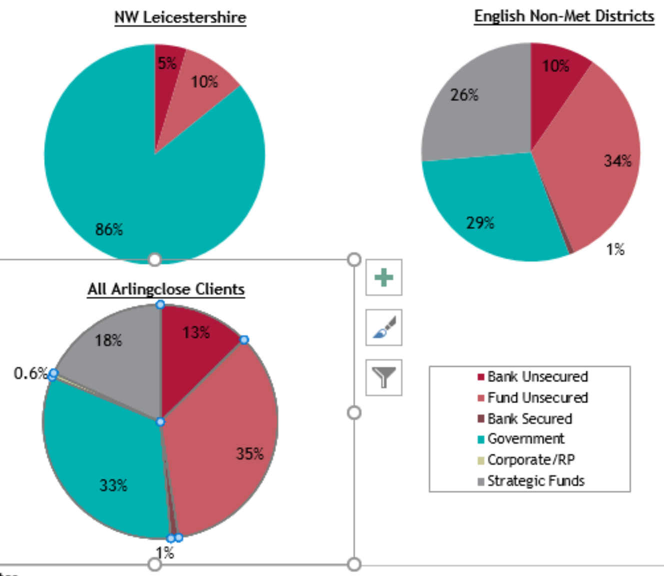


10.13 The Liability Benchmark shows the underlying need to borrow (Loans CFR) in the blue line at the top of the graph, the grey shaded area as existing loans and the strong red line as the requirement for external borrowing. This graph demonstrates that by using internal resources the Council is likely to not have a future external borrowing requirement in addition to borrowing already in place. However, there is little room for adjustment and the Liability Benchmark graph is an estimate and subject to significant change. This situation may evolve and create a borrowing requirement in the next couple of years.

Appendix 1

Investment Benchmarking
31 March 2023

	NW Leicestershire	45 English Non-Met Districts Avera	122 LAs Average
Internal Investments	£43.1m	£26.1m	£66.5m
Cash Plus & Short Bond Funds	£0.0m	£2.3m	£2.2m
Strategic Pooled Funds	£0.0m	£10.9m	£12.1m
TOTAL INVESTMENTS	**£43.1m**	**£39.3m**	**£80.8m**
Security			
Average Credit Score	4.07	4.74	4.71
Average Credit Rating	AA-	A+	A+
Average Credit Score (time-weighted)	4.40	4.52	4.56
Average Credit Rating (time-weighted)	AA-	A+	A+
Number of Counterparties / Funds	9	11	12
Proportion Exposed to Bail-in	14%	63%	59%
Liquidity			
Proportion Available within 7 days	10%	42%	49%
Proportion Available within 100 days	88%	62%	70%
Average Days to Maturity	78	56	12
Market Risks			
Average Days to Next Rate Reset	82	72	44
Strategic Fund Volatility	-	4.8%	7.3%
Yield			
Internal Investment Return	3.49%	3.57%	3.67%
Cash Plus Funds - Income Return	-	1.45%	1.37%
Strategic Funds - Income Return	-	3.99%	3.93%
Total Investments - Income Return	**3.49%**	**3.55%**	**3.66%**
Cash Plus Funds - Capital Gain/Loss	-	-0.15%	-0.06%
Strategic Funds - Capital Gain/Loss	-	-11.14%	-11.85%
Total Investments - Total Return	**3.49%**	**0.73%**	**1.59%**



Notes

• Unless otherwise stated, all measures relate to internally managed investments only, i.e. excluding external pooled funds.

• Averages within a portfolio are weighted by size of investment, but averages across authorities are not weighted.

• Credit scores are calculated as AAA = 1, AA+ = 2, etc.

• Volatility is the standard deviation of weekly total returns, annualised.

*Data from last available benchmarking on 31 March 2023