APPENDIX 'A'

SOUTH HOLLAND DISTRICT COUNCIL

Annual Treasury Management Review 2023/24

For approval by Council on 31 July 2024 following scrutiny by Governance and Audit Committee on 18 July 2024

APPENDIX 'A'

ANNUAL TREASURY MANAGEMENT REVIEW 2023/24

1. INTRODUCTION

This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2023/24. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

During 2023/24 the following reports have been submitted:

- an annual treasury strategy in advance of the year (Council 2 March 2023)
- a mid year treasury update report (Governance and Audit 9 November 2023 and Council 22 November 2023)
- an annual review following the end of the year describing the activity compared to the strategy (this report)

In addition, this Council has received quarterly treasury management update reports on 19 September 2023 and 14 March 2024 which were received by the Governance and Audit Committee.

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

This Council also confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit and Governance Committee. Member training on treasury management has been undertaken during the financial year and further external training will be provided in the 2024/25 financial year.

The Treasury Management function is administered by Public Sector Partnership Services Ltd on behalf of the Council.

2. THE COUNCIL'S CAPITAL EXPENDITURE AND FINANCING 2023/24

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.

The actual capital expenditure forms one of the required prudential indicators.

The following table summarises actual capital expenditure and how this was financed. Full details of the 2023/24 expenditure can be found at **Appendix 'A1'.**

£'000 General Fund	2022/23 Actual	2023/24 Approved Budget	2023/24 Actual
Capital expenditure	14,693	9,235	7,006
Financed in year	(10,095)	(5,260)	(4,577)
Unfinanced capital expenditure	4,598	3,975	2,429

£'000 Housing Revenue Account (HRA)	2022/23 Actual	2023/24 Approved Budget	2023/24 Actual
Capital expenditure	6,953	16,979	16,547
Financed in year	(6,953)	(16,979)	(16,547)
Unfinanced capital expenditure	-	-	-

3. THE COUNCIL'S OVERALL BORROWING NEED

The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2023/24 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board (PWLB) or the money markets), or utilising temporary cash resources within the Council.

Reducing the CFR – the Council's (non HRA) underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. 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 borrowing need (there is no statutory requirement to reduce the HRA CFR). This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

The 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).

The Council's 2023/24 MRP Policy, (as required by Department for Levelling Up, Housing and Communities (DLUHC) Guidance), was approved as part of the Treasury Management Strategy Report for 2023/24 on 2 March 2023.

The Council's CFR is shown below, and represents a key prudential indicator.

CFR (£'000): General Fund	**31 March 2023 Actual**	**31 March 2024 Budget**	**31 March 2024 Actual**
Opening Balance	8,704	11,760	13,165
Add unfinanced capital expenditure (as above)	4,598	4,625	2,429
Minimum Revenue Provision	(137)	(323)	(309)
Closing Balance	**13,165**	**16,062**	**15,285**

CFR (£'000): HRA	**31 March 2023 Actual**	**31 March 2024 Budget**	**31 March 2024 Actual**
Opening Balance	68,427	68,427	68,427
Add unfinanced capital expenditure (as above)	-	-	-
Other adjustments	-	-	-
Closing Balance	**68,427**	**68,427**	**68,427**

Borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2022/23) plus the estimates of any additional capital financing requirement for the current (2023/24) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2023/24. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

	31 March 2023 Actual £000's	31 March 2024 Estimate £000's	31 March 2024 Actual £000's
Gross Borrowing Position	67,456	67,456	67,456
CFR	81,592	84,489	83,712

The authorised limit - 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. The table below demonstrates that during 2023/24 the Council has maintained gross borrowing within its authorised limit.

The operational boundary – 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 is acceptable subject to the authorised limit not being breached.

Actual financing costs as a proportion of net revenue stream - this 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.

	2023/24
Authorised limit	£91m
Maximum gross borrowing position	£67.456m
Operational boundary	£87m
Average gross borrowing position	£67.456m
Financing costs as a proportion of net revenue stream – Non HRA HRA	-7.42% 16.74%

4. TREASURY POSITION AS AT 31 MARCH 2024

The Council's debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting and through officer activity detailed in the Council's Treasury Management Practices. At the beginning and the end of 2023/24 the Council's treasury position including accrued interest was as follows:

	31/3/23 Amount £'000	Rate/ Return %	Average Life	31/3/24 Amount £'000	Rate/ Return %	Average Life
Fixed rate funding PWLB	67,456	3.48	39 years	67,456	3.48	38 years
Total debt	**67,456**	**3.48**	**39 years**	**67,456**	**3.48**	**38 years**
CFR	81,592			83,716		
Over/(under) borrowing	(14,136)			(16,260)		
Cash and investments:						
long term equity and service loans	(10,146)	n/a	n/a	(11,103)	n/a	n/a
short term	(32,046)	4.62	174 days	(25,849)	6.26	126 days
instant access deposits	(6,459)	4.12	1 day	(2,762)	5.23	1 day
Total cash and investments	**(48,651)**	**4.53**	**145 days**	**(39,714)**	**6.16**	**110 days**
Net debt	**18,805**			**27,742**		

Investments and Cash and Cash Equivalents held as at 31 March 2024 including accrued interest were as follows:

INVESTMENT PORTFOLIO	**Actual 31/03/23 £000's**	**Actual 31/03/23 %**	**Actual 31/03/24 £000's**	**Actual 31/03/24 %**
Treasury Investments				
Banks	32,382	84	22,570	79
Building Societies	0	0	0	0
Local Authorities	0	0	4,010	14
Total managed in house	**32,382**	**84**	**26,580**	**93**
Money Market Funds	6,123	16	2,031	7
Total managed externally	**6,123**	**16**	**2,031**	**7**
Total Treasury Investments	**38,505**	**100**	**28,611**	**100**
Non-Treasury Investments				
Equity (at fair value)	5,362	53	5,308	48
Service Loans (long term debtors)	4,784	47	5,795	52
Total Non-Treasury Investments	**10,146**	**100**	**11,103**	**100**

SUMMARY	**Actual 31/03/23 £000's**	**Actual 31/03/23 %**	**Actual 31/03/24 £000's**	**Actual 31/03/24 %**
Total Treasury Investments	38,505	79	28,611	72
Total Non-Treasury Investments	10,146	21	11,103	28
Total of all Investments	**48,651**	**100**	**39,714**	**100**

The maturity structure of the investment portfolio was as follows:

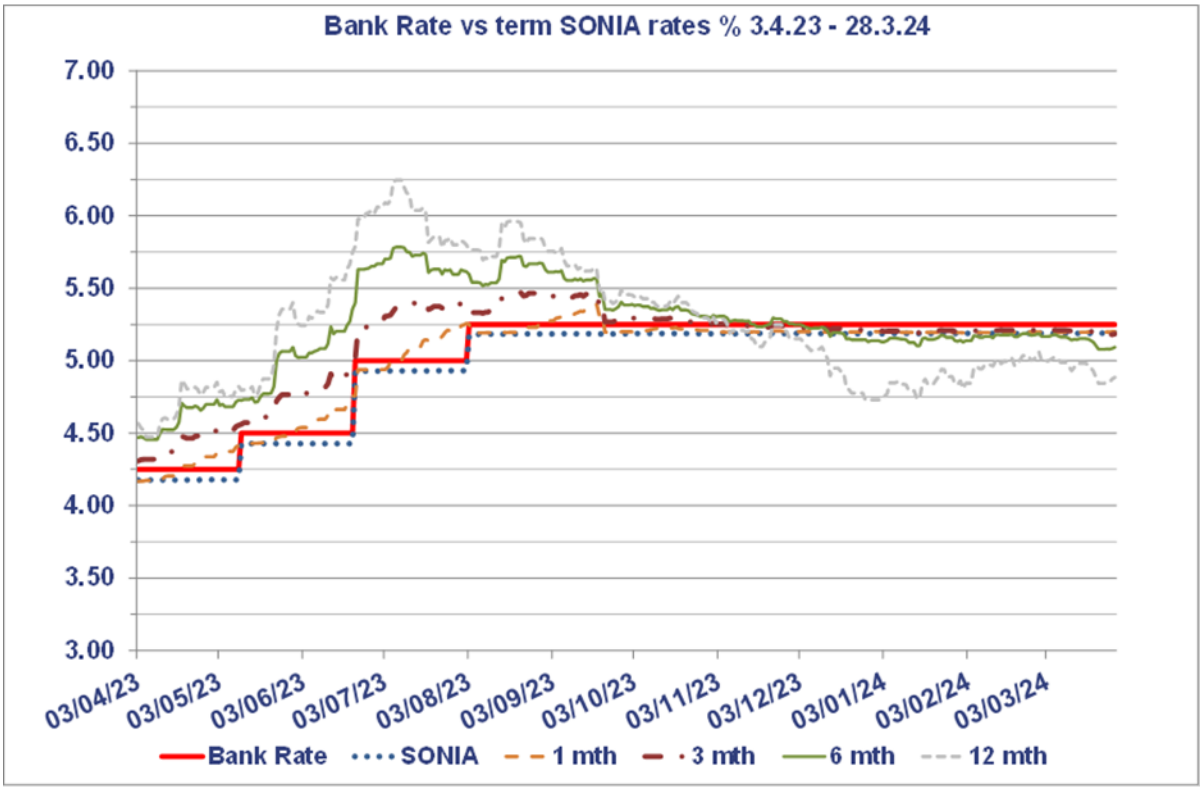
	2022/23 Actual £'000	**2023/24 Actual £'000**
Investments		
Longer than 1 year	10,146	11,103
Under 1 year	38,505	28,611
Total	48,651	39,714

The exposure to fixed and variable rates on investments was as follows:

	31/3/23 Actual £'000	**31/3/24 Actual £'000**
Fixed rate	36,283 (75%)	30,795 (78%)
Variable rate	12,368 (25%)	8,919 (22%)

5. THE STRATEGY FOR 2023/24

5.1 Investment strategy and control of interest rate risk (commentary provided by Link Group)



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

Starting April at 4.25%, Bank Rate moved up in stepped increases of either 0.25% or 0.5%, reaching 5.25% by August. By the end of the financial year, no further increases were anticipated. Indeed, the market is pricing in a first cut in Bank Rate in either June or August 2024.

The upward sloping yield curve that prevailed throughout 2023/24 meant that local authorities continued to be faced with the challenge of proactive investment of surplus cash, and this emphasised the need for a detailed working knowledge of cashflow projections so that the appropriate balance between maintaining cash for liquidity purposes, and "laddering" deposits on a rolling basis to lock in the increase in investment rates as duration was extended, became an on-going feature of the investment landscape.

With bond markets selling off, UK equity market valuations struggled to make progress, as did property funds, although there have been some spirited, if temporary, market rallies from time to time – including in November and December 2023. However, the more traditional investment options, such as specified investments (simple to understand, and less than a year in duration), have continued to be at the forefront of most local authority investment strategies, particularly given Money Market Funds have also provided decent returns in close proximity to Bank Rate for liquidity purposes. In the latter part of 2023/24, the local authority to local authority market lacked any meaningful measure of depth, forcing short-term investment rates above 7% in the last week of March.

While the Council has taken a prudent approach to investing surplus monies, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the Global Financial Crisis of 2008/09. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.

5.2 Borrowing strategy and control of interest rate risk

During 2023/24, the Council maintained an under-borrowed position. 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. This strategy was prudent as although near-term investment rates were equal to, and sometimes higher than, long-term borrowing costs, the latter are expected to fall back through 2024 and 2025 as inflation concerns are dampened. The Council has sought to minimise the taking on of long-term borrowing at elevated levels (>4%) and has focused on a policy of internal borrowing.

Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Section 151 Officer therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks:

- if it had been felt that there was a significant risk of a sharp FALL in long and short term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered.

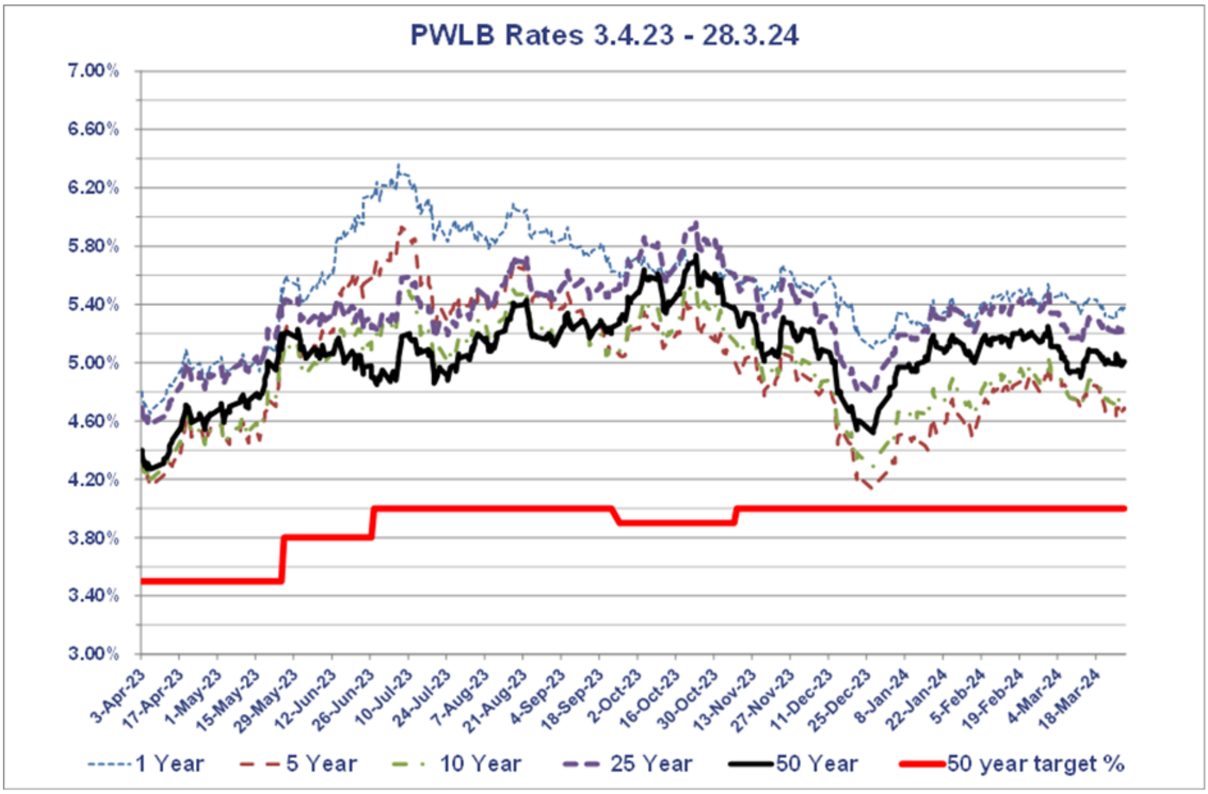
- if it had been felt that there was a significant risk of a much sharper RISE in long and short term rates than initially expected, perhaps arising from the stickiness of inflation in the major developed economies, then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.

Interest rate forecasts initially suggested further gradual rises in short, medium and longer-term fixed borrowing rates during 2023/24. Bank Rate had initially been forecast to peak at 4.5% but it is now expected to have peaked at 5.25%.

By January it had become clear that inflation was moving down significantly from its 40-year double-digit highs, and the Bank of England signalled in March 2024 that the next move in Bank Rate would be down, so long as upcoming inflation and employment data underpinned that view. Currently the Consumer Price Index (CPI) measure of inflation stands at 3.4% but is expected to fall materially below 2% over the summer months and to stay there in 2025 and 2026. Nonetheless, there remains significant risks to that central forecast, mainly in the form of a very tight labour market putting upward pressure on wages, and continuing geo-political inflationary risks emanating from the prevailing Middle East crisis and the Russian invasion of Ukraine.

Forecasts at the time of approval of the treasury management strategy report for 2023/24 were as follows:

Link Group Interest Rate View	08.11.22												
	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	4.30	4.30	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	4.50	4.50	4.40	4.30	4.20	4.00	3.90	3.70	3.60	3.50	3.40	3.30	3.20
25 yr PWLB	4.70	4.70	4.60	4.50	4.40	4.30	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.40	3.30	3.20	3.20



PWLB rates are based on gilt (UK Government bonds) yields through HM Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. Inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation and the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years. Indeed, in recent years many bond yields up to 10 years in the Eurozone turned negative on expectations that the European Union (EU) would struggle to get growth rates and inflation up from low levels. In addition, there has, at times, been an inversion of bond yields in the US whereby 10-year yields have fallen below shorter-term yields. In the past, this has been a precursor of a recession.

However, since early 2022, yields have risen dramatically in all the major developed economies, first as economies opened post-Covid; then because of the inflationary impact of the war in Ukraine in respect of the supply side of many goods. In particular, rising cost pressures emanating from shortages of energy and some food categories have been central to inflation rising rapidly. Furthermore, at present the Federal Open Market Committee (FOMC), European Central Bank (ECB) and Bank of England are all being challenged by levels of persistent inflation that are exacerbated by very tight labour markets and high wage increases relative to what central banks believe to be sustainable.

Gilt yields have been on a continual rise since the start of 2021, peaking in the autumn of 2023. Currently, yields are broadly range bound between 3.5% and 4.25%.

At the close of the day on 28 March 2024, all gilt yields from 1 to 50 years were between 3.81% and 4.56%, with the 1 year being the highest and 6-7 years being the lowest yield.

Regarding PWLB borrowing rates, the various margins attributed to their pricing are as follows: -

- PWLB Standard Rate is gilt plus 100 basis points (G+100bps)
- PWLB Certainty Rate is gilt plus 80 basis points (G+80bps)
- Local Infrastructure Rate is gilt plus 60bps (G+60bps)

There is likely to be a fall in gilt yields and PWLB rates across the whole curve over the CPI measure) moves below the Bank of England's 2% target.

As a general rule, short-dated gilt yields will reflect expected movements in Bank Rate, whilst medium to long-dated yields are driven primarily by the inflation outlook.

The Bank of England is also embarking on a process of Quantitative Tightening. The Bank's original £895bn stock of gilt and corporate bonds will gradually be sold back into the market over several years. The impact this policy will have on the market pricing of gilts, while issuance is markedly increasing, and high in historic terms, is an unknown at the time of writing.

6. <u>Borrowing Outturn</u>

Treasury borrowing – The Council has not undertaken any new Treasury borrowing during the 2023/24 financial year.

The Council's external borrowing from the PWLB at 31 March 2024 remained at £67.456m at a fixed rate of 3.48% and matures on 28 March 2062.

Borrowing in Advance of Need - The Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.

Rescheduling – No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

7. INVESTMENT OUTTURN FOR 2023/24

Investment Policy – the Council's investment policy is governed by DHLUC guidance, which was been implemented in the annual investment strategy approved by the Council on 2 March 2023. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

Resources – the Council's cash balances comprise revenue and capital resources and cash flow monies. The Council's core cash resources comprised as follows:

Balance Sheet Resources (£'000)	31 March 2023	31 March 2024
Balances	24,591	17,473
Earmarked Reserves	5,748	6,123
Major Repairs Reserve	5,163	4,379
Capital Grants and Contributions	3,040	5,193
Usable capital receipts	6,735	7,498
Total	**45,277**	**40,666**

The Council held average treasury investment balances of £41.1m which were internally managed, achieving an average rate of return of 5.32% compared with the average 3 Month Sterling Overnight Index Average (SONIA) rate of 5.12%.

The Council also held average non-treasury investment balances (excluding equity) of £5.24m. The Council has issued eight loans totalling £5.8m to Welland Homes Limited, which is the Council's wholly owned Housing Development Company. These are service loans (classified as long term debtors) and the Council received interest at an average rate of 4.02% for the 2023/24 financial year. Total interest earned on these loans during the year was £211k.

The combined rate of return on all investments averaged 5.17%.

The table below provides a comparison of actual investment income received compared to the original budget.

Category	2023/24 Budget	2023/24 Actual	2023/24 Variance
Interest Received General Fund	(1,183,600)	(1,510,842)	(327,242)
Interest Received Housing Revenue Account	(677,200)	(895,362)	(218,162)
TOTAL	**(1,860,800)**	**(2,406,204)**	**(545,404)**

8. THE ECONOMY AND INTEREST RATES (Commentary provided by Link Group)

U.K. 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, Eurozone (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%-5.50%
GDP	-0.3%q/q Q4 (-0.2%y/y Feb)	+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 Monetary Policy Committee (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 Gross Domestic Product (GDP) growth of -0.3% while year on year (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 Economy.

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?

EZ Economy.

Although the Euro-zone inflation rate has fallen to 2.4%, the ECB will still be mindful that it has further work to do to dampen inflation expectations. However, with growth steadfastly in the slow lane (GDP flatlined in 2023), a June rate cut from the current 4% looks probable.

9. OTHER ISSUES

9.1 IFRS 9 fair value of investments – When producing the 2023/24 financial statements the Council has adhered to this accounting standard. This standard prescribes the way financial instruments are valued in the accounts and also how risk is measured and accounted for.

9.2 Non Treasury Investments - The following table provides details relating to the Council's equity investments which are valued at "fair value" in accordance with proper accounting practice.

Entity	Equity at Cost (£)	Equity at Fair Value 31/03/24 (£)
Welland Homes	3,338,921	4,070,865
South Holland Local Housing Community Interest Company	100	1,237,462
UK Municipal Bond Agency	50,000	0
TOTAL	**3,389,021**	**5,308,327**

9.3 Changes in Risk Appetite – There has been no change to the Councils risk appetite during the 2023/24 financial year and investments have been made throughout the year in accordance with the Council's agreed investment criteria approved by Council.

APPENDIX 'A1'

2023/24 Capital Programme and Q4 Outturn			
Scheme	Revised Budget 2023/24	Outturn	Variance (underspend)/ overspend
Non UKSPF & LUF Projects			
ICT	270	270	-
Footway Lighting	98	98	-
Car Park Resurfacing	12	-	(12)
Capital Acquisitions re Growth and Commercialisation	1,329	1,304	(25)
Rough Sleeping Accommodation Programme (RSAP)	4	-	(4)
Neighbourhoods	629	592	(37)
Disabled Facilities Grants – Private Sector Housing	751	647	(104)
Decent Homes Unfit and Disrepair – Housing	75	-	(75)
Welland Homes	2,866	1,578	(1,288)
Disabled Facilities Grants – Private Sector Housing – Discretionary Better Care Additional Payments	126	126	-
Council Offices Priory Road – Boiler	32	-	(32)
South Holland Centre – Boiler	65	108	43
Spalding Gateway Public Realm Project	283	-	(283)
Assets and Property – Castle Sports	78	35	(43)
Assets and Property – Moulton Park & New Sheep Market	172	104	(68)
West Marsh Road Depot Projects	36	40	4
Next Steps Accommodation Programme (NSAP)	12	12	-
Changing Places	65	75	10
Ayscoughfee Tennis Court	116	124	8
Local Authority Housing Fund	738	581	(157)
Car Park Machines	63	55	(8)
Markets - Van	22	20	(2)
Insurance Claim	-	23	23
Total Non UKSPF & LUF Projects	**7,780**	**5,792**	**(2,050)**
UKSPF & LUF			
UKSPF	216	37	(179)
UKSPF - Rural	378	378	-
Total UKSPF	**594**	**415**	**(179)**
LUF - South Holland Health and Wellbeing Hub	799	799	-
Total LUF	**799**	**799**	**-**
Grand Total – All Projects	**9,235**	**7,006**	**(2,229)**

APPENDIX 'A1'

General Fund Capital Financing			
All Projects	**Approved Budget 2023/24** £000	**Actual 2023/24** £000	**Variance 2023/24** £000
Replacement and Refurbishment Reserve	(65)	(108)	(43)
Investment and Growth Reserve	(792)	(643)	148
Grants	(2,947)	(2,541)	406
Internal Borrowing – Environmental Services Vehicles	(510)	(510)	-
Internal Borrowing/MRP/Future Needs	(94)	(94)	-
Internal Borrowing – Unfinanced	(505)	(247)	258
S106	(237)	-	237
Welland Homes/Internal Borrowing	(2,866)	(1,578)	1,288
Capital Receipts	(1,219)	(1,284)	(65)
Totals	**(9,235)**	**(7,006)**	**2,229**

APPENDIX ‘A1’

Housing Revenue Account Capital Programme	Approved Budget 2023/24 £’000	Changes to approved budget 2023/24 £’000	Slippage to future year £’000s	Revised Budget 23/24 £000	Outturn 2023/24 £000	Variance (under)/over £000
Central Heating	945			945	923	(22)
Kitchen/Bathroom	1,495			1,495	1314	(181)
Renewable Energy	2,845		(1,784)	1061	1102	41
Smoke Alarms	210			210	332	122
Electrical Upgrades	96			96	202	106
Roofs and Gutters	888			888	885	(3)
Doors and Windows	908		(440)	468	446	(22)
Flat Entrance Doors Sheltered Schemes	482			482	486	4
Chimneys	196			196	159	(37)
Paths and Drives	36			36	72	36
Boundary Walls	90			90	50	(40)
Fees	219			219	215	(4)
10 Baulkins Drove Insurance Claim	-	29		29	29	
15 Lansdowne Court – Insurance Claim	-	20		20	20	
75 Wygate Road Insurance Claim	-	102		102	102	
6 & 8 Farrow Avenue Insurance Claim	-	242		242	242	
Sewerage Treatment Plant	801		(528)	273	273	
The Square	1,277		(907)	370	370	
Car Parks	167		(167)	-	-	
Community Centre Refurbishment	75		(57)	18	18	
Booking System for Community Centres and Guest Rooms	15			15	15	-
ICT Strategy / Infrastructure	268			268	146	(122)
Replacement Laptops	78			78	28	(50)
Major Adaptions	600			600	447	(153)
Sheltered Alarm Upgrade	816		(722)	94	94	-
Housing Repairs Vehicles	150		(150)	-	-	-
Wignals Gate S106	965			965	866	(99)
Albion street Crowland	9			9	1	(8)
Northons Lane Holbeach	1,257		(851)	406	406	-
Jubilee Way Gosberton	1,349		(51)	1,298	1,298	-
Pheasant Street Holbeach	811		(22)	789	789	-
Primus Close Moulton Chapel	392		(387)	5	5	-
Biehler Avenue Weston	2,190		(79)	2,111	2,111	-
Cobgate Whaplode	954		(47)	907	907	-
Coalbeach Lane Surfleet	1,513		(63)	1,450	1,450	-
LAHF Frogmore Lane Holbeach	240		(234)	6	6	-
LAHF Tulip Fields Holbeach	1,073		(335)	738	738	-
Scheme Subject to detailed approval	487		(487)	-	-	-
Total	**23,897**	**393**	**(7,311)**	**16,979**	**16,547**	**(432)**

APPENDIX 'A1'

HRA Capital Financing	Approved Budget 2023/24 £'000	Changes to approved budget 2023/24 £'000	Slippage to Future years £'000	Revised Budget 23/24 £000	Outturn 2023/24 £'000	Variance (under)/over £'000
Capital Receipts	(1,238)			(1,238)	(1,176)	62
Grants and Contributions	(1,973)		877	(1,096)	(861)	235
Major Repairs Reserve	(5,024)		2,949	(2,075)	(6,298)	(4,223)
Reserve Financing	(15,662)	(121)	3,485	(12,298)	(7,940)	4,358
External Borrowing						-
Direct Revenue Financing		(272)		(272)	(272)	-
Total	**(23,897)**	**(393)**	**7,311**	**(16,979)**	**(16,547)**	**432**