Appendix A

Treasury Management Activity Report Quarter 3 2024/25

1. Introduction

1.1 The Council 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 Council to approve treasury management semi-annual and annual reports.

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

1.3 The Council's treasury management strategy for 2024/25 was approved at the Council meeting on 22 February 2024. The Council 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 Council's treasury management strategy.

2. External Context (provided by Arlingclose)

2.1 **Economic background**: The Chancellor of the Exchequer delivered her Autumn Budget at the end of October. Based on the plans announced, the Office for Budget Responsibility reported they would provide a short-term boost to GDP growth before weakening it further out and push inflation higher over the medium-term. This change to the economic and inflation outlook caused financial markets to readjust expectations of Bank of England (BoE) Bank Rate and gilt yields higher. The Council's treasury management adviser, Arlingclose, also revised its interest rate forecast upwards in November, with Bank Rate expected to eventually fall to 3.75%.

2.2 UK annual Consumer Price Index (CPI) inflation remained above the BoE 2% target in the later part of the period. The Office for National Statistics (ONS) reported headline consumer prices rose 2.6% in November 2024, up from 2.3% in the previous month and in line with expectations. Core CPI also rose, but by more than expected, and remained elevated at 3.6% in November against a forecast of 3.5% and compared to 3.3% in the previous month.

2.3 UK economy GDP registered no growth (0.0%) between July and September 2024 and 0.4% between April and June 2024, a further downward revision from the 0.5% rate previously reported by the ONS. Of the monthly Gross Domestic Product (GDP) figures, the economy was estimated to have contracted by 0.1% in October, following the same size decline in September.

2.4 The labour market continued to loosen, but the ONS data still require treating with some caution. Recent figures reported the unemployment rate rose to 4.3% (3mth/year) in the three months to October 2024 and economic inactivity fell to 21.7%. The ONS reported pay growth over the same three-month period at 5.2% for both regular earnings (excluding bonuses) and for total earnings.

2.5 The BoE's Monetary Policy Committee (MPC) held Bank Rate at 4.75% at its December 2024 meeting, having reduced it to that level in November and following a previous 25bp cut from the 5.25% peak at the August MPC meeting (5-4 vote to cut). At the December meeting, six Committee members voted to maintain Bank Rate at 4.75% while three members preferred to reduce it to 4.50%. The meeting minutes suggested a reasonably dovish tilt to rates with the outlook for economic growth a concern among policymakers as the Bank downgraded its Q4 GDP forecast from 0.3% to 0.0%.

2.6 The November Monetary Policy Report (MPR) showed the BoE expected GDP growth to pick up to around 1.75% (four-quarter GDP) in the early period of the forecast horizon before falling back. The impact from the government's Autumn Budget pushed GDP higher in 2025 than was expected in the August MPR, before becoming weaker. The outlook for CPI inflation showed it rising above the MPC's 2% target from 2024 into 2025 and reaching around 2.75% by the middle of calendar 2025. Over the medium-term, once the near-term pressures eased, inflation was expected to stabilise around the 2% target. The unemployment rate was expected to increase modestly, rising to around 4.5%, the assumed medium-term equilibrium unemployment rate, by the end of the forecast horizon.

2.7 Arlingclose, the Council's treasury adviser, maintained its central view that Bank Rate would continue to fall from the 5.25% peak. From the first cut in August 2024, followed by the next in November which took Bank Rate to 4.75%, February 2025 is deemed the likely month for the next reduction, with other cuts following steadily in line with MPR months to take Bank Rate down to around 3.75% by the end of 2025.

2.8 The US Federal Reserve continued cutting interest rates during the period, reducing the Fed Funds Rate by 0.25% at its December 2024 monetary policy meeting to a range of 4.25%-4.50%, marking the third consecutive reduction. Further interest rate cuts are expected into 2025, but uncertainties around the potential inflationary impact of President-elect Trump's policies may muddy the waters in terms of the pace and magnitude of further rate reductions. Moreover, the US economy continues to expand at a decent pace, suggesting that monetary policy may need to remain more restrictive in the coming months than had previously been anticipated.

2.9 The European Central Bank (ECB) also continued its rate cutting cycle, reducing its three key policy rates by 0.25% in December. Euro zone inflation rose above the ECB 2% target in November 2024, hitting 2.2% as was widely expected and a further increase from 2% in the previous month. Inflation is expected to rise further in the short term but then fall back towards the 2% target during 2025, with the ECB remaining committed to maintaining rates at levels consistent with bringing inflation to target, but without suggesting a specific path.

2.10 **Financial markets**: Financial market sentiment was generally positive over the period, but economic, financial and geopolitical issues meant the ongoing trend of bond yield volatility very much remained. In the last few months of the period, there was a general rising trend in yields due to upwardly revised interest rate and inflation expectations, causing gilt yields to end the period at substantially higher levels to where they began.

2.11 Over the period, the 10-year UK benchmark gilt yield started at 3.94% and ended at a high of 4.57%, having reached a low of 3.76% in mid-September. While the 20-year gilt started at 4.40%, ended at a high of at 5.08% and hit a low of 4.27% in mid-September. The Sterling Overnight Rate (SONIA) averaged 5.01% over the period to 31st December.

2.12 **Credit review**: In October, Arlingclose revised its advised recommended maximum unsecured duration limit on most banks on its counterparty list to six months. Duration advice for the remaining five institutions, including the newly added Lloyds Bank Corporate Markets, was kept to a maximum of 100 days.

2.13 Fitch revised the outlooks on Royal Bank of Scotland, NatWest Markets PLC, and National Westminster Bank to positive from stable, while affirming their long-term ratings at A+.

2.14 Moody's upgraded the ratings on National Bank of Canada to Aa2 from Aa3, having previously had the entity on Rating Watch for a possible upgrade. Moody's also upgraded the ratings on The Co-operative Bank to A3 (from Baa3) and downgraded the ratings on Coventry Building Society to A3 (from A2) and Canada's Toronto-Dominion Bank to Aa2 (from Aa1).

2.15 S&P also downgraded Toronto-Dominion Bank, to A+ from AA-, but kept the outlook at stable.

2.16 Credit default swap prices were generally lower at the end of the period compared to the beginning for most of the names on UK and non-UK lists. Price volatility over the period also remained generally more muted compared to previous periods.

2.17 Financial market volatility is expected to remain a feature, at least in the near term and, credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Council's counterparty list recommended by Arlingclose remain under constant review.

3. Local Context

3.1 On 31 March 2024, the Council had net borrowing of £26.3m 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

	31.3.24 Estimated £m*	31.3.25 Estimated £m
General Fund CFR	37.6	36.4
HRA CFR	50.5	53.0
Total CFR	**88.1**	**89.4**
External borrowing	56.3	58.9
Internal borrowing	31.8	30.6
Total Borrowing	**88.1**	**89.4**

* Revised Estimate following publication of 2022/23 Statement of Accounts

3.2 The treasury management position at 31 December 2024 and the change over the nine months in Table 2 below.

Table 2: Treasury Management Summary

	31.3.24 Balance £m	Movement £m	31.12.24 Balance £m	31.12.24 Rate %
Long-term borrowing	55.1	0.0	55.1	3.50%
Short-term borrowing	1.3	-0.6	0.6	2.25%
Total borrowing	**56.3**	**-0.6**	**55.7**	**3.48%**
Long-term investments	0.0	0.0	0.0	0.00%
Short-term investments	25.0	-20.0	5.0	4.79%
Cash and cash equivalents	5.0	31.0	36.0	4.72%
Total investments	**30.0**	**11.0**	**41.0**	**4.73%**
Net borrowing	**26.3**	**-11.6**	**14.7**	

4. 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 Council.

4.2 Public Works Loans Board (PWLB) loans are no longer available to local authorities planning to buy investment assets primarily for yield and the Council intends to avoid this activity to retain its access to PWLB loans.

4.3 The Council 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 Council will review the options for exiting these investments.

4.4 As shown in table 1 the Council has internally borrowed £30.6m. This internal borrowing foregoes a potential interest income rate of 4.73%. Current one-year external borrowing rates with the PWLB (Certainty Rate) are 5.19% as of 31 December 2024. 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 Council's chief objective when borrowing has been to strike an appropriate risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective. The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. During the period short term interest rates have been higher than long term interest rates.

Arlingclose Commentary:

5.2 After substantial rises in interest rates since 2021, many central banks have now begun to reduce their policy rates, albeit slowly. Gilt yields were volatile but have increased overall during the period. Much of the increase has been in response to market concerns that policies introduced by the Labour government will be inflationary and lead to higher levels of government borrowing. The election of Donald Trump in the US in November is also expected to lead to inflationary trade policies.

5.3 The PWLB certainty rate for 10-year maturity loans was 4.80% at the beginning of the period and 5.40% at the end. The lowest available 10-year maturity rate was 4.52% and the highest was 5.44%. Rates for 20-year maturity loans ranged from 5.01% to 5.87% during the period, and 50-year maturity loans from 4.88% to 5.69%.

5.4 Whilst the cost of short-term borrowing from other local authorities spiked to around 7% in late March 2024, primarily due a dearth of LA-LA lending/borrowing activity during that month, as expected shorter-term rates reverted to a more market-consistent range and were generally around 5.00% - 5.5%. Rising rates were seen towards the end of the period in the LA-LA market.

5.5 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 Council. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes. The Council has no new plans to borrow to invest primarily for financial return.

5.6 On 31 December, the Council held £55.7m of loans, there has been a decrease of £0.6m since 31 March 2024 due to principal repayments. A breakdown of outstanding loans is shown below in table 3.

5.7 **Table 3: Borrowing Position**

	31.3.24 Balance £m	Net Movement £m	31.12.24 Balance £m	31.12.24 Weighted Average Rate %	31.12.24 Weighted Average Maturity (years)
Public Works Loan Board	52.4	-0.6	51.8	3.38%	13.9
Banks (LOBO)	0.0	0.0	0.0	0.00%	0.0
Banks (fixed term)	3.9	0.0	3.9	4.74%	2.1
Local authorities (long-term)	0.0	0.0	0.0	0.00%	0.0
Local authorities (short-term)	0.0	0.0	0.0	0.00%	0.0
Total borrowing	**56.3**	**-0.6**	**55.7**	**3.48%**	**16.0**

5.8 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 Council will evaluate and pursue these lower cost solutions and opportunities with its adviser Arlingclose.

6. Treasury Investment Activity

6.1 CIPFA revised TM Code defines treasury management investments as those which arise from the Council's cash flows or treasury risk management activity that ultimately represents balances which need to be invested until the cash is required for use in the course of business.

6.2 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Council's investment balances have ranged between £26.3m and £46.6m due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.3.24 Balance £m	Net Movement £m	31.12.24 Balance £m	31.12.24 Income Return %	31.12.24 Weighted Average Maturity days
Banks & building societies (unsecured)	0.0	0.0	0.0	0.00%	0
Government (incl. local authorities)	30.0	-14.0	16.0	4.73%	24
Money Market Funds	0.0	25.0	25.0	4.73%	1
Total investments	**30.0**	**11.0**	**41.0**	**4.73%**	**24**

6.3 Both the CIPFA Code and government guidance require the Council 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 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 of receiving unsuitably low investment income.

6.4 As demonstrated by the liability benchmark in this report, the Council expects to be a long-term investor and treasury investments therefore include both short-term low risk instruments to manage day-to-day cash flows and longer-term instruments where limited additional risk is accepted in return for higher investment income to support local public services.

6.5 Bank Rate reduced from 5.25% to 5.00% in August 2024 and again to 4.75% in November 2024 with short term interest rates largely being around these levels. The rates on DMADF deposits ranged between 4.70% and 4.94% and money market rates between [4.68% and 5.07%].

6.6 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 %
31/12/2024	4.51	A+	61%	7	4.73%
Similar Las	4.62	A+	62%	52	4.96%
All Las	4.59	A+	61%	10	4.88%

**From last available benchmarking data*

6.7 In financial markets the April – December period was characterised by overall positive equity market performance, rising global yields and bond market volatility, central bank interest rate cuts and changing expectations of the path of future cuts, and uncertainties surrounding the impact of the UK Budget and US presidential election.

6.8 The Council has budgeted £696,200 in interest income from investments after deductions in 2024/25. The actual income received by 31 December 2024 was £1.02m. The Council is now forecasting the risk adjusted interest received by March 31 2025, to be £1.367m and after deductions income to be £1.093m.

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 £1.093m will be split between the General Fund (GF) and Housing Revenue Account (HRA). This split will be 37.4% to the GF and 62.6% 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.

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 Council as well as other non-financial assets which the Council 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 Ministry of Housing, Communities and Local Government (MHCLG) and Welsh Government also broadens the definition of investments to include all such assets held partially or wholly for financial return.

7.3 The Council held £8.9m of investments made for commercial purposes. This consisted entirely of directly owned property and land. A full list of the Council's non-treasury investments is available in the Investment Strategy 2024-25 document. These investments are forecast to generate £410,000 in investment income in 24/25 for the Council 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 Council measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship with benchmark interest rates.

8.2 As discussed in section 6.8, investment interest income during the reporting period was £1.02m before deductions. The Council's Investment interest return percentage on 31 December 2024 was 4.73%. For comparison purposes the Daily Sterling Overnight Index Average (SONIA) which is used for benchmarking purposes was 4.70%. For similar local authorities the most recent benchmarking data, which is from 31 December 2024 showed an investment return of 4.96%. This is shown in Appendix 1.

8.3 Since the beginning of the reporting period the Council has paid £924,994 in interest on borrowing. The forecast amount to be spent on interest on loans for the financial year 24/25 in total is £1.952m. The weighted average interest rate on borrowing is 3.46%. For comparison purposes the current PWLB Maturity Loan rate for new 10-year borrowing is 5.40%. This represents a good rate of borrowing in the current environment.

8.4 During the reporting period the Council has paid back £0.6m in principle on its PWLB loans. It is forecast to repay £1.26m in total on PWLB loan principal by the end of the year. £1.26m is for the annuity loans whereby regular payments are made throughout the lifetime of the loan. There is no intention to borrow to replace these loans as the Council currently has the resources to absorb this.

8.5 The Council has forecast to undertake new borrowing of £3.8m for the HRA in the 2024/25 financial year, however, none has so far been undertaken and borrowing, if needed at all, will be delayed as long as possible to minimize debt interest costs.

8.6 On 10 April 2024, amended legislation and revised statutory guidance were published on Minimum Revenue Provision (MRP). The majority of the changes take effect from the 2025/26 financial year, although there is a requirement that for capital loans given on or after 7th May 2024 sufficient MRP must be charged so that the outstanding CFR in respect of the loan is no higher than the principal outstanding, less the Expected Credit Loss (ECL) charge for that loan.

8.7 The regulations also require that local authorities cannot exclude any amount of their CFR from their MRP calculation unless by an exception set out in law. Capital receipts cannot be used to directly replace, in whole or part, the prudent charge to revenue for MRP (there are specific exceptions for capital loans and leased assets).

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.

9.2 Compliance with the Authorised Limit and Operational Boundary for external debt is demonstrated in table 6 below.

Table 6: Debt Limits

	Q3 Maximum During Period £m	31.12.24 Actual £m	2024/25 Operational Boundary £m	2024/25 Authorised Limit £m	Complied?
Borrowing	56.3	55.7	99.2	110.2	**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 7: Investment Limits

	Q3 Maximum During Period £m	31.12.24 Actual £m	2024/25 Limit £m	Complied?
The UK Government	20.5	16.0	Unlimited	**YES**
Local authorities & other government entities	15.0	0.0	60.0	**YES**
Secured investments	0.0	0.0	60.0	**YES**
Banks (unsecured)	2.0	0.9	60.0	**YES**
Building societies (unsecured)	0.0	0.0	5.0	**YES**
Registered providers (unsecured)	0.0	0.0	12.5	**YES**
Money market funds	25.0	25.0	60.0	**YES**
Strategic pooled funds	0.0	0.0	25.0	**YES**
Real estate investment trusts	0.0	0.0	12.5	**YES**
Other investments	0.0	0.0	2.5	**YES**

Totals	62.5	41.9		

10. Treasury Management Prudential Indicators

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

10.2 **Security:** The Council 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.

Table 8: Security

	31.12.24 Actual	2024/25 Target	Complied?
Portfolio average credit rating	A+	A-	**Yes**

**From last available benchmarking data*

10.3 **Liquidity:** The Council 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. Due to recent changes in Treasury Officers, a very prudent approach has been taken to cashflow forecasts. This will continue to be the case between now and year end.

Table 9: Liquidity

	31.12.24 Actual £m	2024/25 Target £m	Complied?
Total cash available within 3 months	£36.0	£2.5	**YES**

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

Table 10: Interest Rate Exposures

Interest rate risk indicator	31.12.24 Actual	2024/25 Limit	Complied?
Upper limit on one-year revenue impact of a 1% rise in interest rates	491,015	600,000	**YES**
Upper limit on one-year revenue impact of a 1% fall in interest rates	-491,015	-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 all Council investments maturing in year and the majority of Council borrowing maturing in later years this means that the Council would benefit from an increase in Interest rates (as investments are replaced 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 impacts 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 20% as discussed in paragraph 6.9.

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

Table 11: Interest Rate Changes

	31.3.24	31.12.24
Bank Rate	5.25%	4.75%
1-year PWLB certainty rate, maturity loans	5.36%	5.19%
5-year PWLB certainty rate, maturity loans	4.68%	5.10%
10-year PWLB certainty rate, maturity loans	4.74%	5.40%
20-year PWLB certainty rate, maturity loans	5.18%	5.84%
50-year PWLB certainty rate, maturity loans	5.01%	5.66%

10.8 **Maturity Structure of Borrowing:** This indicator is set to control the Council'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:

Table 12: Maturity Structure of Debt

	31.12.24 Actual £m	31.12.24 Actual %	Lower Limit	Upper Limit	Complied?
Under 12 months	0.6	1%	0%	70%	**YES**
12 months and within 24 months	1.3	2%	0%	30%	**YES**
24 months and within 5 years	2.5	4%	0%	30%	**YES**
5 years and within 10 years	1.8	3%	0%	30%	**YES**
10 years and within 20 years	43.8	80%	0%	90%	**YES**
20 years and above	5.7	10%	0%	30%	**YES**
Totals	**55.7**	**100%**			

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.

10.10 **Principal Sums Invested for Periods Longer than a year:** 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. The limits on the long-term principal sum invested to final maturities beyond the period end were:

Table 13: Long Term Investments

	2024/25 £M	2025/26 £M	2026/27 £M	No Fixed Date £M
Actual principal invested beyond year end	£0	£0	£0	£0
Limit on principal invested beyond year end	£60	£10	£10	£10
Complied?	**YES**	**YES**	**YES**	**YES**

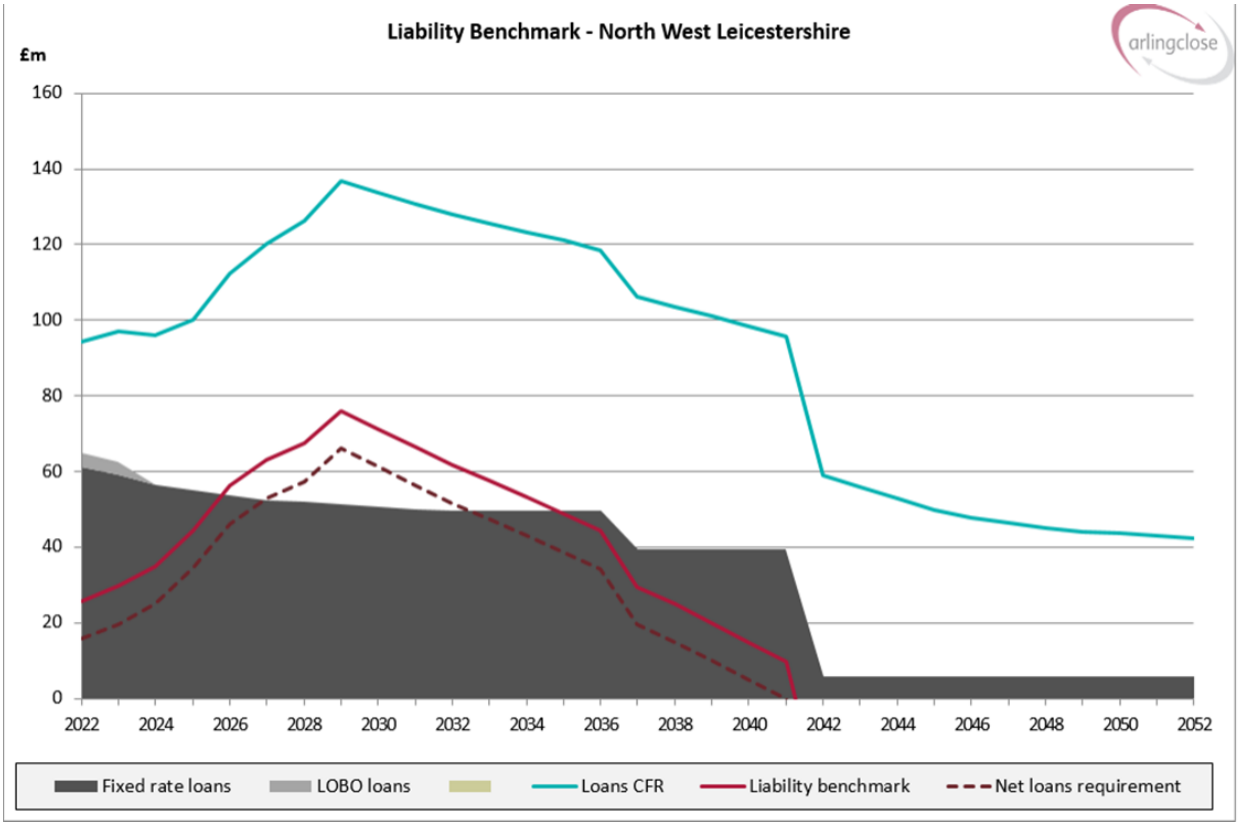
10.11 **Liability Benchmark**: This indicator compares the Council's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term 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.

10.12 **Table 14: Liability Benchmark**

	31.3.24 Forecast	31.3.25 Forecast	31.3.26 Forecast	31.3.27 Forecast
Loans CFR	88.1	100.2	112.4	120
Less: Balance sheet resources	-61.8	-66.3	-66.8	-67.7
Net loans requirement	**26.3**	**33.9**	**45.6**	**52.3**
Plus: Liquidity allowance	10.0	10.0	10.0	10.0
Liability benchmark	**36.3**	**43.9**	**55.6**	**62.3**
Existing external borrowing	**56.3**	**55.1**	**53.8**	**52.5**

*The 31.3.24 position is an estimate due to statement of accounts not yet being published

10.13 Following on from the medium-term forecast above, the long-term liability benchmark assumes no capital expenditure funded by borrowing before 2025/26, 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 Council's existing borrowing.



10.14 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 an external borrowing requirement in 2024/25. 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

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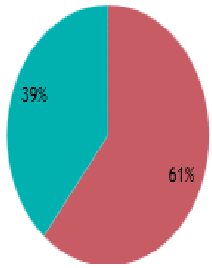
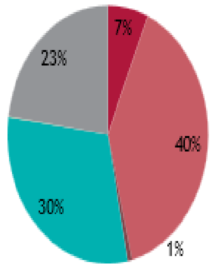
Investment Benchmarking
31 December 2024

	North West Leicestershire	44 English Non-Met Districts Aver	121 LAs Average
Internal Investments	£41.0m	£34.8m	£59.4m
Cash Plus & Short Bond Funds	£0.0m	£1.2m	£0.7m
Strategic Pooled Funds	£0.0m	£11.0m	£10.8m
TOTAL INVESTMENTS	**£41.0m**	**£47.1m**	**£70.9m**
Security			
Average Credit Score	4.51	4.62	4.59
Average Credit Rating	A+	A+	A+
Average Credit Score (time-weighted)	3.79	4.29	4.39
Average Credit Rating (time-weighted)	AA-	AA-	AA-
Number of Counterparties / Funds	6	13	12
Proportion Exposed to Bail-in	61%	62%	61%
Liquidity			
Proportion Available within 7 days	88%	48%	53%
Proportion Available within 100 days	100%	67%	72%
Average Days to Maturity	7	52	10
Market Risks			
Average Days to Next Rate Reset	35	75	50
Strategic Fund Volatility	-	2.5%	3.6%
Yield			
Internal Investment Return	4.73%	4.75%	4.74%
Cash Plus Funds - Income Return	-	3.99%	4.03%
Strategic Funds - Income Return	-	4.97%	4.97%
Total Investments - Income Retur	**4.73%**	**4.78%**	**4.78%**
Cash Plus Funds - Capital Gain/Loss	-	1.15%	1.13%
Strategic Funds - Capital Gain/Loss	-	0.54%	-0.13%
Total Investments - Total Return	**4.73%**	**4.96%**	**4.88%**

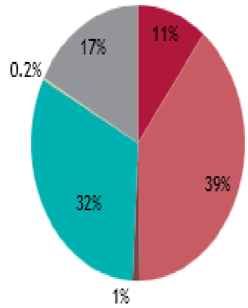
North West Leicestershire



English Non-Met Districts



All Arlingclose Clients



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.
- Pooled fund returns are 1-year to the end of the quarter.
- Credit scores are calculated as AAA = 1, AA+ = 2, etc.