Appendix A

Treasury Management Activity Quarter 1 Report 2026/27

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 for the first quarter of the financial year 2026/27.

1.4 The Council's treasury management strategy for 2026/27 was approved at the Council meeting on 19 February 2026. 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 main story for the quarter was the continuation of the Middle East conflict, started on 28th February with strikes by Israel and the US on Iran. The conflict led to the closure of the Hormuz Strait, a waterway through which around 20% of the world's oil and liquified natural gas flows, resulting in sharp rises in energy and other commodity prices. Towards the end of the quarter, the US and Iran came to an agreement to negotiate a peace settlement, which prompted a reduction in energy commodity prices, albeit remaining higher than pre-war.

2.2 Coming close on the heels of the last energy price shock in 2022 following Russia's invasion of Ukraine, central bank policymakers and financial markets reacted quickly to reflect the new reality for monetary policy. In the UK, the headline consumer price inflation (CPI) rate was widely expected to fall back to 2% in April, with changes to government energy policy announced in the budget reducing energy bills and therefore headline inflation rates. Instead, the sharp rise in petrol prices occurring from the war maintained the CPI rate well above target at 2.8%.

2.3 Having been expected to cut Bank Rate from 3.75%, the Bank of England's Monetary Policy Committee (MPC) instead held Bank Rate steady throughout the quarter. Despite sending hawkish signals with each monetary policy decision, and the voting split changing from a 9-0 hold in March to a 7-2 hold in June, the majority of committee members appear to believe the UK economy and labour market were soft enough to absorb the price shock without producing the persistent inflationary conditions seen in 2022, which led to Bank Rate rising to 5.25%. This is backed up by business surveys towards the end of the quarter suggesting that business pricing pressures, while elevated, are abating.

2.4 Against expectations, UK headline CPI decreased over the quarter, from an annual rate of 3.3% in March to 2.8% in May, but still well above the Bank of England's 2% target. The core measure of CPI inflation also decreased, from 3.1% to 2.6% over the same period. Upside pressure in inflation generally reflected fuel prices, but many other categories experienced disinflation, providing some evidence that higher energy prices were not immediately feeding into a wider subset of products.

2.5 Inflation will rise from July, however, as the retail energy price cap is increased by 13%. Expectations range from inflation rising to 3.5% to 4.0% and the MPC's resolve to maintain Bank Rate at 3.75% will likely be tested at this point.

2.6 Data released during the period showed UK economy expanded by 0.6% in the first quarter of the calendar year, following three previous quarters of weaker growth. However, monthly GDP data showed a contraction of 0.1% in April as weaker confidence affected spending and investment decisions. Purchasing managers' index (PMI) data indicated that softer growth was also likely in May and June, with the services PMI denoting a small contraction in activity from both months.

2.7 Labour market data showed a continued softening in employment conditions, as weaker private sector earnings growth was reported for the period February to April 2026. The unemployment rate for April was 4.9%, PAYE employment was down over the year, and the number of vacancies continued to fall. The looser labour market is supporting the MPC's decision not to tighten monetary policy, with the likelihood of wage growth rising in line with inflation appearing remote.

2.8 Arlingclose, the Council's treasury adviser, maintained its central view that Bank Rate remain at 3.75%, and that the Bank of England would focus on the spare capacity in the economy, notably the labour market, rather than the upside risk of persistent inflation. The balance of risks over the near term, however, is deemed to be the upside as signs of second round inflationary effects will prompt policymakers to raise interest rates. Over the medium term, the balance of risk for Bank Rate shifts to the downside, with tighter monetary policy, higher prices and weaker growth presenting downside risks for inflation.

2.9 The US Federal Reserve also held interest rates steady over the period, maintaining the Fed Funds Rate at 3.5%-3.75%. The decision in June was the sixth consecutive month where no changes were made to the main interest rate. US CPI jumped to 4.2% in May on the back of higher gasoline prices, raising the possibility that policy under new Fed Chair Kevin Warsh may lead to higher rather than lower rates.

2.10 The European Central Bank (ECB) hiked rates in June, the first rise since September 2023. The ECB noted heightened uncertainty in the near-term from the effects of the war, including higher inflation and potentially weaker growth. The June hike to 2.4% represented an insurance move to maintain inflation around the 2% target.

2.11 **Financial markets**:

2.12 After the sharp deterioration early in the quarter, sentiment in financial markets showed signs of improvement during the period as hopes for an end to the US/Israel war with Iran increased. However, bond and equity markets remained volatile. Early in the period bond yields rose sharply due to tighter monetary policy expectations but yields steadily declined as it became apparent central banks, including the Bank of England, were not going to immediately hike policy rates. Equity markets sold off sharply in March but gained back some of the previous declines, particularly in US markets, where AI-related sentiment remained strong.

2.13 Political uncertainty in the UK due to poor local election results for the Labour party placed upward pressure on medium and longer-term gilt yields. The eventual resignation of Keir Starmer and likely ascension of Andy Burnham reduced some uncertainty and prompted a decline in yields.

2.14 Over the quarter, the 10-year UK benchmark gilt yield started at 4.86% and ended at 4.77% having hit 5.20% in late April. The 20-year gilt yield was slightly more stable, starting at 5.45% and finished at 5.42%, after peaking at 5.79% in May. The Sterling Overnight Rate (SONIA) averaged 3.73% over the quarter to 30th June.

2.15 **Credit review**: Arlingclose maintained its recommended maximum unsecured duration limit on the majority of banks on its counterparty list at sixmonths. Other banks remain on 100 days.

2.16 During the quarter, Fitch upgraded numerous banks due to a rating methodology change, which placed greater emphasis on resolution regimes, loss-absorbing debt buffers and depositor protection. It also changed the reference obligations used for Issuer Default Ratings and introduced more differentiated notching between deposits, senior preferred, senior unsecured and senior non-preferred debt ratings.

2.17 Moody's also made changes to the ratings of European banks following the passing of EU legislation introducing full depositor preference across the bloc which places deposits ahead of senior unsecured debt in the creditor hierarchy. This resulted in upgrades to the ratings to several counterparties on Arlingclose's recommended list.

2.18 Credit default swap (CDS) prices on UK banks spiked through late March/early April following escalation in the Iran war but eased back over the rest of the quarter to end at broadly pre-conflict levels.

2.19 European banks' CDS prices followed a similar pattern, albeit some German banks were modestly higher compared to the previous quarter. Trade tensions between Canada and the US caused Canadian bank CDS prices to rise over the quarter and remain elevated compared to earlier Q1 2026 while Australian and Singaporean leaders were broadly unchanged.

2.20 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.

2.21 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 2026, the Council had net borrowing of £22.8m 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

	31.03.26 Actual £m	31.03.27 Estimated £m
General Fund CFR	33.62	32.46
HRA CFR	49.60	57.85
Total CFR	**83.22**	**90.31**
External borrowing	53.79	52.47
Internal borrowing	29.43	37.84
Total Borrowing	**83.22**	**90.31**

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

	31.03.25 Balance £m	Movement £m	31.03.26 Balance £m	31.03.26 Rate %
Long-term borrowing	52.50	-0.00	52.50	3.52%
Short-term borrowing	1.30	-0.00	1.30	2.24%
Total borrowing	**53.80**	**-0.00**	**53.80**	**3.49%**
Long-term investments	0.00	0.00	0.00	0.00%
Short-term investments	14.00	1.00	15.00	4.17%
Cash and cash equivalents	17.00	5.50	22.50	3.82%
Total investments	**31.00**	**6.50**	**37.50**	**3.96%**
Net borrowing	**22.80**	**-6.50**	**16.31**	

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 £9.9m 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 £37.84m. This internal borrowing foregoes a potential interest income rate of 3.96%. Current one-year external borrowing rates with the PWLB (Certainty Rate) are 4.76% as at 30 June 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 the Council's 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 have moved about during the period but overall have decreased slightly. Oil prices have reduced and inflationary figures in the UK have not risen by as much as markets initially expected. Concerns about the tepid UK economy have also lessened expectations of future rate rises which has lowered gilt yields.

5.3 The PWLB certainty rate for 5-year maturity loans was 5.16% at the beginning of the period and 5.07% at the end. The lowest available 5-year maturity/certainty rate was 5.04% and the highest was 5.49%. In contrast rates for 20-year maturity loans ranged from 6.02% to 6.50% during the period, and 50-year maturity loans from 5.89% to 6.35%. After coming down from a characteristic spike seen around financial year end, the cost of short-term borrowing from other local authorities has remained a little above Base Rate, at between 4.0% and 4.5%, throughout the period.

5.4 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.

5.5 On 30 June 2026 the Council held £53.8m of loans, with no repayments of principal so far this year. A breakdown of outstanding loans is shown below in table 3.

Table 3: Borrowing Position

	31.03.26 Balance £m	Net Movement £m	30.06.26 Balance £m	30.06.26 Weighted Average Rate %	30.06.26 Weighted Average Maturity (years)
Public Works Loan Board	49.8	0.0	49.8	3.43%	12.96
Banks (fixed-term)	3.9	0.0	3.9	0.35%	2.02
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	53.8	0.0	53.8	3.49%	14.99

5.6 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 £30.7m and £50.5m due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.03.26 Balance £m	Net Movement £m	30.06.26 Balance £m	30.06.26 Income Return %	30.06.26 Weighted Average Maturity days
Banks & building societies (unsecured)	0.0	0.0	0.0	0.00%	0.0
Government (incl. local authorities)	14.0	1.0	15.0	4.17%	98.5
Money Market Funds	17.0	5.5	22.5	3.82%	0.6
Total investments	**31.00**	**6.50**	**37.50**	**3.96%**	**99.11**

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 has remained at 3.75% since December 2025. Short term interest rates have largely followed these levels. The rates on DMADF deposits ranged between 3.70% and 3.73% and money market rates between 3.57% and 3.91%.

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 %
30/06/2026	4.65	A+	60%	21	3.96%
Similar Las	4.61	A+	65%	47	3.97%
All Las	4.59	A+	66%	11	3.95%

6.7 Most major asset classes delivered positive returns over quarter 1 of 2026/27, although markets remained volatile and sensitive to geopolitical developments, energy prices and changing expectations for interest rates. The quarter generally represented a recovery from the weakness seen towards the end of 2025/26, when markets were unsettled by the escalation of conflict between the US, Israel and Iran. As tensions in the Middle East began to ease and oil prices fell back, investor sentiment improved and most asset prices recovered.

6.8 Equity markets generally performed strongly over the quarter, supported by improving risk appetite, resilient corporate earnings and continued enthusiasm for technology and AI-related investment. Emerging markets performed most strongly, with UK equities also delivering positive returns, although lagging overseas markets. This partly reflected the more defensive composition of the UK market and its exposure to falling commodity prices (such as oil.)

6.9 Bond markets produced more modest but generally positive returns. Government bond markets were affected by competing influences. Higher energy prices and geopolitical uncertainty initially raised concerns about inflation, while later falls in oil prices and softer economic data helped support expectations that global central banks may still ultimately be able to reduce interest rates over time. UK gilts came under pressure (prices falling, yields increasing) with expectations of Bank Rate increases, plus domestic political uncertainty rising, but yields declined during June following the apparent ‘conclusion’ of the war, reduction in energy prices and decline in interest rate expectations, finishing the quarter at similar levels to the start.

6.10 The Council has budgeted £555,742 in interest income from investments after deductions in 2026/27. The actual income received by 30 June 2026 was £411,346. The forecasted income to 31 March 2027 is £1,159,089.

6.11 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.

6.12 The updated forecast of £1.16m 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.

6.13 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 £9.9m 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 2026-27 document. These investments are forecast to generate £320,000 in investment income in 2026/27 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 £1,159,089 after deductions. The Councils Investment interest return percentage on 30 June 2026 was 3.87%. 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 30 June 2026 showed an investment return of 3.95%. This is shown in Appendix 1.

8.3 Since the beginning of the reporting period the Council, as per forecast, has paid £0.38m 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 5.69%. The Council's average rate, therefore, represents a good rate of borrowing in the current environment.

8.4 During the 2026/27 financial year, the Council is forecasting to pay back £1.3m in principal on its PWLB loans. The £1.3m 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 Authority was forecast to undertake new borrowing of £9.7m for the HRA in the 2026/27 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

	2026/27 Maximum Debt Q1	30.06.26 Actual £m	2026/27 Operational Boundary £m	2026/27 Authorised Limit £m	Complied?
Borrowing	53.8	53.8	92.3	102.3	**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

	Q1 Maximum During Period £m	30.06.26 Actual £m	2026/27 Limit £m	Complied?
The UK Government	18.0	5.0	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	22.5	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**
Total		**37.5**		

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

	31.03.26 Actual	30.06.26 Actual	2026/27 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

	Days	30.06.26 Actual £m	2026/27 Target £m	Complied?
Total cash available within 3 months	90	27.5	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	30.06.26 Actual	2026/27 Limit	Complied?

Upper limit on one-year revenue impact of a 1% rise in interest rates	339,820	550,000	**YES**
Upper limit on one-year revenue impact of a 1% fall in interest rates	-339,820	-550,000	**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 the Council's investments maturing in year and the majority of its 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 year were:

Table 11: Interest Rate Changes

Context - Interest Rate changes	**01/04/2026**	**30/06/2026**
Bank Rate	3.75%	3.75%
1-year PWLB certainty rate, maturity loans	5.01%	4.76%
5-year PWLB certainty rate, maturity loans	5.25%	5.06%
10-year PWLB certainty rate, maturity loans	5.69%	5.54%
20-year PWLB certainty rate, maturity loans	6.19%	6.09%
50-year PWLB certainty rate, maturity loans	6.03%	5.97%

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

	31.03.27 Actual £m	**31.03.27 Actual %**	**Lower Limit**	**Upper Limit**	**Complied?**
Under 12 months	0.6	1%	0%	70%	YES
12 months and within 24 months	0.6	1%	0%	30%	YES
24 months and within 5 years	1.9	4%	0%	30%	YES
5 years and within 10 years	10.0	19%	0%	30%	YES
10 years and within 20 years	33.8	64%	0%	90%	YES
20 years and above	5.7	11%	0%	30%	YES
Totals	**52.5**	**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

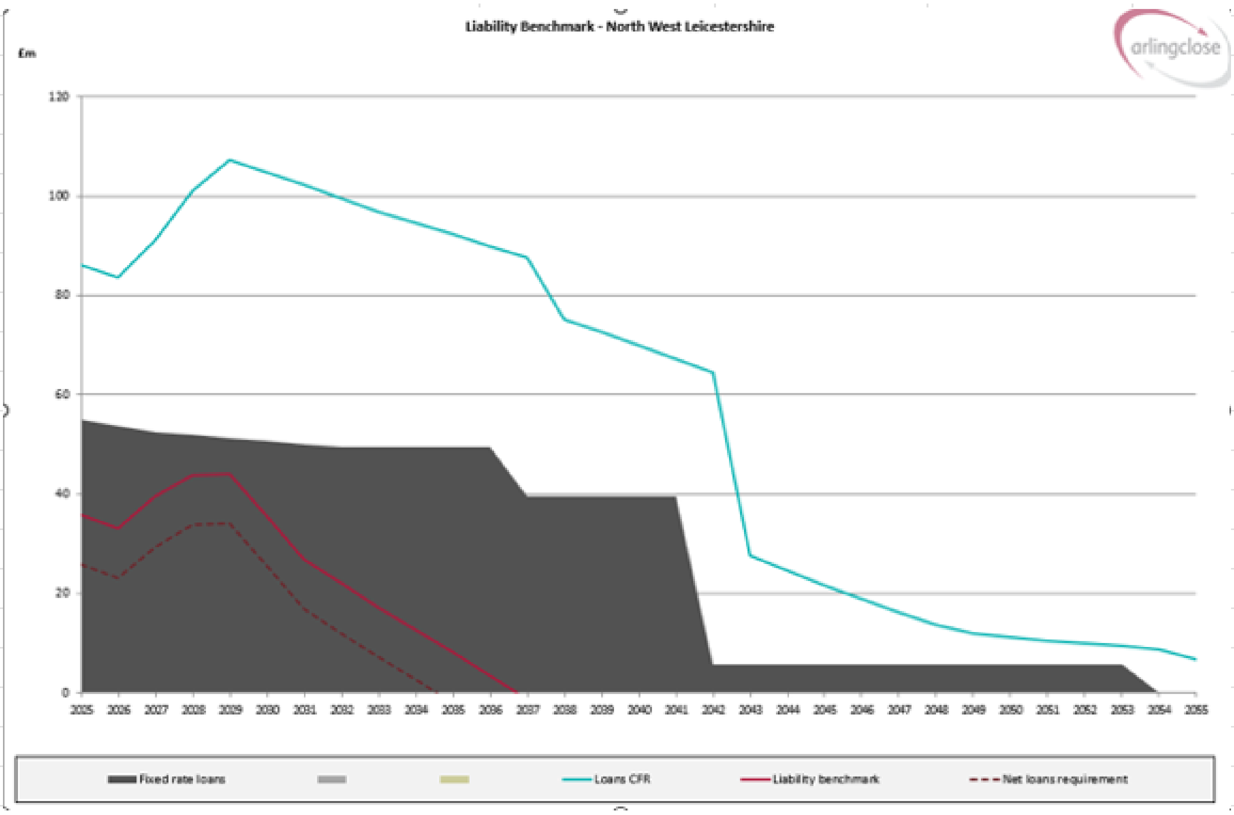
	2026/27	2027/28	2028/29	No Fixed Date
Actual principal invested beyond year end	£0m	£0m	£0m	£0m
Limit on principal invested beyond year end	£60m	£10m	£10m	£10m
Complied?	**YES**	**YES**	**YES**	**YES**

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 2026/27, 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.

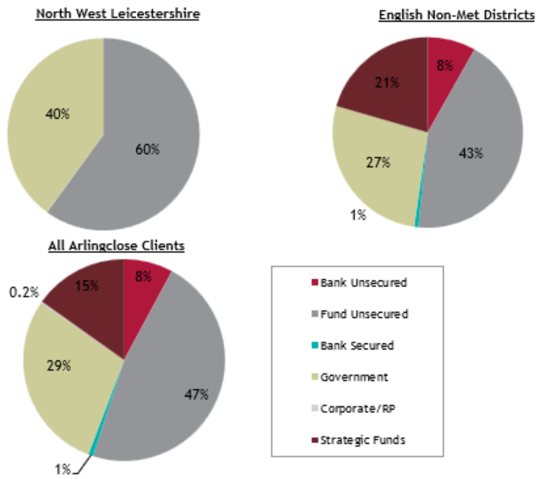


10.11 The Liability Benchmark shows the underlying need to borrow (Loans CFR) in the blue line at the top of the graph, the grey shaded area as existing loans and the strong red line as the requirement for external borrowing. This graph demonstrates that by using internal resources the Council is likely to not have an external borrowing requirement in 2026/27. 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 June 2026

	North West Leicestershire	50 English Non-Met Districts Averag	135 LAs Average
Internal Investments	£37.5m	£30.9m	£56.7m
Cash Plus & Short Bond Funds	£0.0m	£1.1m	£0.7m
Strategic Pooled Funds	£0.0m	£9.5m	£9.6m
TOTAL INVESTMENTS	**£37.5m**	**£41.6m**	**£67.0m**
Security			
Average Credit Score	4.65	4.61	4.59
Average Credit Rating	A+	A+	A+
Average Credit Score (time-weighted)	4.63	4.43	4.45
Average Credit Rating (time-weighted)	A+	AA-	AA-
Number of Counterparties / Funds	8	11	11
Proportion Exposed to Bail-in	60%	65%	66%
Liquidity			
Proportion Available within 7 days	73%	52%	57%
Proportion Available within 100 days	100%	69%	73%
Average Days to Maturity	21	47	11
Market Risks			
Average Days to Next Rate Reset	53	75	63
Strategic Fund Volatility	-	1.9%	4.0%
Yield			
Internal Investment Return	3.96%	3.94%	3.89%
Cash Plus Funds - Income Return	-	3.41%	3.41%
Strategic Funds - Income Return	-	4.11%	4.11%
Total Investments - Income Return	**3.96%**	**3.97%**	**3.95%**
Cash Plus Funds - Capital Gain/Loss	-	0.65%	0.65%
Strategic Funds - Capital Gain/Loss	-	1.29%	1.02%
Total Investments - Total Return	**3.96%**	**4.37%**	**4.21%**



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.