Report for:	**Cabinet**
Date of Meeting:	4 June 2024
Subject:	**2023/24 Annual Treasury Management Review**
Cabinet Member:	Cllr James Buczkowski, Cabinet Member for Finance
Responsible Officer:	Andrew Jarrett, Deputy Chief Executive (S151)
Exempt:	N/A
Wards Affected:	All
Enclosures:	N/A

Section 1 – Summary and Recommendation(s)

To provide Members with a review of activities and the prudential treasury indicators on actuals for 2023/24.

Recommendation(s):

1. **That Cabinet note the treasury activities for the year.**

2. **That Cabinet approve the actual 2023/24 prudential and treasury indicators in this report.**

Section 2 – Report

1. Introduction

1.1 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).

1.2 During 2023/24 the minimum reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 08/03/2023)

- a mid-year (minimum) treasury update report (Council 20/12/2023)
- quarterly treasury updates included within the Q1 and Q3 financial monitoring reports (Council 06/09/2023 & 21/02/2024)
- an annual review following the end of the year describing the activity compared to the strategy (this report)

1.3 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.

1.4 This Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by Cabinet before they were reported to the full Council. Member training on treasury management issues was undertaken during 2019, with further training being planned during 2024 in order to support members' scrutiny role.

2. The Council's Capital Expenditure and Financing

2.1 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.

2.2 The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

Capital Expenditure & Financing **General Fund**	**2022/23 Actual £000**	**2023/24 Actual £000**
Capital expenditure	10,273	13,778
Financed in year	4,815	3,739
Unfinanced capital expenditure	5,458	10,039
Funded by Leases	95	353
Funded by Internal Borrowing	5,363	9,686
HRA		
Capital expenditure	6,957	16,653
Financed in year	5,035	10,347
Unfinanced capital expenditure	1922	6,305
Funded by Leases	63	106
Funded by Internal Borrowing	1,859	6,200

3. The Council's Overall Borrowing Need

3.1 The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR).

3.2 **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 allowed 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, including Finance Leases. The Council has complied with this prudential indicator.

Capital Financing Requirement	31 March 2023 Actual £000	31 March 2024 Actual £000
CFR General Fund	23,925	16,252
CFR HRA	40,668	45,973
Total CFR	**64,593**	**62,225**
Gross borrowing position	35,291	33,390
(Under) / over funding of CFR	**(29,302)**	**(28,835)**

3.3 **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.

3.4 **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 are acceptable subject to the authorised limit not being breached.

Borrowing Limits	2023/24 £000
Authorised limit	**107,000**
Maximum gross borrowing position during the year	35,291
Operational boundary	**98,000**
Average gross borrowing position	34,323

4. Treasury Position as at 31 March 2024

4.1 At the beginning and the end of 2023/24 the Council's treasury (excluding borrowing by PFI and finance leases) position was as follows:

Debt Portfolio	31 March 2023 £000	31 March 2024 £000
Fixed rate funding:		
-PWLB	33,310	31,373
Total debt	**33,310**	**31,373**
CFR	62,611	60,207
(Under) / over borrowing	(29,301)	(28,834)
Total treasury investments*	21,000	19,000
Net debt	**12,310**	**12,373**

*See 4.3 for a breakdown of treasury investments

4.2 The maturity structure of the debt portfolio was as follows:

Debt Maturity Structure	31 March 2023 Actual £000	31 March 2024 Actual £000
Under 12 months	1,937	1,975
12 months and within 24 months	1,975	2,033
24 months and within 5 years	6,279	6,463
5 years and within 10 years	11,756	12,101
10 years and within 20 years	11,364	8,802
20 years and within 30 years	0	0

4.2.1. 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 interest rates on new borrowing remained high during the year and minimising counterparty risk on placing investments also needed to be considered.

4.2.2. The policy of avoiding new borrowing by running down spare cash balances, has served the Council well over the last few years. However, this has been kept under review to avoid incurring higher borrowing costs in the future when this Authority may not be able to avoid new borrowing to finance capital expenditure.

4.3 The Council's investment portfolio as at 31 March was as follows:

Investment Portfolio	31 March 2023 Actual £000	31 March 2023 Actual %	31 March 2024 Actual £000	31 March 2024 Actual %
Treasury investments				
Banks	4,000	19%	2,000	11%
Local authorities	12,000	57%	12,000	63%
Other Government Organisations	0	0%	0	0%
Total managed in house*	**16,000**	**76%**	**14,000**	**74%**
Property funds (CCLA)	5,000	24%	5,000	26%
Total managed externally	**5,000**	**24%**	**5,000**	**26%**
Total Treasury Investments	**21,000**	**100%**	**19,000**	**100%**

*See Appendix 1 for a breakdown of internally managed investments held as at 31 March.

4.4 The value shown in the above table for the Council's CCLA investment is the amount paid by the Council on share acquisition. This differs to the carrying amount in the year end accounts of £4,458k (£4,639k in 2022/23) as there is a requirement to carry the investment at fair value. The fair value of the fund will continue to change over the longer term, and so this decrease in value may only be temporary in which case it would not be realised as a loss to Council funds.

4.5 During 2021/22 the Council made two loans totalling £2,175k to Redlands Primary Care to help fund the construction of a new NHS hub in Crediton. These loans are being repaid in quarterly instalments over a period of 27 years, with a balance of £2,048k outstanding at 31 March 2024.

Investment Portfolio	31 March 2023 Actual £000	31 March 2023 Actual %	31 March 2024 Actual £000	31 March 2024 Actual %
Non-treasury investments				
Subsidiaries (3 Rivers Developments Ltd)	20,075	91%	0	0%
Crediton NHS Hub (Redlands Primary Care)	2,100	9%	2,048	100%
Total non-treasury investments	**22,175**	**100%**	**2,048**	**100%**

5. Borrowing Outturn

5.1 **Borrowing** – due to high interest rates on new borrowing, and counterparty risk on temporary investments, no borrowing was undertaken during the year.

5.2 **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.

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

6. Investment Outturn

6.1 **Investment Policy** – the Council's investment policy is governed by the Department of Levelling Up, Housing and Communities (DLUHC) investment guidance, which has been implemented in the annual investment strategy approved by the Council on 08/03/2023. 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 from our treasury advisers (Link Asset Services).

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

6.3 **Investments held by the Council** – the Council made a total return of £2,431k from investments in 2023/24 against a budget of £1,473k. This can be broken down as follows:

- The Council maintained an average balance of £22.7m of internally managed funds.
- The internally managed funds earned interest of £1,191k (£595k of which was transferred to HRA) giving an average rate of return of 5.25%.
- The comparable performance indicator is the 365 day backward looking SONIA rate, which was 3.9317%.
- The Council held £5m invested in Churches, Charities and Local Authorities (CCLA) property funds earning dividends of £234k (4.68%) in 2023/24.
- Interest received from 3 Rivers Ltd amounted to £782k in 2023/24.
- Interest received from Redlands Primary Care amounted to £73k in 2023/24.
- Interest of £151k was received from HMRC in year against the Council's successful Leisure VAT claim.

7. Other Issues

7.1 Non-treasury management investments

7.1.1. As shown in the non-treasury investments table in section 4, the Authority previously held a 100% interest in 3 Rivers Developments Limited (3 Rivers), a private limited company engaged in construction in the Mid Devon area. The Authority advanced funds to the Company to facilitate operations with the intention that they are repaid from the proceeds of the sale of the developments.

7.1.2. During the year ended 31 March 2023, a further £4,249k was loaned to the Company to complete the live development projects at St George's Court, Tiverton and Hadden Heights, Bampton. In addition, further working capital was also lent to meet the cost of running the company. Interest of £782k was charged against the outstanding loan balances during 2023/24.

7.1.3. In September 2023, the Council decided to "soft close" the company, with all assets being realised and a commitment to paying all contractors, suppliers and tradesmen in full. The following actions were taken to soft close the company:

- St George's Court was sold to the Housing Revenue Account at an agreed price of £8,150k to enable an over 60's social housing scheme.
- Knowle Lane, Cullompton, was bought by the Council at 3 Rivers book value (£3,662k) to be held until such time as development is permitted within Cullompton. A decision can then be taken as to the most appropriate use for the site.
- The 5 unsold units at Haddon Heights, Bampton, were bought by the Council at the marketed price (£3,135k) and continue to be marketed for sale.
- The property managed by 3Rivers was also bought by the Council at 3 Rivers book value (£180k).
- Finally, the outstanding balance on the Working Capital Loan was written off.

7.1.4. In total, £26,723k was lent to the company over its lifetime. Through previous sales and the above transactions, £19,923k was repaid to the Council, leaving loan impairments required of £6,800k, mainly against St George's Court, Tiverton. £5,317k has previously been impaired, leaving an additional impairment of £1,483k required within 2023/24, split between Revenue (£1,069k) and Capital (£414k).

7.1.5. As at 31 March 2024, the Company has no loans outstanding.

7.1.6. The only other non-treasury investment held is the loan to Crediton NHS Hub (Redlands Primary Care), which is being repaid in line with the loan agreement.

8. Conclusion

8.1 Whilst 2023/24 has been far from that initially anticipated, it has provided the Council with significant additional income through its increased returns on investments, £958k above budget.

8.2 The Council continued its under borrowed position effectively utilising its balances to avoid additional debt financing costs. It also complied with all internal policies agreed by the previous Full Council and all requirements under the CIPFA Code of Practice.

Financial Implications
Good financial management and administration underpins the entire document. The Council's treasury position is constantly reviewed to ensure its continued financial health.

Legal Implications
Authorities are required by regulation to have regard to the Prudential Code when carrying out their duties under Part 1 of the Local Government Act 2003.

Risk Assessment
The S151 Officer is responsible for the administration of the financial affairs of the Council. Implementing this strategy and the CIPFA Code of Practice on Treasury Management manages the risk associated with the Council's treasury management activity.

Impact on Climate Change
The General Fund, Capital Programme and the Housing Revenue Account all contain significant investment in order to work towards the Council's Carbon Reduction Pledge.

Equalities Impact Assessment
No equality issues identified for this report.

Relationship to Corporate Plan
Maximising our return from all associated treasury activities enables the Council to support current levels of spending in accordance with our Corporate Plan.

Section 3 – Statutory Officer sign-off/mandatory checks

Statutory Officer: Andrew Jarrett
Agreed by or on behalf of the Section 151
Date: 21/05/2024 via Leadership Team Meeting

Statutory Officer: Maria De Leiburne
Agreed on behalf of the Monitoring Officer
Date: 21/05/2024 via Leadership Team Meeting

Chief Officer: Stephen Walford
Agreed by or on behalf of the Chief Executive/Corporate Director
Date: 21/05/2024 via Leadership Team Meeting

Performance and risk: Dr Stephen Carr
Agreed on behalf of the Corporate Performance & Improvement Manager
Date: 21/05/2024

Cabinet member notified: Yes.

Section 4 - Contact Details and Background Papers

Contact: Kieran Knowles, Principal Accountant & Procurement Manager
Email: kknowles@middevon.gov.uk
Telephone: 01884 24(4624)

Background papers: Treasury Management Strategy Statement 2023/24 (Council 08/03/2023) & Treasury Mid-Year Review 2023/24 (Council 14/11/2023)

Appendix 1: Investment Portfolio

Internally managed investments held as at 31 March:

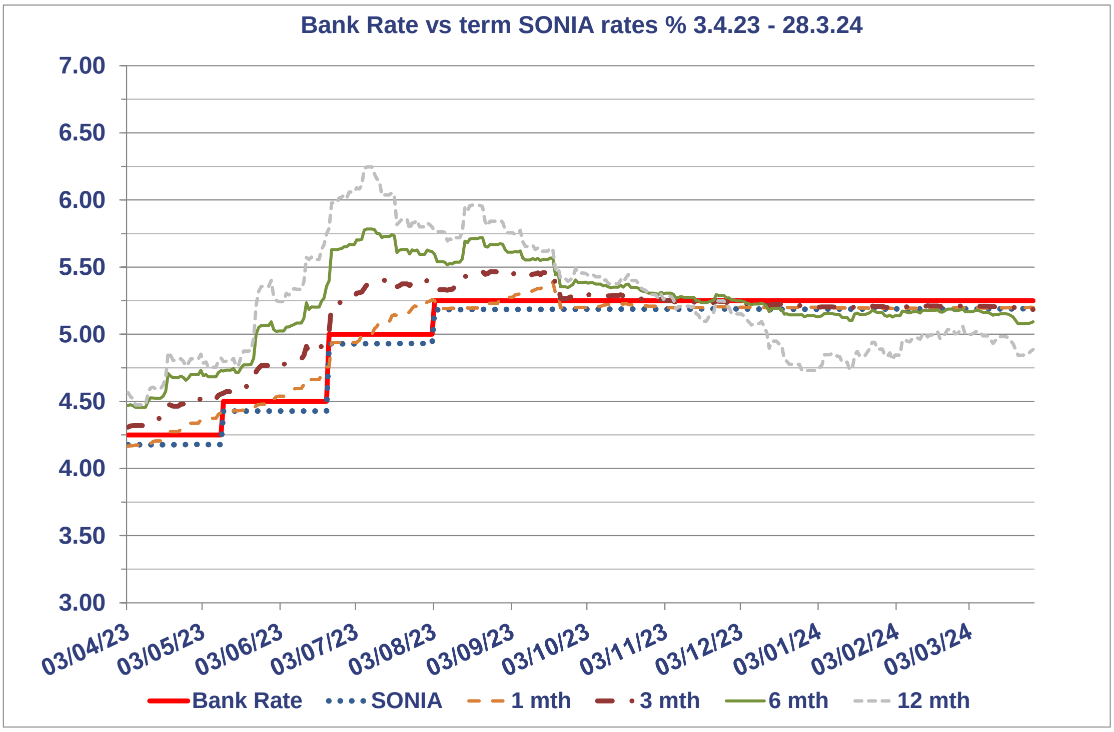
Bank/Building Society/Local Authority/PCC	Term		Fixed Interest Rate %	31/03/2023	31/03/2024
	From	To		£000	£000
Thurrock Council	25/10/2022	24/10/2023	3.55%	2,000	
Thurrock Council	14/07/2022	14/04/2023	2.00%	2,000	
London Borough of Croydon	24/10/2022	24/04/2023	4.00%	3,000	
West Dunbartonshire Council	25/10/2022	25/07/2023	3.90%	2,000	
NBK International PLC	15/11/2022	15/05/2023	3.92%	1,500	
Santander	01/12/2022	01/06/2023	3.90%	2,500	
Aberdeen City Council	26/01/2023	26/05/2023	3.60%	3,000	
City of Liverpool	29/09/2023	31/05/2024	5.70%		2,000
Surrey County Council	26/10/2023	26/04/2024	5.55%		2,500
NBK International PLC	02/11/2023	02/05/2024	5.55%		2,000
Surrey County Council	15/11/2023	15/05/2024	5.55%		2,500
Eastleigh Borough Council	20/11/2023	20/05/2024	5.55%		3,000
Central Bedfordshire Council	19/01/2024	19/04/2024	5.45%		2,000
Total				**16,000**	**14,000**

Appendix 2: Market commentary provided by our Treasury Advisors (Link Group)

The strategy for 2023/24

Investment strategy and control of interest rate risk

The following chart shows how Bank Rate and SONIA (Sterling Overnight Index Average) rates have changed during the year.



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.

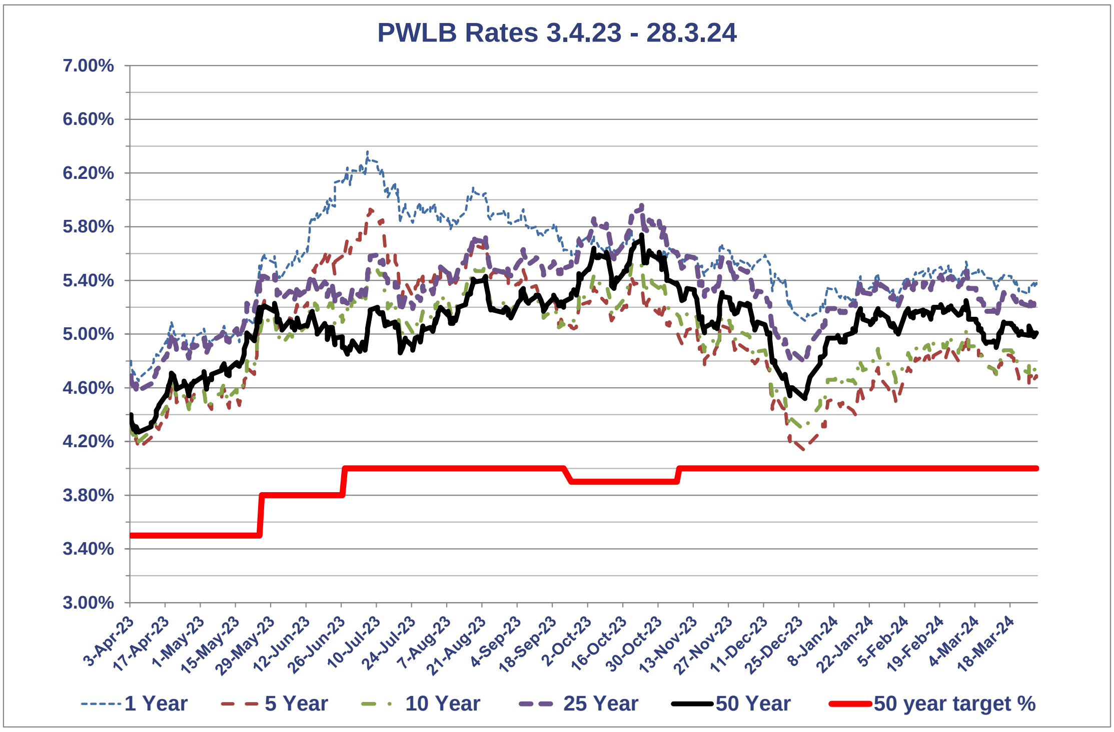
The upward sloping yield curve that prevailed throughout 2023/24 meant that local authorities continued to be faced with the challenge of proactive investment of surplus cash, and this emphasised the need for a detailed working knowledge of cashflow projections so that the appropriate balance between 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.

Borrowing strategy and control of interest rate risk

PWLB rates during 20232/24 are illustrated by the following chart:



	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.13%	4.20%	4.58%	4.27%
Date	06/04/2023	27/12/2023	06/04/2023	06/04/2023	05/04/2023
High	6.36%	5.93%	5.53%	5.96%	5.74%
Date	06/07/2023	07/07/2023	23/10/2023	23/10/2023	23/10/2023
Average	5.54%	4.99%	4.97%	5.34%	5.08%
Spread	1.71%	1.80%	1.33%	1.38%	1.47%

The following table shows forecast interest rates over the next three years:

Link Group Interest Rate View	08.01.24												
	Mar-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	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

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

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

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

- PWLB Standard Rate is gilt plus 100 basis points (G+100bps)
- PWLB Certainty Rate is gilt plus 80 basis points (G+80bps)
- Local Infrastructure Rate is gilt plus 60bps (G+60bps)
- HRA Borrowing rate is gilt plus 40 40bps (G+40bps)

There is likely to be a fall in gilt yields and PWLB rates across the whole curve over the next one to two years as Bank Rate falls and inflation (on the Consumer Price Index 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.

The Economy and Interest Rates

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, 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%-5.5%
GDP	-0.3%q/q Q4 (-0.2%y/y)	+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 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 GDP growth of -0.3% while 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 2024 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.