Appendix A

Treasury Management Stewardship Report 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 The Council goes beyond this requirement by issuing quarterly reports which provide additional updates and include the new requirement in the 2021 Code, mandatory from 1 April 2023, of quarterly reporting of the treasury management prudential indicators.

1.3 This report is the annual review of the financial year 2024/25.

1.4 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**: Both the United Kingdom (UK) and United States (US) elected new governments during the period, whose policy decisions impacted on the economic outlook. The Chancellor of the Exchequer delivered her Spring Statement in March 2025, following her Budget in October 2024. Based on the plans announced, the Office for Budget Responsibility downgraded its predictions for UK growth in 2025 to 1% from 2%. However, it upgraded its predictions for the four subsequent years. Inflation predictions for 2025 were pushed up, to 3.2% from 2.6%, before seen as falling back to target in 2027. The market reaction to the Spring Statement was more muted compared to the Budget, with very recent market turbulence being driven more by US trade policy decisions and President Trump.

2.2 After revising its interest rate forecast in November following the Budget, the Council's treasury management advisor, Arlingclose, maintained its stance that Bank Rate will fall to 3.75% in 2025.

2.3 UK annual Consumer Price Index (CPI) inflation continued to stay above the 2% Bank of England (BoE) target in the later part of the period. The Office for National Statistics (ONS) reported headline consumer prices at 2.8% in February 2025, down from 3.0% in the previous month and below expectations. Core CPI also remained elevated, falling slightly in February to 3.5% from 3.7% in January, just below expectations for 3.6% but higher than the last three months of the calendar year.

2.4 The UK economy Gross Domestic Product (GDP) grew by 0.1% between October and December 2024, unrevised from the initial estimate. This was an improvement on the zero growth in the previous quarter, but down from the 0.4% growth between April and June 2024. Of the monthly GDP figures, the economy was estimated to have contracted by 0.1% in January, worse than expectations for a 0.1% gain.

2.5 The labour market continued to cool, but the ONS data still require treating with caution. Recent data showed the unemployment rate rose to 4.4% (3mth/year) in the three months to January 2025 while the economic inactivity rate fell again to 21.5%.

The ONS reported pay growth over the same three-month period at 5.9% for regular earnings (excluding bonuses) and 5.8% for total earnings.

2.6 The BoE's Monetary Policy Committee (MPC) held Bank Rate at 4.5% at its March 2025 meeting, having reduced it in February. This follows earlier 0.25% cuts in November and August 2024 from the 5.25% peak. At the March MPC meeting, members voted eight to one to maintain Bank Rate at 4.5%, with the lone dissenter preferring another 25 basis points cut. The meeting minutes implied a slightly more hawkish tilt compared to February when two MPC members wanted a 50bps cut. In the minutes, the Bank also upgraded its Q1 2025 GDP forecast to around 0.25% from the previous estimate of 0.1%.

2.7 The February Monetary Policy Report (MPR) showed the BoE expected GDP growth in 2025 to be significantly weaker compared to the November MPR. GDP is forecast to rise by 0.1% in Q1 2025, less than the previous estimate of 0.4%. Four-quarter GDP growth is expected to pick up from the middle of 2025, to over 1.5% by the end of the forecast period. The outlook for CPI inflation showed it remaining above the MPC's 2% target throughout 2025. It is expected to hit around 3.5% by June before peaking at 3.7% in Q3 and then easing towards the end of the year but staying above the 2% target. The unemployment rate was expected to rise steadily to around 4.75% by the end of the forecast horizon, above the assumed medium-term equilibrium unemployment rate of 4.5%.

2.8 Arlingclose, the Council's treasury adviser, maintained its central view that Bank Rate would continue to fall throughout 2025. From the cuts in August and November 2024 and February 2025, which took Bank Rate to 4.50%, May is considered the likely month for the next reduction, with other cuts following in line with MPR months to take Bank Rate down to around 3.75% by the end of 2025.

2.9 The US Federal Reserve paused its cutting cycle in the first three months of 2025, having reduced the Fed Funds Rate by 0.25% to a range of 4.25%-4.50% in December, the third cut in succession. Fed policymakers noted uncertainty around the economic outlook but were anticipating around 0.50% of further cuts in the policy rate in 2025. Economic growth continued to rise at a reasonable pace, expanding at an annualised rate of 2.4% in Q4 2024 while inflation remained elevated over the period. However, growth is now expected to weaken by more than previously expected in 2025, to 1.7% from 2.1%. The uncertainty that President Trump has brought both before and since his inauguration in January is expected to continue.

2.10 The European Central Bank (ECB) continued its rate cutting cycle over the period, reducing its three key policy rates by another 0.25% in March, acknowledging that monetary policy is becoming meaningfully less restrictive. Euro zone inflation has decreased steadily in 2025, falling to 2.2% in March, the lowest level since November 2024. Over the current calendar year, inflation is expected to average 2.3%. GDP growth stagnated in the last quarter of the 2024 calendar year, after expanding by 0.4% in the previous quarter. For 2025, economic growth forecasts were revised downwards to 0.9%.

2.11 **Financial markets**: Financial market sentiment was reasonably positive over most of the period, but economic, financial and geopolitical issues meant the trend of market volatility remained. In the latter part of the period, volatility increased, and bond yields started to fall following a January peak, as the economic uncertainty around likely US trade policy impacted financial markets. Yields in the UK and US started to diverge in the last month of the period, with the former rising around concerns over the fiscal implications on the UK government from weaker growth, business sentiment and higher rates, while the latter started falling on potential recession fears due to the unpredictable nature of policy announcements by the US President and their potential impact.

2.12 The 10-year UK benchmark gilt yield started the period at 3.94% and ended at 4.69%, having reached a low of 3.76% in September and a high of 4.90% in January in between. While the 20-year gilt started at 4.40% and ended at 5.22%, hitting a low of 4.27% in September and a high of 5.40% in January. The Sterling Overnight Rate (SONIA) averaged 4.90% over the period.

2.13 *The period in question ended shortly before US President Donald Trump announced his package of 'reciprocal tariffs', the immediate aftermath of which saw stock prices and government bond yields falling and introduced further uncertainty over the economic outlook.*

2.14 **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. This advice remained in place at the end of the period.

2.15 Fitch revised the outlook on Commonwealth Bank of Australia (CBA) to positive from stable while affirming its long-term rating at AA-, citing its consistent strong earnings and profitability.

2.16 Other than CBA, the last three months of the period were relatively quiet on the bank credit rating front, with a small number of updates issued for a number of lenders not on the Arlingclose recommended counterparty list.

2.17 On local authorities, S&P assigned a BBB+ to Warrington Council, having previously withdrawn its rating earlier in 2024, and withdrew its rating for Lancashire County Council due to the council deciding to stop maintaining a credit rating. However, it still holds a rating with Fitch and Moody's. Moody's withdrew its rating of Cornwall Council after it chose to no longer maintain a rating.

2.18 Credit default swap prices generally trended lower over the period but did start to rise modestly in March, but not to any levels considered concerning. Once again, **price volatility over the** period remained generally more muted compared to previous periods.

2.19 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 2025, the Council had net borrowing of £25.6m 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

	31.03.24 Estimated £m	31.03.25 Estimated £m
General Fund CFR	36.03	34.83
HRA CFR	52.15	54.72
Total CFR	**88.18**	**89.55**
External borrowing	56.34	55.08
Internal borrowing	31.84	34.47
Total Borrowing	**88.18**	**89.55**

3.2 The treasury management position on 31 March 2025 and the change over the twelve months is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.03.24 Balance £m	Movement £m	31.03.25 Balance £m	31.03.25 Rate %
Long-term borrowing	55.1	-1.3	53.8	3.52%
Short-term borrowing	1.3	-0.0	1.3	2.25%
Total borrowing	**56.4**	**-1.3**	**55.1**	**3.49%**
Long-term investments	0.0	0.0	0.0	0.00%
Short-term investments	25.0	-15.0	10.0	5.70%
Cash and cash equivalents	5.0	14.5	19.5	4.51%
Total investments	**30.0**	**-0.5**	**29.5**	**4.91%**
Net borrowing	**26.4**	**-0.8**	**25.6**	

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 Loan 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 circa £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 £34.41m on 31 March 2025. This internal borrowing foregoes a potential interest income rate of 4.91%. Current one-year external borrowing rates with the PWLB (Certainty Rate) are 4.82% as of 31 March 2025. An additional rate for HRA specific borrowing has been implemented from June 2023 which is 0.4% lower than standard PWLB rates.

4.5 Whilst the current average interest rate is higher than the PWLB certainty rate, this is due mainly to two short-term investments at an average rate of 5.7%. Once these mature in August the average rate is likely to fall significantly. It is, therefore, appropriate to remain internally borrowed at this point.

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.

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 5.42% at the end. The lowest available 10-year maturity rate was 4.52% and the highest was 5.71%. Rates for 20-year maturity loans ranged from 5.01% to 6.14% during the period, and 50-year maturity loans ranged from 4.87% to 5.87%.

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 March 2025, the Council held £55.1m of loans, there has been a decrease of £1.3m since 31 March 2024 due to principal repayments. A breakdown of outstanding loans is shown below in table 3.

Table 3: Borrowing Position

	31.03.24 Balance £m	Net Movement £m	31.03.25 Balance £m	31.03.25 Weighted Average Rate %	31.03.25 Weighted Average Maturity (years)
Public Works Loan Board	52.4	-1.3	51.1	3.40%	13.8
Banks (LOBO)	0.0	0.0	0.0	0.00%	0.0
Banks (fixed-term)	3.9	0.0	3.9	4.68%	2.1
Local authorities (long-term)	0.1	-0.0	0.1	0.04%	0.0
Local authorities (short-term)	0.0	0.0	0.0	0.00%	0.0
Total borrowing	**56.4**	**-1.3**	**55.1**	**3.49%**	**15.9**

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

6. Treasury Investment Activity

6.1 CIPFA revised Treasury Management 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 £26.27m and £48.95m due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.03.24 Balance £m	Net Movement £m	31.03.2025 Balance £m	31.03.2025 Income Return %	31.03.2025 Weighted Average Maturity days
Banks & building societies (unsecured)	0.0	0.0	0.0	0.00%	0.00
Government (incl. local authorities)	30.0	-20.0	10.0	5.70%	61.36
Money Market Funds	0.0	19.5	19.5	4.51%	0.66
Total investments	**30.0**	**-0.5**	**29.5**	**4.91%**	**62.02**

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 Debt Management Account Deposit Facility (DMADF), ranged between 5.19% and 4.45% and money market rates between 5.24% and 4.42%. All rates reduced gradually through the financial year.

6.6 The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5 below. It should be noted that during the final quarter of last year the Council Investment rate of return was higher than its peers within the benchmarking group of 122 Local Authorities and 45 Non-Met District Authorities.

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

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
31/03/2025	**5.30**	**A+**	**66%**	**7**	**4.91%**
Similar Las	4.79	A+	63%	12	4.77%
All Las	4.77	A+	64%	11	4.80%

6.7 In financial markets the April – January 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. However, from February the markets were impacted by actions proposed by the US President, and the markets fell significantly, against a background of uncertainty and volatility.

6.8 The Council has budgeted £696,200 interest income from investments after deductions in 2024/25. The actual income received by 31 March 2025 was £1.54m.

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 £1.54m will be split between the General Fund (GF) and Housing Revenue Account (HRA). This split will be 86.36% to the GF and 13.64% 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 finalisation.

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 circa £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 2024/25 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 Investment interest income during the reporting period was £1.91m before deductions. The Councils investment interest return percentage on 31 March 2025 was 4.91%. For comparison purposes the Daily Sterling Overnight Index Average (SONIA) which is used for benchmarking purposes was 4.45%. For similar local authorities the most recent benchmarking data, which is from 31 March 2025 showed an investment return of 4.80%. This is shown in Appendix 1.

8.3 Since the beginning of the reporting period the Council, as per forecast, has paid £1.95m interest on borrowing. The weighted average interest rate on borrowing is 3.49%. For comparison purposes the current PWLB Maturity Loan rate for new 10-year loans is 5.42%. Our average rate therefore represents a good rate of borrowing in the current environment.

8.4 During the reporting period the Council, as per forecast, has paid back £1.26m in principal on its PWLB loans. The £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 was forecast to undertake new borrowing of £3.8m for the HRA in the 2024/25 financial year, however, none was required to be undertaken. There has therefore been an equal increase in the internal borrowing.

8.6 On 10 April 2024, amended legislation and revised statutory guidance were published on Minimum Revenue Provision (MRP). Most of the changes take effect from the 2025/26 financial year, although there is a requirement that for capital loans given on or after 7 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. No capital loans have been given since May 2024.

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 year 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

	2024/25 Maximum During Period £m	31.03.25 Actual £m	2024/25 Operational Boundary £m	2024/25 Authorised Limit £m	Complied?
Borrowing	60.3	55.1	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

	2024/25 Maximum During Period £m	31.03.25 Actual £m	2024/25 Limit £m	Complied?
The UK Government	22.0	0.0	Unlimited	**YES**
Local authorities & other government entities	11.0	10.0	60.0	**YES**
Secured investments	0.0	0.0	60.0	**YES**
Banks (unsecured)	0.0	0.0	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	19.5	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	**58.0**	**29.5**		

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

	31.03.24 Actual	31.03.25 Actual	2024/25 Target	Complied?
Portfolio average credit rating	A+	A+	A-	**YES**

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.

Table 9: Liquidity

		31.03.25 Actual £m	2024/25 Target £m	Complied?
Total cash available within 3 months	90	19,500,000	2,500,000	**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 is shown in table 10.

Table 10: Interest Rate Exposures

Interest rate risk indicator	**31.03.25 Actual**	**2024/25 Limit**	**Complied?**
Upper limit on one-year revenue impact of a 1% rise in interest rates	243,424	600,000	**YES**
Upper limit on one-year revenue impact of a 1% fall in interest rates	-243,424	-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 period were:

Table 11: Interest Rate Changes

Context - Interest Rate changes	31.3.24	31.03.25
Bank Rate	5.25%	4.75%
1-year PWLB certainty rate, maturity loans	5.36%	4.82%
5-year PWLB certainty rate, maturity loans	4.68%	4.97%
10-year PWLB certainty rate, maturity loans	4.74%	5.42%
20-year PWLB certainty rate, maturity loans	5.18%	5.91%
50-year PWLB certainty rate, maturity loans	5.01%	5.67%

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

	31.03.25 Actual £m	31.03.25 Actual %	Lower Limit	Upper Limit	Complied ?
Under 12 months	1.3	1.16%	0.00%	70.00%	YES
12 months and within 24 months	1.3	2.32%	0.00%	30.00%	YES
24 months and within 5 years	1.8	4.44%	0.00%	30.00%	YES
5 years and within 10 years	1.3	3.31%	0.00%	30.00%	YES
10 years and within 20 years	43.8	78.57%	0.00%	90.00%	YES
20 years and above	5.7	10.21%	0.00%	30.00%	YES
Totals	**55.1**	**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
Actual principal invested beyond 365 days at year end	£0	£0	£0	£0
Limit on principal invested beyond 365 days at year end	£60m	£10m	£10m	£10m
Complied?	**YES**	**YES**	**YES**	**YES**

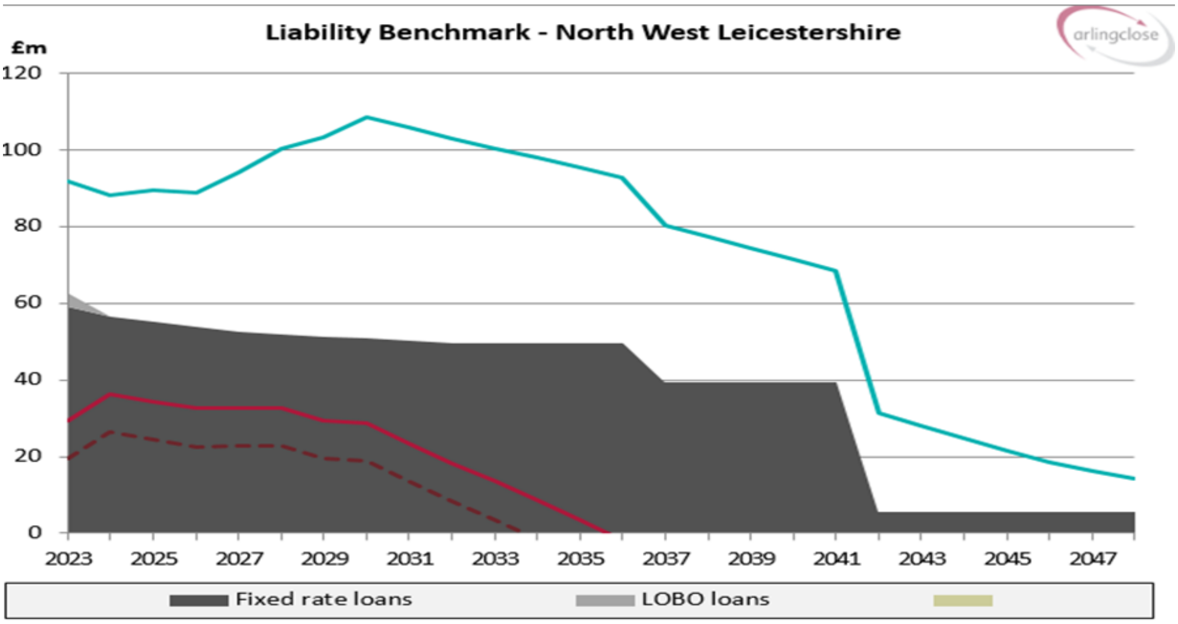
10.11 **Liability Benchmark**: This indicator compares the Council's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term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

Table 14: Liability Benchmark

	31.03.24 Forecast	31.03.25 Forecast	31.03.26 Forecast	31.3.27 Forecast
Loans CFR	88.20	89.50	88.80	94.20
Less: Balance sheet resources	-61.80	-65.20	-66.30	-71.50
Net loans requirement	**26.30**	**24.30**	**22.50**	**22.70**
Plus: Liquidity allowance	10	10	10	10
Liability benchmark	**36.3**	**37.7**	**36**	**40.4**
Existing external borrowing	**-56.3**	**-55.1**	**-53.8**	**-52.5**

The 31.3.24 and 31.03.25 position is an estimate due to statement of accounts not yet being finalised.

10.12 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.



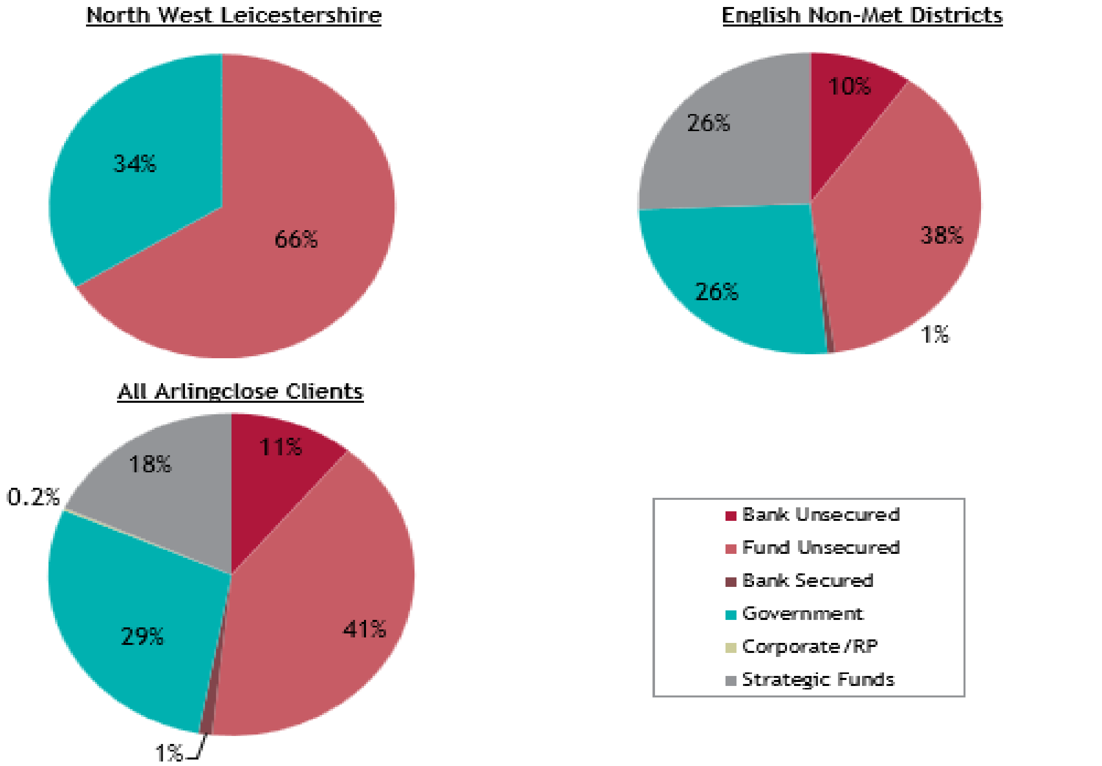
10.13 The Liability Benchmark shows the underlying need to borrow (Loans CFR) in the blue line at the top of the graph, the grey shaded area as existing loans and the strong red line as the requirement for external borrowing. This graph demonstrates that by using internal resources the Council is likely to not have an external borrowing requirement over the medium term. 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

arlingclose

Investment Benchmarking
31 March 2025

	North West Leicestershire	45 English Non-Met Districts Average	121 LAs Average
Internal Investments	£29.5m	£27.0m	£52.6m
Cash Plus & Short Bond Funds	£0.0m	£1.3m	£0.8m
Strategic Pooled Funds	£0.0m	£10.4m	£9.7m
TOTAL INVESTMENTS	**£29.5m**	**£38.7m**	**£63.1m**
Security			
Average Credit Score	5.30	4.79	4.77
Average Credit Rating	A+	A+	A+
Average Credit Score (time-weighted)	5.71	4.83	4.83
Average Credit Rating (time-weighted)	A	A+	A+
Number of Counterparties / Funds	7	12	11
Proportion Exposed to Bail-in	66%	63%	64%
Liquidity			
Proportion Available within 7 days	66%	48%	56%
Proportion Available within 100 days	66%	64%	71%
Average Days to Maturity	48	54	8
Market Risks			
Average Days to Next Rate Reset	81	77	42
Strategic Fund Volatility	-	2.4%	3.2%
Yield			
Internal Investment Return	4.91%	4.60%	4.55%
Cash Plus Funds - Income Return	-	4.49%	4.49%
Strategic Funds - Income Return	-	5.01%	5.04%
Total Investments - Income Return	**4.91%**	**4.69%**	**4.65%**
Cash Plus Funds - Capital Gain/Loss	-	0.68%	0.70%
Strategic Funds - Capital Gain/Loss	-	0.40%	0.92%
Total Investments - Total Return	**4.91%**	**4.77%**	**4.80%**



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