Appendix ‘A’

Treasury Management Update

Quarter 1 Report 2024/25
ended 30 June 2024

East Lindsey District Council

1 Treasury Management Update

Quarter Ended 30 June 2024

The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that members be updated on treasury management activities at least quarterly. This report, therefore, ensures this Council is implementing best practice in accordance with the Code.

2 Economic Update (Commentary by Link Group)

The first quarter of 2024/25 saw:

- Gross Domestic Product (GDP) growth flatlining in April following positive Q4 2023/24 growth figures of 0.7% quarter on quarter (q/q).
- A stalling in the downward trend in wage growth, with the headline 3myy rate staying at 5.9% in April.
- Consumer Price Index (CPI) inflation falling from 2.3% in April to 2.0% in May.
- Core CPI inflation decreasing from 3.9% in April to 3.5% in May.
- The Bank of England holding rates at 5.25% in May and June.
- 10-year gilt yields climbing to 4.35% in April, before closing out at 4.32% in May.

The news that the economy grew by 0.7% q/q in Q4 2023/24 confirmed that it moved out of its very mild technical recession that prevailed at the back end of 2023. However, data released for April and May so far shows a slight stalling in the recovery, with GDP data for April coming out at 0.0% month on month (m/m), as inclement weather weighed on activity. Moreover, the fall in the composite Purchasing Manager Index output balance from 53.0 in May to 51.7 in June confirms tepid growth.

On a more positive note, the 2.9% m/m increase in retail sales volumes in May more than reversed the 1.8% m/m drop in April as rainfall returned to seasonal norms. The strength was broad-based across the retail sector, including online, (+5.9% m/m) suggesting an underlying strengthening in sales beyond weather effects. With inflation falling back to target, Bank Rate likely to be reduced soon and with consumer confidence improving, retail sales may well continue to strengthen.

Stronger consumer spending, as low inflation allows households' real incomes to strengthen and the drag from higher interest costs fades, suggests that real consumption will strengthen substantially over the next two years. However, investment will only make a modest contribution to

GDP growth. With the industrial sector still 12% smaller than in 2019, excess capacity will continue to cap the need for industrial firms to invest. But improving business sentiment should raise investment by services' firms. Further, a fall in mortgage rates should trigger a recovery in residential investment. Overall, strong consumer spending is likely to be the backbone of GDP growth, along with government consumption. Our colleagues at Capital Economics forecast that following GDP growth of 1.0% in 2024, activity will continue to surprise to the upside with GDP growth of 1.5% for both 2025 and 2026 (consensus forecasts are 1.2% and 1.4% respectively).

Nonetheless, the on-going stickiness of wage growth in April will be a lingering concern for the Bank of England. The 3 month year on year (myy) rate of average earnings growth stayed at 5.9% in April (consensus 5.7%), whilst the more timely 3m annualised rate rebounded from 5.9% to 9.3%. This stickiness partly reflected April's 9.8% increase in the minimum wage. This leaves the Bank of England's forecast for a fall back in regular private sector pay growth from 5.8% in April to 5.1% in June looking a challenge.

Despite the stickiness of wage growth in April, sharp falls in employment and a move up in unemployment suggests that wage growth will soon be back on a downward path. The 139,000 fall in employment in the three months to April was accompanied by a rise in the unemployment rate from 4.3% to 4.4%. This was the fourth increase in a row and took it to its highest level since September 2021. The rise would have been larger were it not for the 132,000 increase in inactivity in the three months to April as the UK's disappointing labour market participation performance since the pandemic continued. The vacancies data also paint a picture of a slowly cooling labour market. The number of job vacancies fell from an upwardly revised 908,000 to 904,000, leaving vacancies 31% below the peak in May 2022, but 11% above the pre-pandemic level.

The fall in CPI inflation in May back to the Bank's 2% target for the first time since July 2021 will have come as welcome news to the Bank. Furthermore, with CPI inflation of 3.3% in the US and 2.6% in the Euro-zone in May, the UK appears to have won the race to get CPI inflation back to 2.0%. A further easing in food inflation from 2.8% in April to 1.6% in May played a part in the fall in overall CPI inflation and with food producer price inflation at just 0.2% in May, food price inflation will probably soon fall to zero.

The core rate also fell back from 3.9% to 3.5%. Within that, core goods CPI inflation slipped below zero for the first time since October 2016. As expected, clothing/footwear, recreation/culture and restaurants/hotels categories inflation declined, reflecting base effects from big increases last

May. While services inflation fell from 5.9% to 5.7%, this decline was smaller than the Bank of England expected (forecast 5.3%) and the timelier three-month annualised rate of services prices has rebounded from 8.5% to 9.2%. This suggests that the persistence in domestic inflation that the Bank is worried about is fading more slowly than it thought. Even so, there is scope for inflation to fall further.

There was little chance that the Bank would cut rates at its June meeting, given upside surprises on services CPI inflation and wage growth. But several developments implied a rate cut is getting closer (August?). First, two members of the Monetary Policy Committee (MPC), Ramsden and Dhingra voted again to reduce rates immediately to 5.00%. Second, despite the recent run of stronger inflation and activity, the minutes noted "indicators of inflation persistence had continued to moderate" and that a range of indicators suggest pay growth had continued to ease. And there was new wording that members of the MPC will consider all the information available and how this affects the assessment that the risks from inflation persistence are receding "as part of the August forecast round".

Throughout the quarter there was a degree of volatility in the gilt market and, by way of example, the 10-year gilt yield rose from 4.05% on 2 April to finish at 4.15% on 28 June but it has exceeded 4.30% on several occasions. Overall, investors judged that interest rates will need to remain high for longer to keep inflation around the 2.0% target.

Meanwhile, the FTSE 100 broke through the 8,000 mark in April for the first time since its brief three-day flutter in February last year and reached a record closing high of 8,446 on 15 May. However, by the end of the quarter, despite AI-fuelled rises in the US S&P500, it finished rather tamely and had fallen back to 8,164. Arguably, significant interest rate cuts and an on-going UK economic recovery will be required for a further resurgence to take hold.

MPC meetings 9 May and 20 June 2024

On 9 May, the Bank of England's Monetary Policy Committee (MPC) voted 7-2 to keep Bank Rate at 5.25%. This outcome was repeated on 20 June.

Nonetheless, with UK CPI inflation now back at 2% and set to fall further over the coming months, Ramsden and Dhingra – who voted again to reduce rates immediately to 5.00% in June – may shortly be joined by some members in the no-change camp, for whom the June decision was "finely balanced" as the upside news on services price inflation was more likely to be a reflection of one-off effects and volatile components rather than factors that would push up "medium-term inflation".

3. Interest rate forecasts

The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The Public Works Loan Board (PWLB) rate forecasts below are based on the Certainty Rate (the standard rate minus 20 basis points (bps)) which has been accessible to most authorities since 1 November 2012.

The latest forecast, updated on 28 May, sets out a view that both short and long-dated interest rates will start to fall once it is evident that the Bank of England has been successful in squeezing excess inflation out of the economy, despite a backdrop of a stubbornly robust economy and a tight labour market.

Moreover, whatever the shape of domestic data, recent gilt market movements have been heavily influenced by the sentiment pertaining to US monetary policy. Again, inflation and labour data has proven sticky and the market's expectation for rate cuts has gradually reduced throughout the course of the year, so that possibly rates may not be cut more than once, or possibly twice, before the end of 2024. In any event, even if the Bank of England starts to cut rates first, it may mean that the medium and longer parts of the curve take longer to fully reflect any such action until the US yield curve shifts lower too. Given the potential inflationary upside risk to US treasuries if Trump wins the presidential election in November (increased tariffs on imports from China for example), therein lies a further risk to yields remaining elevated for longer.

Closer to home, the General Election is not expected to have a significant impact on UK monetary policy. There is minimal leeway for further tax cuts or added spending without negatively impacting market sentiment. It may even be the case that the Bank of England will steer clear of an August rate cut – should that be supported by the inflation data – in favour of weighing up fiscal policy implications and market sentiment in the aftermath of the election.

Accordingly, Link's central case is still for a rate cut before the end of September, but we are not committed to whether it will be in August or September. Thereafter, the path and speed of rate cuts is similar to that which we previously forecast, with Bank Rate eventually falling to a low of 3% by H2 2026.

However, given the increased uncertainty surrounding Link's central gilt market forecasts, and the significant issuance that will be on-going from several of the major central banks, it has marginally increased its PWLB forecasts by c20 to 30 basis points across the whole curve since the previous quarter.

In summary, regarding PWLB rates, movement in the short-end of the curve is expected to reflect Link's Bank Rate expectations to a large degree, whilst medium to longer-dated PWLB rates will remain influenced not only by the outlook for inflation, domestically and globally, but also by the market's appetite for significant gilt issuance (£200bn+ for each of the next few years). As noted at the Link March Strategic Issues webinars, there is upside risk to that part of our forecast despite the Debt Management Office skewing its issuance to the shorter part of the curve.

Link Group Interest Rate View	28.05.24											
	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.00	4.50	4.00	3.50	3.25	3.25	3.25	3.25	3.00	3.00	3.00
3 month ave earnings	5.30	5.00	4.50	4.00	3.50	3.30	3.30	3.30	3.30	3.00	3.00	3.00
6 month ave earnings	5.30	4.90	4.40	3.90	3.50	3.30	3.30	3.30	3.30	3.10	3.10	3.20
12 month ave earnings	5.10	4.80	4.30	3.80	3.50	3.40	3.40	3.40	3.40	3.20	3.30	3.40
5 yr PWLB	4.90	4.70	4.50	4.30	4.10	4.00	3.90	3.90	3.90	3.90	3.90	3.80
10 yr PWLB	5.00	4.80	4.60	4.40	4.30	4.10	4.10	4.10	4.00	4.00	4.00	3.90
25 yr PWLB	5.30	5.20	5.00	4.80	4.70	4.50	4.50	4.40	4.40	4.40	4.30	4.30
50 yr PWLB	5.10	5.00	4.80	4.60	4.50	4.30	4.30	4.20	4.20	4.20	4.10	4.10

Money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months.

The Link forecast for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short-term cash at any one point in time.

End of Link Group Commentary

4 Annual Investment Strategy

The Treasury Management Strategy Statement for 2024/25, which includes the Annual Investment Strategy, was approved by the Council on 28 February 2024. It sets out the Council's investment priorities as being:

- Security of capital;
- Liquidity; and
- Yield

The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity, aligned with the Council's risk appetite. In the current economic climate, over and above keeping investments short-term to cover cash flow needs, there is a benefit to seek out value available in periods up to 12 months with high credit rated financial institutions, using the Link suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

As shown by the following chart and the interest rate forecasts in section 3, rates have remained elevated during the first quarter of 2024/25 but are expected to fall back through the second half of 2024 as inflation reduces and the MPC starts to loosen monetary policy.

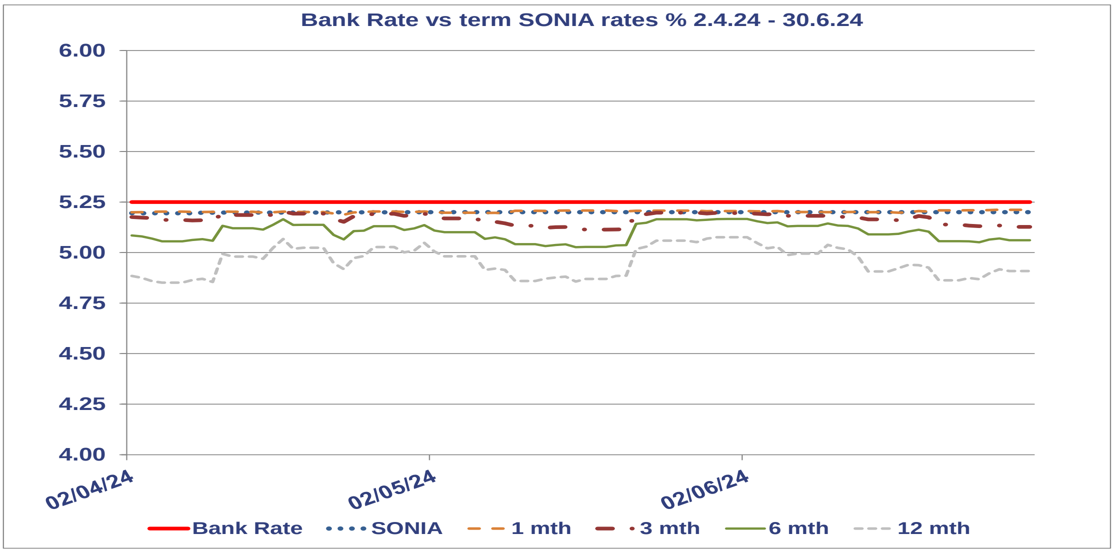
Creditworthiness - There have been few changes to credit ratings over the quarter under review. However, officers continue to closely monitor these, and other measures of creditworthiness to ensure that only appropriate counterparties are considered for investment purposes.

Investment Counterparty Criteria - The current investment counterparty criteria selection approved in the Treasury Management Strategy Statement is meeting the requirement of the treasury management function.

Credit Default Swap prices - For UK banks, these have remained low, and prices are not misaligned with other creditworthiness indicators, such as credit ratings. Nevertheless, it remains important to undertake continual monitoring of all aspects of risk and return in the current circumstances.

Investment performance year to date as at 30 June 2024

The graph below shows that during the first quarter of the financial year rates have been relatively flat over all time periods.



During the financial year the Council has made investments in line with the agreed Treasury Management Strategy.

Because the Council collects money on behalf of other organisations which are paid out at future dates (e.g. Council Tax and Business Rates) the value of investments held at any point in time does not represent the value of ELDC's own resources.

The following table provides details of the cash investments held by the Council on 30 June 2024. Note this represents the position at this one point in time. The peaks and troughs in cash flow are managed on a daily basis.

Financial Institution	Country	Amount (£)	Start Date	Maturity Date	Fixed/ Variable	Yield (%)
Barclays Current Account	UK	489,081	N/A	Instant	N/A	0.00%
Barclays Bank	UK	800,000	N/A	Instant	Variable	4.45%
Handelsbanken Plc	Sweden	6,692	N/A	Instant	Variable	4.45%
CCLA Money Market Fund	Various*	5,890,000	N/A	Instant	Variable	5.21%
UBS	Switzerland	5,000,000	13/07/23	12/07/24	Fixed	6.69%
DNB Bank ASA	Norway	5,000,000	31/08/23	30/08/24	Fixed	6.18%
Uttlesford District Council	UK	3,000,000	07/05/24	07/11/24	Fixed	5.35%
North Ayrshire Council	UK	3,000,000	10/05/24	11/11/24	Fixed	5.30%
Goldman Sachs Bank	UK	3,000,000	17/05/24	18/11/24	Fixed	5.275%
Aberdeen City Council	UK	3,000,000	05/02/24	05/12/24	Fixed	5.55%
London Borough of Barking & Dagenham	UK	3,000,000	19/06/24	19/12/24	Fixed	5.25%
City of Stoke-on-Trent Council	UK	3,000,000	21/12/23	20/12/24	Fixed	5.60%
Great Yarmouth Council	UK	2,500,000	16/02/24	14/02/25	Fixed	6.00%
ANZ Bank	Australia	3,000,000	03/06/24	03/03/25	Fixed	5.38%
PCC for Merseyside	UK	3,000,000	03/05/24	02/05/25	Fixed	5.30%
Rushmoor Borough Council	UK	3,000,000	14/05/24	14/05/25	Fixed	5.30%
South Cambridgeshire District Council	UK	3,000,000	20/05/24	19/05/25	Fixed	5.25%
Canterbury City Council	UK	3,000,000	21/05/24	21/05/25	Fixed	5.25%
CIC Bank	France	5,000,000	03/06/24	02/06/25	Fixed	5.36%
TOTAL		**57,685,773**				

** The CCLA (Church, Charities and Local Authorities) Money Market Fund is domiciled in the UK but investment funds deposited globally.*

In addition to the above loans the Council has made loans to Invest EL as follows:

Loan	Amount	Start Date	Maturity Date	Yield
Caravan Sales Loan	272,600	01/07/20	In Perpetuity	4.00%
Caravan Hire Fleet Loan	268,952	01/07/20	01/07/30	4.00%
Caravan Hire Fleet Expansion Loan	720,000 380,000 1,100,000	15/02/21 07/02/22	14/02/41 07/02/42	4.00% 4.00%
Housing Development Loan	500,000 500,000 1,000,000	30/06/21 16/11/21	31/03/25 31/03/25	4.00% 4.00%
Cash Flow Loans	500,000 200,000 300,000 250,000 1,250,000	20/01/22 19/05/22 12/07/22 20/09/22	31/03/25 31/03/25 31/03/25 31/03/25	4.00% 4.00% 4.00% 4.00%
TOTAL	**3,891,552**			

Interest earned on these loans in the current financial year to 30 June 2024 is £38,809.

Maturity profile of investment

A breakdown of the maturity structure of investments on 30 June 2024 is as follows:

Period to Maturity	Amount (£)	% of Portfolio
Instant Access	7,185,773	8%
Less than one month	5,000,000	6%
One to three months	5,000,000	6%
Three to six months	18,000,000	21%
Six to nine months	5,500,000	6%
Nine months to a year	17,000,000	20%
InvestEL	3,891,552	5%
>12 Months	23,602,538	28%
TOTAL	**85,179,863**	**100%**

Property Fund Investments

The Council has purchased property fund units and the tables below provide a breakdown in relation to the purchase of these units:

Pooled Investment Fund (Revenue Expenditure)

Fund	Date of Purchase	Net Asset Value at Date of Purchase £	Premium/ (Discount) on Purchase £	Premium/ (Discount) on Purchase %	Total Cost £
Hermes Property Unit Trust	24/06/16	1,621,443	48,643	3.00	1,670,086
	30/09/16	234,555	5,435	2.32	239,990
	26/01/17	556,376	33,547	6.03	589,923
	02/10/17	344,460	9,087	2.64	353,547
	28/11/17	248,899	5,686	2.28	254,585
	26/12/17	192,410	3,517	1.83	195,927
	26/04/19	694,860	1,033	0.15	695,893
	TOTAL	**3,893,003**	**106,948**	**2.75**	**3,999,951**

Property Funds (Capital Expenditure)

Fund	Date of Purchase	Net Asset Value at Date of Purchase £	Premium/ (Discount) on Purchase £	Premium/ (Discount) on Purchase %	Total Cost £
Schroder UK Real Estate Fund	07/07/16	2,021,637	(25,629)	(1.27)	1,996,008
	07/10/16	505,375	(6,373)	(1.26)	499,002
	01/12/17	1,478,726	18,280	1.24	1,497,006
	07/09/18	813,680	(5,659)	(0.70)	808,021
	TOTAL	**4,819,418**	**(19,381)**	**(0.40)**	**4,800,037**
Threadneedle Property Unit Trust	31/08/18	2,902,441	86,572	2.98	2,989,013
	28/09/18	483,966	16,116	3.33	500,082
	31/10/18	1,267,037	42,855	3.38	1,309,892
	TOTAL	**4,653,444**	**145,543**	**3.13**	**4,798,987**
BlackRock UK Property Fund	28/09/18	**4,734,550**	**65,482**	**1.38**	**4,800,032**
M&G Investments UK Property Fund (after repayments)	14/09/18	**297,824**	**105,107**	**2.25**	**403,531**
AEW UK Core Property Fund	31/10/18	**4,505,538**	**294,462**	**6.54**	**4,800,000**
TOTAL		**19,010,774**	**591,813**		**19,602,587**

The following table provides the fair value and performance information of the property fund investments on 30 June 2024 and projected outturns for the year.

`APPENDIX A`

Pooled Investment Fund (Revenue Expenditure)

Financial Institution	Purchase Cost (£)	Q1 Budgeted Net Revenue 2024/25 (£ & %)	Q1 Estimated Net Revenue (£ & %)	2024/25 Budgeted Net Revenue 2024/25 (£ & %)	2024/25 Estimated Outturn Net Revenue (£ & %)	Net Asset Value (£)	Total Gain/ (Loss) Since Purchase (£ & %)	Capital Gain/(Loss) Since 31/03/24 (£ & %)	2024/25 Combined Annual Return (%)
Federated Hermes Property Unit Trust	3,999,951	39,890 4.00%	48,323 4.85%	159,998 4.00%	168,431 4.21%	3,770,431	(229,521) (5.74%)	5,642 0.15%	5.00%

Property Funds (Capital Expenditure)

Financial Institution	Purchase Cost (£)	Q1 Budgeted Net Revenue 2024/25 (£ & %)	Q1 Estimated Net Revenue (£ & %)	2024/25 Budgeted Net Revenue 2024/25 (£ & %)	2024/25 Estimated Outturn Net Revenue (£ & %)	Net Asset Value (£)	Total Gain/ (Loss) Since Purchase (£ & %)	Capital Gain/(Loss) Since 31/03/24 (£ & %)	2024/25 Combined Annual Return (%)
Schroder UK Real Estate Fund	4,800,037	47,869 4.00%	45,770 3.82%	192,002 4.00%	189,902 3.96%	4,277,758	(522,279) (10.88%)	(37,179) (0.86%)	3.10%
Threadneedle Property Unit Trust	4,798,987	47,858 4.00%	37,118 3.10%	191,960 4.00%	181,219 3.78%	4,012,599	(786,388) (16.39%)	55,995 1.42%	5.20%
BlackRock UK Property Fund	4,800,032	47,869 4.00%	41,765 3.49%	192,001 4.00%	185,898 3.87%	4,192,149	(607,883) (12.66%)	14,919 0.36%	3.85%
M&G Investments UK Property Fund (after distribution payments)	403,531	4,024 4.00%	4,024 4.00%	16,141 4.00%	16,141 4.00%	564,117	160,586 N/A	(14,854) N/A	N/A
AEW UK Core Property Fund	4,800,000	47,869 4.00%	47,868 4.00%	192,000 4.00%	192,000 4.00%	4,176,654	(623,346) (12.99%)	57,938 1.41%	5.41%
TOTAL	**19,602,587**	**195,489**	**176,545**	**784,104**	**765,160**	**17,223,277**	**(2,379,310)**	**76,819**	
Adjustment for 2023/24 Accrual	-	-	(24,412)	-	(24,412)	-	-	-	-
GRAND TOTAL	**19,602,587**	**195,489**	**152,133**	**784,104**	**740,748**	**17,223,277**	**(2,379,310)**	**76,819**	

At the year end the movement in fair value of the Revenue Fund gets charged to the revenue account. There is currently a statutory override which has been extended to 31 March 2025 which allows for these movements in fair value on pooled investments funds to be reversed out through the MIRS so there is no bottom-line impact.

The movement in fair value of the Capital Funds gets charged to the revenue account and reversed out through the MIRS to the capital adjustment account each year end so there is no bottom-line impact.

Property Fund Dividends

An analysis of dividend distributions received since the purchase of the property funds to 30 June 2024 can be found in the table below:

Financial Institution	Actual Net Dividend Distributions Received Pre 2024/25	Net Dividend Distributions Received 2024/25	Adjustment For 2023/24 Accrual	Total Net Distributions Received Since Purchase
Federated Hermes Property Unit Trust	1,003,936	48,323	2,165	1,054,424
Schroder UK Real Estate Fund	1,175,284	45,770	(1,406)	1,219,648
Threadneedle Property Unit Trust	1,121,628	37,118	(3,650)	1,155,096
BlackRock UK Property Fund	818,458	41,765	714	860,937
M&G Investments UK Property Fund (excluding liquidation distributions)	679,584	4,024	0	683,608
AEW UK Core Property Fund	1,062,580	47,868	(22,235)	1,088,213
Total Revenue	**5,861,470**	**224,868**	**(24,412)**	**6,061,926**

The M&G UK Property fund is liquidating its assets and therefore their fund valuation is reducing as repayments are made. Of the £4.8m originally invested, M&G have now paid East Lindsey DC distribution payments totalling £4,396,469 as of 30 June 2024, from the asset sale proceeds leaving a book value of £403,531 outstanding.

Summary of Investment Income Received Against Budget and Forecast Outturn

The table below provides a comparison of investment income received against budget at Quarter 1 and a forecast outturn position for the year. This table also includes the 2024/25 allocation of the discount received on premature repayment of borrowing.

Investment Type	**2024/25 Budget Quarter 1**	**2024/25 Actual Quarter 1**	**2024/25 Variance Quarter 1**	**2024/25 Annual Budget**	**2024/25 Forecast Outturn**	**2024/25 Forecast Variance**
Treasury Investments						
Gross Interest	(448,642)	(895,516)	(446,874)	(1,799,498)	(2,847,662)	(1,048,164)
Brokers Fees	4,986	4,147	(839)	20,000	20,000	0
Net Position	(443,656) *(4.898%)*	(891,369) *(5.539%)*	(447,713) *(0.641%)*	(1,779,498)	(2,827,662)	(1,048,164)
Property Funds						
Gross Distributions	(285,242)	(242,921)	42,321	(1,144,102)	(1,101,781)	42,321
Less Management Fees	49,863	42,465	(7,398)	200,000	192,602	(7,398)
Net Distributions	(235,379) *(4.000%)*	(200,456) *(3.867%)*	34,923 *0.133%*	(944,102)	(909,179)	34,923
M&G Property Fund Liquidation Distributions (*to be used for MRP Contributions as the original capital purchase was unfinanced*)	0	0	0	0	0	0
Total Net Income	**(679,035)** ***(4.547%)***	**(1,091,825)** ***(5.030%)***	**(412,790)** ***(0.483%)***	**(2,723,600)**	**(3,736,841)**	**(1,013,241)**
Premature Repayment of Borrowing Discount Allocated to Revenue	(208,035)	(208,035)	0	(834,425)	(834,425)	0
Overall Net Position	**(887,070)**	**(1,299,860)**	**(412,790)**	**(3,558,025)**	**(4,571,266)**	**(1,013,241)**

Treasury investments achieved an average rate of 5.539% compared to the benchmark average 3-month Sterling Overnight Index Average (SONIA) rate of 5.167%, InvestEL loans 4% and property fund investments an average rate of 3.867%. The combined rate achieved on all investments was 5.030%.

The higher levels of investment income compared to the original budget is due to increased balances available for investment resulting from capital expenditure slippage and higher interest rates on investments. These rates are likely to fall below the average budget rate later in the financial year.

On 30 June 2024 it can be seen from the previous table that the overall net position is £1,013,241 above budget.

A breakdown of the maturity structure of investments on 30 June 2024 is as follows:

Period to Maturity	**Amount (£)**	**% of Portfolio**
Instant Access	7,185,773	8%
Less than one month	5,000,000	6%
One to three months	5,000,000	6%
Three to six months	18,000,000	21%
Six to nine months	5,500,000	6%
Nine months to a year	17,000,000	20%
InvestEL	3,891,552	5%
>12 Months	23,602,538	28%
TOTAL	**85,179,863**	**100%**

5 Borrowing

The Council had no external borrowing on 30 June 2024.

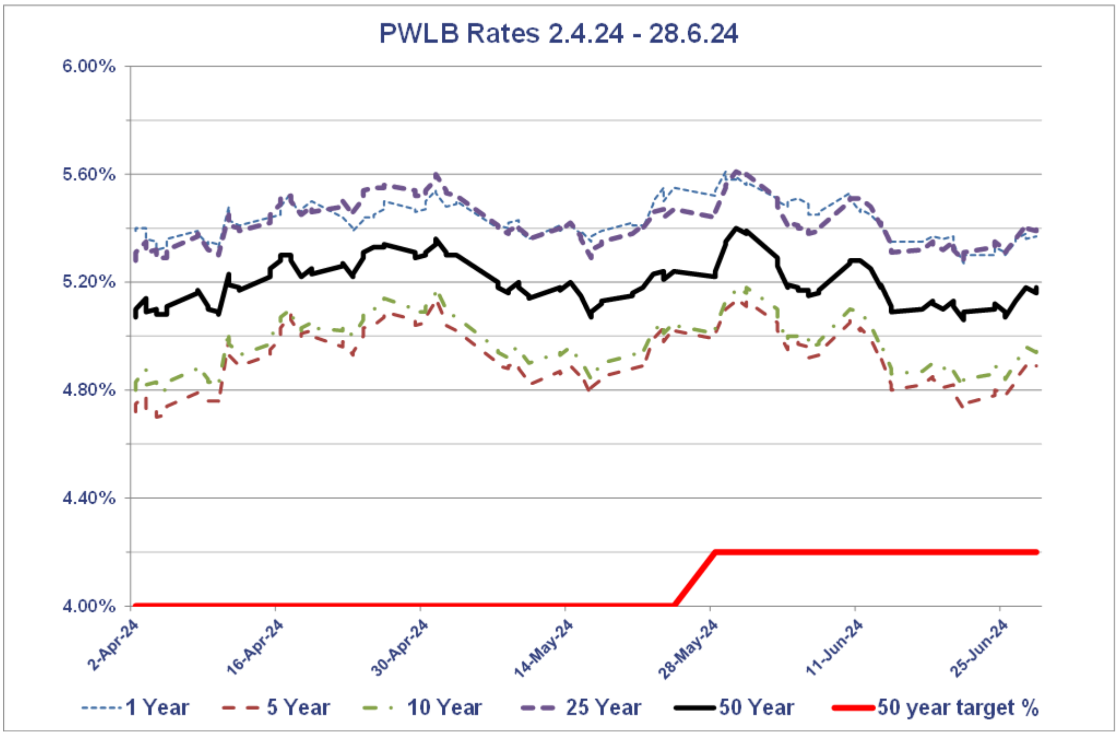
It is anticipated that new borrowing will not be undertaken during this financial year but this may be subject to review.

Gilt yields and PWLB rates remained relatively stable between 1 April and 30 June. Having said that, the spread between the low and high points during the quarter was between 0.3% and 0.45% across the curve.

The 50-year PWLB Certainty Rate target for new long-term borrowing (the low point of the Link forecast on a two-year timeline) started 2024/25 at 4.00% and increased to 4.20% on 28 May. With rates remaining elevated across the whole of the curve, it is advised to not borrow long-term unless the Authority wants certainty of rate and judges the cost to be affordable.

Public Works Loan Board (PWLB) Borrowing Rates

The 50 year PWLB certainty rate was 5.18% as at 30 June 2024.



6 Compliance with Treasury and Prudential Indicators

The prudential and treasury Indicators are shown in Appendix A1.

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved Treasury Management Strategy Statement.

During the quarter ended 30 June 2024 the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement.

The Deputy Chief Executive (Corporate Development) & S151 Officer reports that no difficulties are envisaged for the current or future years in complying with these indicators.

`APPENDIX A`

Treasury Indicators and Prudential Indicators for 2024/25 as of 30 June 2024

Treasury Indicators	2024/25 Budget £'000	Revised as at Quarter 1 £'000	31/03/24 Actual £'000
Authorised limit for external debt	29,000	29,000	44,000
Operational boundary for external debt	25,000	25,000	38,000
Gross external debt	0	0	0
Investments	(42,561)	(85,180)	(84,151)
Net investments	(42,561)	(85,180)	(84,151)

Upper limit for principal sums invested over 365 days:			
2024/25	10,000	10,000	0
2025/26	10,000	10,000	0
2026/27	10,000	10,000	0
2027/28	10,000	10,000	0
2028/29	10,000	10,000	0

Prudential Indicators	2024/25 Budget £'000	Revised as at Quarter 1 £'000	31/03/24 Actual £'000
Capital expenditure:			
Non Towns Fund	22,346	33,279	**
Towns Fund	23,650	33,599	**
UKSPF projects	1,937	2,101	**
LUF Projects	7,177	7,903	**
TOTAL	55,110	76,882	**
Capital Financing Requirement (CFR):	20,049	**	**
Annual change in CFR:	1,404	1,500	**
In year borrowing requirement:	1,445	1,541	**
Ratio of financing costs to net revenue stream:	(10.05%)	**	**

** The actual figures as at 31/03/24 are not yet known as the 2023/24 statement of accounts are still being finalised. These figures will be reported following completion of the statements and will also be reported in the Mid Term Treasury Report for 2024/25.

General Fund Capital Expenditure 2024/25

2024/25 Capital Programme and Q1 Forecast Outturn							
Scheme	Approved Budget 2024/25 £'000	23/24 Slippage/ (accelerated spend) £'000	Changes to approved budget £'000	Revised 2024/25 £'000	Actual June 24 £'000	Forecast Outturn 2024/25 £'000	Variance (under)/over £'000
Non-Towns Fund Projects							
Capitalised Planned Enhancements	377	47	102	526	18	526	-
Car Park Resurfacing	250	(63)	-	187	-	187	-
Disabled Facilities Grants	2,734	(82)	-	2,652	557	2,652	-
Community Housing Fund	646	1	-	647	-	647	-
Kingfisher Enhancements	60	(18)	75	117	26	117	-
3G Football Pitch	121	39	-	160	-	160	-
Changing Places	75	(43)	-	32	-	32	-
IT Investment	270	(27)	27	270	26	270	-
Neighbourhoods Vehicles	720	431	-	1,151	406	1,151	-
Green Homes Grant	-	676	-	676	-	676	-
Sustainable Warmth	8,400	6,678	-	15,078	918	14,978	(100)
Decarbonisation of Assets	1,591	-	-	1,591	-	1,591	-
CDF – Phase 2	2,539	(2)	-	2,537	139	2,537	-
CDF – Pier Transformation	3,597	440	-	4,037	-	4,037	-
Horncastle Industrial Estate	400	-	-	400	-	400	-
Neighbourhoods Growth	100	-	-	100	-	100	-
Environmental Health	66	-	-	66	1	66	-
Sutton on Sea Paddling Pool	400	-	-	400	-	400	-
District EV Charging Point	-	71	-	71	-	71	-
Local Authority Housing Fund	-	1,832	-	1,832	742	1,832	-
PSPS Investment	-	181	-	181	-	181	-
Bin Lift Safety Upgrade	-	-	14	14	-	14	-
Pool Car Renewal	-	-	49	49	-	49	-
Regional Skills Plan Pilot	-	-	44	44	-	44	-
Community Building Decarbonisation Pilot	-	-	125	125	-	125	-
Swimming Pool Support Fund	-	-	336	336	-	336	-
Total Projects (Excl. Towns Funds, UKSPF & LUF)	**22,346**	**10,161**	**772**	**33,279**	**2,833**	**33,179**	**(100)**

2024/25 Capital Programme and Q1 Forecast Outturn							
Scheme	**Approved Budget 2024/25 £'000**	**23/24 Slippage/ (accelerated spend) £'000**	**Changes to approved budget £'000**	**Revised 2024/25 £'000**	**Actual June 24 £'000**	**Forecast Outturn 2024/25 £'000**	**Variance (under)/over £'000**
Towns Fund Projects							
Towns Fund – Mablethorpe Leisure and Learning	895	2,455	304	3,654	1,808	3,654	-
Towns Fund – Sutton on Sea Colonnade	5,197	724	181	6,102	935	6,102	-
Towns Fund – Sutton on Sea Colonnade Further Works	600	-	-	600	-	600	-
Towns Fund – Skegness Foreshore	2,654	278	(600)	2,332	-	2,332	-
Towns Fund – Skegness Railway Station	2,624	(54)	(6)	2,564	136	2,564	-
Towns Fund – Skegness Town Centre Transformation	812	362	(6)	1,168	25	1,168	-
Towns Fund – Skegness Learning Campus	7,600	811	713	9,124	1,327	9,124	-
Towns Fund – Mablethorpe Campus for Future Living	2,124	357	39	2,520	539	2,520	-
Towns Fund – Mablethorpe Mobihub	798	24	1,029	1,851	-	1,851	-
Towns Fund – Mablethorpe High Street	346	5	(246)	105	11	105	-
Towns Fund – Mablethorpe Sandilands	-	1,921	(6)	1,915	-	1,915	-
Towns Fund – Skegness Multi-User Trail	-	223	(6)	217	2	217	-
Towns Fund – Skegness Cultural	-	1,453	(6)	1,447	103	1,447	-
Total Towns Fund	**23,650**	**8,559**	**1,390**	**33,599**	**4,886**	**33,599**	**-**
UKSPF	941	210	(400)	751	63	751	-
UKSPF – Rural	996	354	-	1,350	43	1,350	-
Total UKSPF	**1,937**	**564**	**(400)**	**2,101**	**106**	**2,101**	**-**
LUF: Spilsby Sessions House	4,599	272	-	4,871	83	1,500	(3,371)
LUF: Alford Manor House	1,736	226	-	1,962	40	600	(1,362)
LUF: Alford Windmill	842	228	-	1,070	18	600	(470)
Total LUF	**7,177**	**726**	**-**	**7,903**	**141**	**2,700**	**(5,203)**
Total for all projects (including new items)	**55,110**	**20,010**	**1,762**	**76,882**	**7,966**	**71,579**	**(5,303)**

The revised capital budget as at Q1 is £76.882m, derived from the combination of the 2024/25 approved budget of £55.110m, slippage into future years of £20.010m, and other changes to approved budgets of £1.762m.

The overall expenditure forecast as at Q1 is showing an underspend of £5.303m.

Changes to approved budget will be included as part of the Quarter 1 Finance report to Executive Board for approval.

Funding of Capital Expenditure

Scheme	Approved Budget 2024/25 £'000	Revised 2024/25 £'000	Full year forecast £'000	Variance £'000
Capital Reserve	(3,688)	(4,012)	(4,012)	-
Other Reserve – Economic Growth	(2,200)	(8,384)	(8,384)	-
Other Reserve – Housing	(646)	(647)	(647)	-
Other Reserve – Repair & Replacement	(287)	(757)	(757)	-
Other Reserve – Technology	(72)	(72)	(72)	-
Other Reserve – Carbon Reduction	(1,000)	(1,000)	(1,000)	-
Other Reserve – Corporate Priorities	(400)	(400)	(400)	-
Other Reserve – New Initiative/Contingency Reserve	-	(220)	(220)	-
External Grants	(45,372)	(59,849)	(54,546)	5,303
Internal Borrowing	(1,445)	(1,541)	(1,541)	-
Total Financing	**(55,110)**	**(76,882)**	**(71,579)**	**5,303**