**POLICE AND CRIME COMMISSIONER FOR HAMPSHIRE AND ISLE OF WIGHT**

**JOINT AUDIT COMMITTEE – 28 November 2023**

*Mid-year Treasury Management Report 2023/24*

**REPORT OF THE CHIEF FINANCE OFFICER OF THE OFFICE OF THE POLICE AND CRIME COMMISSIONER**

1. **Purpose**
	1. The Police and Crime Commissioner for Hampshire (PCC) has adopted the Chartered Institute of Public Finance and Accountancy’s Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the PCC to approve, as a minimum, four treasury management reports a year, including an annual strategy and outturn report.
	2. This report provides an update on treasury management activity in the first half of 2023/24 and meets the requirement in the 2021 Code, mandatory from 1 April 2023, of quarterly reporting of the treasury management prudential indicators.
2. **Recommendation**
	1. It is recommended that the Joint Audit Committee (JAC) considers the report and makes observations as appropriate.
3. **Executive Summary**
	1. The report fulfils the PCC’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 first half of 2023/24.
	2. The PCC’s treasury management strategy was most recently updated and approved by the PCC in March 2023. The PCC 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 PCC’s treasury management strategy.
	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.”
	4. This report sets out the performance of the treasury management function during the first half of 2023/24, to include the effects of the decisions taken and the transactions executed in the first six months of the financial year.
	5. Overall responsibility for treasury management remains with the PCC. No treasury management activity is without risk and the effective identification and management of risk are therefore integral to the PCC’s treasury management objectives.
	6. All treasury activity has complied with the PCC’s Treasury Management Strategy and Investment Strategy for 2023/24, and all relevant statute, guidance and accounting standards. In addition, support in undertaking treasury management activities has been provided by the PCC’s treasury advisers, Arlingclose.
	7. The Prudential Code includes the requirement to produce and have approved a Capital Strategy, a summary document covering capital expenditure and financing, treasury management and non-treasury investments. The PCC’s most recent Capital and Investment Strategy, complying with CIPFA’s requirement, was approved by the PCC in February 2023.
4. **External Context**
	1. The following sections outline the key economic themes in the UK against which investment and borrowing decisions have been made so far in 2023/24.

**Economic commentary**

* 1. UK inflation has remained high over the period, keeping market expectations elevated of how much further the Bank of England (BoE) would hike rates. The Bank of England’s (BoE) Monetary Policy Committee (MPC) continued tightening monetary policy over most of the period, taking Bank Rate to 5.25% in August 2023, however, inflation data published in the latter part of the period undershot expectations, causing financial markets to reassess the peak in BoE Bank Rate. This was followed by the BoE deciding to keep Bank Rate on hold at 5.25% in both September and November 2023.
	2. Economic growth in the UK remained stagnant between June and September 2023, however with some changes to come in the fourth quarter of the calendar year. The first estimate of UK GDP in calendar Quarter 3 2023 indicated that the economy showed no growth compared to the second quarter where it had increased by 0.2%. In September 2023 CPI (Consumer Prices Index) inflation remained unchanged from the previous month at 6.7%, however at the time of writing news was just in that a larger decline than expected in October 2023’s headline CPI was seen at 4.6%, with the most significant downward driver being due to housing and household services.
	3. Following the September MPC meeting, Arlingclose modestly revised its interest forecast to reflect the central view that 5.25% will now be the peak in Bank Rate.

**Financial markets**

* 1. Financial market sentiment and bond yields remained volatile, with the latter generally trending downwards as there were signs inflation, while still high, was moderating and interest rates were at a peak. Gilt yields fell towards the end of the period.

**Credit review**

* 1. In March 2023 Arlingclose completed a review of its credit advice on unsecured deposits at UK and non-UK banks following concerns of a wider financial crisis after the collapse of Silicon Valley Bank, and the purchase of Credit Suisse by UBS, as well as other well-publicised banking sector issues. As a result, Arlingclose reduced the advised maximum duration limit for all banks on its recommended counterparty list to 35 days for unsecured investments. This stance continued to be maintained during Quarter 2 of the financial year.
	2. Arlingclose continued to monitor and assess credit default swap levels for signs of ongoing credit stress and no changes were made to recommended bank durations over Quarter 2 of the financial year. Credit default swaps are used as an indicator of credit risk, where higher premiums indicate higher perceived risks. Northern Trust Corporation was added to the counterparty list.
	3. Heightened 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.
1. **Local Context**
	1. At 31 March 2023 the PCC’s underlying need to borrow for capital purposes was £53.7m as measured by the Capital Financing Requirement (CFR), while balance sheet resources, which are the underlying resources available for investment, amounted to £131.2m. These factors are summarised in Table 1.

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| **Table 1: Balance sheet summary** | **31/03/23Balance£m** | **31/03/24Forecast£m** |
| Total CFR | 53.7 | 51.2 |
| Less: finance leases | (2.0) | (1.1) |
| **Loan CFR** | **51.7**  | **50.1**  |
| **External borrowing** |   |   |
| Public Works Loan Board | (29.7)  | (19.4)  |
| **Internal borrowing** | **22.0**  | **30.7**  |
| Less: Balance sheet resources | (131.2)  | (130.5) |
| **Net investments** | **(109.2)**  | **(99.8)**  |

* 1. The treasury management position at 30 September 2023 and the change since 31 March 2023 is shown in Table 2.

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| --- | --- | --- | --- | --- |
| **Table 2: Treasury management summary** | **31/03/23Balance£m** | **Movement£m** | **30/09/23Balance£m** | **30/09/23Rate%** |
| Long-term borrowing | (29.4) | 10.0 | (19.4) | 4.25 |
| Short-term borrowing | (0.4) | 0.4 | 0.0 | 0.00 |
| **Total borrowing** | **(29.8)** | **10.4** | **(19.4)** | **4.25** |
| Long-term investments | 15.1 | 13.9 | 29.0 | 5.09 |
| Short-term investments | 25.0 | 27.6 | 52.6 | 5.25 |
| Cash and cash equivalents | 66.8 | (25.0) | 41.8 | 5.18 |
| **Total investments** | **106.9** | **16.5** | **123.4** | **5.19** |
| **Net treasury management investments** | **77.1** | **26.9** | **104.0** |  |

Note: the 31 March 2023 figures in Table 2 are taken from the balance sheet in the PCC’s accounts, but adjusted to exclude operational cash, accrued interest and other accounting adjustments, and therefore differ from Table 1.

* 1. The increase in net investments of £26.9m shown in Table 2 reflect the receipt of grant funding in the early part of the financial year, with balances expected to reduce towards the end of the financial year as part of the normal course of business activities.
	2. The overall level of investments provides significant financial resilience for the PCC, albeit that the majority of the reserves are ringfenced and set aside for specific purposes; the expectation is that reserves will be drawn down significantly over the next few years, particularly to support the capital programme, major equipment purchase, IT infrastructure and device replacement, Operation Magenta and to fund inflation pressures.
1. **Borrowing Update**
	1. The PCC has no current plans to borrow to invest primarily for commercial return in 2023/24 and so is currently unaffected by the changes to the Prudential Code.
	2. The PCC is not planning to purchase any investment assets primarily for yield during 2023/24, so is able to retain full access to the Public Works Loan Board (PWLB) – albeit there are no plans to take on any new external borrowing.
	3. Further, the PCC has and may continue to invest in pooled funds as part of its Treasury Management strategy. This is not a policy to primarily generate yield but part of the implementation of the wider Treasury Management strategy to invest the PCC’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 PCC’s aim of protecting reserves from high inflation.
	4. The PCC is a net investor and expects a negative liability benchmark up to and including 2026/27, meaning that there is not currently a requirement to undertake new borrowing either internally or externally. It is expected that a forecast reduction in balance sheet resources will result in a positive liability benchmark as at 31 March 2027, however the liability benchmarking will be at or below the current level of external borrowing (after the recent repayment), which indicates that no further borrowing will be necessary in the forecast period.
	5. With the changing interest rate environment, the potential to repay existing PWLB debt as part of treasury management (so switching between external PWLB debt and internal borrowing) to provide a long term interest rate saving has been reviewed.
	6. The market environment and in particular PWLB loan repayment rates were such that in August 2023 the repayment of a portion of PWLB debt became a realistic option. £10m of PWLB debt, with an average date to redemption of 13.5 years, was therefore repaid in Quarter 2 to take advantage of favourable redemption rates in accordance with advice taken from Arlingclose, securing an interest rate saving of 4.42% for the 13.5 years.
	7. It is important to note that the underlying need to borrow has not reduced, and that this is a treasury management decision to switch between external PWLB debt to ‘internal borrowing’ (in lieu of investing the £10m cash, external debt has been repaid to effectively secure a ‘risk free’ interest saving/return of 4.42% for 13.5 years).
2. **Borrowing Strategy**
	1. At 30 September 2023 the PCC held £19.4m of loans as part of its strategy for funding previous years’ capital programmes. The year-end treasury management borrowing position and year-on-year change are summarised in Table 3.

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| **Table 3: Borrowing position** | **31/03/23Balance£m** | **Net movement£m** | **30/09/23Balance£m** | **30/09/23Weighted average rate%** | **31/09/23Weighted average maturity(years)** |
| Public Works Loan Board (PWLB) | (29.7) | 10.4 | (19.4) | 4.25 | 9.8 |
| **Total borrowing** | **(29.7)** | **10.4** | **(19.4)** | **4.25** | **9.8** |

Note: the figures in Table 3 are from the balance sheet in the PCC’s accounts but adjusted to exclude accrued interest.

* 1. The PCC’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 PCC’s long-term plans change is a secondary objective.
	2. As outlined in paragraph 6.6, £10m of PWLB borrowing was repaid early in the period. In addition, another £0.4m of PWLB borrowing was repaid at maturity. No new borrowing was taken out.
1. **Treasury Investment Activity**
	1. The CIPFA Treasury Management Code now defines 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.
	2. The PCC holds invested funds representing income received in advance of expenditure plus balances and reserves held. During the year, the PCC’s investment balances have ranged between £62.6m and £157.0m due to timing differences between income and expenditure. The year-end investment position and the year-on-year change are shown in Table 4.

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| **Table 4: Treasury investment position** | **31/03/2023 Balance** | **Net movement** | **30/09/2023****Balance** | **30/09/23Income return** | **30/09/23Weighted average maturity** |
|  | **£m** | **£m** | **£m** | **%** | **(years)** |
| **Short term investments**  |  |  |  |  |  |
| Banks and building societies: |  |  |  |  |  |
| * Unsecured
 | 6.3 | (1.0) | 5.3 | 4.46 | 2.39 |
| * Secured
 | 0.0 | 3.6 | 3.6 | 5.44 | 0.29 |
| Money market funds | 65.5 | (29.0) | 36.5 | 5.29 | 0.00 |
| Government: |   |   |   |   |   |
| * Local authorities
 | 7.0 | 18.5 | 25.5 | 5.17 | 0.53 |
| * Treasury bills
 | 13.0 | 5.5 | 18.5 | 5.27 | 0.25 |
| **Total** | **91.8** | **(2.4)** | **89.4** | **5.22** | **0.22** |
| **Long term investments**Banks and building societies: |  |  |  |  |  |
| * Secured
 | 0.0 | 4.0 | 4.0 | 4.65 | 2.39 |
| * Unsecured
 | 5.1 | (0.1) | 5.0 | 4.31 | 1.44 |
| Supranational bonds | 0.0 | 15.0 | 15.0 | 5.58 | 2.96 |
| High quality bonds | 0.0 | 5.0 | 5.0 | 5.45 | 0.25 |
| **Total** | **5.1** | **23.9** | **29.0** | **5.16** | **2.55** |
| **Higher yielding investments** |  |  |  |  |  |
| Pooled funds: |   |   |   |   |   |
| * Pooled property\*
 | 4.0 | 0.0 | 4.0 | 3.87 | N/A |
| * Pooled equity\*
 | 3.0 | (2.0) | 1.0 | 8.19 | N/A |
| * Pooled multi-asset\*
 | 3.0 | (3.0) | 0.0 | N/A | N/A |
| **Total** | **10.0** | **(5.0)** | **5.0** | **4.73** | N/A |
| **Total investments** | **106.9** | **16.5** | **123.4** | **5.19** | **0.66** |

\* The rates provided for pooled fund investments are reflective of annualised income returns based on the market value of investments at the start of the year.

Note: the 31 March figures in Table 4 are from the balance sheet in the PCC’s accounts, but adjusted to exclude operational cash, accrued interest and other accounting adjustments.

* 1. The increase in investment balances since the year end can primarily be attributed to the receipt of the Police pension grant during July which equated to £58.0m. This funding was offset to a large degree by the payment of £39.5m on 1st April to pre-pay three years of employer pension contributions in advance, as previously highlighted in the Quarter 1 report. By making this payment in advance the PCC has received a discount of 4.4%pa, which will deliver a saving/an effective return estimated at £2.6m over 3 years.
	2. The CIPFA Code and government guidance both require the PCC to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the optimum rate of return, or yield. The PCC’s objective when investing money is therefore to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults alongside the risk of receiving unsuitably low investment income. The PCC’s Treasury Management Strategy Statement (TMSS) sets out how it will manage and mitigate these risks.
	3. As demonstrated by the liability benchmark in this report, the PCC expects to be a long-term investor and treasury investments therefore include both short-term low risk instruments to manage day-to-day cash flows and longer-term instruments where limited additional risk is accepted in return for higher investment income to support services.
	4. Over this financial year to date Bank Rate has increased by 1%, from 4.25% to 5.25% as at 30 September 2023. Short term investment interest rates have risen commensurately, with 3-month rates rising to around 5.25%, and 12 month rates to nearly 6%. The interest rates on Debt Management Account Deposit Facility (DMADF) deposits also rose, ranging between 4.8% and 5.4% and Money Market Rates between 5.0% and 5.3%.
	5. The progression of risk and return metrics are shown in the extracts from Arlingclose’s quarterly investment benchmarking in Table 5.

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| **Table 5: Investment benchmarking (excluding pooled funds)** | **Credit rating** | **Bail-in exposure** | **Weighted average maturity(days)** | **Rate of return** |
| 31.03.2023 | AA- | 74% | 60 | 4.01% |
| 30.09.2023 | AA+ | 36% | 247 | 5.18% |
| Police & Fire Authorities | AA- | 59% | 41 | 4.87% |
| All LAs | AA- | 59% | 13 | 4.79% |

* 1. The table shows that the PCC compares favourably to other Arlingclose clients, having both a stronger credit rating and lower bail-in exposure across the portfolio. This can be attributed to the increased investment in longer-dated instruments such as bonds and lending to other local authorities that are exempt from bail-in, and which has been undertaken since divestment from the pooled funds in Quarter 1. This investment in longer-dated instruments is therefore illustrated by the increase in weighted average maturity. Return on investment has improved since March 2023, predominantly as a result of exploiting increases in interest rates during this period, and this metric also compares favourably to other Arlingclose clients.

**Externally managed pooled funds**

* 1. As stated in the Quarter 1 report, as at 30 June 2023 £10m of the PCC’s investments were invested in externally managed strategic pooled funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. These funds generated an average total return of 24.0% since purchase (on average a return of 4.4% per annum during a low interest rate environment period where the return on non pooled investments had been less than 1%).
	2. Having taken advice from Arlingclose as a result of the changes in the interest rate environment providing similar (and in some cases better) returns on more liquid investments, the PCC sought to disinvest £5m (from its total pooled fund holding of £10m) from some of its pooled equity and multi-asset holdings in Quarter 2, crystallising a net capital gain of £240,000. Capital gains made from this disinvestment have been transferred to an Investment Risk Reserve, in order to mitigate any potential losses on future pooled fund disinvestment should they arise.
	3. Financial market conditions were volatile during the six-month period. Global bond yields rose and remained elevated as it became apparent that policymakers were looking to keep rates high for some time amid persistently higher core inflation and tight labour markets.
	4. During the period investor sentiment for UK commercial property was more settled than in Quarter 3 and Quarter 4 of 2022 when the sharp rise in bond yields resulted in a big fall in property valuations. There were signs of returning investor interest, occupier resilience and a perception that the downturn in commercial real estate may be at an end. It helped rental income and led to some stabilisation in capital values. However, the combination of high interest rates and bond yield, higher funding costs and the prospect of sluggish economic growth constrain the outlook for commercial property.
	5. The combination of the above had a marginal negative effect on the combined value of the PCC’s remaining pooled funds since March 2023. Based on market values at 30 September 2023, the PCC currently has a £0.4m unrealised loss on the £7m book value of its pooled fund holdings, summarised in Table 6.

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| **Table 6: Higher yielding investments – market value performance** | **Amount invested** | **Market value at 30/09/23** | **Gain / (fall) in capital value** |
| **Since purchase** | **2023/24** |
|  | **£m** | **£m** | **£m** | **£m** |
| Pooled property funds | 4.0 | 3.8 | (0.2) | 0.0 |
| Pooled equity funds | 1.0 | 0.8 | (0.2) | (0.1) |
| Total | **7.0** | **4.6** | **(0.4)** | **(0.1)** |

* 1. The PCC’s investments in pooled funds target long-term price stability and regular revenue income. As shown in Table 7, the annualised income returns have averaged 4.19% pa (per annum) since purchase, contributing to a total return of 24.82%.

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| **Table 7: Higher yielding investments – income and total returns since purchase** | **Annualised income return** | **Total return** |
|
|  | **%** | **%** |
| Pooled property funds | 3.94 | 26.68 |
| Pooled equity funds | 4.59 | 40.16 |
| Pooled multi-asset funds | 4.25 | 6.87 |
| **Total** | **4.19** | **24.82** |

* 1. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the PCC’s medium-to long-term investment objectives are regularly reviewed.
	2. 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 through the in-year revenue account. 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 PCC will discuss with Arlingclose the implications for the investment strategy and what action may need to be taken.
1. **Non-Treasury Investments**
	1. The definition of investments in CIPFA’s revised Treasury Management Code now covers all the financial assets of the PCC as well as other non-financial assets which the PCC 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).
	2. Investment Guidance issued by DLUHC also broadens the definition of investments to include all such assets held partially or wholly for financial return. The Investment Guidance applies to all authorities defined as local authorities under the Local Government Act 2003, section 23, which includes Police and Crime commissioners.
	3. This could include the direct purchase of land or property and any such loans and investments will be subject to the PCC’s normal approval processes for revenue and capital expenditure and need not comply with the treasury management strategy. The PCC does not have any existing non-treasury investments.
2. **Compliance Report**
	1. The PCC Chief Finance Officer (CFO) reports that all treasury management activities undertaken during the quarter complied fully with the principles in the Treasury Management Code and the PCC’s approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in Table 8.

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| **Table 8: Investment Limits** | **30/09/23 Actual** **£m** | **2023/24 Authorised Limit** | **Complied** |
|  The UK Government | 18.5 | n/a | ü |
| Local authorities & other government entities | 45.5 | Unlimited | ü |
| Secured investments \* | 8.6 | Unlimited | ü |
| Banks (unsecured) \* | 9.3 | Unlimited | ü |
| Building societies (unsecured) \* | 0 | £16m | ü |
| Registered providers (unsecured) \* | 0 | £16m | ü |
| Money market funds \* | 36.5 | Unlimited | ü |
| Strategic pooled funds | 5 | £39m | ü |
| Real estate investment trusts | 0 | £16m | ü |
| Other investments \* | 0 | £16m | ü |

* 1. Compliance with the authorised limit and operational boundary for external debt, is demonstrated in Table 9.

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| --- | --- | --- | --- | --- | --- |
| **Table 9: Debt limits** | **H1 2023/24 Maximum****£m** | **30/09/23 Actual****£m** | **2023/24 Operational Boundary £m** | **2023/24 Authorised Limit** |  **Complied?** |
| Total debt | 30.7 | 19.7 | 70.50 | 87.50 |  |

1. **Treasury Management Indicators**
	1. As required by the 2021 CIPFA Treasury Management Code, the PCC monitors and measures the following treasury management prudential indicators.

**Liability benchmark**

* 1. This indicator compares the PCC’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 PCC 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 PCC 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.

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| --- | --- | --- | --- | --- |
| **Table 10: Liability benchmark** | **31/03/2023** | **31/03/2024** | **31/03/2025** | **31/03/2026** |
| **Actual** **£m**  | **Forecast £m** | **Forecast £****m** | **Forecast £****m** |
| **Loan CFR** | 51.7 | 50.1 | 48.4 | 46.7 |
| Less: Balance sheet resources | (131.2) | (130.5) | (109.0) | (84.2) |
| **Net loans requirement** | **(79.5)** | **(80.4)** | **(60.6)** | **(37.5)** |
| Plus: Liquidity allowance | 10.0 | 10.0 | 10.0 | 10.0 |
| **Liability benchmark** | **(69.5)** | **(70.4)** | **(50.6)** | **(27.5)** |
| **Existing borrowing** | **29.9** | **19.4** | **19.0** | **19.0** |

**Graph 1: Liability Benchmark – Hampshire Police & Crime Commissioner**



* 1. The PCC is a net investor, and as the above table and graph show, expects a negative liability benchmark across the forecast period (demonstrated by no visible liability benchmark line on the graph until into 2026), meaning that there is no requirement to borrow for the medium term. The need to take out new external borrowing, should it arise, will be considered by the PCC CFO to ensure it is undertaken at the most appropriate time, if it delivers its full capital programme as planned.

**Maturity structure of borrowing**

* 1. This indicator is set to control the PCC’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.

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| --- | --- | --- | --- | --- |
| **Table 11: Maturity structure of borrowing** | **30/09/23Actual** | **Upper Limit** | **Lower Limit** | **Complied** |
| Under 12 months | 0% | 50% | 0% |  |
| 12 months and within 24 months | 2% | 50% | 0% |  |
| 24 months and within 5 years | 0% | 50% | 0% |  |
| 5 years and within 10 years | 41% | 75% | 0% |  |
| 10 years and above | 57% | 100% | 0% |  |

**Long term Treasury Management investments**

* 1. The purpose of this indicator is to control the PCC’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 12: Long term investments** | **2023/24** | **2024/25** | **2025/26** |
| Actual principal invested beyond year end | £29m | £19m | £10m |
| Limit on principal invested beyond year end | £40m | £40m | £40m |
| Complied |  |  |  |

**Interest rate exposures**

* 1. The following indicator shows the sensitivity of the PCC’s current investments and borrowing to a change in interest rates:

|  |  |  |
| --- | --- | --- |
| **Table 13: Interest rate risk indicator** | **30/09/23****Actual** | **Impact of +/-1% interest rate change** |
| Sums subject to variable interest rates: |   |   |
| Investments | £46.8m | +/- £0.5m |
| Borrowing | £0.0m | +/- £0.0m |