

Treasury Management Activity Outturn 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 outturn 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 the annual review 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 financial year was largely dominated by two periods of significant uncertainty and volatility. The first being the US trade tariff 'Liberation Day' in April 2025 and the second was the US/Israel war with Iran at the end of February 2026.
- 2.2 After the initial fallout from US tariffs, the following months saw some improvements as equity markets made gains and bond yields eased modestly. However, in the UK this trend in bond yields reversed somewhat as an uncertain economic outlook together with concerns around the government's fiscal position and autumn Budget saw 'term premia' rise as investors demanded a higher return for holding gilts.
- 2.3 The Budget itself was more muted than had been expected. Despite a weak economic outlook, this helped UK markets perform better with gilt yields trending downwards, inflation easing and expectations for cuts in Bank of England (BoE) Bank Rate increasing.
- 2.4 The end of February saw the start of the war between US/Israel and Iran. The conflict caused oil and other commodity prices to rise sharply as the shipping lanes in the region became effectively closed, restricting global oil supply. At the end of the period, the economic outlook remained highly uncertain in terms of its impact on inflation as well as countries' fiscal and monetary policy conditions around the globe.
- 2.5 Prior to the start of the war, headline UK consumer price inflation (CPI) had generally been trending downwards, albeit the 3% in February 2026 was unchanged from January. Core CPI also stayed put at 3.1%. Inflation was expected to fall further over the coming months to the BoE's 2% target, but the war changed this. Inflation is now expected to rise again, but how quickly and by how much depends on the duration of the war and how long commodity prices are elevated.

- 2.6 The Office for National Statistics (ONS) reported the UK economy expanded by 0.1% in Q4 2025. This followed previous modest gains of 0.2% in Q2 and by 0.1% in Q3. Of the subsequent monthly figures, the ONS estimated that GDP showed no growth in January 2026. As this is from before the war started the impact on growth will not be seen formally in the data for a couple more months.
- 2.7 While the most recent labour market figures were slightly better than expected, the general trend has been one of persistent weakness. In the three months to January 2026, the unemployment rate rose to 5.2% (from 5.1%) while the employment rate held at 75.1%. Despite inflation being expected to rise in the coming months, labour market conditions remain loose and so any upward pressure on wages from general inflation is likely to be tempered by the weaker labour market environment.
- 2.8 After cutting Bank Rate to 3.75% in December 2025, the BoE's Monetary Policy Committee (MPC) voted 5-4 to hold rates in February 2026 and then unanimously to do so again in March. Until the war started, financial markets were expecting Bank Rate to be cut to 3.5% at the March meeting. However, the conflict in the Middle East quickly changed this. The MPC noted the risks to both inflation and growth and indicated they could move rates either up or down depending on the conditions. Financial markets quickly responded to this by pricing in rate hikes.
- 2.9 Following the March MPC meeting, Arlingclose, the Council's treasury adviser, revised its central interest rate view and now predicts Bank Rate will be held at 3.75%. However, the conflict makes the outlook for rates highly uncertain. In the short-term the risks are to the upside with the chance of higher Bank Rate should the MPC decide it wishes to quickly quash potential second-round effects from higher inflation. Further out, if Bank Rate is hiked quickly, the pace and magnitude of subsequent cuts could take it far lower than was previously anticipated as policymakers add significant stimulus to a much weaker economic growth outlook.
- 2.10 The US Federal Reserve had been cutting rates over the period, reducing Fed Funds Rate target range by 0.25% at its December meeting to 3.50%-3.75%. At the three subsequent meetings, the rate was held at the same range. Policymakers noted that while inflation was elevated, economic activity had been expanding but the war with Iran made the path of monetary policy highly uncertain. Despite this, the Fed still suggested that further rate cuts were likely in 2026 and 2027.
- 2.11 The European Central Bank (ECB) has kept its key interest rates on hold since June 2025, maintaining the deposit rate at 2.0% and main refinancing rate at 2.15%. At its March 2026 meeting, the ECB noted the war in the Middle East had significantly increased uncertainty, creating upside risks for inflation and downside risks for growth, leading it to revise up its forecasts accordingly.
- 2.12 **Financial markets:** After declining sharply early in the financial year following the announcement of US tariffs, sentiment in financial markets had improved but equity and bond markets remained volatile throughout. However, the latter part of the period was dominated by the US/Israel war with Iran, which saw equity markets fall sharply, and bond yields rise as concerns over the inflationary impact from sharply higher oil and other commodity prices outweighed the flight-to-quality into government bonds often seen in conflicts.

- 2.13 Equity markets had been registering gains after the declines during the April sell-off, but the war reversed this and markets saw another sharp drawdown. Both the FTSE 100 and 250 fell by around 10% over the month from the start of the conflict to the end of the financial year.
- 2.14 The period saw significant volatility in gilt yields. The 10-year UK benchmark gilt yield started the year at 4.65% and ended at 4.86%. However, over this time the 10-year yield hit a low of 4.23% and a high of 4.95% in the space of a month. It was a similar picture for the 20-year gilt which started at 5.18% and ended at 5.45% with a low and high of 4.92% and 5.55% respectively. The Sterling Overnight Rate (SONIA) averaged 4.01% over the 12 months to 31st March.
- 2.15 **Credit review:** Arlingclose maintained its recommended maximum unsecured duration limit on most of the banks on its counterparty list at six months. The other banks remain on 100 days.
- 2.16 Earlier 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. Fitch later upgraded Clydesdale Bank and HSBC, but downgraded Lancashire CC and Close Brothers.
- 2.17 Moody's affirmed OP Corporate's rating at Aa3 in May 2025. Later in the period, Moody's upgraded Transport for London, Allied Irish Banks, Bank of Ireland, Toronto-Dominion Bank, DZ Bank, Nordea and HSBC and downgraded Close Brothers. In the last quarter of 2025 S&P upgraded Clydesdale Bank, Allied Irish Banks and Bank of Ireland, and assigned Warrington Council a BBB+ rating.
- 2.18 After spiking in April 2025 following the US trade tariff announcements, UK credit default swap (CDS) prices had trended down before picking up modestly in October and November. After declining again in December and into the new calendar year, they rose sharply once again when the war in the Middle East started. They were still elevated at the end of the period, but prices for all banks on Arlingclose's counterparty list remained within limits deemed satisfactory for maintaining credit advice at current durations.
- 2.19 Overall, European banks' CDS prices have generally been flatter and lower compared to the UK, as have Singaporean and Australian lenders while some Canadian bank CDS prices have remained elevated since the beginning of the period in part due to ongoing trade tensions with the US.
- 2.20 Financial market volatility is expected to remain, and CDS 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 Actual £m	31.3.26 Estimated £m
General Fund CFR	34.81	33.62
HRA CFR	50.88	49.60
Total CFR	85.69	83.22
External borrowing	55.10	53.80
Internal borrowing	30.61	29.43
Total Borrowing	85.69	83.22

3.2 The treasury management position at 31 March 2026 and the change during the year is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.25 Balance £m	Movement £m	31.03.26 Balance £m	31.03.26 Rate %
Long-term borrowing	53.80	-0.00	53.80	3.49%
Short-term borrowing	1.30	-1.30	0.00	2.30%
Total borrowing	55.10	-1.30	53.80	3.48%
Long-term investments	0.00	0.00	0.00	0.00%
Short-term investments	10.00	4.00	14.00	4.21%
Cash and cash equivalents	19.50	-2.50	17.00	3.63%
Total investments	29.50	1.50	31.00	3.89%
Net borrowing	25.60	-2.80	22.80	

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 £10.1m 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 £29.43m. This internal borrowing foregoes a potential interest income rate of 3.89%. Current one-year external borrowing rates with the PWLB (Certainty Rate) are 5.01% as at 31 March 2026. 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 Gilt yields slightly decreased over most of the period; reflecting expectations of lower interest rates, a tepid economy and to some extent an improvement in the UK governments fiscal position following tax rises in the autumn budget. Subsequent to the war in the Middle East however, gilt yields saw a rapid rise to above the yield at the beginning of the financial year.
- 5.3 The PWLB certainty rate for 10-year maturity loans was 5.38% at the beginning of the period and 5.72% at the end. The lowest available 10-year maturity/certainty rate was 5.13% and the highest was 5.88%. Rates for 20-year maturity loans ranged from 5.71% to 6.37% during the period, and 50-year maturity loans from 5.46% to 6.24%.
- 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%. However, as is commonly seen, rates rose higher towards the end of the financial year, with rates of 5.0% - 7.0% being seen.
- 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 2026, the Council held £53.8m of loans, following repayment of principal of £1.3m. A breakdown of outstanding loans is shown below in table 3.

Table 3: Borrowing Position

	31.3.25 Balance £m	Net Movement £m	31.03.26 Balance £m	31.03.26 Weighted Average Rate %	31.03.26 Weighted Average Maturity (years)
Public Works Loan Board	51.1	-1.3	49.8	3.40%	12.90
Banks (fixed-term)	3.9	0.0	3.9	0.34%	1.99
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	-1.3	53.8	3.48%	14.88

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 The CIPFA Treasury Management Code now 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 £28.9m 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 Movement £m	31.03.26 Balance £m	31.03.26 Income Return %	31.03.26 Weighted Average Maturity days
Banks & building societies (unsecured)	0.0	0.0	0.0	0.00%	0.0
Government (incl. local authorities)	10.0	4.0	14.0	4.21%	120.8
Money Market Funds	19.5	-2.5	17.0	3.63%	0.5
Total investments	29.50	1.50	31.00	4.23%	121.3

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 and to 3.75% in December 2025. Short term interest rates have largely followed these levels. The rates on DMADF deposits ranged between 3.70% and 4.46% and money market rates between 3.34% and 4.48%.
- 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 %
31/03/2026	4.69	A+	55%	43	3.89%
Similar Las	4.57	A+	58%	45	4.29%
All Las	4.60	A+	64%	10	4.18%

- 6.7 During the 2025/26 financial year, financial markets were characterised by generally positive risk asset performance for much of the period, but with significant volatility, particularly at the beginning and end of the year. The period was effectively bookended by market disruption associated with US trade and foreign policy, initially following the announcement of US 'Liberation Day' tariffs in April 2025 and then, towards the year end, by the escalation of the US and Israel conflict with Iran in March 2026. Between these two episodes, market sentiment improved as inflation generally eased and expectations for further interest rate cuts increased, supporting both bond and equity markets.
- 6.8 The Council has budgeted £444,082 in interest income from investments after deductions in 2025/26. The actual income received by 31 March 2026 was £1,516,245.
- 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 income received of £1.52m will be split between the General Fund (GF) and Housing Revenue Account (HRA). This split will be 55% to the GF and 45% 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 based on statement of accounts completion.
- 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 the Treasury Management Code now 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) also includes within the definition of investments all such assets held partially or wholly for financial return.
- 7.3 The Council held £10.1m 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 £333,000 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 £1,516,245 after deductions. The Council's investment interest return percentage on 31 March 2026 was 4.21%. For comparison purposes the Daily Sterling Overnight Index Average (SONIA) which is used for benchmarking purposes was 3.73%. For similar local authorities, the most recent benchmarking data, which is from 31 March 2026 showed an investment return of 4.46%. This is shown in Appendix 1.
- 8.3 Since the beginning of the reporting period the Council, as per forecast, has paid £1,297,388 in interest on borrowing. The weighted average interest rate on borrowing is 3.48%. For comparison purposes the current PWLB Maturity Loan rate for new 10-year loans is 5.69%. Our average rate therefore represents a good rate of borrowing in the current environment.
- 8.4 During the 2025/26 financial year, the Council has paid back £1.29m in principal 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 was 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

	2025/26 Maximum Debt Q4	31.03.26 Actual £m	2025/26 Operational Boundary £m	2025/26 Authorised Limit £m	Complied?
Borrowing	55.1	53.2	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

	Q4 Maximum During Period £m	31.03.26 Actual £m	2025/26 Limit £m	Complied?
The UK Government	17.3	4.0	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	21.0	17.0	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	48.3	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	31.03.26 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.

Table 9: Liquidity

		31.03.26 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	31.03.26 Actual	2025/26 Limit	Complied?
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	248,304	600,000	YES
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	-248,304	-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 year were:

Table 11: Interest Rate Changes

Context - Interest Rate changes	01/04/2025	31/03/2026
Bank Rate	4.50%	3.75%
1-year PWLB certainty rate, maturity loans	4.82%	5.01%
5-year PWLB certainty rate, maturity loans	4.94%	5.25%
10-year PWLB certainty rate, maturity loans	5.38%	5.69%
20-year PWLB certainty rate, maturity loans	5.88%	6.19%
50-year PWLB certainty rate, maturity loans	5.63%	6.03%

10.5 **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%			

10.6 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.

10.7 **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

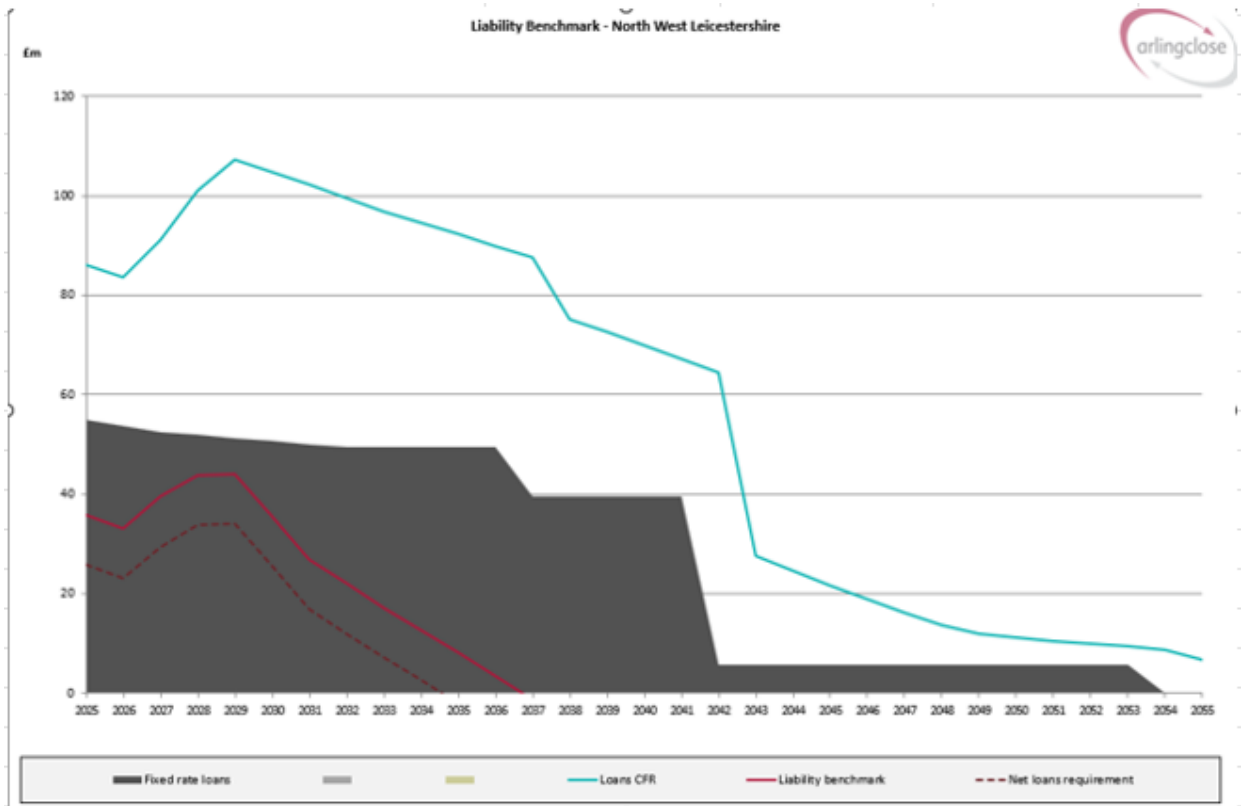
	2025/26	2026/27	2027/28	No Fixed Date
Actual principal invested beyond year end	£0m	£0m	£0m	£0m
Limit on principal invested beyond year end	£60m	£10m	£10m	£10m
Complied?	YES	YES	YES	YES

10.8 **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.

10.9 **Table 14: Liability Benchmark**

	31.3.26 Estimate	31.3.27 Forecast	31.3.28 Forecast	31.3.29 Forecast
Loans CFR	83.7	90.9	101.1	107.3
Less: Balance sheet resources	-60.7	-61.6	-67.4	-73.3
Net loans requirement	23.0	29.3	33.7	34.0
Plus: Liquidity allowance	10.0	10.0	10.0	10.0
Liability benchmark	33.0	39.3	43.7	44.0
Existing external borrowing	-53.8	-52.7	-52.1	-51.6

10.10 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.



10.11 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.



Investment Benchmarking
31 March 2026

North West Leicestershire
48 English Non-Met Districts Average
156 LAs Average

Internal Investments	£31.0m	£27.5m	£49.8m
Cash Plus & Short Bond Funds	£0.0m	£1.2m	£0.7m
Strategic Pooled Funds	£0.0m	£9.3m	£9.9m
TOTAL INVESTMENTS	£31.0m	£38.0m	£60.5m

Security

Average Credit Score	4.69	4.57	4.60
Average Credit Rating	A+	A+	A+
Average Credit Score (time-weighted)	4.58	4.45	4.51
Average Credit Rating (time-weighted)	A+	AA-	A+
Number of Counterparties / Funds	8	10	10
Proportion Exposed to Bail-in	55%	58%	64%

Liquidity

Proportion Available within 7 days	55%	49%	57%
Proportion Available within 100 days	84%	67%	72%
Average Days to Maturity	43	45	10

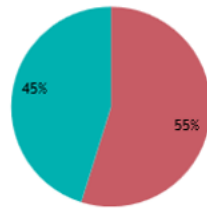
Market Risks

Average Days to Next Rate Reset	68	66	52
Strategic Fund Volatility	-	2.3%	3.1%

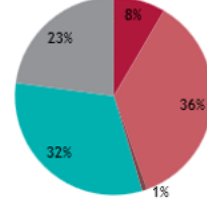
Yield

Internal Investment Return	3.89%	4.14%	4.02%
Cash Plus Funds - Income Return	-	3.57%	3.60%
Strategic Funds - Income Return	-	4.91%	4.88%
Total Investments - Income Return	3.89%	4.29%	4.18%
Cash Plus Funds - Capital Gain/Loss	-	0.64%	0.62%
Strategic Funds - Capital Gain/Loss	-	1.31%	1.19%
Total Investments - Total Return	3.89%	4.67%	4.46%

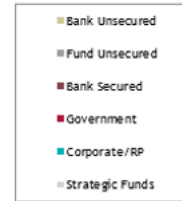
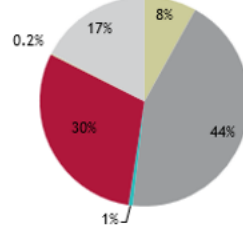
North West Leicestershire



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