Bath & North East Somerset Council		
MEETING	**Cabinet**	
MEETING DATE:	**11 July 2024**	EXECUTIVE FORWARD PLAN REFERENCE: **E3545**
TITLE:	**Treasury Management Performance Report to 31st March 2024**	
WARD:	All	
AN OPEN PUBLIC ITEM		

List of attachments to this report:

Appendix 1 – Performance Against Prudential Indicators
Appendix 2 – The Council's Investment Position at 31st March 2024
Appendix 3 – Average monthly rate of return for 2023/24
Appendix 4 – The Council's External Borrowing Position at 31st March 2024
Appendix 5 – Arlingclose's Economic & Market Review Q4 of 2023/24
Appendix 6 – Interest & Capital Financing Budget Monitoring 2023/24
Appendix 7 – Summary Guide to Credit Ratings
Appendix 8 – Extract from Treasury Management Risk Register

1 THE ISSUE

1.1 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code), which requires the Council to approve a Treasury Management Strategy before the start of each financial year, review performance during the year, and approve an annual report within six months after the end of each financial year.

1.2 This report gives details of performance against the Council's Treasury Management Strategy for 2023/24.

2 RECOMMENDATION

The Cabinet agrees that.

2.1 The Treasury Management Report to 31st March 2024, prepared in accordance with the CIPFA Treasury Code of Practice, is noted.

2.2 The Treasury Management Indicators to 31st March 2024 are noted.

3 THE REPORT

Summary

3.1 The Council approved the 2023/24 Treasury Management Strategy at its meeting on 21st February 2023. The Council ended the year with total borrowing of £246m and total investments of £32.1m

3.2 The Council's Treasury Management Indicators for 2023/24 were agreed by Council in February 2023 and performance against the key indicators is shown in **Appendix 1**. All indicators are within target levels.

3.3 The estimated average total investment return for 1st April 2023 to 31st March 2024 is 4.85%, which is in 0.10% below the benchmark rate of 4.95% for the period.

3.4 The Council's revenue budget outturn for interest & capital financing costs for 2023/24 was £3.4m under budget. This was due to higher than budgeted investment returns as a result of interest rate rises since budget setting, a delay to borrowing requirements and associated interest costs, early repayment of a LOBO loan and also a saving on Minimum Revenue Provision (MRP) due to capital spend reprofiling. The breakdown of the 2023/24 revenue budget for interest and capital financing, and the year-end position, is included in **Appendix 6**.

Economic Overview

3.5 The Council's Treasury Management Advisor's economic and market review for 2023/24 is included in **Appendix 5**. The main headlines are as follows:

- Interest Rates have risen from 4.25% at 31st March 2023 to 5.25% at 31st March 2024.

- UK Inflation declined from 8.7% in April 2023 to 3.2% February 2024.

- The UK Economy entered a technical recession in the second half of 2023 and while indications are of a rebound in Q1 2024, indications are that prior increases in interest rates and higher price levels are depressing growth.

- Gilt yields continued to be volatile during 2023/24 with the 10 year UK benchmark gilt rising from 3.44% to peak at 4.75% in August and ending the year at 3.92%.

- The 7-day average SONIA (Sterling Overnight rate) for 2023/24 is 4.95%. This is the benchmark rate used by the council.

Borrowing

3.6 The Council's external borrowing as at 31st March 2024 totalled £246m and is detailed in **Appendix 4**. The summary of the movement in borrowing during the quarter and for the full financial year is shown in the following table:

Borrowing Portfolio Movements	**Quarter 4 2023/24 £m**	**Financial Year 2023/24 £m**
Balance as at 1st April 2023		**210.254**
Balance as at 31st December 2023	**216.987**	
New Loans Taken	30.000	50.000
LOBO Repayments	-	(10.000)
PWLB Annuity Loan principal repayments	(0.977)	(4.244)
Balance as at 31st March 2024	**246.010**	**246.010**

3.7 In October 2023 the Council took the opportunity to repay £10m of its LOBO (Lender Option Borrower Option) borrowing when the lender gave notice it was going to increase the interest rate. Two PWLB annuity loans were taken out to replace this at a blended rate of 4.58%, just above the original LOBO rate but well below the revised rate. As a result of this repayment, the Council made a one-off in year benefit of £427,700 due to accounting requirements to smooth upfront benefits over the life of the 50-year LOBO loan, which was released upon early repayment.

3.8 In addition to the £10m new loans taken out to replace the £10m LOBO repayment, the Council also took out £40m in new debt at an average rate of 4.94%. This borrowing was undertaken to maintain the Council's liquidity, with £30m taken in February and March 2024. As a result of delaying borrowing, and only borrowing what we needed to for liquidity purposes, we have been able to make savings on interest payable. For every week delaying borrowing of £10m, a saving of £9,400 at the average borrowing rate of 4.94% was achieved.

3.9 The Council's Capital Financing Requirement (CFR) as at 31st March 2024 was £367.6m. This represents the Council's underlying need to borrow to finance capital expenditure and demonstrates that the borrowing taken to date relates to funding historical capital spend.

3.10 The difference between the CFR and the current borrowing of £246m represents re-investment of the internal balances including reserves, reducing the in-year borrowing costs in excess of the potential investment returns.

3.11 The Liability Benchmark in **Appendix 1** illustrates the current borrowing and current and projected CFR and liability benchmark. The benchmark is lower than the CFR as it recognises the Council's ability to internally borrow to fund capital and therefore shows the optimum level of borrowing for the council that minimises risks and costs of borrowing. At the 31st March 2024 borrowing is almost in line with the benchmark and as we look forward borrowing is projected to fall below the benchmark providing and this funding gap can be used as a guide to the optimal amount and length of borrowing required in the future to minimise interest rate and credit risk.

3.12 Following Local Government Reorganisation in 1996, Avon County Council's residual debt is administered by Bristol City Council. All successor Unitary Authorities make an annual contribution to principal and interest repayment, for which there is a provision in the Council's revenue budget. The amount of residual debt outstanding as at 31st March 2024 apportioned to Bath & North East Somerset Council is £9.664m. Since this borrowing is managed by an external body and treated in the Council's Statement of Accounts as a deferred liability, it is not included in the borrowing figures referred to in paragraph 3.6.

Investments

3.13 As demonstrated by the liability benchmark in **Appendix 1**, the Council expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day to day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different asset classes and maintain stable investment income over the medium to long term.

3.14 At 31st March 2024, the Council had £32.1m in investments, with £22.1m in short term liquid investments and £10m in externally managed strategic funds. The balance of deposits is set out in the charts in this **Appendix 2**, along with the equivalent for the previous quarter and year for comparison.

3.15 **Appendix 3** details the investment performance, showing the average rate of interest earned over this period was 4.85%. The split between investment type is as follows:

Investment Type	**Average Investment Return**
Short Term Investments Total	**4.95%**
Long Term Strategic Investments:	
CCLA Local Authorities Property Fund	4.37%
FP Foresight UK Infrastructure Income Fund	4.47%
VT Gravis Clean Energy Income Fund	4.46%
Long Term Strategic Investments Total (Est.)	**4.43%**
Overall Total	**4.85%**

3.16 At 31st March 2024, the Council had short terms funds of £22.1m invested in Money Market Funds and Bank call accounts. Over the course of the year the Council earned 4.95% from these investments, which is equal to the 7-day SONIA benchmark Rate of 4.95%.

3.17 The Council also had £10m invested in externally managed strategic pooled funds, where the objectives are regular revenue income and long-term price stability. These investments were made with the knowledge that there is a risk that capital value could move both up and down on a frequent basis, and are intended to be held over a long period of time.

This investment includes £5m in Environmental Social and Governance (ESG) focused funds and £5m in a property fund, as listed below.

- £5m CCLA Local Authorities Property Fund.
- £3m FP Foresight UK Infrastructure Income Fund.
- £2m VT Gravis Clean Energy Income Fund.

In 2023/24 these funds generated an average income return of 4.43%, which is used to support services in year, and a 10.85% or £1.09m unrealised capital loss.

The total unrealised capital loss as at 31st March 2024 is 23.03% or £2.30m, a breakdown of which is below:

	CCLA Local Authorities Property Fund	**FP Foresight UK Infrastructure Income Fund**	**VT Gravis Clean Energy Income Fund**	**Total**
Historic Cost	5,000,000	3,000,000	2,000,000	**10,000,000**
2023/24				
Fair Value at 31/03/2024	4,177,465	2,173,120	1,346,161	**7,696,746**
In Year % Value Lost / (Gained)	3.31%	13.79%	25.30%	**10.85%**
Cumulative % Value Lost / (Gained)	16.45%	27.56%	32.69%	**23.03%**
2022/23				
Fair Value at 31/03/2023	4,342,727	2,586,831	1,852,212	**8,781,770**
In Year % Value Lost / (Gained)	17.14%	15.95%	9.68%	**15.29%**
Cumulative % Value Lost / (Gained)	13.15%	13.77%	7.39%	**12.18%**

This change in valuation does not currently have an impact on the revenue account or usable reserves due to a statutory override, and gains/losses will instead go to an unusable reserve. These will only be charged to revenue if/when the Council's holding in the pooled funds are sold, or if the Government removes the existing override. The next review of the statutory override will take place prior to the end of 2024/25. The Council has in place a Capital Financing Reserve which can be used to mitigate any future revenue impacts should the statutory override be removed.

3.18 Regarding the Council's Property Fund investment, the commercial property market improved marginally in 2023 and was more stable, in contrast to the very challenging backdrop of 2022. Low transactional volumes were a constraint on valuations and made prospective sellers and buyers more cautious. Although many sectors lacked momentum, there was growing confidence in the longer-term outlook as occupier demand and rental markets held up. Industrial and retail warehousing sectors remained strong, but retail and office sectors remained weak, the latter continuing to be hindered by low occupancy from hybrid working practices.

3.19 Regarding the Council's Infrastructure and Clean Energy Funds, macroeconomic factors of persistent inflation and consequent rising interest rates were the main drivers of volatility and share price weakness. Outflows from listed real assets and equities more broadly, towards higher-yielding fixed income investments and cash, were also a further factor which contributed to depressed capital values. Values have however begun to stabilise as inflation decelerates and the risk of higher interest rates diminishes, together with a positive reassessment of infrastructure assets as energy price subsidy regimes also begin to fall away.

Despite the challenging macro environment, the funds' underlying portfolio companies have continued to deliver on dividend targets and the funds' dividend distributions per share have been relatively steady in the face of market turbulence. Many companies in the funds' portfolios, which focus on clean energy, decarbonisation and the building of digital and social infrastructure, continue to benefit from long-term contracted revenue streams, some with a high degree of inflation linkage.

Budget Implications

3.20 The Council's revenue budget outturn for interest & capital financing costs for 2023/24 was £3.4m under budget. This was due to higher than budgeted investment returns as a result of interest rate rises since budget setting, a delay to borrowing requirements and associated interest costs, early repayment of a LOBO loan and also a saving on Minimum Revenue Provision (MRP) due to capital spend reprofiling. The breakdown of the 2023/24 revenue budget for interest and capital financing, and the year-end position, is included in **Appendix 6**.

4 STATUTORY CONSIDERATIONS

4.1 This report is for information only.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

5.1 The financial implications are contained within the body of the report.

6 RISK MANAGEMENT

6.1 The Council's lending & borrowing list is regularly reviewed during the financial year and credit ratings are monitored throughout the year. All lending/borrowing transactions are within approved limits and with approved institutions. Investment and borrowing advice is provided by our Treasury Management consultants, Arlingclose.

6.2 The CIPFA Treasury Management in the Public Services: Code of Practice requires the Council nominate a committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies. The Corporate Audit Committee carries out this scrutiny.

6.3 In addition, the Council maintain a risk register for Treasury Management activities, which is regularly reviewed and updated where applicable during the year. An extract from the risk register, detailing how the top 5 risks are managed, is included as **Appendix 8**.

7 EQUALITIES

7.1 As this report contains performance information for noting only, an Equality Impact Assessment is not considered necessary.

8 CLIMATE CHANGE

8.1 The Council will continue to avoid any direct treasury management investments in fossil fuel related companies and will engage with its advisors to explore and assess the potential for any future investment opportunities in funds with a Renewable Energy & Sustainability focus as these products continue to be developed by the market in response to the Climate & Nature Emergency agenda.

8.2 An ESG section has been included the Treasury Management Strategy document for 2023/24, with the treasury team monitoring investment options permitted under the new guidelines.

8.3 The Council holds £5m in longer term investments, split across two ESG focussed Strategic Funds, as detailed under 3.17.

9 OTHER OPTIONS CONSIDERED

9.1 None

10 CONSULTATION

10.1 Consultation has been carried out with the Cabinet Member for Resources, Executive Director - Resources and Monitoring Officer.

Contact person	Claire Read - 01225 477109; Jamie Whittard - 01225 477213 Claire_Read@BATHNES.GOV.UK: Jamie_Whittard@BATHNES.GOV.UK
Background papers	2023/24 Treasury Management & Investment Strategy
Please contact the report author if you need to access this report in an alternative format	

APPENDIX 1
Performance against Treasury Management Indicators agreed in Treasury Management Strategy Statement

1. Treasury Borrowing limits
These limits include current commitments and proposals in the budget report for capital expenditure, plus additional headroom over & above the operational limit for unusual cash movements.

The Authorised limits for external debt include current commitments and proposals in the budget report for capital expenditure, plus additional headroom over and above the operational limit for unusual cash movements.

The Operational boundary for external debt is based on the same estimates as the authorised limit but without the additional headroom for unusual cash movements. This level also factors in the proposed approach to use internal cash-flow and future capital receipts as the preferred financing method for the capital programme.

	2023/24 Prudential Indicator	**Actual as at 31st March 2024**
Operational boundary – borrowing.	£433m	£246.01m
Operational boundary – other long-term liabilities	£4m	£0m
Operational boundary – TOTAL	**£437m**	**£246.01m**
Authorised limit – borrowing.	£462m	£246.01m
Authorised limit – other long-term liabilities.	£4m	£0m
Authorised limit – TOTAL	**£466m**	**£246.01m**

2. Security: Average Credit Rating*
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. A summary guide to credit ratings is set out at **Appendix 7**.

	2023/24 Prudential Indicator	**Actual as at 31st March 2024**
	Rating	Rating
Minimum Portfolio Average Credit Rating	A-	AA+

* *The calculation excludes the strategic investment in the CCLA Local Authority Property Fund and ESG focussed Investment Funds, which are unrated.*

3. Liquidity

The Authority 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.

Liquidity risk indicator	2023/24 Prudential Indicator	Minimum During year	Date of minimum
Minimum total Cash Available within 3 months	£15m	£15.6m	13-Mar-24

4. Interest rate exposures

This indicator is set to control the Council's exposure to interest rate risk. The upper limit represents the maximum one-year revenue impact of a 1% rise or fall in interest rates.

	2023/24 Prudential Indicator	Actual as at 31st March 2024
Upper limit on one-year revenue impact of a 1% rise in interest rates	+/- £1m	-£0.096m
Upper limit on one-year revenue impact of a 1% fall in interest rates	+/- £1m	£0.096m

The impact of this limit is that the Council should never be holding a maturity adjusted net debt / investment position on variable rates of more than £100m.

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates, which includes amounts which are maturing each year in PWLB annuity loans.

5. Maturity Structure of borrowing

This indicator is set to control the Council's exposure to refinancing risk.

	Upper Limit	Lower Limit	Actual as at 31st March 2024
	%	%	%
Under 12 months	50	Nil	4.1
12 months and within 24 months	50	Nil	8.1
24 months and within 5 years	75	Nil	0.0
5 years and within 10 years	75	Nil	6.1
10 years and within 25 years	100	25	53.3
Over 25 years	100		28.4

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date that the lender can demand repayment. For LOBO's, this is shown at the date of maturity as the council would only consider repaying these loans if the lenders exercised their option to alter the interest rate.

6. Upper limit for total principal sums invested for over 364 days

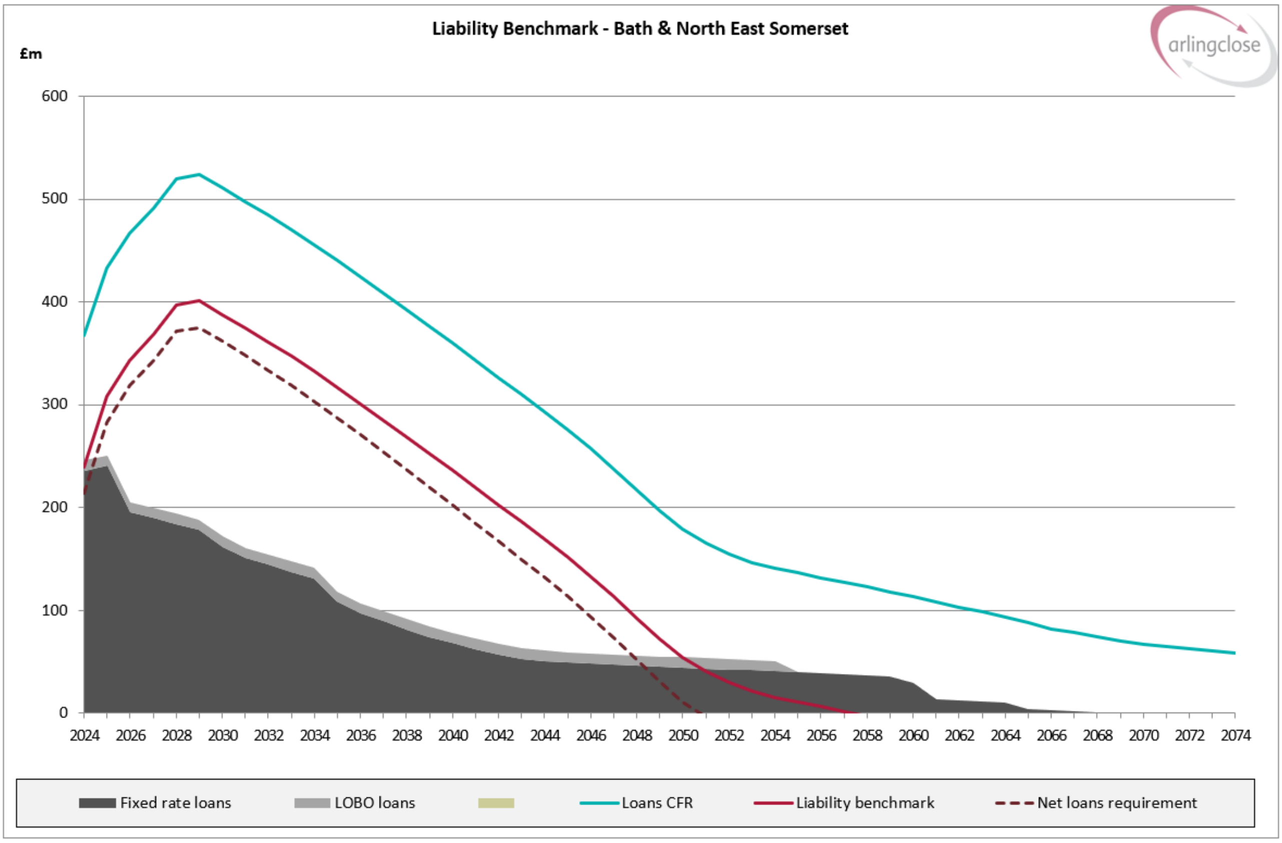
The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	2023/24 Prudential Indicator	Actual as at 31st March 2024
Limit on principal invested beyond 31st March 2024	£50m	£10m*
Limit on principal invested beyond 31st March 2025	£20m	£10m*
Limit on principal invested beyond 31st March 2026	£10m	£10m*

*The Council includes the CCLA LA Property Fund & two long term ESG focussed Investment Funds against this indicator as they are both held as Long-Term Strategic Investments.

7. Liability Benchmark

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. The liability benchmark itself 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 required to manage day-to-day cash flow.



As at 31st March 2024, there is pretty much no difference between the actual borrowing (the grey slopes) and the Liability Benchmark (the solid red line) and both are well below the Capital Financing Requirement which is the absolute maximum we can borrow for capital purposes. Looking forward the actual borrowing will fall below the liability benchmark and this funding gap can be used as a guide to the optimal amount and length of borrowing required to minimise interest rate and credit risk.

APPENDIX 2

The Council's Investment position at 31st March 2024

The term of investments is as follows:

Term Remaining	**Balance at 31st March 2024**	**Comparator**	
		Balance at 31st December 2023	**Balance at 31st March 2023**
	£m	**£m**	**£m**
Notice (instant access funds)	22.10	24.10	27.30
Up to 1 month	0.00	5.00	5.00
1 month to 3 months	0.00	0.00	0.00
3 months to 6 months	0.00	0.00	0.00
6 months to 12 months	0.00	0.00	0.00
Strategic Funds	10.00	10.00	10.00
Total	**32.10**	**39.10**	**42.30**

The investment figure is made up as follows:

	Balance at 31st March 2024	**Comparator**	
		Balance at 31st December 2023	**Balance at 31st March 2023**
	£m	**£m**	**£m**
B&NES Council	29.95	35.63	40.45
Schools	2.15	3.47	1.86
Total	**32.10**	**39.10**	**42.30**

The Council had a total average net positive balance of £49.69m during the period April 2023 to March 2024.

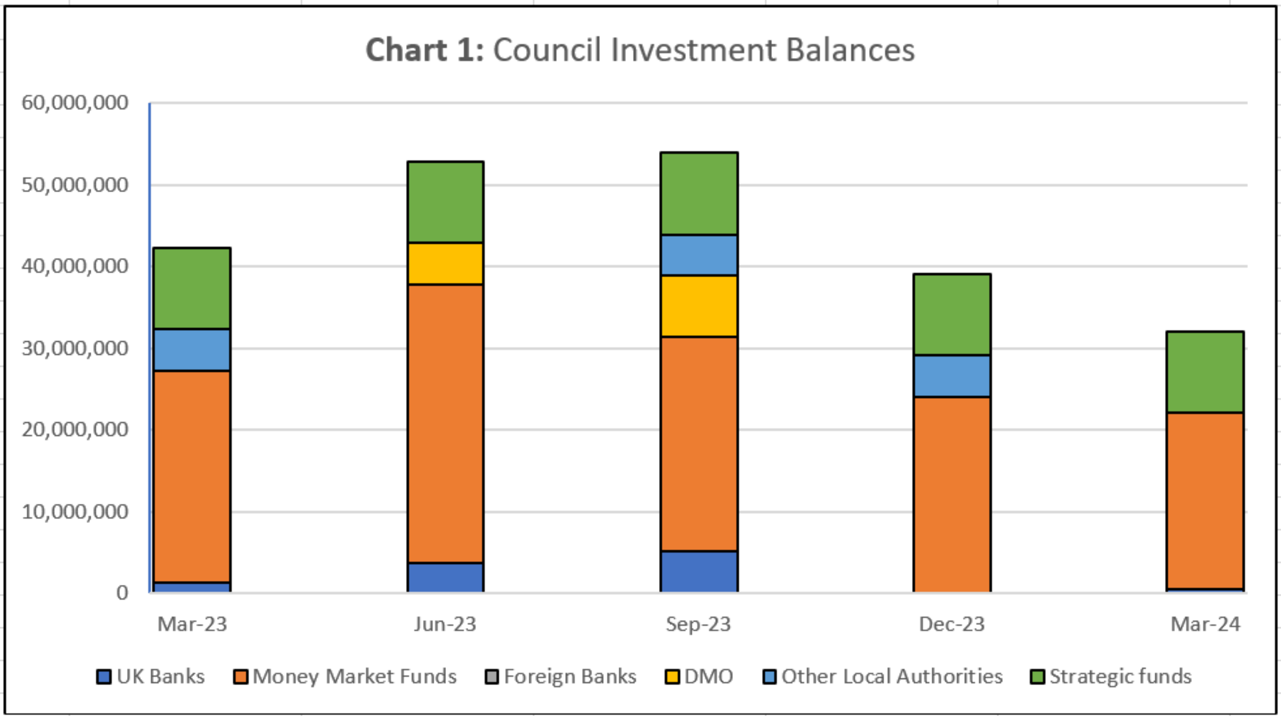


Chart 1: Council Investment Balances
60,000,000
50,000,000
40,000,000
30,000,000
20,000,000
10,000,000
0
Mar-23
Jun-23
Sep-23
Dec-23
Mar-24
UK Banks
Money Market Funds
Foreign Banks
DMO
Other Local Authorities
Strategic funds

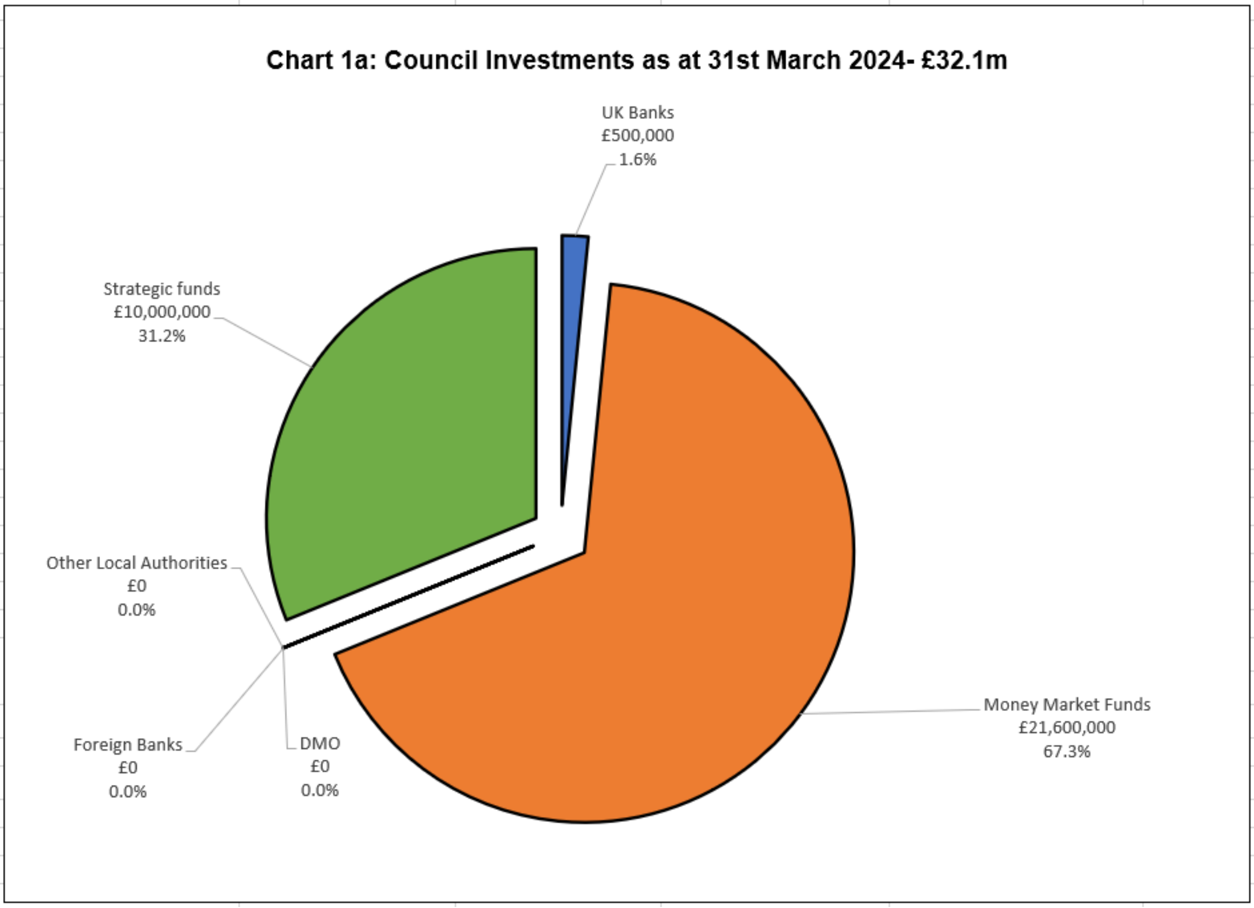


Chart 1a: Council Investments as at 31st March 2024- £32.1m
UK Banks
£500,000
1.6%
Strategic funds
£10,000,000
31.2%
Other Local Authorities
£0
0.0%
Foreign Banks
£0
0.0%
DMO
£0
0.0%
Money Market Funds
£21,600,000
67.3%

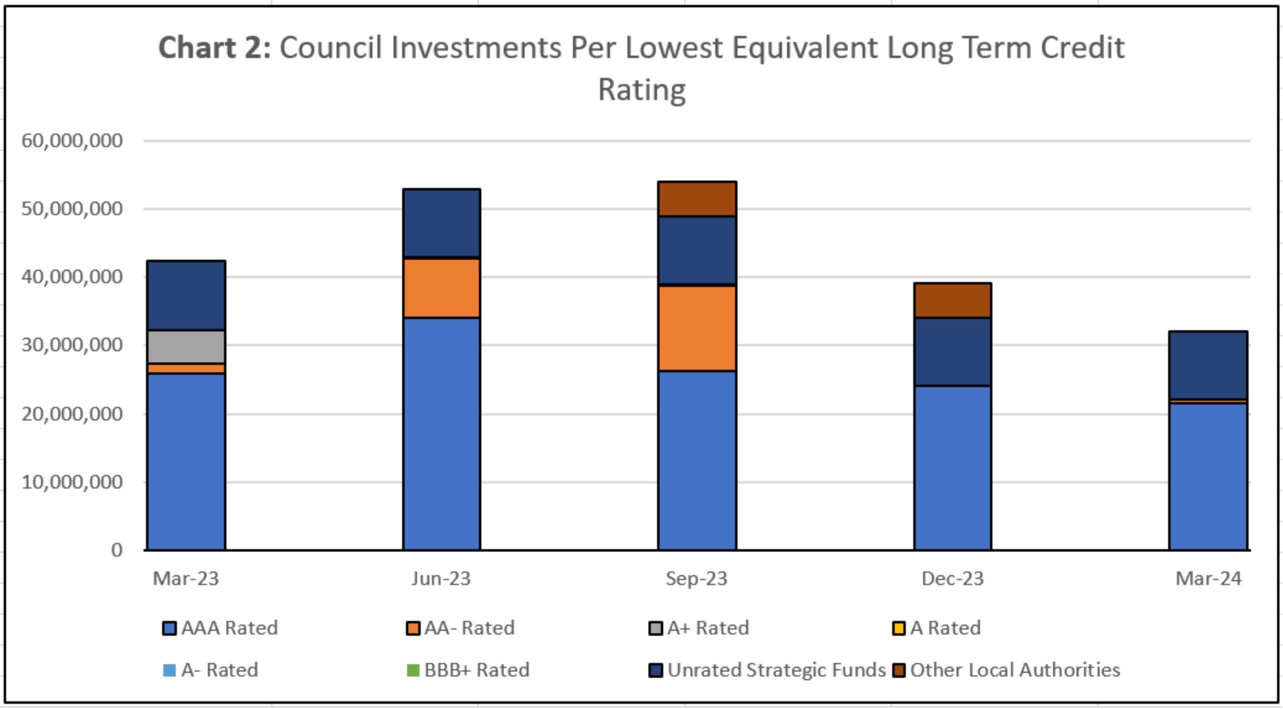


Chart 2: Council Investments Per Lowest Equivalent Long Term Credit Rating
60,000,000
50,000,000
40,000,000
30,000,000
20,000,000
10,000,000
0
Mar-23
Jun-23
Sep-23
Dec-23
Mar-24
AAA Rated
AA- Rated
A+ Rated
A Rated
A- Rated
BBB+ Rated
Unrated Strategic Funds
Other Local Authorities

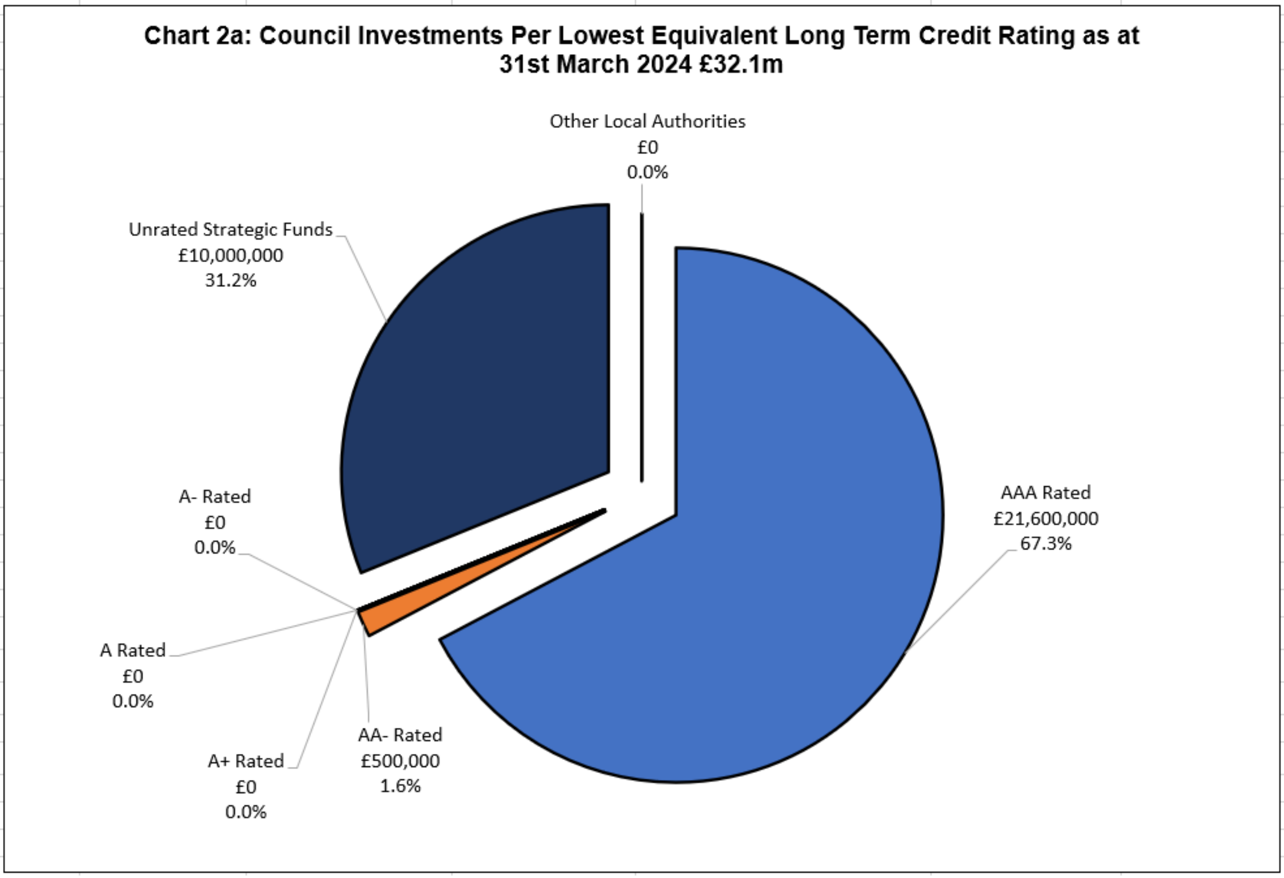


Chart 2a: Council Investments Per Lowest Equivalent Long Term Credit Rating as at 31st March 2024 £32.1m
Other Local Authorities £0 0.0%
Unrated Strategic Funds £10,000,000 31.2%
A- Rated £0 0.0%
A Rated £0 0.0%
A+ Rated £0 0.0%
AA- Rated £500,000 1.6%
AAA Rated £21,600,000 67.3%

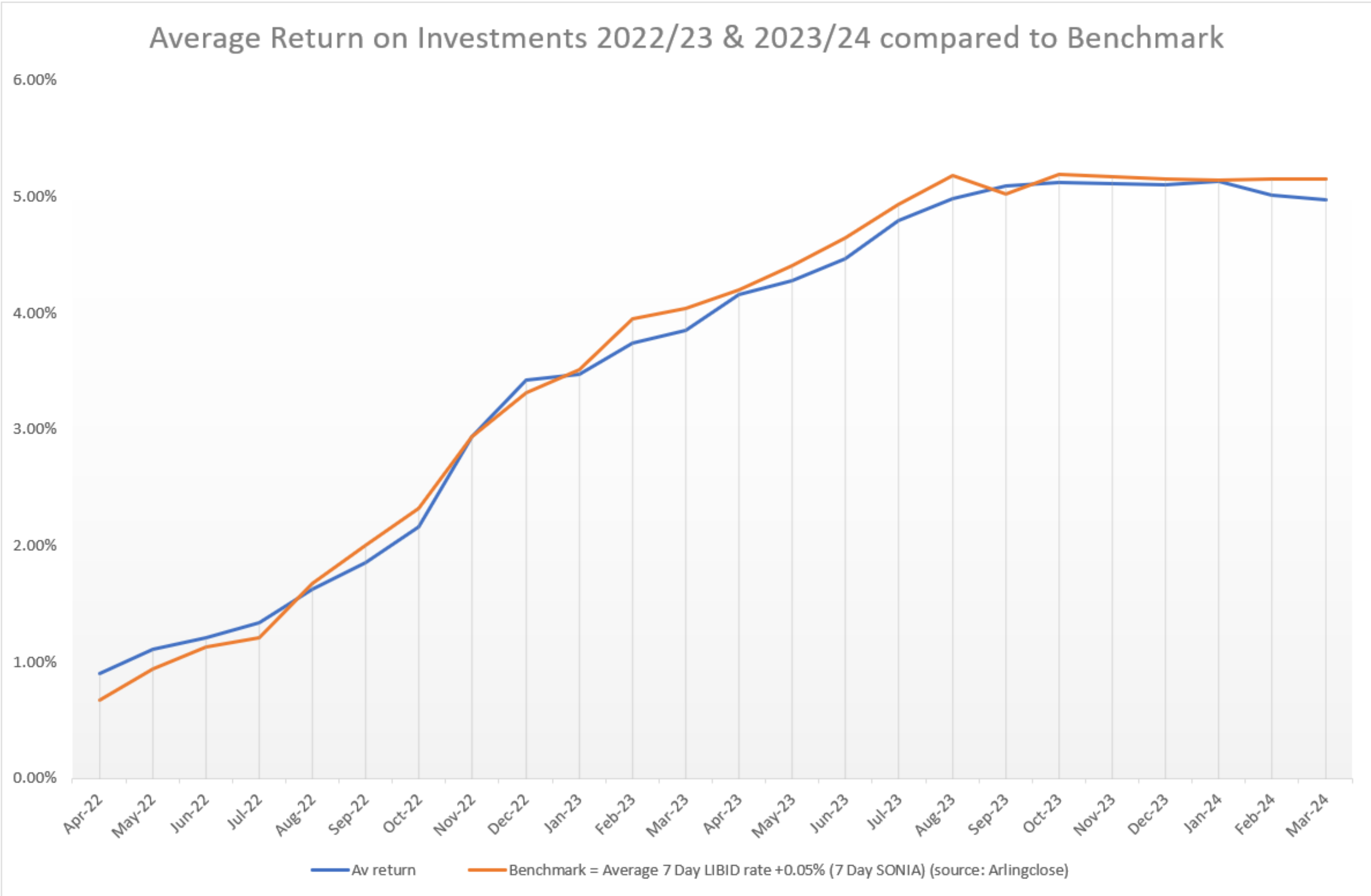
APPENDIX 3

Average rate of return on investments for 2023/24

	Average rate of interest earned	**Benchmark = Average 7 Day SONIA rate**	**Performance against Benchmark**
April 2023	4.16%	4.20%	-0.04%
May 2023	4.28%	4.41%	-0.13%
June 2023	4.47%	4.64%	-0.17%
July 2023	4.79%	4.93%	-0.14%
August 2023	4.98%	5.18%	-0.20%
September 2023	5.09%	5.02%	0.07%
October 2023	5.11%	5.19%	-0.07%
November 2023	5.10%	5.17%	-0.07%
December 2023	5.09%	5.15%	-0.06%
January 2024	5.13%	5.14%	-0.01%
February 2024	5.01%	5.15%	-0.14%
March 2024	4.97%	5.15%	-0.18%
Average	**4.85%**	**4.95%**	**-0.10%**

For comparison, the average rate of return on investments in 2022/23 was as follows:

	Average rate of interest earned	**Benchmark = Average 7 Day SONIA rate**	**Performance against Benchmark**
April 2022	0.90%	0.67%	+0.23%
May 2022	1.11%	0.94%	+0.18%
June 2022	1.21%	1.13%	+0.08%
July 2022	1.34%	1.21%	+0.13%
August 2022	1.63%	1.67%	-0.04%
September 2022	1.85%	2.00%	-0.15%
October 2022	2.16%	2.32%	-0.16%
November 2022	2.94%	2.94%	0.00%
December 2022	3.42%	3.31%	+0.11%
January 2023	3.47%	3.51%	-0.04%
February 2023	3.74%	3.95%	-0.21%
March 2023	3.85%	4.04%	-0.19%
Average	**2.09%**	**2.30%**	**-0.21%**


Average Return on Investments 2022/23 & 2023/24 compared to Benchmark
6.00%
5.00%
4.00%
3.00%
2.00%
1.00%
0.00%
Apr-22
May-22
Jun-22
Jul-22
Aug-22
Sep-22
Oct-22
Nov-22
Dec-22
Jan-23
Feb-23
Mar-23
Apr-23
May-23
Jun-23
Jul-23
Aug-23
Sep-23
Oct-23
Nov-23
Dec-23
Jan-24
Feb-24
Mar-24
Av return
Benchmark = Average 7 Day LIBID rate +0.05% (7 Day SONIA) (source: Arlingclose)

APPENDIX 4

Council's External Borrowing at 31st March 2024

Lender	Amount outstanding @ 31st December 2023 £	Change in Quarter £	Amount outstanding @ 31st March 2024 £	Start date	End date	Interest rate
Long term						
PWLB489142	10,000,000	-	**10,000,000**	15/10/2004	15/10/2034	4.75%
PWLB497233	5,000,000	-	**5,000,000**	12/05/2010	15/08/2035	4.55%
PWLB497234	5,000,000	-	**5,000,000**	12/05/2010	15/02/2060	4.53%
PWLB498834	5,000,000	-	**5,000,000**	05/08/2011	15/02/2031	4.86%
PWLB498835	10,000,000	-	**10,000,000**	05/08/2011	15/08/2029	4.80%
PWLB498836	15,000,000	-	**15,000,000**	05/08/2011	15/02/2061	4.96%
PWLB503684	5,300,000	-	**5,300,000**	29/01/2015	08/04/2034	2.62%
PWLB503685	5,000,000	-	**5,000,000**	29/01/2015	08/10/2064	2.92%
PWLB505122	15,176,672	-	**15,176,672**	20/06/2016	20/06/2041	2.36%
PWLB508126	8,277,206	-	**8,277,206**	06/12/2018	20/06/2043	2.38%
PWLB508202	9,419,860	-	**9,419,860**	12/12/2018	20/06/2068	2.59%
PWLB508224	4,126,469	-	**4,126,469**	13/12/2018	20/06/2043	2.25%
PWLB505744	7,614,067	(198,511)	**7,415,556**	24/02/2017	15/08/2039	2.28%
PWLB505966	7,913,674	(173,466)	**7,740,207**	04/04/2017	15/02/2042	2.26%
PWLB506052	6,724,810	(147,547)	**6,577,262**	08/05/2017	15/02/2042	2.25%
PWLB506255	6,520,109	-	**6,520,109**	10/08/2017	10/04/2067	2.64%
PWLB506729	8,103,207	-	**8,103,207**	13/12/2017	10/10/2042	2.35%
PWLB506995	8,136,929	-	**8,136,929**	06/03/2018	10/10/2042	2.52%
PWLB506996	8,571,644	-	**8,571,644**	06/03/2018	10/10/2047	2.62%
PWLB507749	8,450,118	(165,489)	**8,284,629**	10/09/2018	20/07/2043	2.42%
PWLB508485	19,027,920	(114,927)	**18,912,993**	11/02/2019	20/07/2068	2.52%
PWLB509840	8,624,824	(177,356)	**8,447,468**	04/09/2019	20/07/2044	1.40%
PW677322	5,000,000	-	**5,000,000**	22/11/2023	22/11/2038	4.88%
PW687799	5,000,000	-	**5,000,000**	29/12/2023	29/12/2038	4.28%
PW700594	-	10,000,000	**10,000,000**	09/02/2024	09/02/2039	4.54%

Lender	Amount outstanding @ 31st December 2023 £	Change in Quarter £	Amount outstanding @ 31st March 2024 £	Start date	End date	Interest rate
KBC Bank N.V *	5,000,000	-	**5,000,000**	08/10/2004	08/10/2054	4.50%
KBC Bank N.V *	5,000,000	-	**5,000,000**	08/10/2004	08/10/2054	4.50%
Commerzbank AG Frankfurt*	-	-	**-**	27/04/2005	27/04/2055	4.50%
Medium term						
West of England Combined Authority	5,000,000	-	**5,000,000**	28/04/2023	26/04/2024	4.45%
Portsmouth C.C.	5,000,000	-	**5,000,000**	28/04/2023	26/04/2024	4.45%
PW711937	-	10,000,000	**10,000,000**	15/03/2024	30/04/2025	5.42%
PW713077	-	5,000,000	**5,000,000**	20/03/2024	30/04/2025	5.37%
PW715777	-	5,000,000	**5,000,000**	28/03/2024	30/04/2025	5.34%
Total Borrowing	**216,987,507**	**29,022,704**	**246,010,210**			

*All LOBO's (Lender Option / Borrower Option) have reached the end of their fixed interest period and have reverted to the variable rate of 4.50%. The lender has the option to change the interest rate at 6 monthly intervals. Should the lender use the option to change the rate, then at this point the borrower has the option to repay the loan without penalty.

The "Change in Quarter" movement on some of the PWLB loans reflects that these loans have an annuity repayment profile, so repayments of principal are made on a 6 monthly basis throughout the life of the loans.

APPENDIX 5: Arlingclose Economic & Market Review

Economic background: UK inflation continued to decline from the 8.7% rate seen at the start of 2023/24. By the last quarter of the financial year headline consumer price inflation (CPI) had fallen to 3.4% in February, but was still above the Bank of England's 2% target at the end of the period. The core measure of CPI, i.e. excluding food and energy, also slowed in February to 4.5% from 5.1% in January, a rate that had stubbornly persisted for three consecutive months.

The UK economy entered a technical recession in the second half of 2023, as growth rates of -0.1% and -0.3% respectively were recorded for Q3 and Q4. Over the 2023 calendar year GDP growth only expanded by 0.1% compared to 2022. Of the recent monthly data, the Office for National Statistics reported a rebound in activity with economy expanding 0.2% in January 2024. While the economy may somewhat recover in Q1 2024, the data suggests that prior increases in interest rates and higher price levels are depressing growth, which will continue to bear down on inflation throughout 2024.

Labour market data provided a mixed message for policymakers. Employment and vacancies declined, and unemployment rose to 4.3% (3mth/year) in July 2023. The same month saw the highest annual growth rate of 8.5% for total pay (i.e. including bonuses) and 7.8% for regular pay growth (i.e. excluding bonuses). Thereafter, unemployment began to decline, falling to 3.9% (3mth/year) in January and pay growth also edged lower to 5.6% for total pay and 6.1% for regular pay, but remained above the Bank of England's forecast.

Having begun the financial year at 4.25%, the Bank of England's Monetary Policy Committee (MPC) increased Bank Rate to 5.25% in August 2023 with a 3-way split in the Committee's voting as the UK economy appeared resilient in the face of the dual headwinds of higher inflation and interest rates. Bank Rate was maintained at 5.25% through to March 2024. The vote at the March was 8-1 in favour of maintaining rates at this level, with the single dissenter preferring to cut rates immediately by 0.25%. Although financial markets shifted their interest rate expectations downwards with expectations of a cut in June, the MPC's focus remained on assessing how long interest rates would need to be restrictive in order to control inflation over the medium term.

In the Bank's quarterly Monetary Policy Report (MPR) released in August 2023 the near-term projection for services price inflation was revised upwards, goods price inflation widespread across products, indicating stronger domestic inflationary pressure with second-round effects in domestic prices and wages likely taking longer to unwind than they did to emerge. In the February 2024 MPR the Bank's expectations for the UK economy were positive for the first half of 2024, with a recovery from the mild recession in calendar H2 2023 being gradual. Headline CPI was forecast to dip below the 2% target quicker than previously thought due to declining energy prices, these effects would hold inflation slightly above target for much of the forecast horizon.

Following this MPC meeting, Arlingclose, the authority's treasury adviser, maintained its central view that 5.25% remains the peak in Bank Rate and that interest rates will most likely start to be cut later in H2 2024. The risks in the short-term are deemed to be to the downside as a rate cut may come sooner than expected, but then more broadly balanced over the medium term.

The US Federal Reserve also pushed up rates over the period, reaching a peak range of between 5.25-5.50% in August 2023, where it has stayed since. US policymakers have maintained the relatively dovish stance from the December FOMC meeting and at the meeting in March, economic projections pointed to interest rates being cut by a total of 0.75% in 2024.

Following a similarly sharp upward trajectory, the European Central Bank hiked rates to historically high levels over period, pushing its main refinancing rate to 4.5% in September 2023, where it has remained. Economic growth in the region remains weak, with a potential recession on the cards, but inflation remains sticky and above the ECB's target, putting pressure on policymakers on how to balance these factors.

Financial markets: Sentiment in financial markets remained uncertain and bond yields continued to be volatile over the year. During the first half of the year, yields rose as interest rates continued to be pushed up in response to rising inflation. From October they started declining again before falling sharply in December as falling inflation and dovish central bank attitudes caused financial markets to expect cuts in interest rates in 2024. When it emerged in January that inflation was stickier than expected and the BoE and the Federal Reserve were data dependent and not inclined to cut rates soon, yields rose once again, ending the period some 50+ bps higher than when it started.

Over the financial year, the 10-year UK benchmark gilt yield rose from 3.44% to peak at 4.75% in August, before then dropping to 3.44% in late December 2023 and rising again to 3.92% (28th March 2024). The Sterling Overnight Rate (SONIA) averaged 4.96% over the period to 31st March.

Credit review: In response to an improving outlook for credit markets, in January 2024 Arlingclose moved away from its previous temporary stance of a 35-day maximum duration and increased its advised recommended maximum unsecured duration limit on all banks on its counterparty list to 100 days.

Earlier in the period, S&P revised the UK sovereign outlook to stable and upgraded Barclays Bank to A+. Moody's also revised the UK outlook to stable, Handelsbanken's outlook to negative, downgraded five local authorities, and affirmed HSBC's outlook at stable while upgrading its Baseline Credit Assessment. Fitch revised UOB's and BMO's outlooks to stable.

In the final quarter of the financial year, Fitch revised the outlook on the UK sovereign rating to stable from negative based on their assessment that the risks to the UK's public finances had decreased since its previous review in October 2022, the time of the mini-budget.

Moody's, meanwhile, upgraded the long-term ratings of German lenders Helaba, Bayern LB and LBBW on better solvency and capital positions, despite challenges from a slowing German economy and exposure to the commercial real estate sector. Moody's also upgraded or placed on review for an upgrade, Australian banks including ANZ, CBA NAB and Westpac on the back of the introduction of a new bank resolution regime.

Credit default swap prices began the financial year at elevated levels following the fallout from Silicon Valley Bank and collapse/takeover of other lenders. From then the general trend was one of falling prices and UK lenders' CDS ended the period at similar levels to those seen in early 2023. Earlier in the year some Canadian lenders saw their CDS prices rise due to concerns over a slowing domestic economy and housing market, while some German lenders were impacted by similar economic concerns and exposure to commercial real estate towards the end of the period, with LBBW remaining the most elevated.

Heightened 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 Authority's counterparty list recommended by Arlingclose remain under constant review.

APPENDIX 6

Interest & Capital Financing Costs – Budget Monitoring 2023/24

April 2023 to March 2024	**YEAR END POSITION** Budgeted Spend or (Income) £'000	Actual Spend or (Income) £'000	Actual over or (under) spend £'000	**ADV/FAV**
Interest & Capital Financing				
- Debt Costs	8,872	7,026	(1,846)	FAV
- Internal Repayment of Loan Charges	(16,080)	(16,080)	0	-
- Ex Avon Debt Costs	910	900	(10)	FAV
- Minimum Revenue Provision (MRP)	11,164	10,184	(980)	FAV
- Interest on Balances*	(1,450)	(2,011)	(561)	FAV
Total	**3,416**	**19**	**(3,397)**	**FAV**

*this is after the transfer of £10,000 to the Capital Financing Reserve to go towards smoothing any gains or losses on valuation of the strategic investment funds, should the statutory override not be extended when it currently runs out on 31/05/2025

APPENDIX 7

Summary Guide to Credit Ratings

Rating	Details
AAA	Highest credit quality – lowest expectation of default, which is unlikely to be adversely affected by foreseeable events.
AA	Very high credit quality - expectation of very low default risk, which is not likely to be significantly vulnerable to foreseeable events.
A	High credit quality - expectations of low default risk which may be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
BBB	Good credit quality - expectations of default risk are currently low but adverse business or economic conditions are more likely to impair this capacity.
BB	Speculative - indicates an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time.
B	Highly speculative - indicates that material default risk is present, but a limited margin of safety remains. Capacity for continued payment is vulnerable to deterioration in the business and economic environment.
CCC	Substantial credit risk - default is a real possibility.
CC	Very high levels of credit risk - default of some kind appears probable.
C	Exceptionally high levels of credit risk - default is imminent or inevitable.
RD	Restricted default - indicates an issuer that has experienced payment default on a bond, loan, or other material financial obligation but which has not entered into bankruptcy filings, administration, receivership, liquidation, or other formal winding-up procedure, and which has not otherwise ceased operating.
D	Default - indicates an issuer that has entered into bankruptcy filings, administration, receivership, liquidation, or other formal winding-up procedure, or which has otherwise ceased business.

APPENDIX 8

Extract from Treasury Management Risk Register – Top 5 Risks

	Risk Nr	Description	Current Risk Score												Trend			Management Action
			Likelihood					Impact					This Period		Periods Ago			
			1	2	3	4	5	1	2	3	4	5						
			L		M	H		L		M	H				1	2	3	
1	R06	Inflation Risk The risk that prevailing levels of inflation cause an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.			3						4		12		12	16	16	Liaise with Chief Finance Officer to ensure Inflation both current and projected forms part of the medium term financial planning framework.
2	R09	Legal & Regulatory Risk - Changes Risk that regulatory changes are not planned for and adversely impact the Council's budget and or ability to borrow				4				3			12		12			Read, resond and calculate the impact of Local Government accounting, investment and capital financing / borrowing consultations have on treasury management. Plan for the implementation of new regulations, conditions and accounting treatment
3	R04	Interest Rate Risk The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately			3					3			9		9	12	12	Monitor interest rates on a monthly basis and compare with budget to determine impact on Council finances and report through monthly Treasury Dashboard. Report implication of interest rate changes to Cabinet as part of quarterly Treasury Management Performance Report. Explore alternative potential investment products following new freedoms - including corporate bonds, gilts, Certificate of Deposits etc. Discussion with our treasury advisors on any new borrowing in terms of duration and timing given the current volatility in the gilt market and PWLB interest rates.
4	R01	Credit & Counterparty Risk - Default Risk The risk of failure by a third party to meet its contractual obligations to the organisation under an investment, borrowing, capital, project or partnership financing, particularly as a result of the third party's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources.		2							4		8		8			Complete annual review of Counterparty List with external advisors to feed into Treasury Management Strategy. Regular review of counterparty financial standing through use of credit ratings, credit default swap rates and national press coverage and liaison with Chief Finance Officer and external advisors to consider any issues / change in circumstances of counterparties.
5	R08	Legal & Regulatory Risk - Acting Outside Powers The risk that the organisation itself, or a third party with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly.		2							4		8		8			Obtain independent review of the council's strategy and polices to ensure compliance with the CIPFA Code of Practice on Treasury Management Local Authorities (Capital Finance and Accounting) (England) Regulations, Local Government Act and any other regulation or guidance as specified by the Secretary of State.. Stay on top of Government and CIPFA consultations on Treasury and Capital Financing regulations