

REPORT TITLE: TREASURY MANAGEMENT Q2 REPORT 2024/25

28 NOVEMBER 2024

REPORT OF CABINET MEMBER: Cllr Neil Cutler, Deputy Leader and Cabinet Member for Finance and Performance

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WARD(S): ALL WARDS

PURPOSE

In accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management, this report provides details of the performance of the treasury management function; on the effects of the decisions taken and the transactions executed in the second quarter of the financial year; and confirmation that there were no instances of non-compliance with the council's Treasury Management Strategy Statement and Treasury Management Practices, for the second quarter of 2024/25.

RECOMMENDATIONS:

1. Note the Q2 Treasury Management Report for 2024/25.
2. Note all treasury management activity in the period was compliant with the council's Treasury Management Strategy.

IMPLICATIONS:

1 COUNCIL PLAN OUTCOME

- 1.1 Treasury management is an integral part of helping to deliver the council Strategy and all of its outcomes. Of key importance is ensuring the security and sufficient liquidity of the council's cash and investment balances whilst, where possible, optimising the yield from those investments. The income from investments is available to be used by the council in achieving its objectives.

2 FINANCIAL IMPLICATIONS

- 2.1 Effective treasury management ensures both the financial security and liquidity of the council.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 The council's Treasury Management Strategy Statement follows the latest codes of practice and the MHCLG and CIPFA guidance.
- 3.2 With effect from September 2014 Hampshire County Council (HCC) and Winchester City Council (WCC) established arrangements for the joint discharge of functions under Section (101)(1) and (5) of the Local Government Act 1972 and Section 9EA and 9EB Local Government Act 2000. Under this arrangement, HCC's Investments and Borrowing Team provide a Treasury Service which includes the management of WCC's cash balances and investment of surplus cash or sourcing of short-term borrowing in accordance with the agreed Treasury Management Strategy Statement.

4 WORKFORCE IMPLICATIONS

- 4.1 HCC's Investments and Borrowing Team carry out the day-to-day management of the council's cash balances and investments. The council's in-house finance team undertake the accounting and retain responsibility for long-term borrowing decisions.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 None

6 CONSULTATION AND COMMUNICATION

- 6.1 This report has been produced in consultation with HCC's Investments & Borrowing team.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 Following the council's declaration of a Climate Emergency in June 2019 and in line with the ethical stances in its investment policy, the council has no direct or indirect equity investments in companies directly involved in the fossil fuel industry.

8 EQUALITY IMPACT ASSESSEMENT

8.1 There are no actions which arise directly from this report.

9 DATA PROTECTION IMPACT ASSESSMENT

9.1 None required

10 RISK MANAGEMENT

Risk	Mitigation	Opportunities
<i>Returns from investments are too low</i>	A diversified strategy that attempts to manage the balance between liquidity risk, credit risk and yield within the council's risk appetite.	Returns above budgeted levels
<i>A counterparty fails</i>	A diversified strategy that has relatively low levels of counter-party risk	
<i>Cash is not available</i>	A balanced portfolio of liquid and long term funds are held to ensure cash is available to utilise. The council also mitigates this risk through cashflow forecasting	More accurate and immediate cashflow forecasting can help improve the return on investments through more active treasury management activity

11 SUPPORTING INFORMATION:

12 Introduction

12.1 The council has adopted the key recommendations of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code), last updated in 2021 which requires the council to approve, as a minimum, treasury management semi-annual and annual outturn reports.

12.2 This quarterly report provides an update on treasury management activity including the requirement in the 2021 Code of quarterly reporting of the treasury management prudential indicators. The non-treasury prudential indicators are incorporated in the council's quarterly finance and performance monitoring reports.

13 Summary

13.1 The report fulfils the council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code and provides an update on the

performance of the treasury management function during the second quarter of 2024/25.

- 13.2 The council's treasury management strategy was most recently updated and approved at a meeting of Full Council in February 2024. The council has borrowed and invested sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the council's treasury management strategy.
- 13.3 Treasury management in the context of this report is defined as: "the management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
- 13.4 Hampshire County Council's Investments & Borrowing Team has been contracted to manage the council's treasury management balances since September 2014 but overall responsibility for treasury management remains with Winchester City Council. No treasury management activity is without risk and as such the effective identification and management of risk are integral to the council's treasury management objectives.
- 13.5 All treasury activity in the second quarter has complied with the council's Treasury Management Strategy and Investment Strategy for 2024/25, and all relevant statute, guidance and accounting standards. In addition, advice in undertaking treasury management activities has been provided by the council's treasury advisers, Arlingclose.
- 13.6 The Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by Full Council covering capital expenditure and financing, treasury management and non-treasury investments. The latest iteration of the council's Capital and Investment Strategy, complying with CIPFA's requirement, was approved by Full Council in February 2024 (CAB3443).

14 External Context

- 14.1 The following sections outline the key economic themes in the UK against which investment and borrowing decisions have been made in the second quarter of 2024/25.

Economic commentary

- 14.2 UK headline consumer price inflation remained around the Bank of England (BoE) target during the second quarter of the financial year, with July and August 2024 returning annual rates of 2.2% as was expected, due to base effects from energy prices. Core and services price inflation remained higher at 3.6% and 5.6% respectively in August 2024.

- 14.3 The UK economy continued to expand over the period, albeit slowing from the 0.7% gain in the first calendar quarter to 0.5% (downwardly revised from 0.6%) in the second. Of the monthly figures, the economy was estimated to have registered no growth in July 2024. With headline inflation lower, the BoE cut the Bank Rate from 5.25% to 5.00% at the August 2024 Monetary Policy Committee (MPC) meeting.
- 14.4 Arlingclose, the council's treasury adviser, maintained its central view that Bank Rate would steadily fall from the 5.25% peak, with the first cut that took place in August 2024 being followed by a series of further cuts, with November 2024 the likely next one, taking Bank Rate down to around 3% by the end of 2025.

Credit review

- 14.5 Arlingclose maintained its advised recommended maximum unsecured duration limit on all banks on its counterparty list at 100 days.
- 14.6 Credit default swap (CDS) prices are used as an indicator of credit risk, where higher premiums indicate higher perceived risks. CDS prices were generally lower at the end of the period compared to the beginning for the vast majority of the names on UK and non-UK lists. Price volatility over the period was also generally more muted compared to previous periods.
- 14.7 Financial market volatility is expected to remain a feature, at least in the near term and, CDS levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the council's counterparty list recommended by Arlingclose remain under constant review.

15 Local Context

- 15.1 On the 31 March 2024, the council had net borrowing of £147.3m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying resources available for investment. Table 1 lays out the various CFR elements and how they are financed, comparing the position at 31 March 2024 to the forecast position expected at 31 March 2025. The actual position at the end of the year will be influenced by several factors, such as the delivery of the capital programme, which can affect the position significantly.

Table 1: Balance sheet summary	31/03/24 Balance £m	Movement £m	31/03/25 Forecast £m
General Fund CFR	(70.2)	(2.1)	(72.3)
Housing Revenue Account CFR	(212.5)	-	(212.5)
Borrowing CFR	(282.7)	(2.1)	(284.8)
External borrowing*	(159.7)	5.2	(154.5)
Internal borrowing	(123.0)	(7.3)	(130.3)
Total funding of the CFR	(282.7)	(2.1)	(284.8)

* Shows only loans to which the council is committed and excludes optional refinancing.

- 15.2 The treasury management position at 30 September 2024 and the change over the quarter is shown in Table 2.

Table 2: Treasury management summary	30/06/24 Balance £m	Movement £m	30/09/24 Balance £m	30/09/24 Rate %
Long-term borrowing	(154.5)	0.1	(154.4)	3.3
Short-term borrowing	(5.2)	0.0	(5.2)	2.9
Total borrowing	(159.7)	0.1	(159.6)	3.3
Long-term investments	5.0	0.0	5.0	5.2
Short-term investments	3.0	4.5	7.5	5.0
Cash and cash equivalents	17.8	(1.1)	16.7	5.0
Total investments	25.8	3.4	29.2	5.1
Net borrowing	(133.9)	3.5	(130.4)	

- 15.3 The second quarter of the financial year shows a decrease in net borrowing of £3.5m in comparison to the end of the first quarter. This reflects a reduction in total borrowing of £100,000 combined with an increase of £3.4m in the investments position.
- 15.4 Total borrowing has reduced due to the repayment of £100,000 of loan principal related to the council's equal instalment of principal (EIP) loans, whereby a proportion of the loan principal is repaid at each interest payment date. During the quarter no other borrowing was repaid and no further borrowing was secured.
- 15.5 The increase in investment balances reflects the normal pattern of the council's cash balances, with balances generally increasing until the final

quarter of the financial year due to, for example, the higher receipt of council tax during the first three quarters in comparison to the final quarter.

16 Borrowing Strategy and Activity

- 16.1 As outlined in the Treasury Management Strategy, the council's chief objective when borrowing has been to strike an appropriately low risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the council's long-term plans change is a secondary objective. The council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. At the present time short term interest rates are higher than long term interest rates.
- 16.2 After substantial rises in interest rates since 2021 many central banks have now begun to reduce rates, albeit slowly. Gilt yields were volatile over the first half of the financial year, reducing slightly between April and September 2024. Much of the downward pressure from lower inflation figures was counteracted by upward pressure from positive economic data. Data from the US continues to impact global bond markets including UK gilt yields.
- 16.3 During the first half of the financial year, gilts were fairly volatile which impacted the borrowing rates provided by the PWLB. The lowest available 10-year maturity loan at certainty rate was 4.52% and the highest was 5.18%. Rates for 20-year maturity loans ranged from 5.01% to 5.57% during the half year, and 50-year maturity loans from 4.88% to 5.40%.
- 16.4 Whilst the cost of short-term borrowing from other local authorities (LA) spiked to around 7% in late March 2024, primarily due to a dearth of LA-LA lending/borrowing activity during the month, as expected shorter-term rates reverted to a more normal range and were generally around 5.00% - 5.25%.
- 16.5 CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes. The council has no plans to borrow to invest primarily for financial return, so is able to retain full access to the PWLB.
- 16.6 The PWLB HRA (Housing Revenue Account) rate which is 0.4% below the certainty rate is available up to June 2025. This discounted rate is to support local authorities borrowing for the Housing Revenue Account and for refinancing existing HRA loans, providing a window of opportunity for HRA-related borrowing and to replace the council's loans relating to the HRA maturing during this time frame. The council borrowed at the HRA rate in March 2024 as reported in the Treasury Management Outturn report. Borrowing is potentially required in relation to the HRA during 2024/25 and if

the PWLB is identified as the most cost-effective solution for the council, the intention is to use the PWLB HRA rate.

- 16.7 The council is a net borrower and as stated in the Treasury Management Strategy 2024/25, the council expects a positive liability benchmark across the forecast period, which generally means an authority is required to take external borrowing to fund the gap between its resources and the CFR. Although the council currently has taken external borrowing, this is not predicted to be sufficient to meet the CFR and therefore, as a result, further borrowing continues to be considered by the Section 151 Officer.
- 16.8 At 30 September 2024 the council held £159.6m of loans. The vast majority of the outstanding loans are in relation to the financing settlement of the HRA in 2012. Outstanding loans on 30 September 2024 are summarised in Table 3.

Table 3: Borrowing position	30/06/24 Balance	Net movement	30/09/24 Balance	30/09/24 Weighted average rate	30/09/24 Weighted average maturity (years)
	£m	£m	£m	%	
Public Works Loan Board	(159.7)	0.1	(159.6)	3.3	18.9
Total borrowing	(159.7)	0.1	(159.6)	3.3	18.9

- 16.9 The council has considered it to be more cost effective in the near term to use internal resources than to use additional external borrowing. In the last three months, £100,000 of existing loan principal has matured and no additional borrowing has been secured.
- 16.10 This borrowing strategy has been monitored with the assistance of Arlingclose and has enabled the council to keep long-term borrowing costs low and mitigates against future interest rate increases.
- 17 Treasury Investment Activity
- 17.1 The CIPFA Treasury Management Code defines treasury management investments as investments that arise from the Authority's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.
- 17.2 The council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the financial year to date, the council's investment balances have ranged between £11.8m and £45.1m due to timing differences between income and expenditure. The investment position as at 30 September 2024 in comparison to 30 June 2024 is shown in Table 4.

Table 4: Treasury investment position	30/06/24 Balance	Movement	30/09/24 Balance	30/09/24 Income return	30/09/24 Weighted average maturity (years)
	£m	£m	£m	%	
Short term investments:					
Banks and building societies:					
- Unsecured	2.9	0.3	3.2	5.0	0.0
Money market funds	14.9	(1.4)	13.5	5.0	0.0
Government:					
- Local authorities	1.0	0.0	1.0	5.7	0.0
- Supranational	1.0	0.0	1.0	5.1	0.2
- UK Treasury bills	0.0	4.5	4.5	5.1	0.1
Cash plus funds	1.0	0.0	1.0	4.7	0.0
Total	20.8	3.4	24.2	5.0	0.0
Long term investments					
- Pooled property fund*	5.0	0.0	5.0	5.2	N/A
Total	5.0	0.0	5.0	5.2	N/A
Total investments	25.8	3.4	29.2	5.1	0.0

* The rate provided for the pooled property fund investment is reflective of annualised income returns over the 12 months to 30 September 2024 based on the market value of investments at the start of the year (1 October 2023).

- 17.3 The increase in investment balances reflects the normal pattern of the council's cash balances, with balances generally increasing until the final quarter of the financial year due to, for example, the higher receipt of council tax during the first three quarters in comparison to the final quarter.
- 17.4 Both the CIPFA Code and government guidance require the council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 17.5 The security of investments has been maintained by following the counterparty policy and investment limits within the TMSS, taking advice from Arlingclose on changes in counterparty credit worthiness, and making use of secured investment products that provide collateral where available and appropriate. The council should invest in liquid investments to ensure money is available when required to meet its financial obligations, spreading these investments across a number of counterparties to mitigate operational risk.
- 17.6 During the quarter the proportion of immediately liquid investments was reduced as other appropriate investments became available, this included the

use of UK treasury bills which provide a greater source of security for the council's cash balances.

- 17.7 As demonstrated by the liability benchmark shown later in this report, the council expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments. The council has invested in pooled funds as part of its Treasury Management strategy. The existing investment in a strategic pooled property fund will be maintained to diversify risk into different asset classes and boost investment income as part of the implementation of the wider Treasury Management strategy ensuring it is investing its funds prudently, having regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. By investing in a diversified portfolio in respect of yield this meets the council's aim of protecting reserves from high inflation. The Section 151 Officer will review the current pooled fund investment prior to making any external borrowing decisions.
- 17.8 Bank Rate reduced from 5.25% to 5.00% in August 2024 with short term interest rates largely being around these levels and average money market rates fell from 5.21% at the end of June 2024 to 5.00% at the end of September 2024.
- 17.9 The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5. These metrics monitor the internal investments of the portfolio, which is the total portfolio less both the pooled funds and the cash plus fund.

Table 5: Investment benchmarking (excluding pooled funds)	Credit rating	Bail-in exposure	Weighted average maturity (days)	Rate of return
		%		%
30.06.2024	A+	90%	14	5.14%
30.09.2024	AA-	72%	14	5.03%
Similar LAs	A+	60%	52	4.92%
All LAs	A+	61%	11	4.91%

- 17.10 Table 5 shows that the council's investments benchmarking metrics were favourable as at the end of Quarter 2 2024/25, with improvements across credit rating and bail-in exposure, although the rate of return has reduced as a result of the cut to the Base Rate in August 2024.
- 17.11 The average credit rating of the portfolio has improved from A+ to AA-, which is above the average of Arlingclose's other local authority clients. This improvement is due to the overall proportion of liquidity having been reduced and new investments have been made in UK Treasury Bills which hold a long-term credit rating of AA-. This action has also led to the bail-in exposure of the portfolio reducing from 90% to 72%. A significant proportion of liquid balances are invested in money market funds, which are technically exposed to bail-in risk however these are diversified products and are considered by Arlingclose to be 'bail-in risk light'.

- 17.12 The average rate of return on the internal investments portfolio was 5.03% at 30 September 2024; this has reduced in comparison to 30 June 2024 as a result of the Bank Base Rate being cut in August 2024. However, 5.03% represents a good return on investment and by comparison, the council's average rate of return is above the averages experienced by both similar Local Authorities as well as all of Arlingclose's other local authority clients.

Externally managed pooled property fund

- 17.13 £5m of the council's investments are invested in an externally managed strategic pooled property fund where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. Over the 12 months to 30 September 2024 these funds generated an average total return of 2.2%, comprising a 5.2% income return which is used to support services in year, and 3.0% of unrealised capital loss.
- 17.14 By comparison, over the holding period of these investments, the pooled fund has generated a total return of 4.4% pa, comprising 4.7% pa average income return and 1.1% pa average capital return. There is currently an unrealised capital gain of £30,000 on the pooled property fund, and it is hoped that the capital value of this investment will improve over the medium term. An income return of 4.2% pa represents good value over a period where generally interest rates have remained low.
- 17.15 The first six months of 2024/25 were marked by ongoing market volatility, although trending downward as policymakers kept rates at a restrictive level in light of persistent core inflation until nearly the end of the period, when the MPC, Federal Reserve, and European Central Bank (ECB) began to deliver rate cuts and signal a shift towards loosening monetary policy.
- 17.16 UK commercial property values started to stabilise, then improve slightly towards the end of the period, with interest rates being cut from their peak and investor attention turning to the timing of further interest rate cuts. Transaction activity remains somewhat subdued but signs of recovery in the occupier and rental markets as well as moderate economic growth and further falling interest rates are hoped to be favourable for an improving property sector outlook over the medium term. Capital growth is expected to be gradual while income levels remain strong for many sub-sectors.
- 17.17 Because this fund has no defined maturity date but is available for withdrawal after a notice period, its performance and continued suitability in meeting the council's medium- to long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three- to five-year period total returns should exceed cash interest rates.
- 17.18 In April 2023 the Department for Levelling Up, Housing and Communities published the full outcome of the consultation on the extension of the statutory

override on accounting for gains and losses on pooled investment funds. The override has been extended for 2 years until 31 March 2025 but no other changes have been made; whether the override will be extended beyond the new date is unknown but commentary to the consultation outcome suggests not. The council will discuss with Arlingclose the implications for the investment strategy and what action may need to be taken.

18 Non-Treasury Investments

- 18.1 The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the council as well as other non-financial assets which the council holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).
- 18.2 Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) also broadens the definition of investments to include all such assets held partially or wholly for financial return.
- 18.3 This could include loans made to local businesses or the direct purchase of land or property and such loans and investments will be subject to the council's normal approval process for revenue and capital expenditure and need not comply with the treasury management strategy.
- 18.4 Further information on the council's non-Treasury investments is included in the Capital Investment Strategy (CAB3443) presented to Cabinet on 8 February 2024, and in the General Fund Outturn (CAB3464) presented to Cabinet on 11 September 2024.

19 Compliance Report

- 19.1 The Section 151 Officer reports that all treasury management activities undertaken during the quarter complied fully with the principles in the Treasury Management Code and the council's approved Treasury Management Strategy.
- 19.2 Compliance with the authorised limit and operational boundary for external debt is demonstrated in Table 6.

Table 6: Debt limits	Q2 2024/25 Maximum £m	30/09/24 Actual £m	2024/25 Operational Boundary £m	2024/25 Authorised Limit £m	Complied?
Borrowing	(159.7)	(159.6)	(313.4)	(326.8)	✓
Finance leases	(2.2)	(2.2)	(1.7)	(2.2)	✓
Total debt	(161.9)	(161.8)	(315.1)	(329.0)	✓

- 19.3 Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.
- 19.4 The balance recorded against the finance lease stays static as it is updated at financial year end; therefore, the council will continue to show a balance of £2.2m until 31 March 2025.

20 Treasury Management Prudential Indicators

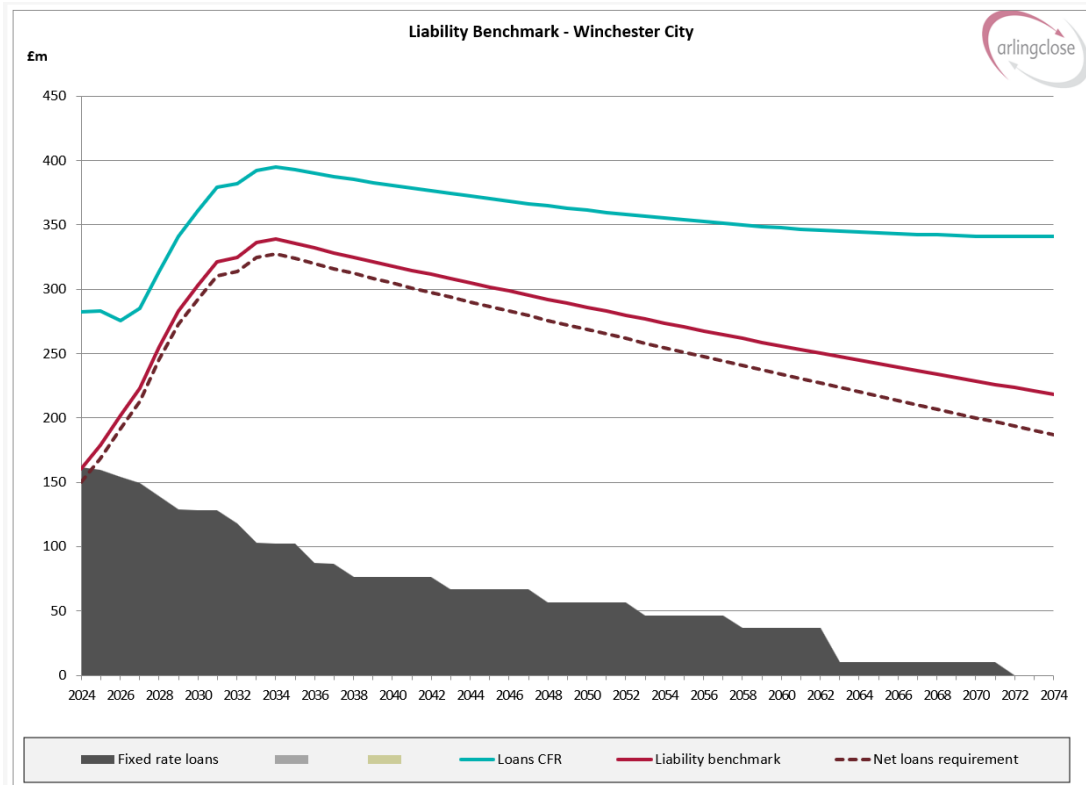
- 20.1 As required by the 2021 CIPFA Treasury Management Code, the council monitors and measures the following treasury management prudential indicators.

Liability benchmark

- 20.2 This indicator compares the council's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing the council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Table 7: Liability benchmark	31/03/24 Actual £m	31/03/25 Forecast £m	31/03/26 Forecast £m	31/03/27 Forecast £m
Loans CFR	280.5	283.1	275.4	285.1
Less: Balance sheet resources	(132.0)	(114.1)	(83.7)	(72.0)
Net loans requirement	148.5	169.0	191.7	213.1
Plus: Liquidity allowance	10.0	10.0	10.0	10.0
Liability benchmark	158.5	179.0	201.7	223.1

Graph 1: Liability benchmark



20.3 Table 7 and Graph 1 illustrate the council expects a positive liability benchmark across the forecast period, which generally means an authority is required to take external borrowing to fund the gap between its resources and the CFR. The chart shows that if it is to deliver its capital programme as planned, the council will need to take out additional external borrowing as reflected in the gap between the liability benchmark (the red line) and the existing borrowing (the grey area). This requirement will be considered by the Section 151 Officer in consultation with Arlingclose and the Investments & Borrowing team at Hampshire County Council to ensure borrowing is undertaken at the most appropriate time.

Interest rate exposures

20.4 The following indicator shows the sensitivity of the council’s current investments and borrowing to a change in interest rates.

Table 8: Interest rate risk indicator	30/09/24 Actual	Impact of +/-1% interest rate change
Sums subject to variable interest rates:		
Investments	£29.2m	+/-£0.3m
Borrowing	(£5.2m)	+/-0.1m

- 20.5 Fixed rate investments and borrowings are those where the rate of interest is fixed for 12 months. Instruments and loans that mature within 12 months are classed as variable rate.

Maturity structure of borrowing

- 20.6 This indicator is set to control the council's exposure to refinancing risk. The upper and lower limits show the maximum and minimum maturity exposure to fixed rate borrowing as agreed in the Treasury Management Strategy Statement.

Table 9: Maturity structure of borrowing	30/06/24 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	3%	25%	0%	✓
12 months and within 24 months	3%	25%	0%	✓
24 months and within 5 years	13%	25%	0%	✓
5 years and within 10 years	16%	30%	0%	✓
10 years and within 20 years	22%	50%	0%	✓
20 years and within 30 years	13%	50%	0%	✓
30 years and within 40 years	23%	75%	0%	✓
40 years and within 50 years	6%	100%	0%	✓

Long-term Treasury Management Investments

- 20.7 The purpose of this indicator is to control the council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

Table 10: Long-term Treasury Management Investments	2024/25	2025/26	2026/27	No fixed date
Actual principal invested beyond year end	£0m	£0m	£0m	£5m
Limit on principal invested beyond year end	£20m	£20m	£20m	£5m
Complied	✓	✓	✓	✓

- 20.8 Long-term investments with no fixed maturity date include strategic pooled funds, real estate investment trusts and directly held equity but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

21 OTHER OPTIONS CONSIDERED AND REJECTED

- 21.1 The council could elect to bring all treasury management activity back in-house. This option has been rejected as the arrangement with Hampshire

County Council's Investments and Borrowing team provides significant resilience and economies of scale.

- 21.2 The council could make more risky investments than those proposed in the Strategy to increase its yield. This has been rejected as priority is given to ensuring security and liquidity in line with the key principles of the CIPFA Treasury Management Code.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

AUD119: Treasury Management Practices, 22 June 2015

CAB3446: Treasury Management Strategy 2024/25, 8 February 2024

AG141: Treasury Management Q1 Report 2024/25, 26 September 2024

Other Background Documents:-

None

APPENDICES:

None