TREASURY MANAGEMENT MID YEAR REPORT 2023/24

PLYMOUTH CITY COUNCIL

1. Introduction

1.1 This report is to provide the Audit and Governance Committee and the Council with a mid-year review of the Council's treasury management activities for the first 6 months to 30 September 2023.

1.2 The Council has borrowed substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's treasury management strategy.

1.3 The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that authorities report on the performance of the treasury management function at least twice yearly (mid-year and at year end).

1.4 The report includes the new requirement in the 2021 Code, mandatory from 1st April 2023, of quarterly reporting of the treasury management prudential indicators. The non-treasury prudential indicators will be incorporated in the Authority's normal quarterly [revenue and capital monitoring] report.

1.5 The 2017 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Council's Capital Strategy and the Council's Treasury Management Strategy for 2023/24 were approved by full Council on 27 February 2023.

1.6 The Council contract with Arlingclose to provide Treasury Management advice which has been incorporated with external contexts below.

2. External Context October 2023

2.1 **Economic background:** UK inflation remained stubbornly high over much the period compared to the US and euro zone, keeping expectations elevated of how much further the Bank of England (BoE) would hike rates compared to the regions. However, inflation data published in the latter part of the period undershot expectations, causing financial markets to reassess the peak in BoE Bank Rate. This was followed very soon after by the BoE deciding to keep Bank Rate on hold at 5.25% in September, against expectation for another 0.25% rise.

2.2 Economic growth in the UK remained relatively weak over the period. In calendar Q2 2023, the economy expanded by 0.2%. However, monthly GDP data showed a 0.5% contraction in July, the largest fall to date in 2023 and worse than the 0.2% decline predicted which could be an indication the monetary tightening cycle is starting to cause recessionary or at the very least stagnating economic conditions.

2.3 July data showed the unemployment rate increased to 4.3% (3mth/year) while the employment rate rose to 75.5%. Pay growth was 8.5% for total pay (including bonuses) and 7.8% for regular pay, which for the latter was the highest recorded annual growth rate. Adjusting for inflation, pay growth in real terms were positive at 1.2% and 0.6% for total pay and regular pay respectively.

2.4 The Bank of England (BoE) Monetary Policy Committee (MPC) continued tightening monetary policy over most of the period, taking the Bank Rate to 5.25% in August. Against expectations of a further hike in September, the Committee voted 5-4 to maintain the Bank Rate at 5.25%. Each of the four dissenters were in favour of another 0.25% increase.

2.5 Financial market Bank Rate expectations moderated over the period as falling inflation and weakening data gave some indication that the higher interest rates were working. Expectations fell from predicting a peak of over 6% in June to 5.5% just ahead of the September MPC meeting, and to then expecting 5.25% to be the peak by the end of the period.
Following the September MPC meeting, Arlingclose, the authority's treasury adviser, modestly revised its interest forecast to reflect the central view that 5.25% will now be the peak in Bank Rate. In the short term the risks are to the upside if inflation increases again, but over the remaining part of the time horizon the risks are to the downside from economic activity weakening more than expected.

2.6 The lagged effect of monetary policy together with the staggered fixed term mortgage maturities over the next 12-24 months means the full impact from Bank Rate rises are still yet to be felt by households. As such, while consumer confidence continued to improve over the period, it is likely this will reverse at some point. Higher rates will also impact business and survey data highlighted that the UK manufacturing and services sector contracted during the quarter, indicating contraction in the sectors.

2.7 Although continuing to decline steadily, inflation has been sticky, Eurozone annual headline Consumer Price Index (CPI) fell to 5.2% in August while annual core inflation eased to 5.3% having stuck at 5.5% in the previous two months. Gross Domestic Product (GDP) growth remains weak, with recent data showing the region expanded by only 0.1% in the three months to June 2023, the rate as the previous quarter.

3. Financial markets

3.1 Financial market sentiment and bond yields remained volatile, with the latter generally trending downwards as there were signs inflation, while still high, was moderating and interest rates were at a peak.

3.2 Gilt yields fell towards the end of the period. The 5-year UK benchmark gilt yield rose from 3.30% to peak at 4.91% in July before trending downwards to 4.29%, the 10-year gilt yield rose from 3.43% to 4.75% in August before declining to 4.45%, and the 20-year yield from 3.75% to 4.97% in August and then fell back to 4.84%. The Sterling Overnight Rate (SONIA) averaged 4.73% over the period.

4. Credit review

4.1 Having completed a review of its credit advice on unsecured deposits at UK and non-UK banks following concerns of a wider financial crisis after the collapse of Silicon Valley Bank purchase of Credit Suisse by UBS, as well as other well-publicised banking sector issues. In March, Arlingclose reduced the advised maximum duration limit for all banks on its recommended counterparty list to 35 days. This stance continued to be maintained at the end of the period.

4.2 Heightened market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.

5. Local Context

5.1 On 31st March 2023, the Authority had net borrowing of £559m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31/03/23 Actual £m
General Fund CFR	879
Less: Other debt liabilities *	-175
Borrowing CFR	**704**
Less: Usable reserves	-115
Less: Working capital	-30
Net borrowing	**559**

* finance leases, PFI liabilities and transferred debt that form part of the Authority's total debt

5.2 At 31 March 2023 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £879m, with usable reserves £115m which is broken down in table below:

Useable reserve breakdown	£m
General Fund Balance	8
Earmarked General Fund	44
Capital Receipts reserve	17
Capital Grants Unapplied	46
Balance as at 31 March 2023	115

5.3 The treasury management position on 30th September 2023 and the change over the six months is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.23 Balance £m	Movement £m	30.9.23 Balance £m	Average Rate %
PWLB – Fixed Rate	396	0	396	2.73
Short-term borrowing	75	15	90	1.50
LOBO Loans	64	0	64	4.34
Long Term Borrowing	24	0	24	4.37
Total borrowing	**559**	**15**	**574**	**2.77**
Short-term Money Market funds	28	6	34	5.21
Other Pooled Funds	55	0	55	6.12
Cash and cash equivalents	3	-2	1	2.00
Total investments	**86**	**4**	**90**	**5.73**
Net borrowing	**473**	**11**	**484**	

5.4 The Council has an increasing CFR over the next 5 years due to spending on the capital programme, but will maintain their investments and will therefore require borrowing of up to £50m over the current year based on capital monitoring as at 30 September 2023.

6. Borrowing

6.1 CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority.

6.2 PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Authority intends to avoid this activity to retain its access to PWLB loans.

7. Borrowing Strategy

7.1 As outlined in the treasury strategy, the Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective. The Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

7.2 There was a substantial rise in the cost of both short- and long-term borrowing over the last 18 months. Bank Rates rose by 1% from 4.25% at the beginning of April to 5.25% at the end of September. The Bank Rate was 2% higher than at the end of September 2022.

7.3 UK gilt yields were volatile, mainly facing upward pressure since early April following signs that UK growth had been more resilient, inflation stickier than expected, and that the Bank of England saw persistently higher rates through 2023/24 as key to dampening domestic demand. Gilt yields, and consequently PWLB borrowing rates, rose and broadly remained at elevated levels. On 30th September, the PWLB certainty rates for maturity loans were 5.26% for 10 year loans, 5.64% for 20-year loans and 5.43% for 50-year loans. Their equivalents on 31st March 2023 were 4.33%, 4.70% and 4.41% respectively.

8. Borrowing activity to 30 September 2023

8.1 At 30 September the Authority held £574m of loans, an increase of £15m compared to 31st March 2023. Outstanding loans on 30th September are summarised in Table 3 below.

Table 3: Borrowing Position

	31.3.23 Balance £m	**Net Movement £m**	**30.9.23 Balance £m**	**30.9.23 Weighted Average Rate %**
PWLB – Fixed Rate	396	0	396	2.73
Short-term borrowing	75	15	90	1.50
LOBO Loans	64	0	64	4.34
Long Term Borrowing	24	0	24	4.37
Total borrowing	**559**	**15**	**574**	**2.77**

8.2 The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing; this reduces risk and keeps interest costs lower.

8.3 The Council has not changed its PWLB borrowing since April. However, it has £40m borrowed for 12 months reaching maturity in November with plans to replace this with short term borrowing subject to competitive rates being secured. This borrowing will hold a refinancing risk which is being included within its medium term financial plan for 2024/25.

8.4 The Council draws down collateral against the hedging arrangement when valuations allow, this was used to repay short-term borrowing maturing in the same month.

8.5 The Authority's borrowing decisions are not predicated on any one outcome for interest rates and a balanced portfolio of short and long-term borrowing was maintained.

8.6 There remains a strong argument for diversifying funding sources, particularly if rates can be achieved on alternatives which are below gilt yields + 0.80%. The Authority will evaluate and pursue these lower cost solutions and opportunities with its advisor Arlingclose.

8.7 The UK Infrastructure Bank is one alternative source of funding which offers funding at gilt yields + 0.40% (0.40% below the PWLB certainty rate) and the possibility of more flexible funding structures than the PWLB. Funding from UKIB is generally only available for certain types of projects that meet its criteria of green energy, transport, digital, water and waste. The minimum loan size is £5 million.

8.8 LOBO loans: The Authority continues to hold £64m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option during the quarters ending 30 September 2023.

8.9 Other Debt Activity: Although not classed as borrowing, the Council also raises capital finance via Private Finance Initiative (PFI) and finance leases etc. As at 30 September 2023, the total debt was £113m including PFI £93m, Tamar Bridge and Torpoint Ferry (PCC's share) £19m and Finance leases £1m. The Council has raised no additional PFI borrowing during the period to 30 September 2023.

9. Investment Activity

9.1 The CIPFA Treasury Management Code now defines treasury management investments as those investments which arise from the Authority's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use during business.

9.2 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held.

9.3 The investment position during the half year is shown in the table below.

Investment Activity

Table 4: Investment position

Investments	Balance 01/04/2023 £m	Movement £m	Balance 30/09/2023 £m	Weighted Average Rate %
Short Term Investments				
Banks and call accounts	3	-2	1	2.00
Money Market Fund	28	6	34	5.21
Long Term Investments				
CCLA Pooled Funds	25	0	25	4.66
Other Funds	30	0	30	6.84
TOTAL INVESTMENTS	**86**	**4**	**90**	**5.73**

9.4 Both the CIPFA Code and government guidance requires the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

9.5 As demonstrated by the liability benchmark (14.6) in this report, the Authority 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 boost investment income.

9.6 The Bank Rate increased by 1%, from 4.25% at the beginning of April to 5.25% by the end of September. Short-dated cash rates rose commensurately, with 3-month rates rising to around

9.7 5.25% and 12-month rates to nearly 6%.

Externally Managed Pooled Funds

9.8 £55m of the Authority's investments is invested in externally managed strategic pooled [bond, equity, multi-asset and property] funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability.

9.9 Financial market conditions were volatile during the six-month period. Global bond yields rose and remained elevated as it became apparent that policymakers were looking to keep rates high for some time amid persistently higher core inflation and tight labour markets

9.10 The UK, Euro area and US equity markets were initially helped by resilient growth data and diminishing talk of recession. A weaker currency and better-than-expected fundamentals were broadly supportive for UK equities. Much of the US stock market's performance was driven by a small number of mega stocks and enthusiasm over artificial intelligence. However the global outlook was clouded by the slowdown in China. On a sectoral level, the energy sector was supported by higher oil prices and expectation of decreasing supply due to OPEC+ group agreeing on production cuts. The FTSE All Share index was marginally lower at the end of the 6-month period at 4127 on 30/9/23 v 4157 on 31/3/23. The MSCI All Countries World Index was higher at 2853 on 30/9/23 v 2791 on 31/3/23.

9.11 For existing longer-term investors in fixed income securities, the prospect of a higher-for-longer rate environment weighed on sentiment. Yields rose in Q2 2023 on the expectation that central banks would continue hiking rates but fell in August as investors grew confident that policy rates were close to their peak, then rose again in September as oil prices climbed above $90/barrel. There was also some effect from quantitative tightening by the Bank of England.

9.12 Investor sentiment for UK commercial property was more settled than in Q3 and Q4 of 2022 when the sharp rise in bond yields resulted in a big fall in property valuations. There were signs of returning investor interest, occupier resilience and a perception that the downturn in commercial real estate may be bottoming out. It helped rental income and led to some stabilisation in capital values. However, the combination of high interest rates and bond yield, higher funding costs and the prospect of sluggish economic growth constrain the outlook for commercial property.

9.13 Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's medium- to long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three- to five-year minimum period total returns will exceed cash interest rates.

9.14 Statutory override: In April 2023 the Department for Levelling Up, Housing and Communities published the full outcome of the consultation on the extension of the statutory override on accounting for gains and losses on pooled investment funds. The override has been extended for two years until 31st March 2025 but no other changes have been made; whether the override will be extended beyond the new date is unknown but commentary to the consultation outcome suggests not. The Authority will discuss with Arlingclose the implications for the investment strategy and what action may need to be taken.

10. Budgeted Income and Outturn

The Council's investment income for the year has increased due to increasing Bank of England base rates, however, the fall in the financial markets has increased the cost of borrowing. The Council is currently anticipating delivering savings on its Treasury Management budget with a 2023/24 target of £0.500m by the year-end due to higher return from investments and minimising interest rate risk through the rate swap.

Table 5. Treasury Management Forecast 2023/24

	2023/24 Budget	2023/24 Forecast	Variance
	£m	£m	£m
Interest Payable	16.159		
LOBO and other long term loans		3.562	
PWLB (Public Works Loan Board)		10.219	
Temporary loans		1.814	
Other Interest and charges		1.688	
Recharge to Departments for Unsupported Borrowing (in accordance with business cases)	(17.207)	(16.777)	
Total Interest Payable	**(1.048)**	**0.506**	**1.554**
Interest Receivable	(3.311)		
Pool Funds		(3.320)	
Money Market Fund		(0.786)	
Other Interest		(0.276)	
Total Interest Receivable	**(3.311)**	**(4.382)**	**(1.071)**
Other Payments	0.372	0.174	
Debt Management	0.500	0.160	
Transfer to Reserves	1.928	1.928	
Amortised Premiums	0.500	0.544	
Total Other Charges	**3.300**	**2.806**	**(0.494)**
Provision for Borrowing within budget setting contained within interest payable	**0.591**	**0**	**(0.591)**
Minimum Revenue Provision	**17.940**	**18.072**	**0.132**
TOTAL	**17.472**	**17.002**	**(0.470)**

11. Non-Treasury Investments

11.1 The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. This is replicated in the Governments Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return.

11.2 The Council also holds £200m+ of investments in directly owned property as part of the Property Regeneration Fund as at 30th September 2023.

11.3 The non-treasury investments in the Property Regeneration Fund are forecast to generate £2.550m of investment income for the Council after taking account of direct costs and service borrowing, representing a rate of return of 1.22%.

12. Compliance with Prudential Indicators

12.1 Prudential Indicators 2023/24

The Local Government Act 2003 requires the Council to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice.

12.2 To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

Investment Limits

	30.9.23 Actual	2023/24 Limit	Complied
Any group of funds under the same management	£25m	£25m	✓
Investments held in a broker's nominee account	£0	£25m	✓
Foreign countries	£0	£0m	✓
Registered Providers	£0	£10m	✓
Unsecured investments with Building Societies	£0m	£10m	✓
Loans to unrated corporates	£0m	£20m	✓
Money Market Funds (maximum held)	£19m	unlimited	✓

13. Debt Limits

13.1 The Operational Boundary for external debt is based on the Council's estimate of most likely, i.e. prudent, but not worst case scenario for external debt.

Compliance with the authorised limit and operational boundary for external debt is demonstrated in the table below.

Operational Boundary	30.09.23 Actual £m	2023/24 Limit £m	Complied
Borrowing	568	950	✓
Other long-term liabilities	113	145	✓
Total Debt	681	1095	✓

The Council confirms that during 2023/24 the Operational Boundary has not been breached.

13.2 The Authorised Limit for external debt is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	30.09.23 Actual £m	2023/24 Limit £m	Complied
Borrowing	568	985	✓
Other long-term liabilities	113	145	✓
Total Debt	681	1130	✓

Total debt as at 30/9/2023 was £681m. The Council confirms that during 2023/24 the Authorised Limit was not breached at any time.

14. Treasury Management Indicators

The Council measures and manages its exposures to treasury management risks using the following indicators.

14.1 **Security**:

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio.

	30.09.23 Actual	2023/24 Target	Complied
Portfolio average credit rating	A	A	✓

14.2 **Liquidity**

The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments.

During 2022/23 through securing additional PWLB borrowing to replace short-term borrowing as it matured the council held higher than normal amounts of cash in advance of repayment dates.

14.3 **Interest Rate Exposures:**

This indicator is set to control the Authority's exposure to interest rate risk. Bank Rate rose by 1.25% from 4.25% on 1st April to 5.25% by 30th September. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed was:

	30.09.23 Actual	2023/24 Target	Complied
Upper limit on fixed interest rate exposure	77%	80%	✓
Upper limit on variable interest rate exposure	23%	50%	✓

The Council continued with decisions to reduce its exposure to interest rate risk during 2022/23 and 2023/24 by continuing to use fixed rate borrowing arrangements through PWLB where rates compared competitively to other local authorities.

Fixed rate investments and borrowings are those where the rate of interest is fixed for more than 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

14.4 **Maturity Structure of Borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing were:

	30.09.23 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	23%	50%	20%	✓
12 months and within 24 months	0%	25%	0%	✓
24 months and within 5 years	10%	25%	0%	✓
5 years and within 10 years	4%	25%	0%	✓
10 years and above	64%	80%	5%	✓

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

14.5 **Principal Sums Invested for Periods Longer than 365 days:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

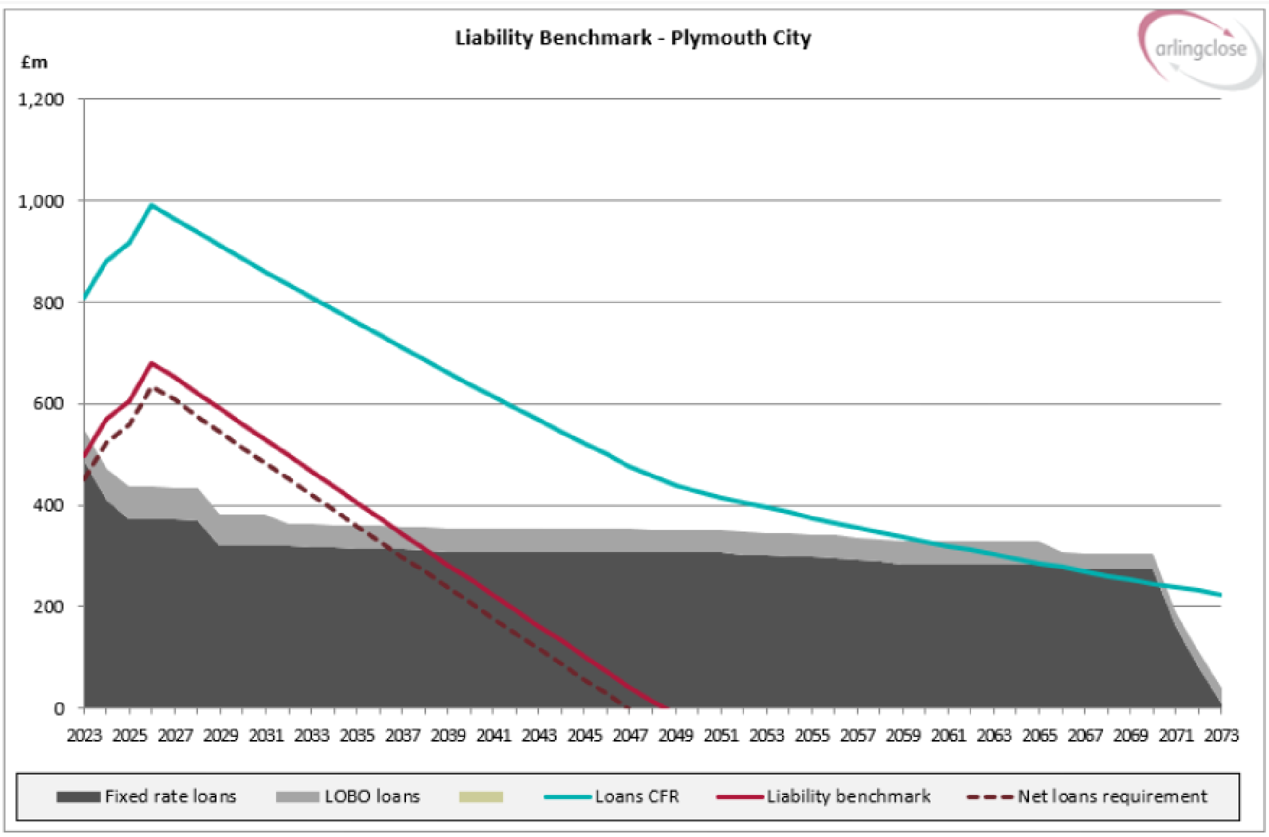
	30.09.23 Actual	Maximum Target	Complied
Limit on principal invested beyond year end	£0m	£10m	✓

The Council does, however, has £27m invested in the CCLA Pooled Funds £25m in other pooled investment funds which the Council is holding the investment for the long term. However, these investments are classified as a short-term investment because it can be called upon at any point.

14.6 **Liability Benchmark:** This new indicator compares the Authority's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £45m required to manage day-to-day cash flow.

	31.3.23 Actual £m	31.3.24 Forecast £m	31.3.25 Forecast £m	31.3.26 Forecast £m
Loans CFR	809.7	879.9	916.7	991.5
Less: Balance sheet resources	357.4	357.4	357.3	357.3
Net loans requirement	452.3	552.5	559.4	634.2
Plus: Liquidity allowance	45.0	45.0	45.0	45.0
Liability benchmark	497.3	567.5	604.4	679.2
Existing Borrowing	565.0	485.0	450.0	450.0

Liability Benchmark chart



15. Investment Training

15.1 During the period to 30 September 2023 officers have attended the following Treasury Management training:

- Arlingclose Meetings – The Council's joint party Treasury Management Board Meetings with members and officers
- CIPFA – Treasury Management workshop
- Grant Thornton – Statement of Accounts closedown workshop
- Arlingclose weekly Treasury Management

16. Arlingclose's Economic Outlook for the remainder of 2023/24 as at 25 September 2023

	Current	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	1.00	1.00
Central Case	5.25	5.25	5.25	5.25	5.00	4.75	4.25	4.00	3.75	3.50	3.25	3.00	3.00
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00

16.1 Following action by the MPC to hold Bank Rate at 5.25% in September. Arlingclose believe this is the peak for the Bank Rate.

16.2 The MPC will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second round effects. Arlingclose see rate cuts from Q3 2024 to a low of around 3% by early 2026.

16.3 Arlingclose expects long-term gilt yields to eventually fall from current levels reflecting the lower medium-term path for Bank Rate. However, yields will remain relatively higher than in the past, partly due to quantitative tightening, with continued elevated volatility.

Recommendations

1. To note the Treasury Management Mid-Year Report 2023/24.