REPORT TITLE: TREASURY MANAGEMENT OUTTURN REPORT 2025/26

16TH JULY 2026

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

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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 past year, and confirmation that there were no instances of non-compliance with the council's Treasury Management Policy Statement and Treasury Management Practices, for the year 2025/26.

RECOMMENDATIONS:

1. Note the Annual Treasury Outturn Report 2025/26.

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. The 2025/26 outturn shows £1.4m of income achieved against a budget of £0.6m, delivering an additional £0.8m of income above budget. This was a consequence of interest rates continuing to remain higher for longer than anticipated and higher average balances than forecast during the year.

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 PUBLIC SECTOR EQUALITY DUTY

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**
Returns from investments are too low	A diversified strategy that manages the balance between liquidity risk, credit risk and yield within the council's risk appetite.	Returns above budgeted levels
A counterparty fails	A diversified strategy that has relatively low levels of counter-party risk	
Cash is not available	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. The CIPFA Code requires the council to approve a treasury management strategy before the start of the year, a mid-year report, and annual treasury outturn report. The purpose of this report is therefore to meet this obligation by providing an update on the performance of the treasury management function during 2025/26.

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 2025/26.

13.2 The council’s treasury management strategy was most recently updated and approved at a meeting of Full Council in February 2026. 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 This annual report sets out the performance of the treasury management function during 2025/26, to include the effects of the decisions taken and the transactions executed in the past year.

13.5 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.

13.6 All treasury activity has complied with the council’s Treasury Management Strategy and Investment Strategy for 2025/26, and all relevant statute, guidance and accounting standards. Advice in undertaking treasury management activities has been provided by the council’s treasury advisers, Arlingclose.

13.7 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 2026.

14 External Context

14.1 The following sections outline the key economic themes in the UK against which investment and borrowing decisions were made in 2025/26.

Economic commentary

14.2 The financial year was largely dominated by two periods of significant uncertainty and volatility. The first being the US trade tariff ‘Liberation Day’ in April 2025 and the second was the US/Israel war with Iran at the end of February 2026.

14.3 After the initial fallout from US trade tariffs, the following months saw some improvements as equity markets made gains and bond yields eased modestly. However, in the UK this trend in bond yields reversed somewhat as an uncertain economic outlook together with concerns around the Government’s fiscal position and Autumn Budget led investors to demand higher returns for holding gilts.

14.4 The Budget itself was more muted than had been expected. Despite a weak economic outlook, this helped UK markets perform better with gilt yields trending downwards, inflation easing, and expectations for cuts in Bank of England (BoE) Bank Rate increasing.

14.5 The end of February 2026 saw the start of the war between US/Israel and Iran. The conflict caused oil and other commodity prices to rise sharply as the shipping lanes in the region became effectively closed, restricting global oil supply. At the end of the period, the economic outlook remained highly uncertain in terms of its impact on inflation as well as countries’ fiscal and monetary policy conditions around the globe.

14.6 Following the BoE’s March 2026 MPC meeting, Arlingclose, the council’s treasury adviser, revised its central interest rate view and predicted Bank Rate would be held at 3.75%. This approach was confirmed at the April MPC meeting.

Credit review

14.7 Arlingclose maintained its recommended maximum unsecured duration limit on most of the banks on its counterparty list at 6 months. The other banks remain on 100 days.

14.8 Credit Default Swap (CDS) prices are used as an indicator of credit risk, where higher premiums indicate higher perceived risks. After spiking in April 2025 following the US trade tariff announcements, UK CDS prices had trended down before picking up modestly in October and November 2025. After declining again in December 2025 and into the new calendar year, they rose sharply once again when the war in the Middle East started. They were still elevated at the end of the period, but prices for all banks on Arlingclose’s counterparty list remained within limits deemed satisfactory for maintaining credit advice at current durations.

14.9 Financial market volatility is expected to remain, and CDS levels will be monitored by Arlingclose 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 At 31 March 2026 the council had net investments of £17.3m arising from its revenue and capital income and expenditure.

15.2 The council's Balance Sheet is presented once a year as part of the annual Statement of Accounts. The Balance Sheet represents the council's assets, liabilities, and reserves at the end of the financial year. Table 1 summarises the Balance Sheet for Treasury Management purposes.

15.3 The Capital Financing Requirement (CFR) is the underlying need to borrow for capital purposes. It is the amount of capital spending that has not yet been financed by capital receipts, capital grants or contributions from revenue income. The table shows a mixture of internal and external borrowing has been utilised, which is explained in more detail later in this report.

15.4 Although the council has borrowed to fund elements of its capital programme, it also holds investment balances. These arise due to the timing difference between income and expenditure, the council's reserves balances, and the difference between the timing of accounting postings and cash flows (e.g. debtors and creditors).

15.5 Usable reserves and working capital are the underlying balance sheet resources available for investment.

Table 1: Balance sheet summary	**31/03/25 Balance £m**	**Movement £m**	**31/03/26 Balance £m**
General Fund CFR	70.4	(2.1)	68.3
Housing Revenue Account CFR	212.5	0.0	212.5
Total CFR	**282.9**	**(2.1)**	**280.8**
Less: Other debt liabilities*	(3.3)	0.6	(2.7)
Loans CFR	**279.6**	**(1.5)**	**278.1**
Less: External borrowing**			
- Public Works Loan Board	(154.5)	(4.8)	(159.3)
-			
Internal borrowing	**125.1**	**(6.3)**	**118.8**
Less: Balance sheet resources	(141.4)	5.3	(136.1)
Net investments	**(16.3)**	**(1.0)**	**(17.3)**

* other liabilities that form part of the council's total debt.

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

15.6 Table 1 shows that during 2025/26 the council's Borrowing CFR decreased. The Borrowing CFR is financed by external and internal borrowing. External borrowing is made up of external loans such as loans secured via the market or Public Works Loan Board (PWLB), whilst internal borrowing is where the council borrows from its own cash balances. During 2025/26 the council's external borrowing increased by £4.8m due to additional borrowing with the PWLB being arranged. These changes to the external borrowing in combination with the decrease in Borrowing CFR led to internal borrowing decreasing by £6.3m.

15.7 The council's strategy was to maintain borrowing and investments below their underlying levels, referred to as internal borrowing, to reduce risk and keep interest costs low. This has meant that internal funds have been utilised in lieu of taking on external borrowing debt. The treasury management position as at 31 March 2026 and the change during the year are shown in Table 2.

Table 2: Treasury management summary	**31/03/25 Balance £m**	**Movement £m**	**31/03/26 Balance £m**	**31/03/26 Rate %**
Long-term borrowing	(149.3)	1.2	(148.0)	3.05
Short-term borrowing	(5.2)	(6.0)	(11.2)	3.18
Total borrowing	**(154.5)**	**(4.8)**	**(159.3)**	**3.06**
Long-term investments	5.0	0.0	5.0	4.67
Short-term investments	1.0	0.0	1.0	3.91
Cash and cash equivalents	9.6	1.0	10.6	3.72
Total investments	**15.6**	**1.0**	**16.6**	**4.02**
Net borrowing	**(138.9)**	**(3.8)**	**(142.7)**	

Note: the figures in Table 2 are from the balance sheet in the council's statement of accounts but adjusted to exclude operational cash, accrued interest and other accounting adjustments.

15.8 The increase in net borrowing of £3.8m shown in Table 2 occurred due to an increase in total borrowing of £4.8m coupled with an increase in total investments of £1.0m. Further details are provided in the Borrowing Strategy and Activity and Treasury Investments Activity sections of this report.

16 <u>Borrowing Strategy and Activity</u>

16.1 As outlined in the treasury 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, with flexibility to renegotiate loans should the council's long-term plans change being 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.

16.2 Gilt yields slightly decreased over most of the period; reflecting expectations of lower interest rates, a tepid economy and to some extent an improvement in the UK government's fiscal position following tax rises in the Autumn Budget. After the war began in the Middle East however, gilt yields saw a rapid rise to above the yield at the beginning of the financial year.

16.3 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 council. 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.

16.4 At 31 March 2026 the council held £159.3m of loans, all of which relate to the HRA including the financing settlement in 2012. The year-end treasury management borrowing position and year-on-year change are summarised in Table 3.

Table 3: Borrowing position	**31/03/25 Balance £m**	**Net movement £m**	**31/03/26 Balance £m**	**31/03/26 Weighted average rate %**	**31/03/26 Weighted average maturity (years)**
Public Works Loan Board	(154.5)	(4.8)	(159.3)	3.06	17.8
Total borrowing	**(154.5)**	**(4.8)**	**(159.3)**	**3.06**	**17.8**

Note: The figures in the table above are from the balance sheet in the council's statement of accounts but adjusted to exclude accrued interest.

16.5 Net borrowing increased by 4.8m in the year. This consisted of £10m of new PWLB borrowing taken in two £5m tranches in December and March, both of which were Equal Instalments of Principal (EIP) loans, offset by the repayment of £5m at maturity and £0.2m of EIP loans – all from the PWLB.

17 <u>Treasury Investment Activity</u>

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 year the council's investment balances have ranged between £16.6m and £51.0m due to timing differences between income and expenditure. The year-end investment position and the year-on-year change are shown in Table 4.

Table 4: Treasury investment position	**31/03/25 Balance £m**	**Movement £m**	**31/03/26 Balance £m**	**31/03/26 Income return %**	**31/03/26 Weighted average maturity (years)**
Short term investments:					
Banks and building societies:					
- Unsecured	2.1	1.3	3.4	3.57	0.00
Money market funds	7.5	(0.3)	7.2	3.78	0.00
Cash plus funds	1.0	0.0	1.0	3.92	0.01
Total	**10.6**	**1.0**	**11.6**	**3.73**	**0.00**
Long term investments					
- Pooled property fund*	5.0	0.0	5.0	4.67	N/A
Total	**5.0**	**0.0**	**5.0**	**4.67**	**N/A**
Total investments	**15.6**	**1.0**	**16.6**	**4.02**	**0.00**

* The rate provided for the pooled property fund investment is reflective of annualised income returns over the year to 31 March 2026.

Note: the figures in Table 4 are from the balance sheet in the council's statement of accounts but adjusted to exclude operational cash, accrued interest and other accounting adjustments.

17.3 The CIPFA Treasury Code and government guidance both 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. The council's Treasury Management Strategy Statement (TMSS) sets out how it will manage and mitigate these risks.

17.4 As demonstrated by the liability benchmark 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 existing strategic pooled fund will be maintained to boost investment income and diversify away from cash investments exposed to interest rate risk.

17.5 Bank Rate reduced from 4.50% to 4.25% in May 2025, followed by a further reduction to 4.00% in August 2025 and to 3.75% in December 2025 with short term interest rates largely being around these levels. The rates on money market funds ranged between 3.78% and 3.83% by the end of March 2026.

17.6 The council benchmarks the performance of its internally managed investments against that of other Arlingclose clients. Internally managed investments include all investments except externally managed pooled funds but do include Money Market Funds. The performance of these investments against relevant measures of security, liquidity and yield are shown in Table 5, providing data for the quarter ended 31 March 2026 and at the same date in 2025 for comparison.

Table 5: Investment benchmarking (excluding pooled funds)	**Credit rating**	**Bail-in exposure %**	**Weighted average maturity (days)**	**Rate of return %**
31.03.2025	A+	100	1	4.49
31.03.2026	AA-	100	1	3.72
Similar LAs	A+	58	45	4.14
All LAs	A+	64	10	4.02

17.7 Table 6 shows the average credit rating of the portfolio has improved to AA- from A+, largely due to the proportion of investment balances allocated to money market funds having reduced in comparison to the previous year end. Whilst the money market funds themselves are AAA rated, for the purposes of benchmarking the underlying assets in the portfolio are examined and the credit rating of the lowest-rated instruments taken. Because these funds now represent a lower proportion of the council’s overall portfolio, the average credit rating has therefore increased. The average rating remains favourable in comparison to other clients.

17.8 Bail in exposure remains consistent, owing to the bulk of the council’s portfolio being in short-term unsecured investments like deposits with commercial banks or money market funds, due to their increased liquidity. It should be noted that the money market funds are themselves diversified and highly liquid and considered by Arlingclose to be bail-in ‘light’. The Council is also invested in a strategic pooled property fund, however this is not included in the benchmarking exercise.

17.9 Whilst the rate of return has decreased over the last 12 months, this should be considered against the backdrop of further cuts to interest rates over the same period.

17.10 In addition, because the benchmarking is a snapshot of the portfolio at the reporting date specifically and not a view of the portfolio’s returns over time, this snapshot came at a point where a higher proportion of the council’s liquid investment balances were in lower paying unsecured investments, rather than in money market funds that typically have a higher rate of return. This is not uncommon and forms part of the daily cash management activity decision making to ensure that counterparty risk is managed effectively and risk spread appropriately across numerous counterparties and asset classes, as well as ensuring sufficient ability to access funds later in the day for emergencies as is the case with unsecured deposits.

<u>Externally managed pooled property fund</u>

17.11 £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. In 2025/26 this fund generated an average total return of 4.66%, comprising a 4.67% income return which is used to support services in year, and 0.01% of unrealised capital loss. Over the holding period, the council's investments in pooled funds have contributed a 4.56% income return per year on average, which compares favourably in a period where base rates have generally been low.

17.12 UK commercial property was more stable in 2025/26 following the sharp rise in yields in 2022 and 2023. Lower interest rate expectations and generally positive market conditions for much of the year helped support property values, although capital values were broadly flat overall. Most of the return came from rental income, which remained relatively steady. However, as with other asset classes, the environment became more uncertain towards the end of the period.

17.13 Because pooled funds have no defined maturity date, but are available for withdrawal after a notice period, their 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 and with the expectation that over a three- to five-year period total returns should exceed cash interest rates.

17.14 Further to consultations in April 2023 and December 2024 the Ministry for Housing, Communities and Local Government (MHCLG) wrote to finance directors in England in February 2025 regarding the statutory override on accounting for gains and losses in pooled investment funds. The statutory override has been extended up until 1 April 2029 for investments already in place before 1 April 2024. The override does not apply to any new investments taken out on or after 1 April 2024.

17.15 The council's pooled fund investment was made prior to 1 April 2024 and therefore will be able to continue to take advantage of the statutory override. This means that any unrealised gains or losses on the pooled fund investment will not be charged to the Comprehensive Income and Expenditure Statement up until 1 April 2029. The council does not plan to make any further pooled fund investments.

Financial Implications

17.16 The outturn for debt interest paid in 2025/26 was £5.35m on an average debt portfolio of £156.3m at an average interest rate of 3.42%.

17.17 The outturn for investment income received in 2025/26 was £1.4m on an average investment portfolio of £34.2m, therefore giving a yield of 4.1%, against a budgeted £0.6m. In comparison in 2024/25 investment income received was £1.64m on an average investment portfolio of £34.1m, therefore giving a yield of 4.81%.

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) and Welsh Government 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 will be included in the General Fund Outturn 25-26 which will be presented to Cabinet on 9th September 2026.

19 Compliance Report

19.1 All treasury management activities undertaken during 2025/26 were compliant with the CIPFA Code of Practice 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	2025/26 Maximum £m	31/03/26 Actual £m	2025/26 Operational Boundary £m	2025/26 Authorised Limit £m	Complied?
Borrowing	(160.6)	(159.3)	(294.4)	(301.5)	✓
Finance leases	(3.3)	(2.7)	(2.7)	(3.4)	✓
Total debt	**(163.9)**	**(162.0)**	**(300.0)**	**(314.1)**	✓

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.

20 Treasury Management Indicators

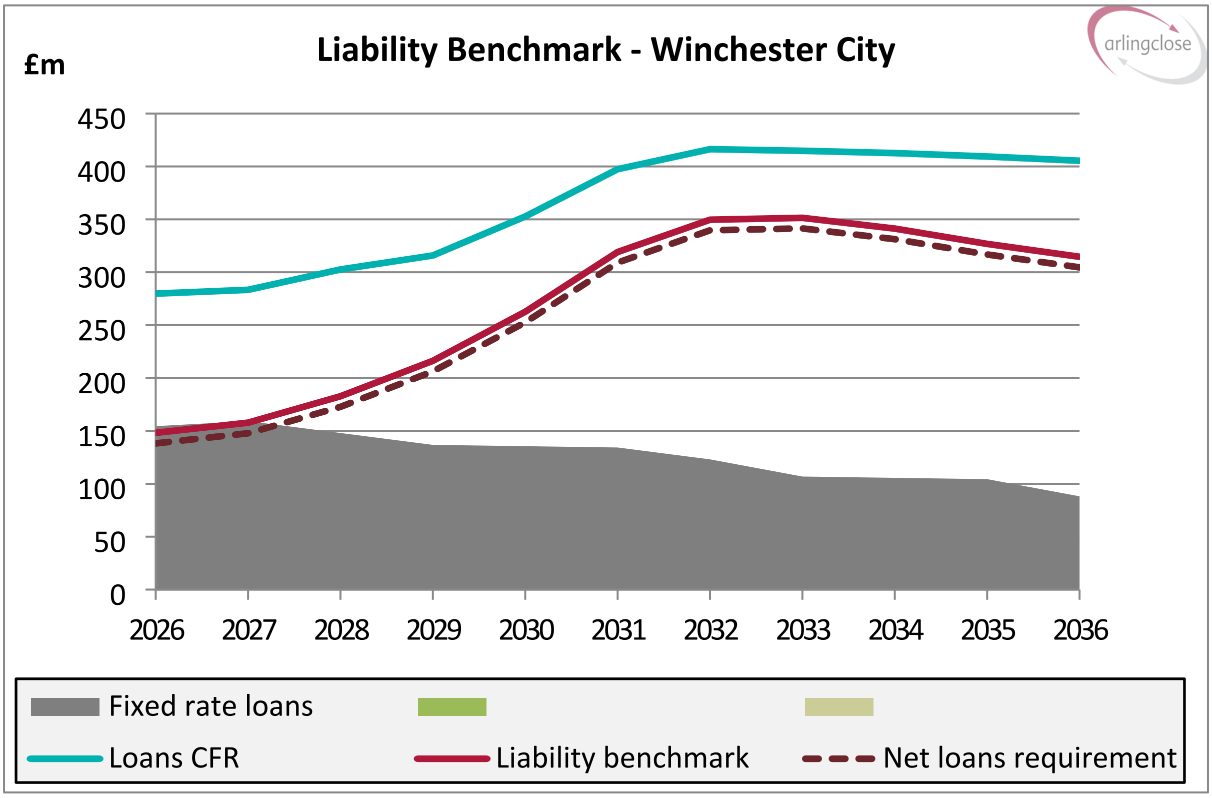
20.1 As required by the 2021 CIPFA Treasury Management Code, the council monitors and measures the following treasury management prudential indicators.

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	31/03/2025 Actual	31/03/2026 Actual	31/03/2027 Forecast	31/03/2028 Forecast
Loans CFR	279.6	278.1	281.8	301.2
Less: Balance sheet resources	(141.4)	(136.1)	(130.4)	(110.1)
Net loans requirement	**138.2**	**142.0**	**151.5**	**191.1**
Plus: Liquidity allowance	10.0	10.0	10.0	10.0
Liability benchmark	**148.2**	**152.0**	**161.5**	**201.1**
Existing borrowing	(154.5)	(159.3)	(148.0)	(136.8)

Chart 1: Liability Benchmark (10 year view)



20.3 At the start of the period, 31 March 2025, the council had a Loans CFR of £279.6m, external borrowing of £154.5m, balance sheet resources of £141.4m and a liability benchmark of £148.2m. The difference of £125.1m between the CFR and external borrowing is internal borrowing which is where the council has used its own resources to fund its borrowing requirement.

20.4 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.

20.5 The liability benchmark is the lowest level of debt the council could hold if it used all of its balances, reserves and cash flow surpluses to fund its CFR. The liability benchmark graph is created based on the current capital programme and this explains why the Loans CFR line reduces past the initial five-year period as the diagram does not assume any future capital spend not already in the programme. This is a very unlikely scenario but a reflection of the current horizon for capital expenditure forecasts.

20.6 The full liability benchmark spanning 50 years is available at Appendix A to this report.

20.7 Unfortunately, a limitation of liability benchmarking is that the further out the forecast, the less it can be relied upon and so as time passes, the requirement to borrow may change and either may not be there for the whole period, or alternatively cash flow requirements that are not known about today may become present later which may require the council to take additional external borrowing in the future. The Section 151 Officer will continue to work closely with the council's treasury management advisor, Arlingclose, to borrow in the most effective way.

Interest rate exposures

20.8 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	**31/03/26 Actual**	**Impact of +/-1% interest rate change**
Sums subject to variable interest rates:		
Investments	£16.6m	+/-£0.1m
Borrowing	(£11.2m)	+/-0.0m

20.9 Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

Maturity structure of borrowing

20.10 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 TMSS:

Table 9: Maturity structure of borrowing	**31/03/26 Actual**	**Upper Limit**	**Lower Limit**	**Complied**
Under 12 months	7%	25%	0%	✓
12 months and within 24 months	7%	25%	0%	✓
24 months and within 5 years	9%	25%	0%	✓
5 years and within 10 years	23%	35%	0%	✓
10 years and within 20 years	13%	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

20.11 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	**2025/26**	**2026/27**	**2027/28**	**No fixed date**
Actual principal invested beyond year end	-	-	-	£5m
Limit on principal invested beyond year end	£20m	£20m	£15m	£5m
Complied	✓	✓	✓	✓

20.12 Long-term investments with no fixed maturity date can 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

CAB3496: Treasury Management Strategy 2025/26, 12 February 2025

AG166: Treasury Management Outturn 2024/25, 17 July 2025

AG179: Treasury Management Mid-Year Monitoring Report 2025/26, 27 November 2025

CAB3538: Treasury Management Strategy 2026/27, 12 February 2026

Other Background Documents:-

None

APPENDICES:

Appendix A – Liability Benchmark Graph (50 year view)

Appendix A – Liability Benchmark Graph (50 year view)