APPENDIX '1'

East Lindsey
DISTRICT COUNCIL

Treasury Annual Report 2023/24

For scrutiny by Audit and Governance Committee
on 27 November 2024

APPENDIX '1'

TREASURY ANNUAL REPORT 2023/24

1. INTRODUCTION

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

During 2023/24 the following reports have been submitted:

- an annual treasury strategy in advance of the year (Council 1 March 2023)
- a mid year (minimum) treasury update report (Audit and Governance 22 November 2023 and Council 13 December 2023)
- an annual review following the end of the year describing the activity compared to the strategy (this report)

In addition, this Council has received quarterly treasury management update reports on 27 September 2023 and 27 March 2024 which were received by the Audit and Governance Committee.

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

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

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

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

The Council undertakes capital expenditure on long-term assets. These activities may either be:

- financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- if insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

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

The following table summarises actual capital expenditure and how this was financed. Full details of the 2023/24 expenditure can be found at **Appendix '1A'.**

£'000 General Fund	2022/23 Actual	2023/24 Revised Budget	2023/24 Actual
Capital expenditure	17,265	48,081	27,207
Financed in year	(17,265)	(47,876)	(26,924)
Unfinanced capital expenditure	0	205	283

3. THE COUNCIL'S OVERALL BORROWING NEED

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

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

Reducing the CFR – the Council's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively a repayment of the borrowing need. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

The total CFR can also be reduced by:

- the application of additional capital financing resources, (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

The Council's 2023/24 MRP Policy, (as required by DLUHC Guidance), was approved as part of the Treasury Management Strategy Report for 2023/24 on 1 March 2023.

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

CFR (£’000)	**31 March 2023 Actual**	**31 March 2024 Estimate**	**31 March 2024 Actual**
Opening CFR Balance	24,018	25,499	19,120
Add Unfinanced Capital Expenditure	0	658	299
Minimum/Voluntary Revenue Provision	(4,898)	(1,500)	(1,594)
Total CFR	19,120	24,657	17,825

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

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

	31 March 2023 Actual £000’s	**31 March 2024 Estimate £000’s**	**31 March 2024 Actual £000’s**
Gross Borrowing Position	20,000	20,000	0
CFR	19,120	24,657	17,825

The authorised limit - the authorised limit is the “affordable borrowing limit” required by S3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2023/24 the Council has maintained gross borrowing within its authorised limit.

The operational boundary – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.

Actual financing costs as a proportion of net revenue stream - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2023/24
Authorised limit	£44m
Maximum gross borrowing position	£20m
Operational boundary	£38m
Average gross borrowing position	£10.94m
Financing costs as a proportion of net revenue stream	-10.93%

4. TREASURY POSITION AS AT 31 MARCH 2024

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

	31/3/23 Principal & Accrued Interest £000's	**Rate/ Return %**	**Average Life In Years**	**31/3/24 Principal & Accrued Interest £000's**	**Rate/ Return %**	**Average Life In Years**
Fixed Rate Temporary & PWLB borrowing	20,000	2.465	45.73	0	N/A	N/A
CFR	19,120			17,825		
Over/(under) borrowing	880			(17,825)		
Total investments (including Cash and Cash Equivalents)	-86,814	3.751	0.48	-83,518	4.512	0.47
Net investments	-66,814			-83,518		

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

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INVESTMENT PORTFOLIO	Actual 31/03/23 £000's	Actual 31/03/23 %	Actual 31/03/24 £000's	Actual 31/03/24 %
Treasury Investments				
Banks	58,398	97	48,355	82
Local Authorities	-	-	8,591	15
Total managed in house	**58,398**	**97**	**56,947**	**97**
Money Market Funds	1,513	3	1,768	3
Total managed externally	**1,513**	**3**	**1,768**	**3**
Total Treasury Investments	**59,911**	**100**	**58,715**	**100**
Non Treasury Investments				
Property Funds	22,761	85	20,911	84
Invest East Lindsey	4,142	15	3,892	16
Total Non Treasury Investments	**26,903**	**100**	**24,803**	**100**

Note: The value of Property Fund investments have gone down by £1.85m during the financial year. The Council has received asset sale distribution payments from the M&G Fund of £0.66m which has contributed to the overall reduction in property fund investments at the year end. No new investments have been made in this investment type in 2023/24.

SUMMARY	Actual 31/03/23 £000's	Actual 31/03/23 %	Actual 31/03/24 £000's	Actual 31/03/24 %
Total Treasury Investments	59,911	69	58,715	70
Total Non Treasury Investments	26,903	31	24,088	30
Total of all Investments	**86,814**	**100**	**83,518**	**100**

The maturity structure of the investment portfolio was as follows:

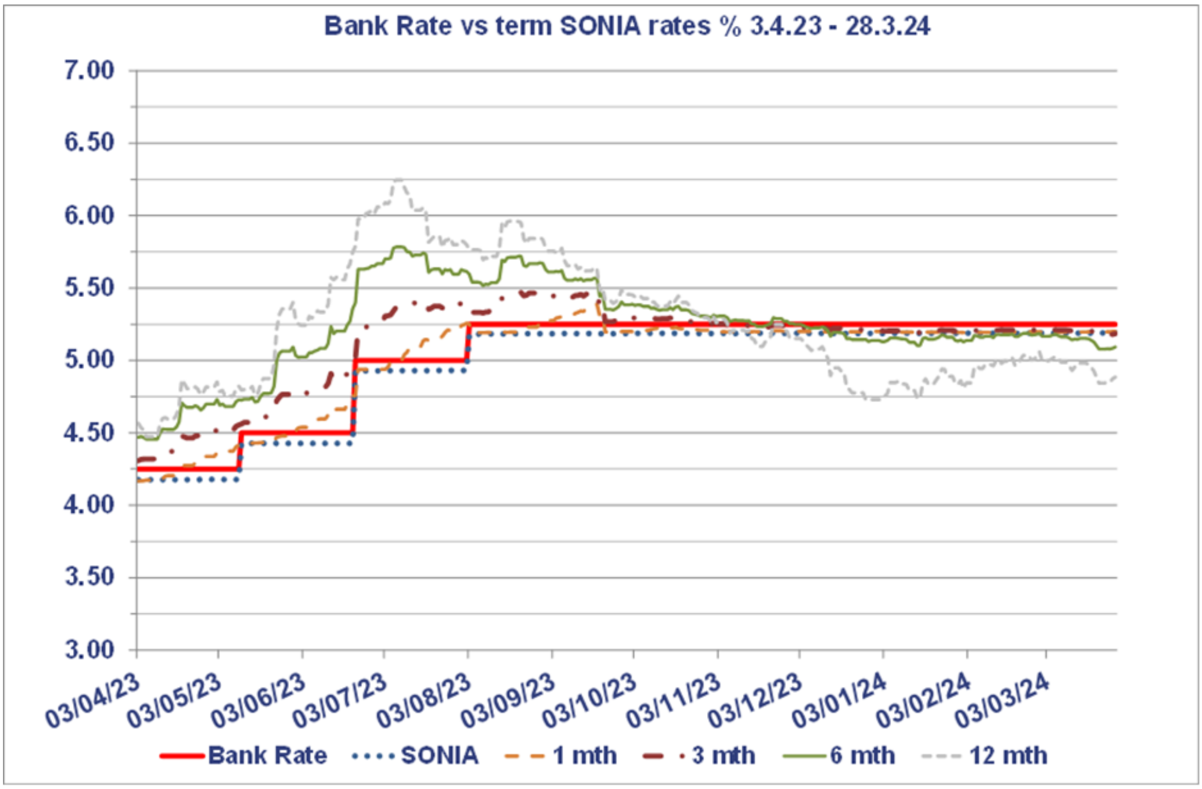
	2023/23 Actual £'000	2023/24 Actual £'000
Investments		
Longer than 1 year	25,152	24,603
Under 1 year	61,662	58,915
Total	86,814	83,518

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

	31/3/23 Actual £'000	31/3/24 Actual £'000
Fixed rate	53,424 (62%)	59,430 (71%)
Variable rate	33,390 (38%)	24,088 (29%)

5. THE STRATEGY FOR 2023/24

5.1 Investment strategy and control of interest rate risk



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

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

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

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

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

5.2 Borrowing strategy and control of interest rate risk

During 2023/24, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as although near-term investment rates were equal to, and sometimes higher than, long-term borrowing costs, the latter are expected to fall back through 2024 and 2025 as inflation concerns are dampened. The Council has sought to minimise the taking on of long-term borrowing at elevated levels (>4%) and has focused on a policy of internal borrowing.

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

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

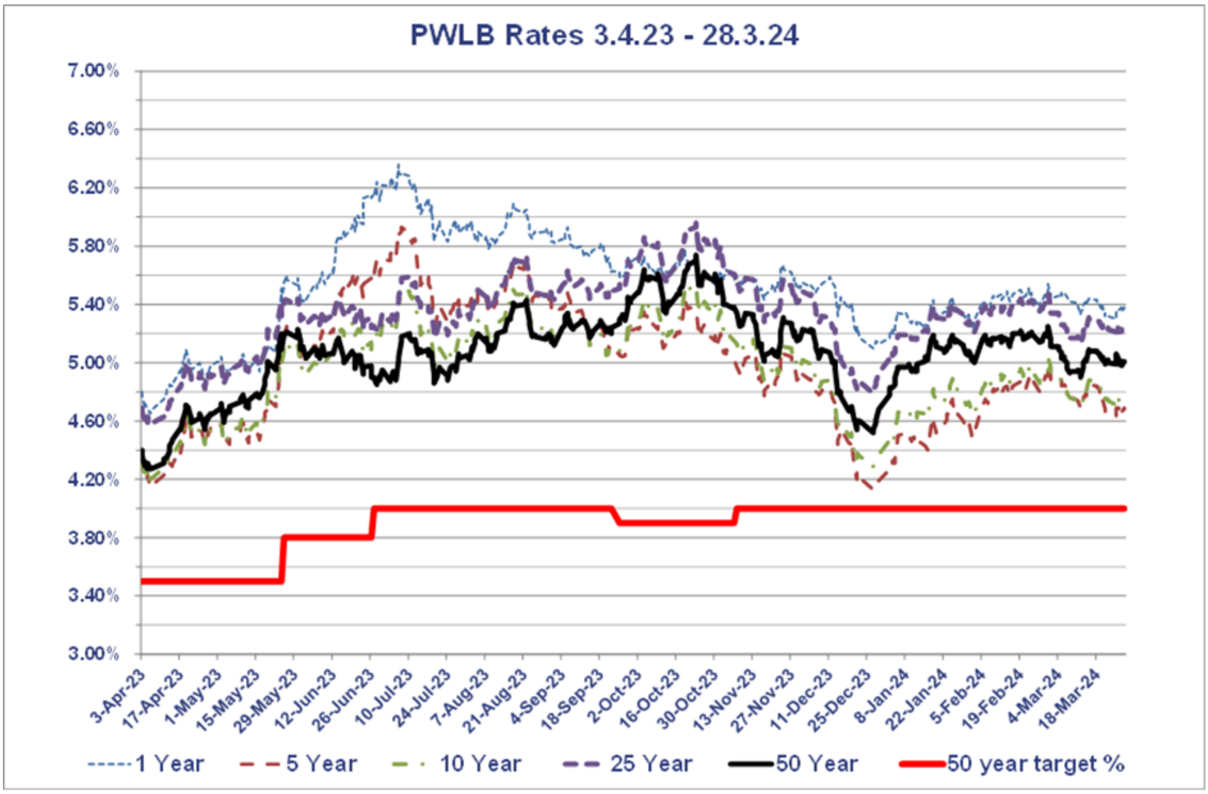
- if it had been felt that there was a significant risk of a much sharper RISE in long and short term rates than initially expected, perhaps arising from the stickiness of inflation in the major developed economies, then the portfolio position would have been re-appraised. Most likely, fixed rate funding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

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

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

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

Link Group Interest Rate View	08.11.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.30	4.30	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.50	4.50	4.40	4.30	4.20	4.00	3.90	3.70	3.60	3.50	3.40	3.30	3.20
25 yr PWLB	4.70	4.70	4.60	4.50	4.40	4.30	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.40	3.30	3.20	3.20



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

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

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

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

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

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

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

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

6. Borrowing Outturn

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

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

Rescheduling – On 9 October 2023 the Council repaid its £20m borrowing with PWLB. Based on market rates at the time the Council received a discount of £8.344m resulting in an actual payment of £11.656m. Under accounting regulations this discount is allocated to revenue over a 10 year period.

Following the decision to prematurely repay the PWLB borrowing, the outturn for interest paid on all borrowing for 2023/24 was £285k compared to the original budget of £493k. This is a budget saving of £208k.

7. INVESTMENT OUTTURN FOR 2023/24

Investment Policy – the Council's investment policy is governed by DHLUC investment guidance, which has been implemented in the annual investment strategy approved by the Council on 1 March 2023. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.

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

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

Balance Sheet Resources (£'000)	**31 March 2023**	**31 March 2024**
Balances	1,822	1,822
Earmarked Reserves	21,677	34,062
Usable Capital Receipts	3,495	3,710
Capital Grants Unapplied	26,164	33,187
Total	**53,158**	**72,781**

The Council held average treasury investment balances of £72.6m during 2023/24 which were internally managed, achieving an average rate of return of 5.16% compared with the average 3 Month Sterling Overnight Index Average (SONIA) rate of 5.12%.

The Council also held average non-treasury investment balances of £24.0m at cost which were externally managed. These balances were held in property funds and achieved net average returns of 4.119%.

In addition to this the Council also held an average of £3.9m in loans to Invest East Lindsey which are classified as long term debtors at an average rate of 4.00%.

The combined rate of return on all investments averaged 4.87%.

The Council's 2023/24 original budget for net investment income was £3.071m. At the end of the financial year net investment interest earned was £4.893m which was £1.822m above the budget figure. Treasury investments interest was £3.747m, property fund investment income £989k and InvestEL loan interest £157k. Full details of property fund investments held by the Council and the 2023/24 performance is shown in Section 9 of this report.

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

UK. Economy.

Against a backdrop of stubborn inflationary pressures, the Russian invasion of Ukraine, and war in the Middle East, UK interest rates have continued to be volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2023/24.

Markets have sought an end to central banks' on-going phase of keeping restrictive monetary policy in place on at least one occasion during 2023/24 but to date only the Swiss National Bank has cut rates and that was at the end of March 2024.

UK, Eurozone (EZ) and US 10-year yields have all stayed stubbornly high throughout 2023/24. The table below provides a snapshot of the conundrum facing central banks: inflation is easing, albeit gradually, but labour markets remain very tight by historical comparisons, making it an issue of fine judgment as to when rates can be cut.

	UK	Eurozone	US
Bank Rate	5.25%	4%	5.25%-5.50%
GDP	-0.3%q/q Q4 (-0.2% Feb)	+0.0%q/q Q4 (0.1%y/y)	2.0% Q1 Annualised
Inflation	3.4%y/y (Feb)	2.4%y/y (Mar)	3.2%y/y (Feb)
Unemployment Rate	3.9% (Jan)	6.4% (Feb)	3.9% (Feb)

The Bank of England sprung no surprises in their March meeting, leaving interest rates at 5.25% for the fifth time in a row and, despite no Monetary Policy Committee (MPC) members no longer voting to raise interest rates, it retained its relatively hawkish guidance. The Bank's communications suggest the MPC is gaining confidence that inflation will fall sustainably back to the 2.0% target. However, although the MPC noted that "the restrictive stance of monetary policy is weighing on activity in the real economy, is leading to a looser labour market and is bearing down on inflationary pressures", conversely it noted that key indicators of inflation persistence remain elevated and policy will be "restrictive for sufficiently long" and "restrictive for an extended period".

Of course, the UK economy has started to perform a little better in Q1 2024 but is still recovering from a shallow recession through the second half of 2023. Indeed, Q4 2023 saw negative Gross Domestic Product (GDP) growth of -0.3% while year on year (y/y) growth was also negative at -0.2%.

But it was a strange recession. Unemployment is currently sub 4%, against a backdrop of still over 900k of job vacancies, and annual wage inflation is running at above 5%. With gas and electricity price caps falling in April 2024, the CPI measure of inflation - which peaked at 11.1% in October 2022 – is now due to slide below the 2% target rate in April and to remain below that Bank of England benchmark for the next couple of years, according to Capital Economics. The Bank of England still needs some convincing on that score, but upcoming inflation and employment releases will settle that argument shortly. It is noted that core CPI was still a heady 4.5% in February and, ideally, needs to fall further.

Shoppers largely shrugged off the unusually wet weather in February, whilst rising real household incomes should support retail activity throughout 2024. Furthermore, the impact of higher interest rates on household interest payments is getting close to its peak, even though fixed rate mortgage rates on new loans have shifted up a little since falling close to 4.5% in early 2024.

From a fiscal perspective, the further cuts to national insurance tax (from April) announced in the March Budget will boost real household disposable income by 0.5 - 1.0%. After real household disposable income rose by 1.9% in 2023, Capital Economics forecast it will rise by 1.7% in 2024 and by 2.4% in 2025. These rises in real household disposable income, combined with the earlier fading of the drag from previous rises in interest rates, means GDP growth of 0.5% is envisaged in 2024 and 1.5% in 2025. The Bank of England is less optimistic than that, seeing growth struggling to get near 1% over the next two to three years.

As for equity markets, the FTSE 100 has risen to nearly 8,000 and is now only 1% below the all-time high it reached in February 2023. The modest rise in UK equities in February was driven by strong performances in the cyclical industrials and consumer discretionary sectors, whilst communications and basic materials have fared poorly.

Despite its performance, the FTSE 100 is still lagging behind the S&P 500, which has been at an all-time high for several weeks.

USA Economy.

Despite the markets willing the FOMC to cut rates as soon as June 2024, the continued resilience of the economy, married to sticky inflation, is providing a significant headwind to a change in monetary policy. Markets currently anticipate three rate cuts this calendar year, but two or less would not be out of the question. Currently, policy remains flexible but primarily data driven.

In addition, the Fed will want to shrink its swollen $16 trillion balance sheet at some point. Just because the $ is the world's foremost reserve currency (China owns over $1 trillion) does not mean the US can continually run a budget deficit. The mix of stubborn inflation and significant treasury issuance is keeping treasury yields high. The 10 year stands at 4.4%.

As for inflation, it is currently a little above 3%. The market is not expecting a recession, but whether rates staying high for longer is conducive to a soft landing for the economy is uncertain, hence why the consensus is for rate cuts this year and into 2025 but how many and when?

EU Economy.

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

9. OTHER ISSUES

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

Non Treasury Investments : Property Funds – The Council owns investments in commercial property funds and a breakdown of the initial purchase cost is shown in the following table:

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**	**105,707**	**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**

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The table below provides an analysis of the revenue returns (dividend distributions) received during the financial year and an analysis of the change in the Net Asset Values of each fund since purchase and also during the 2023/24 financial year.

	Purchase Cost (£)	**Revenue Received 2023/24 (£)**	**Projected Annualised Distribution Yield 2023/24**	**Net Asset Value At 31/3/24 (£)**	**Total Gain/ (Loss) Since Purchase (£)**	**2023/24 Gain/ (Loss) (£)**	**2023/24 Annualised Fund Capital Gain/(Loss) Since 1/4/23**	**2023/24 Combined Return**
Federated Hermes Property Unit Trust (Revenue Fund)	3,999,951	147,489	3.49%	3,764,789	(235,162)	(255,750)	(6.36%)	(2.87%)
Schroder UK Real Estate Fund	4,800,037	201,659	4.23%	4,314,937	(485,100)	(439,586)	(9.25%)	(5.02%)
Threadneedle Property Unit Trust	4,798,987	231,084	4.69%	3,956,604	(842,383)	(201,051)	(4.84%)	(0.15%)
BlackRock UK Property Fund	4,800,032	152,767	3.12%	4,177,230	(622,802)	(294,111)	(6.58%)	(3.46%)
M&G Investments UK Property Fund (after distribution payments)	403,531	54,602	N/A	578,971	175,440	37,534	N/A	N/A
AEW UK Core Property Fund	4,800,000	201,220	4.36%	4,118,716	(681,284)	(34,763)	(0.84%)	3.52%
TOTAL	**23,602,538**	**988,821**		**20,911,247**	**(2,691,291)**	**(1,187,727)**		

The 2023/24 unrealised losses on the Hermes Property Fund of £255,750 have been transferred to the Pooled Investment Funds Adjustment Account in accordance with statutory override SI2018/1207. The balance on this account now stands at £235,162.

The total unrealised losses on the capital property funds during 2023/24 was £931,977. The total cumulative net unrealised losses on the capital property funds now stands at £2,456,129.

The M&G property fund has now paid a cumulative total of £4,396,469 in respect of property sales. These receipts have been used to finance the minimum revenue provision charge which reduces the historic unfinanced capital expenditure by a corresponding amount.

A minimum revenue provision of £624,226 and a voluntary revenue provision of £969,511 has been made in the 2023/24 accounts.

The total cumulative minimum revenue provision relating to the Council's property fund investments is £4,221,035 and a total voluntary revenue provision of £2,631,565 has been made.

The table below provides details of the 2023/24 budget for property fund distributions and borrowing costs along with the provisional returns received for the year. The final column shows the total distributions since the property funds were purchased.

Financial Institution	**Actual Dividend Distribution Received Pre 2023/24**	**Dividend Distribution Budget 2023/24**	**Dividend Distribution Received 2023/24**	**Total Distribution Received Since Purchase**
Federated Hermes Property Unit Trust	858,931	143,913	147,489	1,006,420
Schroder UK Real Estate Fund	974,564	172,700	201,659	1,176,223
Threadneedle Property Unit Trust	898,132	172,662	231,084	1,129,216
BlackRock UK Property Fund	666,885	172,699	152,767	819,652
M&G Investments UK Property Fund	619,017	38,328	54,602	673,619
AEW UK Core Property Fund	879,676	172,698	201,220	1,080,896
Total Revenue	**4,897,205**	**873,000**	**988,821**	**5,886,026**
Borrowing Costs	(2,121,308)	(493,000)	(258,215)	(2,379,523)
Net Revenue Position	**2,775,897**	**380,000**	**730,606**	**3,506,503**

It can be seen from the table above that the net revenue distribution received by the Council during 2023/24 was £730,606. The cumulative net distribution since purchase has now increased to £3,506,503.

APPENDIX ‘1A’

2023/24 Capital Programme and Outturn

Table 4a – 2023/24 Capital Programme and Outturn			
Scheme	**Approved Budget 2023/24**	**Actual 2023/24**	**Variance (under)/over**
	£000	**£000**	**£000**
Disabled Facilities Grants	1,822	1,947	125
Community Housing Fund	7	6	(1)
Capitalised Planned Enhancements	100	194	94
Car Park Resurfacing	250	313	63
Public Sector Hub	75	71	(4)
Kingfisher Enhancement	44	62	18
3G Football Pitch Project	50	11	(39)
Changing Places Toilets	42	85	43
Environmental Services: Vehicle Requirements	719	288	(431)
PSPS Investment	181		(181)
Case Management System	6	6	-
IT for Hub	100	83	(17)
IT Investment	79	87	8
IT Infrastructure Refresh Projects (Laptop, mobile etc)	171	193	22
Green Homes Grant	1,791	150	(1,641)
Climate Change Projects	11,071	4,393	(6,678)
Local Energy Advice Demonstrator	145	102	(43)
District EV Charging Points	153	82	(71)
Cultural Development Fund – Phase 2	94	96	2
Cultural Development Fund – Pier Transformation	440		(440)
Gas Water Heater – London Road Pavilion	13	13	-
Skegness Foreshore Masterplan	20	-	(20)
Parking Enforcement Hardware	13	12	(1)
Local Authority Housing Fund	3,070	1,238	(1,832)
Total Non-Towns Fund Projects	**20,456**	**9,432**	**(11,024)**

APPENDIX '1A'

Table 4a – 2023/24 Capital Programme and Outturn			
Scheme	**Approved Budget 2023/24**	**Actual 2023/24**	**Variance (under)/over**
	£000	**£000**	**£000**
Towns Fund - Mablethorpe Leisure and Learning Hub	12,401	9,946	(2,455)
Towns Fund - Sutton on Sea Colonnade	1,977	1,253	(724)
Towns Fund - Skegness Foreshore	310	32	(278)
Towns Fund - Skegness Railway Station	100	154	54
Towns Fund - Skegness Town Centre Transformation	643	281	(362)
Towns Fund - Skegness Learning Campus	1,314	503	(811)
Towns Fund - Skegness Cultural	1,506	53	(1,453)
Towns Fund - Skegness Multi-User Trail	223		(223)
Towns Fund - Mablethorpe Campus for Future Living	4,871	4,514	(357)
Towns Fund - Mablethorpe Sandilands	1,980	59	(1,921)
Towns Fund - Mablethorpe Mobi hub	50	26	(24)
Towns Fund - Mablethorpe High Street	325	320	(5)
Total Towns Fund	**25,700**	**17,141**	**(8,559)**
UKSPF	351	140	(211)
UKSPF - RP	704	350	(354)
Total UKSPF	**1,055**	**490**	**(565)**
LUF : Spilsby Sessions House	330	58	(272)
LUF : Alford Manor House	269	43	(226)
LUF : Alford Windmill	271	43	(228)
Total LUF	**870**	**144**	**(726)**
Grand Total – All Projects	**48,081**	**27,207**	**(20,874)**

APPENDIX '1A'

2023/24 Capital Expenditure Financing

All Projects	Approved Budget 2023/24	Revised Budget 2023/24	Actual 2023/24	Variance
	£000	£000	£000	£000
Capital Reserve	(718)	(718)	(467)	251
External Grants	(37,295)	(37,295)	(21,926)	15,369
Other Reserve - Economic Growth	(9,029)	(9,029)	(4,122)	4,907
Other Reserve - Technology	(22)	(45)	(48)	(3)
Other Reserve - Repair & Replacement	(789)	(789)	(312)	477
Other Reserve - Housing	-	-	(6)	(6)
Internal Borrowing	(205)	(205)	(283)	(78)
Revenue	-	-	(43)	(43)
Totals	**(48,058)**	**(48,081)**	**(27,207)**	**20,874**