15.2 **Fair Value of Assets and Liabilities carried at Amortised Cost (Continued)**

The fair value on Bonds is less than in 2022/23 as market rates on 31st March 2024 are higher than last year. The carrying amount and fair value amount includes accrued interest receivable on the loans of £0.171 million.

	31 March 2024		31 March 2023	
Financial Liabilities	**Carrying Amount £'000**	**Fair Value £'000**	**Carrying Amount £'000**	**Fair Value £'000**
Financial liabilities - PWLB For loans from the PWLB, Link Asset Services have provided fair value estimates using both redemption and new borrowing (certainty rate) discount rates.	604,529	480,493	584,379	499,476
Financial liabilities - LOBO's and Temporary borrowing For non-PWLB loans Link Asset Services have provided fair value estimates using both PWLB redemption and new market loan discount rates.	63,449	56,675	63,467	61,915
	667,978	**537,168**	**647,846**	**561,391**

The fair value is less than the carrying amount because the council's borrowing figure includes a number of loans where the interest rate payable is lower than the rates available for similar loans at the balance sheet date. The commitment to pay interest below current market rates reduces the amount that the council would have to pay if the lender requested or agreed to early repayment of the loans.

15.3 Nature and Extent of Risks arising from Financial Instruments

The council's activities expose it to a variety of financial risks: -

- **Credit risk** - the possibility that other parties might fail to pay amounts due to the council.
- **Liquidity risk** - the possibility that the council might not have funds available to meet its commitments to make payments.
- **Re-financing risk** - the possibility that the council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- **Market risk** - the possibility that financial loss might arise for the council as a result of changes in such measures as interest rates and stock market movements.

The council's management of treasury risks actively works to minimise its exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The council has fully adopted CIPFA's Code of Treasury Management Practices and has written principles for overall risk management as well as written policies and procedures covering specific areas such as credit risk, liquidity risk and market risk.

Credit Risk

Credit risk arises from the short term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the council's customers.

This risk is minimised through the Treasury Management Plan which required that deposits are only placed with a limited number of high quality UK banks and building societies whose credit rating is independently assessed as sufficiently secure by the council's treasury adviser and to restrict lending to a prudent maximum amount of each institution.

The credit ratings of investments as at 31 March 2024 are: -

Investments	**Credit Risk**	**Investment Value at 31 March 2024 £'000**	**%**
Money Market Funds	AAA	8,820	35
West Calder High School DBFM	AA	281	1
Bank of Scotland Plc – Main Banking Provider	A+	7,381	29
Santander UK Plc	A	9,000	35
Total		**25,482**	**100**