City Council

PLYMOUTH CITY COUNCIL

Date of meeting:	16 September 2024
Title of Report:	**Annual report on Treasury Management activities for 2023/24**
Lead Member:	Councillor Mark Lowry (Cabinet Member for Finance)
Lead Strategic Director:	David Northey (Service Director for Finance)
Author:	Wendy Eldridge
Contact Email:	Wendy.eldridge@plymouth.gov.uk
Your Reference:	TM 2023/24 Outturn
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

In order to comply with the Code of Practice for Treasury Management, the Council is required to formally report on its treasury management activities for the year, providing information on the progress and outcomes against the Treasury Management Strategy. This report covers the Treasury Management activities for financial year 2023/24 including the final position on the statutory Prudential Indicators.

This report:

a) is prepared in accordance with the CIPFA Treasury Management Code and the Prudential Code;
b) confirms capital financing, borrowing, debt rescheduling and investment transactions for the year 2023/24;
c) provides an update on the risk inherent in the portfolio and outlines actions taken by the Council during the year to minimise risk;
d) gives details of the outturn position on Treasury Management transactions in 2023/24;

Details compliance with treasury limits and Prudential Indicators (PIs) and the outlines the final position on the PI's for the year. Noting that compliance to level of fixed rate exposure for borrowing was exceeded to mitigate against interest rate risk from temporary borrowing with other local authorities.

Recommendations and Reasons

1. To approve the Treasury Management Annual Report 2023/24

   This is to comply with the CIPFA Code of Practice and discharge our statutory requirement

Alternative options considered and rejected

1. None – The Council are required to report on the treasury management activities for the year.

Relevance to the Corporate Plan and/or the Plymouth Plan

Effective financial management is fundamental to the delivery of corporate improvement priorities. Treasury Management activity has a significant impact on the Council's activity both in revenue budget terms and capital investment and is a key factor in facilitating the delivery against a number of corporate priorities.

Implications for the Medium Term Financial Plan and Resource Implications:
For the medium and longer term the Council is facing significant pressures due to the national economic situation, which has led to a reduction in resources for local authorities over the latest spending period. Effective Treasury Management will be essential in ensuring the Council's cash flows are used to effectively support the challenges ahead

Financial Risks

There is an inherent risk to any Treasury Management activity. The Council continues to manage this risk by ensuring all investments are undertaken in accordance with the approved investment strategy, and keeping the counterparty list under constant review

Carbon Footprint (Environmental) Implications:

In 2023/24 the Council maintained a £5m investment into the Public Sector Social Impact Fund to invest in carbon reduction projects.

Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:
** When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.*
None

Appendices
**Add rows as required to box below*

Ref.	**Title of Appendix**	**Exemption Paragraph Number** (if applicable) *If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.*						
		1	**2**	**3**	**4**	**5**	**6**	**7**
A	Annual Report on Treasury Management Activities for 2023/24							

Background papers:

**Add rows as required to box below*

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are <u>unpublished</u> works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	**Exemption Paragraph Number** (if applicable) *If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.*						
	1	**2**	**3**	**4**	**5**	**6**	**7**

Treasury Management Strategy 2023/24 report to Council 27 February 2023							

Sign off:

Fin	**CH. 24.25 .015**	Leg	LS/00003609/9/LB/12/07/24		Click here to enter text.	HR	Click here to enter text.	Assets	Click here to enter text.	Strat Proc	Click here to enter text.
Originating Senior Leadership Team member: David Northey											
Please confirm the Strategic Director(s) has agreed the report? Yes Date agreed: 11/07/2024 LS/00003609/9/LB/12/07/24											
Cabinet Member approval: *[Email sent Cllr Lowry)* Date approved: 12/07/2024											

Annual Report on Treasury Management Activities for 2023/24

Introduction

1. Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code). This requires the Council to approve a Treasury Management Strategy before the start of each financial year and, as a minimum, a half-year and annual treasury outturn report. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

2. This report includes the requirement in the 2021 Code, mandatory from 1st April 2023, of reporting of the treasury management prudential indicators.

3. The Authority's treasury management strategy for 2023/24 was approved at a meeting on 27 February 2023. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Authority's treasury management strategy.

Treasury Management Position

4. On 31st March 2024, the Authority had net borrowing of £656m 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	2023/24 Movement £m	31/03/24 Actual £m
General Fund CFR	879	(13)	866
Less: Other debt liabilities *	(109)	5	(104)
Borrowing CFR	**770**	**(8)**	**762**
Less: Usable reserves	(110)	3	(107)
Less: Working capital	(101)	(102)	1
Net borrowing	**559**	**97**	**656**

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

5. The Council has increasing CFR due to the capital programme and an increasing borrowing requirement to £904m. The Authority pursued its strategy of keeping borrowing and investments below their underlying levels (sometimes known as internal borrowing) to reduce risk and keep interest costs low.

Borrowing and Investment Activity

6. As outlined in the treasury strategy, the Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the 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. Interest rates have seen substantial rises over the last two years, although these rises have now begun to plateau. Gilt yields fell in late 2023, reaching April 2023 lows in December 2023 before rebounding to an extent in the first three months of 2024. Gilt yields have remained volatile, seeing upward pressure from perceived sticker inflation at times and downward pressure from falling inflation and a struggling economy at other times.

8. At 31 March 2024, the Council held £656m of loans, an increase of £97m on 31/03/2023 as part of its strategy for funding previous years' capital programmes.

The treasury management position at 31st March 2024 and the change during the year is shown in table 2 and table 3 below.

Table 2: Borrowing Activity

	Balance on 01/04/2023 £m	Movement £m	Balance on 31/03/2024 £m	Avg Rate %
Public Works Loan Board	396	87	483	3.32
Banks - LOBOs	64	0	64	4.34
Other Loans	24	0	24	4.37
Short Term Borrowing	75	10	85	1.58
TOTAL BORROWING	559	97	656	3.23
Other Long Term Liabilities	119	(6)	113	-
TOTAL EXTERNAL DEBT	678	91	769	-
Less Total Investments (see table 3)	(86)	7	(79)	5.33
Net Borrowing	592	98	690	

9. Short term borrowing includes £85m the Council borrows from other local authorities at lower rates on 3-12 month terms. The Council holds an Interest Rates Risk (the risk that interest rates may go up).

10. To Hedge against this risk the Council took out an Interest Rate Swap in April 2020 for £75m at a fixed rate of 0.56% for 20 years using the SONIA (Sterling Over Night Index Average). The Sterling Overnight Interest Rate (SONIA) averaged 4.96% over period to 31 March 2024 therefore receiving a drawdown from the hedge arrangement.

11. The Council continues to hold £64m of LOBO loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council 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 year.

12. Although not classified as borrowing, the Council has other capital finance from Private Finance Initiatives and Finance Leases etc. and as at 31st March 2024 this amounted to £113m. PFI and finance leases are other ways of financing capital. However, this is quite often more expensive and is paid over a number of years. The Council's current PFI debt will be repaid by 2040.

13. Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the 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.

14. At 31 March 2024 the Council held £79m of cash and investments (see table 3) which was a decrease of £7m as at 31 March 2024.

Table 3: Investment Activity in 2023/24

Investments	Balance on 01/04/2023 £m	Movement £m	Balance on 31/03/2024 £m	Avg Rate/Yield (%)
Short term Investments (Banks and call accounts)	3	(2)	1	2.00
Money Market Funds	28	(5)	23	5.23
Other Pooled Funds	55	-	55	5.45
TOTAL INVESTMENTS	**86**	**(7)**	**79**	**5.33**

15. Investment activity for pooled funds is at notional cost. Within the statement of accounts, they are reported at fair value for 31 March 2024 totalling £52.282m (2022/23 £52.933m), this reflects the decline in fair value for a property fund. The strategy for holding these funds is for the return achieved, with regular review of the capital value of the investment to original cost. The externally managed Pooled Funds (bond, equity, multi-asset and property) with the CCLA, Schroder and Fidelity have generated a total return for the year of £3.128m (2022/23 £2.886m). Investment income has been used to support treasury management services in year.

16. It should be noted that the capital value of the Council's Pooled Investment will fluctuate dependent on market conditions. Any unrealised capital losses will not have an impact on the revenue budget or General Fund. The capital value would only be realised if the funds were sold.

The Pooled investments have no defined maturity date but are available for withdrawal after a notice period. The Council continues to regularly review its investment in these funds together with advice from its Treasury Management advisors.

Treasury Management Outturn 2023/24

17. The Treasury Management budget is held as a separate budget under the Finance Department within the Council's General Fund. Whilst interest costs are less than the budget there are a number of factors that contribute to the final position. Whilst the Council not only borrows to finance capital expenditure, it also has to maintain a daily net cash surplus position.

18. The Council's Treasury Management Outturn for the year delivered a £1.044m underspend compared to the approved budget, detail is shown in table 4 below. Additional income was received through a significant increase with dividends/interest received from investments. Higher fixed rate interest costs were incurred in 2023/24 as the Council switched part of its borrowing from short term to longer term PWLB borrowing with fixed rates to limit exposure to the risk of higher interest rates.

Table 4. Treasury Management Outturn Position 2023/24

	2023/24 Budget	2023/24 Outturn	Year End Variance
	£m	£m	£m
Interest Payable	16.600		
LOBO and other long term loans		3.369	
PWLB (Public Works Loan Board)		10.991	
Temporary loans		1.477	
Other Interest and charges		1.796	
Recharge to Departments for Unsupported Borrowing (in accordance with business cases)	(17.207)	(17.348)	
Total Interest Payable	**(0.607)**	**0.285**	**0.892**
Interest Receivable	(3.311)		
Pool Funds		(3.128)	
Money Market Fund		(1.589)	
Other Interest		(0.262)	
Total Interest Receivable	**(3.311)**	**(4.979)**	**(1.668)**
Other Payments	0.374	0.334	
Debt Management	0.500	0.136	
Transfer to Reserves - Miel	1.928	1.928	
Amortised Premiums	0.500	0.544	
Total Other Charges	**3.302**	**2.942**	**(0.360)**
Minimum Revenue Provision	**17.940**	**18.032**	**0.092**
TOTAL	**17.324**	**16.280**	**(1.044)**

(Brackets show a favourable variation)

19. Provision continued to be made in 2023/24 to fund any financial adjustments required to the 2019/20 accounts as a result of the external audit which is still ongoing.

20. Further provision was made following accounting adjustments for rate swap ineffectiveness

21. The Treasury Management Outturn does not include the returns from the Council's investments in the purchasing of its commercial assets, as this is included in the Place revenue outturn and referred to in the Other Non-Treasury Holdings and Activity section below.

22. Minimum Revenue Provision charges are posted the year after expenditure has been incurred or the year when an asset becomes operational (whichever is the latter). The budget for Minimum Revenue Provision (MRP) charges for 2023/24 was based on the forecast 2022/23 capital programme outturn at the end of December 2022.

23. The costs of borrowing to finance 'invest to save' capital schemes is charged to departments. The figures above include the borrowing implications of decisions to utilise the Property Regeneration Fund, previously known as Asset Investment Fund to acquire assets to earn a revenue return which is accounted for in directorate's budgets.

24. Minimum Revenue Provision (MRP) is a charge to the revenue budget that is made each year for monies to repay the Council's borrowing.
    Under regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 SI 2003/146, as amended, local authorities are required to charge to their revenue account, for each financial year, MRP for the cost of their unfinanced capital expenditure.

25. The Council uses the annuity method to calculate its MRP and spreads the cost of the borrowing over the economic life of the assets and this takes into account the time value of money.

External Context affecting 2023/24 Treasury Management activities

26. 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.

27. 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.

28. 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.

29. 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 to control inflation over the medium term.

30. 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 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.

31. 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.

32. 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.

Other Non-Treasury Holdings and Activity

33. The Council held £209m of direct property investment under its Property Regeneration Fund. These non-treasury investments generated £3.097m of investment income for the Council after taking account of direct costs, representing a net revenue return of 1.48% after allowing for payment to a void reserve and payment to a lifecycle maintenance reserve. The gross return is higher than the return earned on treasury investments but reflects the additional risks to the Council of holding such investments.

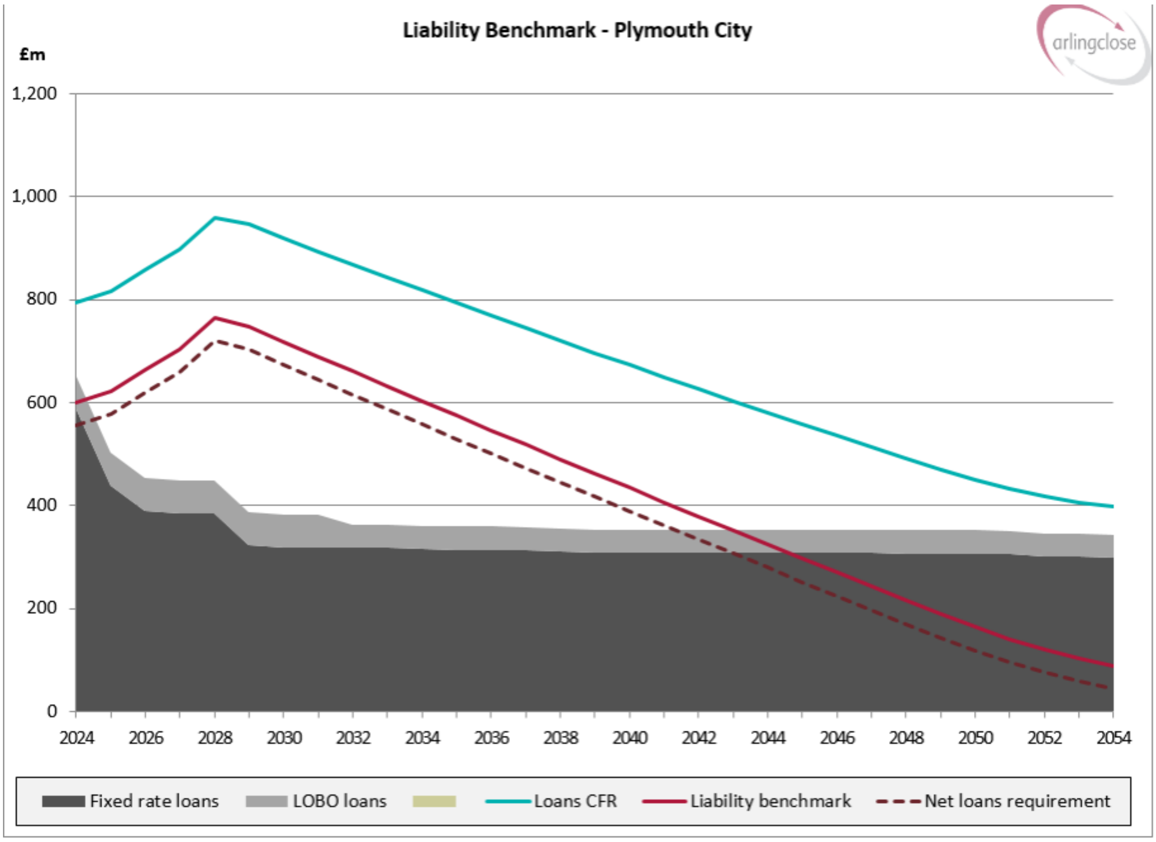
Prudential Indicators 2023/24

As required by the 2021 CIPFA Treasury Management Code, the Authority monitors and measures the following treasury management prudential.

34. **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 required to manage day-to-day cash flow.

	31.3.24 Actual £m	31.3.25 Forecast £m	31.3.26 Forecast £m
Loans CFR	795.2	817.2	859.2
Less: Balance sheet resources	(239.5)	(239.5)	(239.5)
Net loans requirement	0.0	105.7	197.6
Plus: Liquidity allowance	45.0	45.0	45.0
Liability benchmark	**600.7**	**622.7**	**664.7**
Existing borrowing	**655.6**	**517.1**	**467.1**

35. Following on from the medium-term forecast above, the long-term liability benchmark assumes capital expenditure funded by borrowing of £655.6m a year, minimum revenue provision on new capital expenditure based on a 25-year asset life and income, expenditure and reserves all increasing by inflation. This is shown in the chart below together with the maturity profile of the Authority's existing borrowing.



36. Whilst borrowing may be above the liability benchmark, strategies involving borrowing which is significantly above the liability benchmark carry higher risk. Officers will continue review the Arlingclose to reassess the liability benchmark.

37. **Interest Rate Exposures:** This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed will be:

	2023/24 Limit	2023/24 Actual	Complied
Upper limit on fixed interest rate exposure	80%	87%	x
Upper limit on variable interest rate exposure	50%	13%	✓

Fixed rate borrowings are those where the rate of interest is fixed for the whole financial year or more. Instruments that mature during the financial year are classed as variable rate.

The strategy for borrowing whilst rates are high was to secure short term borrowing through other local authorities to finance £40m PWLB borrowing maturing in 2023/24 and any in year cashflow requirements. The cost of short term borrowing from other local authorities has generally risen with Base Rate over the year. Interest rates peaked at around 7% towards the later part of March 2024 as many authorities required cash at the same time. These rates are fell back to more normal market levels in April 2024. In Q4 2023/24 scenarios between borrowing at higher short term rates compared to the lower 1 year+ PWLB rate were considered with the latter option being taken which has resulted in fixed rate exposure being exceeded again. Details of the PWLB loans being taken is shown in table below, noting that £72m is repayable in 2024/25 which will reduce exposure within the limit providing OLA borrowing is secured.

New PWLB 2023/24 Repayable in	£m	Interest rate %
2024/25	72	5.32 - 5.46
2025/26	40	5.29 - 5.36
2028/29	10	4.80
2029/30	5	4.63
Total	127	5.31

38. **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 all borrowing were:

	Upper Limit	Lower Limit	31.03.2024 Actual	Complied
Under 12 months	50%	20%	24%	✓
12 months and within 24 months	25%	0%	6%	✓
24 months and within 5 years	25%	0%	10%	✓
5 years and within 10 years	25%	0%	4%	✓
10 years and above	80%	50%	56%	✓

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.

39. **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 were:

	2022/23	2023/24
Limit on principal invested beyond year	£10m	£10m
Actual	£0m	£0m
Complied	✓	✓

40. Security: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment.

	Target	Actual	Complied
Portfolio average credit rating	A	AA	✓

41. Liquidity: The Council aims to hold sufficient cash in call accounts to cover its daily cashflow requirements. To mitigate the liquidity risk of not having cash available to meet unexpected payments the Council has access to borrow additional, same day, cash from other local authorities. During Q4 2023/24 available cash at affordable interest rates was limited making it more cost effective to draw one year+ monies from PWLB.

Treasury Management Compliance

42. Gross Debt and the Capital Financing Requirement: In order to ensure that over the medium term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

43. The actual debt levels are monitored against the Operational Boundary and Authorised Limit for External Debt below.

The operational boundary is based on the Council's estimate of most likely (i.e.prudent, but not worst case) scenario for external debt. It links directly to the Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Council's debt.

Operational Boundary	31.03.24 Boundary £m	31.03.24 Actual Debt £m	Complied
Borrowing	950	656	✓
Other long-term liabilities	145	113	✓
Total Debt	**1095**	**769**	✓

Authorised Limit for External Debt: The authorised limit 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	31.03.24 Limit £m	31.03.24 Actual Debt £m	Complied
Borrowing	985	656	✓
Other long-term liabilities	145	113	✓
Total Debt	**1130**	**769**	✓

Other

44. Statutory override: In April 2023 the Department for Levelling Up, Housing and Communities (DLUHC) 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 until 31st March 2025, but no other changes have been made; whether the override will be extended beyond this date is unknown but commentary to the consultation outcome suggests it will not. The Authority will discuss with Arlingclose the implications for the investment strategy and what action may need to be taken.

45. In December 2023 DLUHC published two consultations: a “final” consultation on proposed changes to regulations and statutory guidance on MRP closing on 16th February and a “call for views” on capital measures to improve sector stability and efficiency closing on 31st January. Draft regulations and draft statutory guidance are included in the MRP consultation. The proposals remain broadly the same as those in June 2022 – to limit the scope for authorities to (a) make no MRP on parts of the capital financing requirement (CFR) and (b) to use capital receipts in lieu of a revenue charge for MRP.

Investment Training

46. Officers have undergone a range of training provided by CIPFA and Arlingclose which has been delivered mainly online. Arlingclose deliver online weekly 30 minute updates on a range of Treasury management matters and supplementary Treasury Management – Short workshops on key activities.

Outlook for the remainder of 2024/25

47. UK headline consumer price inflation (CPI) continued to decline over the quarter, falling from an annual rate of 3.2% in March to 2.0% in May, in line with the Bank of England's target. The core measure of inflation, however, only declined from 4.2% to 3.5% over the same period, which, together with stubbornly services price inflation at 5.7% in May, helped contribute to the BoE maintaining Bank Rate at 5.25% during the period, a level unchanged since August 2023.

48. Arlingclose, the authority's treasury adviser, maintained its central view that 5.25% is the peak in Bank Rate and that interest rates will most likely be cut later in 2024/25. The risks over the medium term are deemed to be to the upside as while inflation has fallen to target, it is expected to pick up again later in the year and as services price inflation and wage growth are still on the firmer side, the MPC could well delay before delivering the first rate cut.

Recommendations

1. To approve the Treasury Management Annual Report 2023/24