Appendix A

Treasury Management Activity Quarter 2 Report 2025/26

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 includes 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 for the second quarter of the financial year 2025/26.

1.4 The Council's treasury management strategy for 2025/26 was approved at the Council meeting on 20 February 2025. 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. Successful identification, monitoring and control of risk remain central to the Council's treasury management strategy.

2. External Context (provided by Arlingclose)

2.1 Economic background: The first quarter was dominated by the fallout from the US trade tariffs and their impact on equity and bond markets. The second quarter, still rife with uncertainty, saw equity markets making gains and a divergence in US and UK government bond yields, which had been moving relatively closely together.

2.2 From late June, amid a UK backdrop of economic uncertainty, concerns around the government's fiscal position and speculation around the autumn Budget, yields on medium and longer-term gilts pushed higher, including the 30-year which hit its highest level for almost 30 years.

2.3 UK headline annual consumer price inflation (CPI) increased over the period, rising from 2.6% in March to 3.8% in August, still well above the Bank of England's 2% target. Core inflation also rose, from 3.4% to 3.6% over the same period, albeit the August reading was down from 3.8% the previous month. Services inflation also fell from July to August, to 4.7% from 5.0%.

2.4 The UK economy expanded by 0.7% in the first quarter of the calendar year and by 0.3% in the second quarter. In the final version of the Q2 2025 GDP report, annual growth was revised upwards to 1.4% y/y. However, monthly figures showed zero growth in July, in line with expectations, indicating a sluggish start to Quarter 3.

2.5 Labour market data continued to soften throughout the period, with the unemployment rate rising and earnings growth easing, but probably not to an extent that would make the more hawkish MPC members comfortable with further rate cuts. In addition, the employment rate rose while the economic inactivity rate and number of vacancies fell.

2.6 The BoE's Monetary Policy Committee (MPC) cut Bank Rate from 4.5% to 4.25% in May and to 4.0% in August after an unprecedented second round of voting. The final 5-4 vote was for a 25bps cut, with the minority wanting no change. In September, seven MPC members voted to hold rates while two preferred a 25bps cut. The Committee's views still differ on whether the upside risks from inflation expectations and wage setting outweigh downside risks from weaker demand and growth.

2.7 The August BoE Monetary Policy Report highlighted that after peaking in Quarter 3 2025, inflation is projected to fall back to target by mid-2027, helped by increasing spare capacity in the economy and the ongoing effects from past tighter policy rates. GDP is expected to remain weak in the near-term while over the medium-term outlook will be influenced by domestic and global developments.

2.8 Arlingclose, the Council's treasury adviser, maintained its central view that Bank Rate would be cut further as the BoE focused on weak GDP growth more than higher inflation. One more cut is currently expected during 2025/26, taking Bank Rate to 3.75%. The risks to the forecast are balanced in the near-term but weighted to the downside further out as weak consumer sentiment and business confidence and investment continue to constrain growth. There is also considerable uncertainty around the autumn Budget and the impact this will have on the outlook.

2.9 Against a backdrop of uncertain US trade policy and pressure from President Trump, the US Federal Reserve held interest rates steady for most of the period, before cutting the Fed Funds Rate to 4.00%-4.25% in September. Fed policymakers also published their new economic projections at the same time. These pointed to a 0.50% lower Fed Funds Rate by the end of 2025 and 0.25% lower in 2026, alongside GDP growth of 1.6% in 2025, inflation of 3%, and an unemployment rate of 4.5%.

2.10 The European Central Bank cut rates in June, reducing its main refinancing rate from 2.25% to 2.0%, before keeping it on hold through to the end of the period. New ECB projections predicted inflation averaging 2.1% in 2025, before falling below target in 2026, alongside improving GDP growth, for which the risks are deemed more balanced and the disinflationary process over.

2.11 **Financial markets**: After the sharp declines seen early in the period, sentiment in financial markets improved, but risky assets have remained volatile. Early in the period bond yields fell but ongoing uncertainty, particularly in the UK, has seen medium and longer yields rise with bond investors requiring an increasingly higher return against the perceived elevated risk of UK plc. Since the sell-off in April, equity markets have gained back the previous declines, with investors continuing to remain bullish in the face of ongoing uncertainty.

2.12 Over the period, the 10-year UK benchmark gilt yield started at 4.65% and ended at 4.70%. However, these six months saw significant volatility with the 10-year yield hitting a low of 4.45% and a high of 4.82%. It was a broadly similar picture for the 20-year gilt which started at 5.18% and ended at 5.39% with a low and high of 5.10% and 5.55% respectively. The Sterling Overnight Rate (SONIA) averaged 4.19% over the six months to 30 September.

2.13 **Credit review**: Arlingclose maintained its recommended maximum unsecured duration limit on the majority of the banks on its counterparty list at 6 months. The other banks remain on 100 days.

2.14 Early in the period, Fitch upgraded NatWest Group and related entities to AA- from A+ and placed Clydesdale Bank's long-term A- rating on Rating Watch Positive. While Moody's downgraded the long-term rating on the United States sovereign to Aa1 in May and also affirmed OP Corporate's rating at Aa3.

2.15 Then in the second quarter, Fitch upgraded Clydesdale Bank and also HSBC, downgraded Lancashire CC and Close Brothers while Moody's upgraded Transport for London, Allied Irish Banks, Bank of Ireland and Toronto-Dominion Bank.

2.16 After spiking in early April following the US trade tariff announcements, UK credit default swap prices have since generally trended downwards and ended the period at levels broadly in line with those in the first quarter of the calendar year and throughout most of 2024.

2.17 European banks' CDS prices has followed a similar pattern to the UK, as have Singaporean and Australian lenders while Canadian bank CDS prices remain modestly elevated compared to earlier in 2025 and in 2024.

2.18 Overall, at the end of the period CDS prices for all banks on Arlingclose's counterparty list remained within limits deemed satisfactory for maintaining credit advice at current durations.

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

	31.3.25 Estimated £m	31.3.26 Estimated £m
General Fund CFR	34.83	33.67
HRA CFR	54.72	55.31
Total CFR	**89.55**	**88.98**
External borrowing	55.08	59.51
Internal borrowing	34.47	29.47
Total Borrowing	**89.55**	**88.98**

3.2 The treasury management position at 30 September 2025 and the change over the six months in Table 2 below.

Table 2: Treasury Management Summary

	31.3.25 Balance £m	Movement £m	30.09.25 Balance £m	30.09.25 Rate %
Long-term borrowing	53.80	-0.60	53.20	3.54%
Short-term borrowing	1.30	-0.00	1.30	2.24%
Total borrowing	**55.10**	**-0.60**	**54.50**	**3.51%**
Long-term investments	0.00	0.00	0.00	0.00%
Short-term investments	10.00	8.00	18.00	4.20%
Cash and cash equivalents	19.50	-6.50	13.00	4.27%
Total investments	**29.50**	**1.50**	**31.00**	**4.23%**
Net borrowing	**25.60**	**-2.10**	**23.50**	

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 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 £9.6m 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 £29.47m. This internal borrowing foregoes a potential interest income rate of 4.23%. Current one-year external borrowing rates with the PWLB (Certainty Rate) are 4.58% as at 30 September. An additional rate for HRA specific borrowing has been implemented from June 2023 which is 0.4% lower than standard PWLB rates.

4.5 Due to the borrowing rate exceeding our interest income rate, it is 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 central banks have now begun to reduce their policy rates, albeit slowly. Gilt yields however have increased over the H1 period amid concerns about inflation, the UK government's fiscal position and general economic uncertainty.

5.3 The PWLB certainty rate for 10-year maturity loans was 5.38% at the beginning of the period and 5.53% at the end. The lowest available 10-year maturity/certainty rate was 5.17% and the highest was 5.62%. Rates for 20-year maturity loans ranged from 5.71% to 6.30% during the period, and 50-year maturity loans from 5.46% to 6.14%.

5.4 The cost of short-term borrowing from other local authorities has been similar to Base Rate during the period at 4.0% to 4.5%.

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 30 September 2025 the Council held £54.5m of loans, following repayment of principal of £641k. A breakdown of outstanding loans is shown below in table 3.

Table 3: Borrowing Position

	31.3.25 Balance £m	Net Movement £m	30.09.25 Balance £m	30.09.25 Weighted Average Rate %	30.09.25 Weighted Average Maturity (years)
Public Works Loan Board	51.1	-0.6	50.5	3.41%	13.50
Banks (fixed-term)	3.9	0.0	3.9	0.34%	2.05
Local authorities (long-term)	0.1	0.0	0.1	3.14%	0.01
Local authorities (short-term)	0.0	0.0	0.0	0.00%	0.00
Total borrowing	**55.1**	**-0.6**	**54.5**	**3.48%**	**15.56**

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 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 balance ranged between £32.8m and £60.0m due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.3.25 Balance £m	Net Moveme nt £m	30.09.25 Balance £m	30.09.25 Income Return %	30.09.25 Weighted Average Maturity days
Banks & building societies (unsecured)	0.0	0.0	0.0	0.00%	0.0
Government (incl. local authorities)	0.0	18.0	18.0	4.20%	8.0
Money Market Funds	19.5	-6.5	13.0	4.27%	0.6
Total investments	**19.50**	**11.50**	**31.00**	**4.23%**	**8.62**

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 4.50% to 4.25% in May 2025, followed by a further reduction to 4.00% in August 2025. Short term interest rates have followed these levels. The rates on DMADF deposits ranged between 3.95% and 4.46% and money market rates between 3.93% and 4.54%. Arlingclose, our advisors, are predicting one further reduction of 25 base points in Bank of England rates within the calendar year 2025.

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 %
30/09/2025	4.56	A+	42%	118	4.12%
Similar LAs	4.53	A+	64%	53	4.62%
All LAs	4.54	A+	62%	11	4.47%

6.7 Most asset classes achieved positive performance over the first half of the 2025/26 financial year, although conditions remained volatile and heavily influenced by political and macroeconomic developments.

6.8 The Council has budgeted £444,082 for interest income from investments after deductions in 2025/26. The actual income received by 30 September 2025 was £837,910. The forecast for 31 March 2026 is £1.24m.

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 £1.24m will be split between the General Fund (GF) and Housing Revenue Account (HRA). This split will be 65% to the GF and 35% 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 £9.6m 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 2025-26 document. These investments are forecast to generate £410,000 in investment income in 2025/26 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 6.9, investment interest income during the reporting period was £837,910 after deductions. The Councils Investment interest return percentage on 30 September 2025 was 4.12%. For comparison purposes the Daily Sterling Overnight Index Average (SONIA) which is used for benchmarking purposes was 3.97%. For similar local authorities, the most recent benchmarking data, which is from 30 September 2025 showed an investment return of 4.62%. This is shown in Appendix 1.

8.3 Since the beginning of the reporting period the Council, as per forecast, has paid £641,000 in 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 5.73%. Our average rate therefore represents a good rate of borrowing in the current environment.

8.4 During the 2025/26 financial year, the Council is forecasting pay back of £1.29m in principle on its PWLB loans. The £1.29m 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 is forecast to undertake new borrowing of £1.9m for the HRA in the 2025/26 financial year, however, none has so far been 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 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 and the Authorised Limit and Operational Boundary

		30.09.25 Actual £m	2025/26 Operational Boundary £m		Complied?

	2025/26 Maximum Debt Q1			2025/26 Authorised Limit £m	
Borrowing	55.1	54.5	90.8	100.8	**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

	Q2 Maximum During Period £m	30.09.25 Actual £m	2025/26 Limit £m	Complied?
The UK Government	30.2	8.0	Unlimited	**YES**
Local authorities & other government entities	10.0	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	13.0	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**
Total	**65.2**	**31.0**		

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

	31.3.25 Actual	30.09.25 Actual	2025/26 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

		30.09.25 Actual £m	2025/26 Target £m	Complied?
Total cash available within 3 months	90	21.0	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 is shown in table 10 below.

Table 10: Interest Rate Exposures

Interest rate risk indicator	30.09.25 Actual	2025/26 Limit	Complied?
Upper limit on one-year revenue impact of a 1% rise in interest rates	69,932	600,000	**YES**
Upper limit on one-year revenue impact of a 1% fall in interest rates	-69,932	-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 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 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

Context - Interest Rate changes	31/3/2025	30/09/2025
Bank Rate	4.75%	4.00%
1-year PWLB certainty rate, maturity loans	5.02%	4.64%
5-year PWLB certainty rate, maturity loans	5.17%	4.95%
10-year PWLB certainty rate, maturity loans	5.62%	5.53%
20-year PWLB certainty rate, maturity loans	6.11%	6.14%
50-year PWLB certainty rate, maturity loans	5.87%	5.98%

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

	31.03.26 Actual £m	31.03.26 Actual %	Lower Limit	Upper Limit	Complied ?
Under 12 months	1.3	2.46%	0%	70%	YES
12 months and within 24 months	0.6	1.07%	0%	30%	YES
24 months and within 5 years	1.8	3.38%	0%	30%	YES
5 years and within 10 years	0.6	1.19%	0%	30%	YES
10 years and within 20 years	43.8	81.33%	0%	90%	YES
20 years and above	5.7	10.57%	0%	30%	YES
Totals	**53.8**	**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

	2025/26	2026/27	2027/28	No Fixed Date
Actual principal invested beyond year end	£10m	£0	£0	£0
Limit on principal invested beyond year end	£60m	£10m	£10m	£10m
Complied?	**YES**	**YES**	**YES**	**YES**

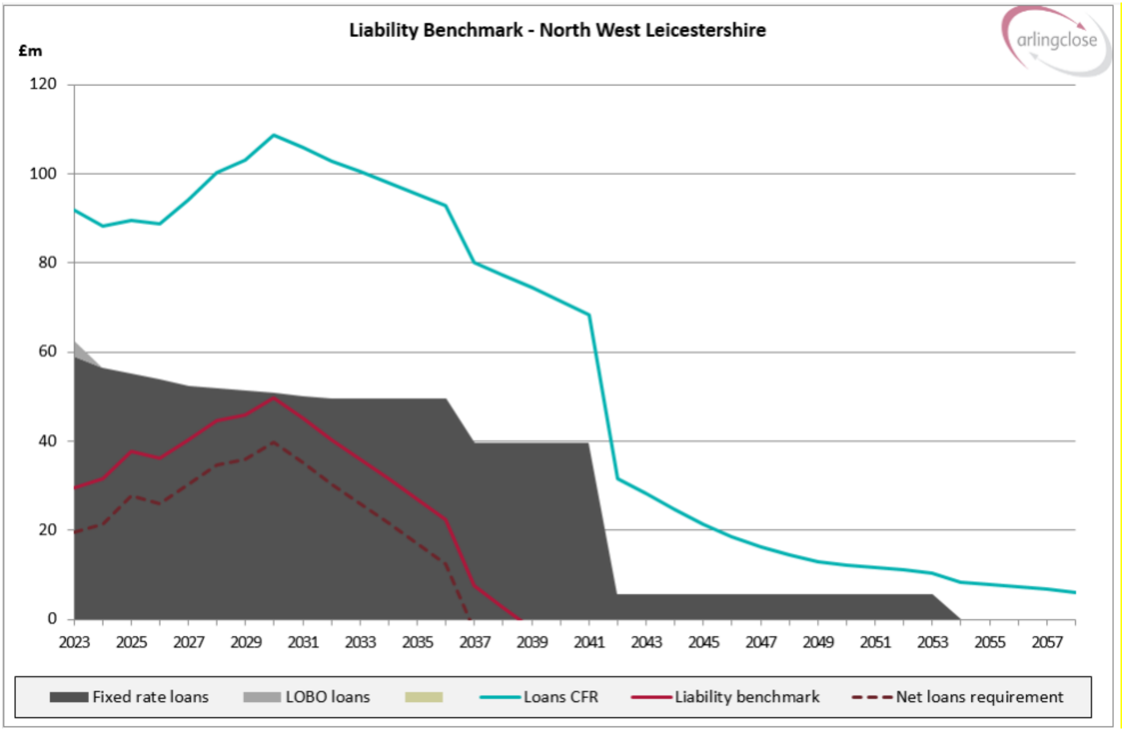
10.11 Liability Benchmark: This indicator compares the Council's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term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

	31.3.25 Forecast	31.3.26 Forecast	31.3.27 Forecast	31.3.28 Forecast
Loans CFR	89.5	88.8	94.2	100.1
Less: Balance sheet resources	-65.2	-62.8	-63.8	-65.5
Net loans requirement	**24.3**	**26.0**	**30.4**	**34.6**
Plus: Liquidity allowance	10.0	10.0	10.0	10.0
Liability benchmark	**34.3**	**36.0**	**40.4**	**44.6**
Existing external borrowing	**-55.1**	**-53.8**	**-52.5**	**-51.9**

*The 31.3.25 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 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.

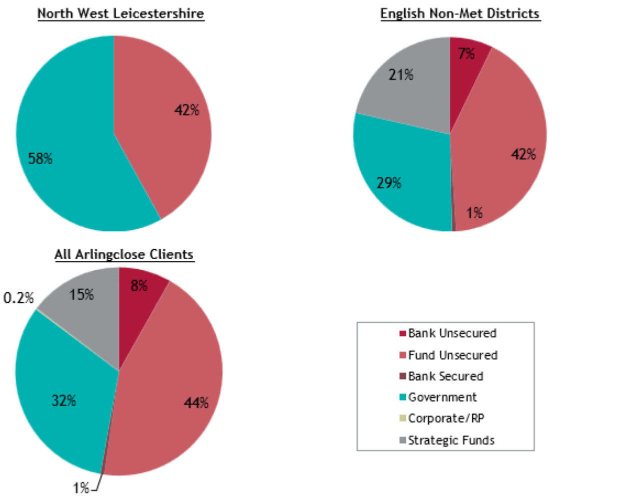


10.13 The Liability Benchmark shows the underlying need to borrow (Loans CFR) in the blue line at the top of the graph, the grey shaded area as existing loans and the strong red line as the requirement for external borrowing. This graph demonstrates that by using internal resources the Council is likely to not have an external borrowing requirement in 2025/26. 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
30 September 2025

	North West Leicestershire	47 English Non-Met Districts Average	132 LAs Average
Internal Investments	£31.0m	£31.0m	£59.7m
Cash Plus & Short Bond Funds	£0.0m	£1.2m	£0.9m
Strategic Pooled Funds	£0.0m	£10.1m	£11.2m
TOTAL INVESTMENTS	£31.0m	£42.4m	£70.9m
Security			
Average Credit Score	4.56	4.53	4.54
Average Credit Rating	A+	A+	A+
Average Credit Score (time-weighted)	4.65	4.29	4.38
Average Credit Rating (time-weighted)	A+	AA-	AA-
Number of Counterparties / Funds	8	11	11
Proportion Exposed to Bail-in	42%	64%	62%
Liquidity			
Proportion Available within 7 days	42%	52%	58%
Proportion Available within 100 days	68%	66%	73%
Average Days to Maturity	118	53	11
Market Risks			
Average Days to Next Rate Reset	139	79	53
Strategic Fund Volatility	-	2.4%	4.6%
Yield			
Internal Investment Return	4.12%	4.06%	4.06%
Cash Plus Funds - Income Return	-	3.83%	3.93%
Strategic Funds - Income Return	-	5.01%	4.94%
Total Investments - Income Return	4.12%	4.27%	4.20%
Cash Plus Funds - Capital Gain/Loss	-	1.00%	0.92%
Strategic Funds - Capital Gain/Loss	-	1.54%	1.82%
Total Investments - Total Return	4.12%	4.62%	4.47%



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.