AG109
AUDIT & GOVERNANCE COMMITTEE

REPORT TITLE: TREASURY MANAGEMENT OUTTURN REPORT 2022/23

20TH JULY 2023

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 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 2022/23.

RECOMMENDATIONS:

1. Note the Annual Treasury Outturn Report 2022/23.

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 2022/23 outturn shows £1,080,000 of income achieved against a budget of £284,000 delivering an additional £796,000 of income above budget. This was primarily due to much higher interest rates receivable than anticipated when the 2022/23 budget was set as well as slippage in the capital programme.

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**
Returns from investments are too low	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
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 2022/23.

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 2022/23.

13.2 The council's treasury management strategy was most recently updated and approved at a meeting of Full Council in February 2023. 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 20220/23, 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 also complied with the council's Treasury Management Strategy and Investment Strategy for 2022/23, and all relevant statute, guidance and accounting standards. In addition, support 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 2023.

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 2022/23.

Economic commentary

14.2 The war in Ukraine continued to keep global inflation above central bank targets and the UK economic outlook remained relatively weak with the chance of a mild recession. The economic backdrop during the January to March 2023 period continued to be characterised by high energy and commodity prices, high inflation, and the associated impact on household budgets and spending.

14.3 Central Bank rhetoric and actions remained consistent with combatting inflation. The Bank of England, US Federal Reserve, and European Central Bank all increased interest rates over the period, even in the face of potential economic slowdowns in those regions.

14.4 Starting the financial year at 5.5%, the annual CPI measure of UK inflation rose strongly to hit 10.1% in July and then 11.1% in October 2022. Inflation remained high in subsequent months but appeared to be past the peak, before unexpectedly rising again in February 2023. Annual headline CPI registered 10.4% in February, up from 10.1% in January 2023, with the largest upward contributions coming from food and housing. RPI followed a similar pattern during the year, hitting 14.2% in October 2022. In February 2023 RPI measured 13.8%, up from 13.4% in the previous month.

14.5 Following the decision by the UK government under Rishi Sunak and Jeremy Hunt to reverse some of the support to household energy bills announced under Liz Truss, further support in the form of a cap on what energy suppliers could charge household was announced in the March Budget to run from April until end June 2023. Before the announcement, typical household bills had been due to rise to £3,000 a year from April 2023.

14.6 The labour market remained tight albeit with some ongoing evidence of potential loosening at the end of the period. The unemployment rate 3mth/year eased from 3.8% April-June to 3.6% in the following quarter, before picking up again to 3.7% between October-December 2022. The most recent information for the period December-February 2023 showed an unemployment rate of 3.7%.

14.7 The Bank of England increased the official Bank Rate to 4.25% during the financial year. From 0.75% in March 2022, the Monetary Policy Committee (MPC) pushed through rises at every subsequent meeting over the period, with recent hikes of 50bps in December 2022 and February 2023 and then 25bps in March 2023, taking Bank Rate to 4.25%. March's rise was voted by a majority of 7-2, with two MPC members preferring to maintain Bank Rate at 4.0%. The Committee noted that inflationary pressures remain elevated with growth stronger than was expected in the February Monetary Policy Report. The February vote was also 7-2 in favour of a hike, and again with two members preferring to keep Bank Rate on hold.

Financial markets

14.8 Uncertainty continued to be a key driver of financial market sentiment and bond yields remained relatively volatile due to concerns over elevated inflation and higher interest rates, as well as the likelihood of the UK entering a recession and for how long the Bank of England would continue to tighten monetary policy. Towards the end of the period, fears around the health of the banking system following the collapse of Silicon Valley Bank in the US and purchase of Credit Suisse by UBS caused further volatility.

Credit review

Credit Default Prices had been rising since the start of the period on the back of the invasion of Ukraine, and in the UK rose further in September/October 2022 at the time of the then-government's mini budget. After this, CDS prices had been falling, but the fallout from SVB caused a spike on the back of the heightened uncertainty. However, they had moderated somewhat by the end of the period as fears of contagion subsided, but many are still above their pre-March levels reflecting that some uncertainty remains.

On the back of this, Arlingclose reduced its recommended maximum duration limit for unsecured deposits for all UK and Non-UK banks/institutions on its counterparty list to 35 days as a precautionary measure. No changes were made to the names on the list.

14.9 As market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the PCC's counterparty list recommended by Arlingclose remains under constant review.

15 Local Context

15.1 At 31 March 2023 the council's underlying need to borrow for capital purposes was £271.4m as measured by the Capital Financing Requirement (CFR). The Council held £23.6m of investments and £161.7m of external borrowing. These factors are summarised in Table 1.

Table 1: Balance sheet summary	**31/03/22 Balance £m**	**Movement £m**	**31/03/23 Balance £m**
General Fund CFR	(72.8)	1.2	(71.6)
Housing Revenue Account CFR	(186.0)	(13.8)	(199.8)
Borrowing CFR	**(258.8)**	**(12.6)**	**(271.4)**
External borrowing	(166.7)	5.0	(161.7)
Internal borrowing	(92.1)	(17.6)	(109.7)
Total funding of the CFR	**(258.8)**	**(12.6)**	**(271.4)**

Total investments	**47.6**	**(24.0)**	**23.6**

15.2 The CFR rose by £12.6m during 2022/23, due to an increase in the Housing Revenue Account (HRA) underlying need to borrow. This was partially offset by a reduction in the General Fund's underlying need to borrow as the annual Minimum Revenue Provision (MRP – equivalent to principal repayment on prior year unfinanced capital expenditure) exceeded the amount of new unfinanced capital expenditure in year. Although the increase in the total borrowing CFR is £12.6m, external borrowing reduced by £5.0m during 2022/23 due to the maturity of a PWLB loan and the council having sufficient cash and investment balances to increase its internal borrowing.

15.3 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. The treasury management position as at 31 March 2023 and the change during the year are shown in Table 2.

Table 2: Treasury management summary	**31/03/22 Balance £m**	**Movement £m**	**31/03/23 Balance £m**	**31/03/23 Rate %**
Long-term borrowing	(161.7)	5.0	(156.7)	(3.25)
Short-term borrowing	(5.0)	-	(5.0)	(2.70)
Total borrowing	**(166.7)**	**5.0**	**(161.7)**	**(3.24)**
Long-term investments	5.0	-	5.0	3.62
Short-term investments	21.1	(11.5)	9.5	3.68
Cash and cash equivalents	21.5	(12.5)	9.1	4.00
Total investments	**47.6**	**(24.0)**	**23.6**	**3.79**
Net borrowing	**(119.1)**	**(19.0)**	**(138.1)**	

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.

15.4 The reduction in net borrowing of £5.0m shown in Table 2 reflects the repayment at maturity of borrowing of £5.0m from the PWLB, in line with the Council's policy. The decrease in total investments is a result of an increase in internal borrowing, the repayment of the PWLB debt, and a decrease in the council's working capital (primarily due to the council being in receipt of £5m of government funding for the council tax rebate scheme in response to rising energy bills as at 31 March 2022). Further details are provided in the Borrowing Strategy and Treasury Investments Activity sections of this report.

16 <u>Borrowing Update</u>

16.1 The council has no plans to borrow to invest primarily for commercial return and so is unaffected by the changes to the Prudential Code. The council is not planning to purchase any investment assets primarily for yield, so is able to retain full access to the PWLB.

16.2 Further, the council has invested in a pooled property fund as part of its Treasury Management strategy. This is not a policy to primarily generate yield but a part of the implementation of the wider Treasury Management strategy to invest the council's surplus cash and reserves 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 a diversified portfolio in respect of yield this meets the council's aim of protecting reserves from high inflation.

16.3 The council is a net borrower and as stated in the Treasury Management Strategy 2023/24, 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, depending on the internal borrowing position, further borrowing will be considered by the Section 151 Officer if required.

16.4 The Section 151 Officer will review the current pooled fund investment prior to making any external borrowing decisions.

17 Borrowing Strategy

17.1 At 31 March 2023 the council held £161.7m of loans, the vast majority of which (£156.7m) relates to the financing settlement of the HRA in 2012. The year-end treasury management borrowing position and year-on-year change are summarised in Table 3. During 2022/23 £5m of borrowing matured and was not replaced.

Table 3: Borrowing position	**31/03/22 Balance £m**	**Net movement £m**	**31/03/23 Balance £m**	**31/03/23 Weighted average rate %**	**31/03/23 Weighted average maturity (years)**
Public Works Loan Board	(166.7)	5.0	(161.7)	(3.24)	20.0
Total borrowing	**(166.7)**	**5.0**	**(161.7)**	**(3.24)**	**20.0**

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.

17.2 The council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low 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.

17.3 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.

18 Treasury Investment Activity

18.1 CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20 December 2021. These define treasury management investments as investments that arise from the organisation'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.

Table 4: Treasury investment position	**31/03/22 Balance £m**	**Movement £m**	**31/03/23 Balance £m**	**31/03/23 Income return %**	**31/03/23 Weighted average maturity (years)**
Short term investments:					
Banks and building societies:					
- Unsecured	7.97	(4.66)	3.31	3.83	0.08
- Secured	4.04	(4.04)	-	-	-
Money market funds	18.09	(10.31)	7.79	4.09	0.00
Government:					
- Local authorities	3.00	(3.00)	-	-	-
- UK treasury bills	3.00	3.49	6.49	3.87	0.16
- Debt Management Office	4.50	(4.50)	-	-	-
- UK Gilt	1.00	(1.00)	-	-	-
Cash plus funds	1.00	-	1.00	1.65	0.02
Total	**42.60**	**(24.01)**	**18.59**	**3.84**	**0.07**
High yield investments					
- Pooled property fund*	5.00	-	5.00	3.62	N/A
Total	**5.00**	**-**	**5.00**	**3.62**	**N/A**
Total investments	**47.60**	**(24.01)**	**23.59**	**3.79**	**0.07**

* The rate provided for the pooled property fund investment is reflective of annualised income returns over the year to 31 March 2023.

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.

18.2 The council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year the principal value of the council's investment balances have ranged between £23.6m and £66.6m due to timing differences between income and expenditure. The year-end investment position and the year-on-year change are shown in Table 4.

18.3 The CIPFA 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 therefore to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults against 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.

18.4 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. The council invests 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.

18.5 Given the risk of short-term unsecured bank investments, the Authority has invested in alternative and/or higher yielding asset classes as shown in table 4 above.

18.6 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 MMFs. 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 2023 and at the same date in 2022 for comparison.

Table 5: Investment benchmarking (excluding pooled funds)	**Credit rating**	**Bail-in exposure %**	**Weighted average maturity (days)**	**Rate of return %**
31.03.2022	AA-	63	35	0.39
31.03.2023	AA-	63	27	3.95
Similar LAs	A+	63	56	3.57
All LAs	A+	59	12	3.67

18.7 Table 5 shows the average credit rating of the portfolio has remained consistent at AA-, as has bail-in risk exposure when compared to the same point in 2022. However, this does not reflect that 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'. Despite the changes in 2022/23 the Council's investment portfolio compares favourably to other Arlingclose clients, with a higher credit rating and average rate of return.

Externally managed pooled property fund

18.8 In order to minimise the risk of receiving unsuitably low investment income, the council has continued to invest a proportion of steady core balances in an externally managed pooled property fund as part of its higher yielding strategy.

18.9 The CIPFA Code requires the council to invest its funds prudently and to have regard to the security and liquidity of its investments before seeking the highest yield. As a result, the council's investments targeting higher yields have been made from its most stable balances and with the intention that they will be held for at least the medium term. This means that the initial costs of any investment and any periods of falling capital values can be overcome and mitigates the risk of having to sell an asset for liquidity purposes, helping to ensure the long-term security of the council's investments.

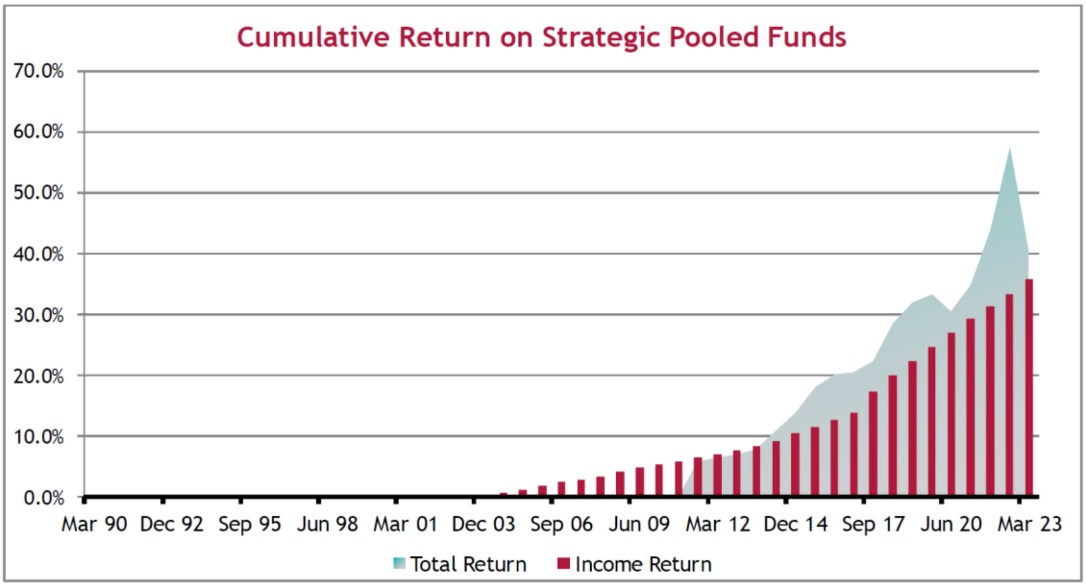
18.10 Tighter financial conditions in 2022/23, higher bond yields and challenges in some segments of commercial real estate (e.g. offices post-COVID, high street shops and shopping centres) saw commercial property values fall during 2022, with a large fall in the final calendar quarter. Despite the fall in value in 2022/23 giving away gains made in 2021/22, the investment in pooled property is worth more than the initial sum invested, as shown in Table 6. This demonstrates the importance of taking a longer term approach and being able to ride out periods of market volatility, ensuring the council is not a forced seller at the bottom of the market.

Table 6 – Higher yielding investments – market value performance	**Amount invested***	**Market value at 31/03/23**	**Gain/(fall) in capital value**	
			Since purchase	**2022/23**
	£m	**£m**	**£m**	**£m**
Pooled property fund	5.00	5.25	0.25	(1.04)
Total	**5.00**	**5.25**	**0.25**	**(1.04)**

18.11 The council's investment in the pooled property fund targets long-term price stability and regular revenue income and brings significant benefits to the revenue budget. As shown in Table 7 the annualised income returns have averaged 3.27% pa (per annum) since purchase, contributing to a total return of 53.13%.

Table 7 – Higher yielding investments – income and total returns since purchase	**Annualised income return**	**Total return**
	%	**%**
Pooled property fund	3.27	53.13
Total pooled funds	**3.27**	**53.13**

18.12 The margin in returns between cash and non-cash (pooled fund) investments reversed by the end of March 2023. In these conditions it is unlikely any new pooled fund investments will be made. The existing allocation of £5m to pooled funds has provided good income returns for the Council (as shown in the return figures above), mostly in contrast to very low interest rates prior to 2022. This allocation will continue to provide protection against a return to lower interest rates but the position remains under review with the assistance of Arlingclose.



18.13 The DLUHC published a consultation on the IFRS 9 pooled investment fund statutory override for English authorities for fair value gains and losses on pooled investment funds which was due to expire with effect from 2023/24. The options under evaluation were to allow the override to lapse, to extend it, or to make it permanent. The override will be extended for two years and therefore remain in place for the 2023/24 and 2024/25 financial years. Under the Regulations, gains and losses resulting from unrealised fair value movements relating to treasury pooled investment funds, that otherwise must be recognised in profit or loss under IFRS 9, are not charges to the revenue account, and must be taken into an unusable reserve account.

19 Financial Implications

19.1 The outturn for debt interest paid in 2022/23 was £5.4m on an average debt portfolio of £159.2m at an average interest rate of 3.24%.

19.2 The outturn for investment income received in 2022/23 was £1.08m on an average investment portfolio of £52.6m, therefore giving a yield of 2.05%, against a budgeted £284,000. In comparison in 2021/22 investment income received was £258,000 on an average investment portfolio of £45.4m, therefore giving a yield of 0.57%.

20 Non-Treasury Investments

20.1 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).

20.2 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.

20.3 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.

20.4 Further information on the council's non-Treasury investments will be included in CAB3416 General Fund Outturn 2022/23 which will be presented to Cabinet on 13 September 2023.

21 Compliance Report

21.1 The council confirms compliance of all treasury management activities undertaken during 2022/23 with the CIPFA Code of Practice and the council's approved Treasury Management Strategy.

21.2 Compliance with the authorised limit and operational boundary for external debt is demonstrated in Table 8.

Table 8: Debt limits	**2022/23 Maximum £m**	**31/03/23 Actual £m**	**2022/23 Operational Boundary £m**	**2022/23 Authorised Limit £m**	**Complied?**
Borrowing	166.8	156.7	292.5	305.6	✓
Finance leases	-	-	2.6	3.3	✓
Total debt	**166.8**	**156.7**	**295.1**	**308.9**	✓

22 Treasury Management Indicators

22.1 The council measures and manages its exposures to treasury management risks using the following indicators.

Interest rate exposures

22.2 The following indicator shows the sensitivity of the council's current investments and borrowing to a change in interest rates:

Table 9 – Interest rate risk indicator	31/03/23 Actual	Impact of +/-1% interest rate change
Sums subject to variable interest rates:		
Investments	£15.27m	+/-£0.15m
Borrowing	(£0.00m)	+/-0.00m

22.3 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

22.4 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 10: Refinancing rate risk indicator	31/03/23 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	15%	25%	0%	✓
5 years and within 10 years	15%	30%	0%	✓
10 years and within 20 years	22%	50%	0%	✓
20 years and within 30 years	12%	50%	0%	✓
30 years and within 40 years	23%	75%	0%	✓
40 years and within 50 years	6%	100%	0%	✓

Principal sums invested for periods longer than a year

22.5 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 11: Price risk indicator	2022/23	2023/24	2024/25
Actual principal invested beyond year end	£5m	£5m	£5m
Limit on principal invested beyond year end	£20m	£25m	£25m
Complied	✓	✓	✓

22.6 The table includes investments in strategic pooled funds of £5m as although these can usually be redeemed at short notice, the council intends to hold these investments for at least the medium term.

23 OTHER OPTIONS CONSIDERED AND REJECTED

23.1 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.

23.2 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

CAB3333: Treasury Management Strategy 2022/23, 17 February 2022

AG081: Treasury Management Outturn 2021/22, 21 July 2022

AG094: Treasury Management Mid-Year Monitoring Report 2022/23, 10 November 2022

CAB3390: Treasury Management Strategy 2023/24, 9 February 2023

Other Background Documents:-

None

APPENDICES:

None