LONDON BOROUGH OF HARROW

REPORT FOR:	**Governance, Audit, Risk Management and Standards Committee (GARMS)**
Date of Meeting:	15th July 2024
Subject:	Treasury Management Annual Outturn Report 2023/24
Responsible Officer:	Sharon Daniels, Director of Finance and Assurance
Exempt:	No
Wards affected:	All wards
Enclosures:	Appendix 1 Link Group Economic Commentary Appendix 2 Borrowing Rate Summary 2023/24 Appendix 3 Investment by Counterparty at 31 March 2024

Section 1 – Summary and Recommendations

This report sets out the Treasury Management Outturn position for 2023/24.

Recommendations:
Committee is requested to:

1. Note the Treasury Management outturn position for 2023/24.

2. Refer this report to Cabinet for noting.

Reason: (for recommendations)

3. To promote effective financial management and comply with regulations issued under the the Local Government Act 2003, the CIPFA Code of Practice on Treasury Management, and the CIPFA Prudential Code for Capital Finance, along with meeting the requirements of the Council's Financial Regulations.

4. To keep Members informed of Treasury Management activities and performance for 2023/24.

Section 2 – Report

1.0 **Background**

1.1 The purpose of this report is to present the Council's Annual Treasury Management outturn position for 2023/24 in accordance with the Council's Treasury Management Practices and in compliance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management Code of Practice. The Council has complied with all elements of the Treasury Management Strategy Statement (TMSS) as the treasury management function.

1.2 Treasury management comprises:

- Managing the Council's borrowing to ensure funding of the Council's current and future Capital Programme is at optimal cost;
- Investing surplus cash balances arising from the day-to-day operations of the Council to obtain an optimal return while ensuring security of capital and liquidity.

1.3 The annual revenue budget includes the revenue costs that flow from capital financing decisions. Under the CIPFA Treasury Management Code of Practice and the CIPFA Prudential Code, increases in capital expenditure should be limited to levels whereby increases in interest charges and running costs are affordable within the Council's revenue account.

1.4 The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation to ensure the security and liquidity of the Council's treasury investments.

1.5 The Council recognises that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of the CIPFA Treasury Management Code of Practice.

2.0 <u>Reporting Requirements</u>

2.1 The Council and/or Cabinet are required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

Treasury Management Strategy Statement Report – The first, and most important report is presented to the Council in February and covers:

- The Treasury Management Strategy Statement (TMSS), which details how the investments and borrowings for capital expenditure are to be organised, including Treasury Limits and Prudential Indicators.
- The Annual Investment Strategy which forms part of the TMSS, (the parameters on how investments are to be managed).
- the MRP Policy (how capital expenditure is charged to revenue over time).

The 2023/24 TMSS was presented to Council on 23rd February 2023.

Mid-Year Review Report – This is presented to Cabinet in December/January and updates Members on the Treasury Management activity of the Authority within within the context of the approved TMSS. This also includes progress of the Capital Programme and reporting on Prudential Indicators to give assurance that the treasury management function is operating within the Treasury Limits and Prudential Indicators set out in the TMSS.
The 2023/24 Mid-Year Report was presented to Cabinet on 5th December 2023

Treasury Management Outturn Report – This report, typically presented to Cabinet in June/July, provides a review of the treasury management activity over the financial year and includes details of a selection of actual Prudential and Treasury Indicators and actual treasury operations compared to the estimates originally included within the TMSS.

This report fulfills this reporting requirement which is specified in section C93 (ii) in the Financial Regulations.

2.2 **Scrutiny** – The above reports are required to be adequately scrutinised, normally before being recommended to Cabinet / Council, with the role being undertaken by the Governance, Audit, Risk Management and Standards Committee (GARMS). The Council has complied with the CIPFA Treasury Management Code of Practice to the extent that all Treasury Management reports have been scrutinised, though the efficient conduct of the Council's business may require consideration by GARMS subsequent to consideration by Cabinet/Council due to the practicalities of the committee timetable.

2.3 The Council has delegated responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Section 151 Officer. The Section 151 Officer chairs the Treasury Management Group (TMG), which monitors the treasury management activity and market conditions monthly.

3.0 Matters covered in the Report

3.1 The Treasury Management Outturn Report for 2023/24 includes a summary of the actual positions in respect of the Authority's:

- Capital Expenditure, Financing and Limits
- Treasury Position as at 31st March 2024
- Summary of 2023/24 Strategy
- Economic update for 2023/24 (Appendix 1)
- Borrowing Rate Summary for 2023/24 (Appendix 2)
- Investment by Counteparty (Appendix 3)

4.0 Options considered

4.1 The report is in accordance with the reporting requirements of the CIPFA Treasury Management Code of Practice.

5.0 Treasury Management Outturn Report 2023/24

5.1. The Treasury Management Strategy Statement, (TMSS), for 2023/24 was approved by Council in February 2023 . It stated that for the next three years the Capital Programme would continue to be funded from grants and revenue resources but that substantial borrowing would also be required.

6.0 The Council's Capital Expenditure and Financing

6.1. The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

6.2. The actual capital expenditure forms one of the required prudential indicators. Tables 1 and 2 below show the actual capital expenditure for 2023/24 against that budgeted and how this was financed.

Table 1: Capital Expenditure

Capital Expenditure	2022/23 Actual £'000	2023/24 Actual £'000
Resources Directorate	3,641	2,948
People's Directorate	3,265	16,070
Place Directorate	18,482	21,357
Total General Fund	**25,388**	**40,375**
Housing Revenue Account (HRA)	14,988	23,843
Total Capital Expenditure	**40,376**	**64,218**

Table 2: Financing of Capital Expenditure (In Year)

Finance of Capital Expenditure	2022/23 Actual £'000	2023/24 Actual £'000
General Fund (GF)		
Capital receipts	3,541	3,252
Capital Grants	6,593	20,142
BCiL	3,477	2,153
NCiL	209	113
Section106	613	223
Revenue	0	27
Total External Funding	**14,433**	**25,910**
Unfinanced Capital Expenditure (GF)	10,955	14,465
Total GF Funding	**25,388**	**40,375**
Housing Revenue Account (HRA)		
Capital receipts	1,761	1,335
Capital Grants	1,400	2,596
Section106	419	1488
Revenue	7,621	6,367
Total External Funding	**11,201**	**11,786**
Unfinanced Capital Expenditure (HRA)	3,787	12,058
Total HRA Funding	**14,988**	**23,844**
Total General Fund & HRA Funding	**40,376**	**64,219**
Total External Funding	**25,634**	**37,696**
Total Unfinanced Capital Expenditure	**14,742**	**26,523**

6.3. Further details of the capital expenditure position are included within the Revenue and Capital Outturn Report 2023/24 to be reported to Cabinet 25th July 2024.

7.0 <u>The Councils Overall Borrowing Need</u>

7.1. The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR). This is the total historic outstanding capital expenditure incurred by the Council, which has yet to be paid for by either revenue or capital resources such as grant or other external funding. The CFR increases within any net financing need for the year and reduces through the application of resources, including an annual charge to the revenue budget, the Minimum Revenue Provision (MRP).

7.2. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision (MRP), to reduce the CFR. This is effectively a repayment of the non-HRA borrowing need, (there is no statutory requirement to reduce the HRA CFR).

7.3. Total CFR can also be reduced by the application of additional capital financing resources, (such as unapplied capital receipts or charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP) to repay debt). The Council does not reduce CFR by VRP.

Table 3: Capital Financing Requirement (CFR)

Capital Financing Requirements (CFR)	**2022/23 Actual £'000**	**2023/24 Draft Actual £'000**
General Fund CFR		
Opening Balance	440,926	427,771
Add unfinanced capital expenditure (from Table 2)	10,955	14,465
Less MRP	(22,717)	(22,668)
Less PFI & Finance lease payments	(1,393)	(1,246)
Total General Fund CFR	**427,771**	**418,322**
Housing Revenue Account (HRA) CFR		
Opening Balance	145,862	149,230
Add unfinanced capital expenditure (as above)	3,368	12,058
Less HRA PFI & Finance lease payments	-	-
Total HRA CFR	**149,230**	**161,288**
Total Capital Financing Requirement	**577,001**	**579,610**

Gross Debt and the CFR

7.4. In order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council ensures that its gross external debt (borrowing plus other long term liabilities such as PFI and Finance Leases) does not, except in the short term, exceed the total CFR.

7.5. Table 4 below highlights the Council's underborrowing position which is the gross debt position for 2023/24 of £430.9m (loans, PFI and finance leases) against the CFR in 2023/24 of £579.6m confirming that the Council complied with this Prudential Indicator and stayed within it's CFR. The Coucil's underborrowing position at the end of 2023/24 was £148.7m (2022/23 £144.9m).

Table 4: Gross Debt and CFR

Capital Financing Requirements (CFR)	2022/23 Actual £'000	2023/24 Draft Actual £'000
General Fund	427,772	418,322
HRA	149,230	161,288
Total CFR	**577,001**	**579,610**
Gross Debt	**432,125**	**430,879**
Under/(Over) Borrowing	**144,876**	**148,731**

Financing Costs to Net Revenue Stream

7.6. This Prudential Indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income), against the net revenue stream. The actual financing costs as a proportion of net revenue stream for 2023/24 compared to 2022/23 is included within table 5 below.

Table 5: Financing costs as a proportion of net revenue stream

Ratio of financing costs to net revenue stream %	2022/23 Actual	2023/24 Draft Actual
General Fund	19%	16%
HRA	20%	19%
Total CFR	**20%**	**17%**

The Authorised Limit

7.7. The Authorised Limit is the "Affordable Borrowing Limit" required by S3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level.

7.8. The Authorised Limit for 2023/24 was originally set as part of the 2023/24 TMSS at a total of £698m for borrowing and other long term liabilities. In light of the revised capital programme, as part of the 2024/25 TMSS which went to Cabinet in February 2024, the 2023/24 Authorised Limit was revised to £702m consisting of £680m (borrowing) and £25m (other long term liabilities).

7.9. With a gross borrowing figure of £430.9m, table 6 below demonstrates that during 2023/24, the Council has maintained gross borrowing within its Authorised Limit.

Table 6: Authorised Limit

Authorised Limit £'000 Set as part of:	2023/24 2023/24 TMSS	2023/24 2024/25 TMSS
Borrowing	674,115	677,159
Other Long Term Liabilities	23,471	24,875
Total	**697,586**	**702,034**

The Operational Boundary

7.10. The Operational Boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the Authorised Limit not being breached.

7.11. The Operational Boundary for 2023/24 was originally set as part of the 2023/24 TMSS at a total of £658m. This was revised to reflect the revised capital programme as part of the 2024/25 TMSS to £622m, consisting of £647m (borrowing) and £15m (other long term liabilities).

7.12. With a gross borrowing figure of £430.9m, table 7 below demonstrates that during 2023/24 the Council has maintained gross borrowing within its Operational Boundary Limit.

Table 7: Operational Boundary

Operational Boundary £'000 **Set as part of:**	**2023/24** **2023/24 TMSS**	**2023/24** **2024/25 TMSS**
Borrowing	644,115	647,159
Other Long Term Liabilities	13,471	14,875
Total	**657,586**	**662,034**

8.0 Treasury Position as at 31 March 2024

8.1. As demonstrated in table 4, no additional external borrowing was undertaken during 2023/24. The Council maintained an internal borrowing strategy same as the last couple of years, forgoing lost investment income on investments to use its cash balances to temporarily fund capital expenditure and avoid external borrowing costs. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow was used as an interim measure.

8.2. The Council's underlying need to borrow, measured by the increase in the Capital Financing Requirement, showed a small increase of £2.6m over the period (£577m increasing to £579m).

8.3. The loans portfolio £417.3m remained the same in 2023/24, comprising £343.4m of PWLB loans and £73.8m of Market loans, and at the 31st March 2024 the portfolio was running at an average interest rate of 3.45% and an average life of 34 years.

Table 8: Borrowing Portfolio

Borrowing Portfolio £'000	**31-Mar-23**			**31-Mar-24**		
	Principal	**Average Rate (%)**	**Average Life (yrs)**	**Principal**	**Average Rate (%)**	**Average Life (yrs)**
PWLB	343,461	3.44	34.41	343,461	3.43	33.56
Market	73,800	3.53	39.56	73,800	3.53	38.71
Total	**417,261**	**3.45**	**35.32**	**417,261**	**3.45**	**34.47**

8.4. The maturity structure of the debt portfolio remained within the Prudential Indictor limits set as part of the 2023/24 Treasury Management Strategy. The maturity structure table below includes one Lenders Option Borrowers Option (LOBO) market loan at its next call date, which is the earliest date the lender can require repayment. The table reflects this position in respect of the maturity profile of the debt portfolio.

Table 9: Maturity Structure of Borrowing

Maturity structure of borrowing	Lower	Upper	Actual 31.03.23	Actual 31.03.24
Under 12 months	0%	40%	5%	5%
12 months to 2 years	0%	30%	0%	0%
2 years to 5 years	0%	30%	1%	2%
5 years to 10 years	0%	40%	6%	6%
10 years and above	30%	100%	88%	87%

8.5. Appendix 2 provides a summary of PWLB maturity loan certainty rates across 2023/24 over various durations from 1-50 years.

Investment Outturn

8.6. The Council made investments throughout 2023/24 in accordance with the Treasury Management Strategy approved by Full Council in February 2023.

8.7. Due to the internal borrowing strategy being undertaken by the Council, cash balances continued to be held on a short term basis for liquidity purposes, in Money Market Funds and banks throughout 2023/24.

8.8. Investment returns picked up throughout the course of 2023/24 as central banks including the Bank of England, realised that inflationary pressures were not transitory, and that tighter monetary policy was called for.

8.9. The expectation for interest rates within the treasury management strategy for 2023/24 (table 10) was based on suggested gradual rises with forecast for Bank Rate expected to peak at 4.5%. However the continued rise in inflation resulted in Bank of England keeping rates much higher than initial forecast figures at 5.25%.

`Table 10: Link Asset Services Interest Rate Forecast 2022-2026 (TMSS 2023/24)

Link Group Interest Rate View 19.12.22													
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.20	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.30	4.40	4.40	4.30	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.30
25 yr PWLB	4.60	4.60	4.60	4.50	4.40	4.20	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.30	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.30	3.20	3.20

8.10. The investment portfolio remained highly liquid throughout 2023/24. Investments balances decreased from £79.4m in 2022/23 to £74m, while the average rate of interest saw a considerable increase from 0.81% as at 31st March 2023 to 4.41% as at 31st March 2024 due to increase in the Bank Rate mentioned in Paragraph 8.9 above. Table 11 below shows the split of investments categorised by type at 31 March 24 and the previous year.

8.11. The Council's investment income budget for 2023/24 was £1.1m while actual income was £4.2m. This includes income of £1.14m from the £15m loan to the West Lonfon Waste Authority which the Council approved in July 2013 to finance the cost of a new energy waste plant. The term of the loan is 25 years at an interest rate of 7.604%. Loan balance when the plant was live was £16.89m which included interest accrued from 2013 to 2016. The loan balance at 31 March 2024 was £14.54m (2022/23 £14.91).

Table 11: Treasury Investment Portfolio at 31 March.

Investment Portfolio	**31-Mar-23**			**31-Mar-24**		
	Principal £'000	**Average Rate (%)**	**Average Life (days)**	**Principal £'000**	**Average Rate (%)**	**Average Life (days)**
MMF	1,651	3.95	1	40,008	5.24	1
Banks	48,743	2.01	3	26,121	4.69	1
UK Government	29,000	3.99	7	7,900	5.19	5
Total	**79,394**	**2.77**	**5**	**74,029**	**5.04**	**1**

9.0. Legal Implications

9.1. The Local Government Act 2003 requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. These are contained within this report. The Act requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy. This sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments. This report assists the Council in fulfilling its statutory obligation under the Local Government Act 2003 to monitor its borrowing and investment activities.

10.0. Financial Implications

10.1. In addition to supporting the Council's revenue and capital programmes, the Treasury Management interest budget is an important part of the revenue budget. Any savings achieved, or overspends incurred, have a direct impact on the financial performance of the budget.

10.2. There was a net underspend of £5.672m in Treasury Management. This is primarily as a result of additional interest income of £3.083m owing to favourable interest rates throughout 2023/24 and an underspend of £2.788m on third party loan interest budget. These was partially offset by a minor overspend on Minimum Revenue Provision (MRP).

11.0. Procurement Implications

11.1 There are no procurement implication arising from this report

12.0. Risk Management Implications

12.1 This report is for noting and Committee are not being asked to make any decisions hence there are no direct risk management implications to this report.

13.0. Equalities implications / Public Sector Equality Duty

13.1 There are no direct equalities impact. Compliance with s.149 of the Equality Act is integral to all aspects decision-making.

14.0. Council Priorities

14.1 This report deals with the Treasury Management Strategy which plays a significant part in supporting the delivery of all the Council's corporate priorities.

Section 3 - Statutory Officer Clearance

Statutory Officer: Sharon Daniels
Signed by the Chief Financial Officer

Date: 02/07/2024

Statutory Officer: Caroline Eccles
Signed on behalf of the Monitoring Officer

Date: 02/07/2024

Chief Officer: Sharon Daniels
Signed on behalf of the Corporate Director

Mandatory Checks

Ward Councillors notified: NO as it impacts on all Wards

Section 4 - Contact Details and Background Papers

Contact: Miriam Adams, Treasury & Pensions Manager, Telephone 020 8396 4241, Miriam.Adams@harrow.gov.uk

Background Papers: N/A

Appendix 1: Link Group Economic Commentary

UK. Economy - Against a backdrop of stubborn inflationary pressures, the Russian invasion of Ukraine, and war in the Middle East, UK interest rates have continued to be volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2023/24.

Markets have sought an end to central banks' on-going phase of keeping restrictive monetary policy in place on at least one occasion during 2023/24 but to date only the Swiss National Bank has cut rates and that was at the end of March 2024.

UK, EZ and US 10-year yields have all stayed stubbornly high throughout 2023/24. The table below provides a snapshot of the conundrum facing central banks: inflation is easing, albeit gradually, but labour markets remain very tight by historical comparisons, making it an issue of fine judgment as to when rates can be cut.

	UK	Eurozone	US
Bank Rate	5.25%	4%	5.25%-5.5%
GDP	-0.3%q/q Q4 (-0.2%y/y)	+0.0%q/q Q4 (0.1%y/y)	2.0% Q1 Annualised
Inflation	3.4%y/y (Feb)	2.4%y/y (Mar)	3.2%y/y (Feb)
Unemployment Rate	3.9% (Jan)	6.4% (Feb)	3.9% (Feb)

The Bank of England sprung no surprises in their March meeting, leaving interest rates at 5.25% for the fifth time in a row and, despite no MPC members no longer voting to raise interest rates, it retained its relatively hawkish guidance. The Bank's communications suggest the MPC is gaining confidence that inflation will fall sustainably back to the 2.0% target. However, although the MPC noted that "the restrictive stance of monetary policy is weighing on activity in the real economy, is leading to a looser labour market and is bearing down on inflationary pressures", conversely it noted that key indicators of inflation persistence remain elevated and policy will be "restrictive for sufficiently long" and "restrictive for an extended period".

Of course, the UK economy has started to perform a little better in Q1 2024 but is still recovering from a shallow recession through the second half of 2023. Indeed, Q4 2023 saw negative GDP growth of -0.3% while y/y growth was also negative at -0.2%.

But it was a strange recession. Unemployment is currently sub 4%, against a backdrop of still over 900k of job vacancies, and annual wage inflation is running at above 5%. With gas and electricity price caps falling in April 2024, the CPI measure of inflation - which peaked at 11.1% in October 2022 – is now due to slide below the 2% target rate in April and to remain below that Bank of England benchmark for the next couple of years, according to Capital Economics. The Bank of England still needs some convincing on that score, but upcoming inflation and employment releases will settle that argument shortly. It is noted that core CPI was still a heady 4.5% in February and, ideally, needs to fall further.

Shoppers largely shrugged off the unusually wet weather in February, whilst rising real household incomes should support retail activity throughout 2024. Furthermore, the impact of higher interest rates on household interest payments is getting close to its peak, even though fixed rate mortgage rates on new loans have shifted up a little since falling close to 4.5% in early 2024.

From a fiscal perspective, the further cuts to national insurance tax (from April) announced in the March Budget will boost real household disposable income by 0.5 - 1.0%. After real household disposable income rose by 1.9% in 2023, Capital Economics forecast it will rise by 1.7% in 2024 and by 2.4% in 2025. These rises in real household disposable income, combined with the earlier fading of the drag from previous rises in interest rates, means GDP growth of 0.5% is envisaged in 2024 and 1.5% in 2025. The Bank of England is less optimistic than that, seeing growth struggling to get near 1% over the next two to three years.

As for equity markets, the FTSE 100 has risen to nearly 8,000 and is now only 1% below the all-time high it reached in February 2023. The modest rise in UK equities in February was driven by strong performances in the cyclical industrials and consumer discretionary sectors, whilst communications and basic materials have fared poorly.

Despite its performance, the FTSE 100 is still lagging behind the S&P 500, which has been at an all-time high for several weeks.

USA. - Despite the markets willing the FOMC to cut rates as soon as June 2024, the continued resilience of the economy, married to sticky inflation, is providing a significant headwind to a change in monetary policy. Markets currently anticipate three rate cuts this calendar year, but two or less would not be out of the question. Currently, policy remains flexible but primarily data driven.

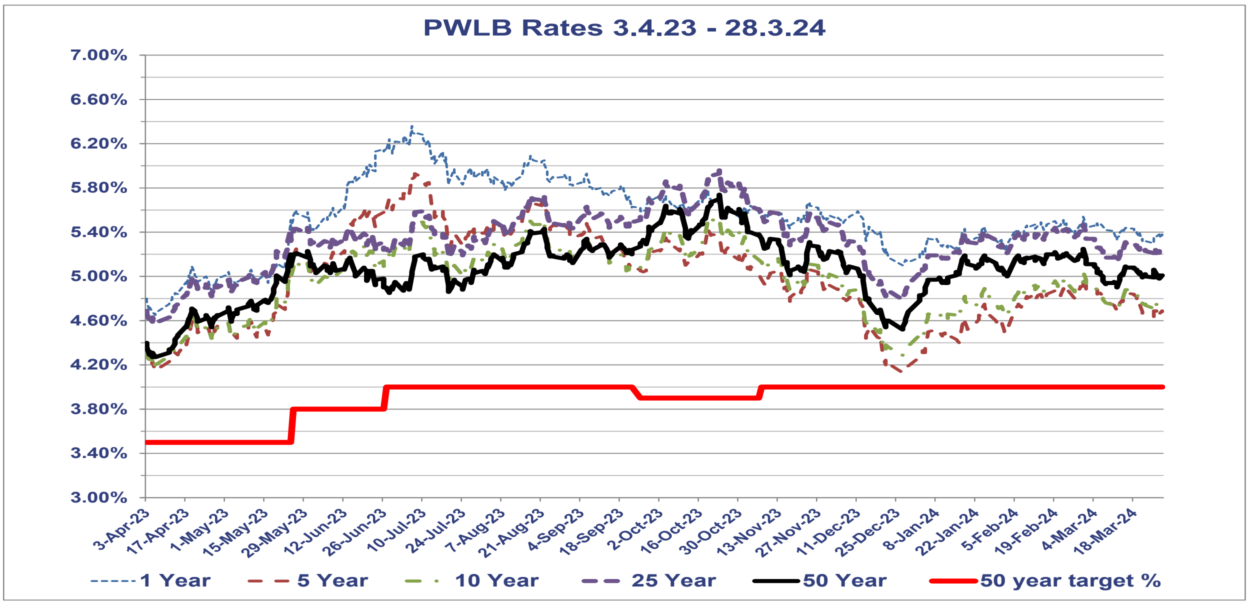
In addition, the Fed will want to shrink its swollen $16 trillion balance sheet at some point. Just because the $ is the world’s foremost reserve currency (China owns over $1 trillion) does not mean the US can continually run a budget deficit. The mix of stubborn inflation and significant treasury issuance is keeping treasury yields high. The 10 year stands at 4.4%.

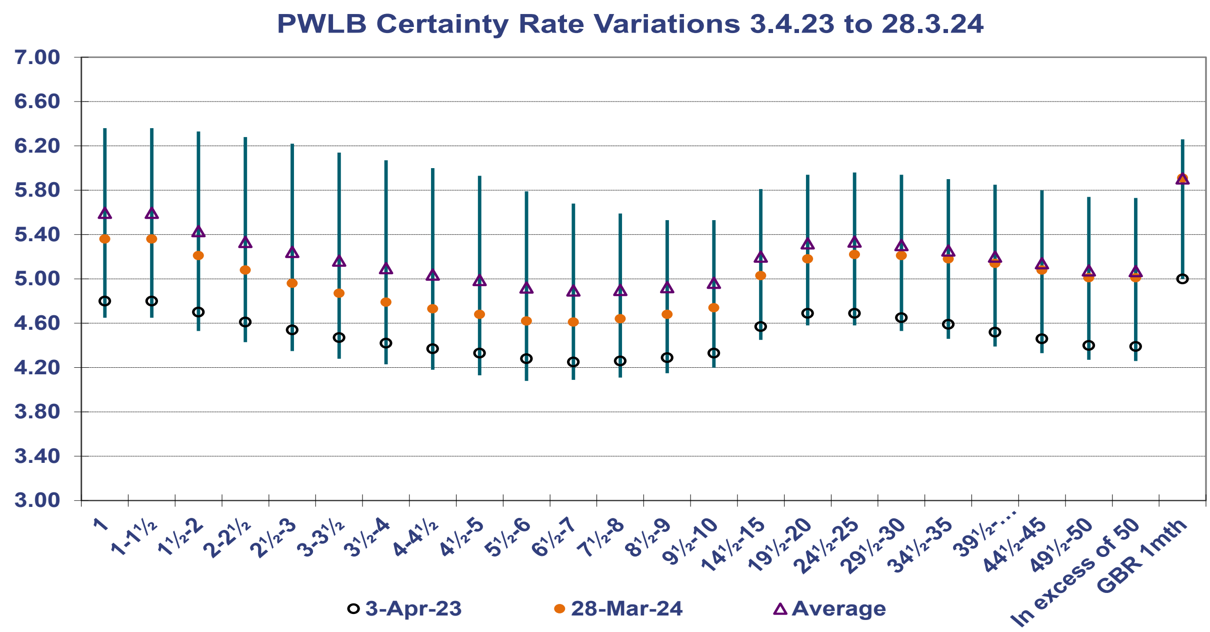
As for inflation, it is currently a little above 3%. The market is not expecting a recession, but whether rates staying high for longer is conducive to a soft landing for the economy is uncertain, hence why the consensus is for rate cuts this year and into 2025…but how many and when?

Euro Zone. Economy - Although the Euro-zone inflation rate has fallen below 7%, the ECB will still be mindful that it has further work to do to dampen inflation expectations and it seems destined to raise rates to 4% in order to do so. Like the UK, growth has remained more robust than anticipated but a recession in 2023 is still seen as likely by most commentators.

Appendix 2: Borrowing Rate Summary 2023/24

PWLB RATES 2023/24





HIGH/LOW/AVERAGE PWLB RATES FOR 2023/24

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.13%	4.20%	4.58%	4.27%
Date	06/04/2023	27/12/2023	06/04/2023	06/04/2023	05/04/2023
High	6.36%	5.93%	5.53%	5.96%	5.74%
Date	06/07/2023	07/07/2023	23/10/2023	23/10/2023	23/10/2023
Average	5.54%	4.99%	4.97%	5.34%	5.08%
Spread	1.71%	1.80%	1.33%	1.38%	1.47%

Appendix 3: Investment by Counterparty

Investment List at 31 March 2024

Investments at 31 March 2024	Principal £'000	Interest Rate £'000	Start Date	Maturity Date	Lowest LT Fund Rating
Money Market Funds (MMF)					
Deutche Managed Sterling Fund (Reserved)	20,000	5.27%		MMF	AAAm
Fidelity Institutional Liquidity Sterling Fund (Class A)	8	5.24%		MMF	AAAm
Royal London Sterling Liquidity Money Market Fund (Y Dist.)	20,000	5.22%		MMF	AAAm
Total Money Market Funds	**40,008**				
Banks					
Handelsbanken Plc	238	3.00%		Call Account	AA-
Lloyds Bank Plc (RFB)	19,954	5.14%		Call Account	A+
The Royal Bank of Sctoland Plc (RFB)	5,929	3.25%		Call Account	A+
Total Banks	**26,121**				
Debt Management Office (DMO)					
DMO 1	2,700	5.19%	26/03/2024	03/04/2024	AA-
DMO 2	2,300	5.19%	28/03/2024	03/04/2024	AA-
DMO 3	2,900	5.19%	28/03/2024	06/04/2024	AA-
Total DMO	**7,900**				
Total Investments at 31 March 2024	**74,029**	**5.04%**			

Investments at 31 March 2023

Investments at 31 March 2023	Principal £'000	Interest Rate £'000	Start Date	Maturity Date	Lowest LT Fund Rating
Money Market Funds (MMF)					
Deutche Managed Sterling Fund (Reserved)	1,644	3.95%		MMF	AAAm
Fidelity Institutional Liquidity Sterling Fund (Class A)	7	4.10%		MMF	AAAm
Total Money Market Funds	**1,651**				
Banks					
Handelsbanken Plc	11,107	1.70%		Call Account	AA-
Lloyds Bank Plc (RFB)	10,961	4.16%		Call Account	A+
The Royal Bank of Sctoland Plc (RFB)	26,506	1.25%		Call Account	A+
Lloyds Bank Plc (RFB)	169	1.85%		32 Day Notice Call Account	A+
Total Banks	**48,743**				
Debt Management Office (DMO)					
DMO 1	3,500	3.87%	17/03/2023	04/04/2023	AA-
DMO 2	5,000	4.05%	27/03/2023	04/04/2023	AA-
DMO 3	5,000	3.90%	21/03/2023	05/04/2023	AA-
DMO 4	4,000	4.00%	23/03/2023	06/04/2023	AA-
DMO 5	3,000	4.05%	28/03/2023	06/04/2023	AA-
DMO 6	4,000	4.05%	29/03/2023	11/04/2023	AA-
DMO 7	2,500	4.05%	30/03/2023	12/04/2023	AA-
DMO 8	2,000	4.05%	31/03/2023	13/04/2023	AA-
Total DMO	**29,000**				
Total Investments at 31 March 2024	**79,394**	**2.77%**			