HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Audit Committee
Date:	14 December 2023
Title:	2023/24 Mid-year Treasury Management Report
Report From:	Director of Corporate Operations

Contact name: Daniel O'Rourke

Email: Daniel.O'Rourke@hants.gov.uk

Purpose of the Report

1. The County Council 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 Authority 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.

Recommendations

3. That the Audit Committee note the review of treasury management activities in the first half of 2023/24.

Executive Summary

4. The report fulfils the County 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 2023/24.

5. The County Council's treasury management strategy was most recently updated and approved at a meeting of Full Council in February 2023. The County 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 County Council's treasury management strategy.

6. 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."

7. 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.

8. All treasury activity has complied with the County Council'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 County Council's treasury advisers, Arlingclose.

9. 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 County Council's Capital and Investment Strategy, complying with CIPFA's requirement, was approved by Full Council in February 2023.

External Context

10. 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

11. 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.

12. Economic growth in the UK remained relatively weak over the period. In calendar Quarter 2 2023, the economy expanded by 0.4%, beating market

expectations of a 0.2% increase. However, monthly Gross Domestic Product (GDP) data showed a 0.5% contraction in July 2023, which was the largest fall to date this calendar year and worse than the 0.2% decline predicted.

13. Although still high, inflation has fallen from its peak as annual headline CPI (Consumer Prices Index) declined to 6.7% in July 2023 from 6.8% in the previous month against market expectations for a rise. The largest downward contribution came from food prices.

14. 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

15. 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

16. 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.

17. 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.

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

Local Context

19. At 31 March 2023, the County Council's underlying need to borrow for capital purposes was £749.7m as measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment and amounted to £1,111.7m. These factors are

summarised in Table 1.

Table 1: Balance sheet summary	31/03/23 Balance £m	31/03/24 Forecast £m
CFR	749.7	748.1
Less: Other debt liabilities*	(121.4)	(113.2)
Borrowing CFR	**628.3**	**634.9**
External Borrowing	(249.4)	(222.0)
Internal Borrowing	**378.9**	**412.9**
Less: Balance sheet resources	(1,077.7)	(674.0)
Net Investments	**(698.8)**	**(261.1)**

* PFI and other liabilities that form part of the County Council's total debt

20. The County 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 at 31 March 2023 and the change during the year are shown in Table 2.

Table 2: Treasury management summary	31/03/23 Balance £m	Movement £m	30/09/23 Balance £m	30/09/23 Rate %
Long-term borrowing	(192.0)	22.0	(170.0)	4.63
Short-term borrowing	(8.0)	(2.0)	(10.0)	5.18
Total borrowing	**(200.0)**	**20.0**	**(180.0)**	**4.66**
Long-term investments	238.5	2.0	240.5	5.15
Short-term investments	151.8	1.2	153.0	4.48
Cash and cash equivalents	349.7	(274.1)	75.6	5.23
Total investments	**740.0**	**(270.9)**	**469.1**	**4.94**
Net investments	**540.0**	**(250.9)**	**289.1**	

Note: the figures in Table 2 are from the balance sheet in the County Council's accounts, but adjusted to exclude operational cash, accrued interest and other accounting adjustments. Borrowing figures exclude short term balances held on behalf of others.

21. The decrease in net investments of £250.9m shown in Table 2 reflects a decrease in investment balances of £270.9m, largely due to the prepayment of three years' worth of employer pension contributions on 1st April, in conjunction with early repayment of borrowing of £20.0m in line with the County Council's policy on internal borrowing. Further details are provided in the Borrowing Strategy and Treasury Investments Activity sections of this report.

Borrowing Update

22. The County Council has no plans to borrow to invest primarily for commercial return and so is unaffected by the changes to the Prudential Code.

23. The County Council is not planning to purchase any investment assets primarily for yield, so is able to retain full access to the PWLB, however there are no plans to take on any new external borrowing.

24. Further, the County Council 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 a part of the implementation of the wider Treasury Management strategy to invest the County 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 County Council's aim of protecting reserves from high inflation.

25. The County Council is at present a net investor and whilst it expects a positive liability benchmark and need to borrow towards the end of the forecast period, there is not currently any immediate requirement to take on more external borrowing.

Borrowing Strategy

26. At 30 September 2023 the County Council held £180m of loans (a decrease of £20m from 31 March 2023) 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.

Table 3: Borrowing position	**31/03/23 Balance £m**	**Net movement £m**	**30/09/23 Balance £m**	**30/09/23 Weighted average rate %**	**30/09/23 Weighted average maturity (years)**
Public Works Loan Board	(188.0)	20.0	(168.0)	4.69	7.6
Banks (LOBO)	(4.0)	0.0	(4.0)	4.75	11.0
Other (fixed term)	(8.0)	0.0	(8.0)	3.92	16.2
Total borrowing	**(200.0)**	**20.0**	**(180.0)**	**4.66**	**8.1**

Note: the figures in Table 3 are from the balance sheet in the County Council's accounts but adjusted to exclude short term balances held on behalf of others, and accrued interest.

27. The County 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 County Council's long-term plans change is a secondary objective.

28. The County Council has considered it to be more cost effective in the near term to use internal resources than to use additional external borrowing. As previously highlighted in the Quarter 1 report, due to changes in the interest rate environment and in particular PWLB loan repayment rates, an opportunity arose in August 2023 to repay a portion of PWLB debt at favourable redemption rates. £20m of PWLB loans were therefore repaid early following consultation with Arlingclose.

29. This borrowing strategy has been monitored with the assistance of Arlingclose and has enabled the County Council to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.

30. The County Council continues to hold £4m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the County Council has the option to either accept the new rate or to repay the loan at no additional cost. None of the LOBO loan options were exercised by the lender in the year to date.

Treasury Investment Activity

31. The CIPFA Treasury Management Code now defines treasury management investments as those investments which 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.

32. The County Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held for specific purposes. During the year, the County Council's investment balances ranged between £454.5m and £621.4m due to timing differences between income and expenditure. The investment position is shown in Table 4 below.

Table 4: Treasury investment position	31/03/2023 Balance £m	Net movement £m	30/09/2023 Balance £m	30/09/23 Income return %	30/09/23 Weighted average maturity (years)
Short term investments					
Banks and Building Societies:					
- Unsecured	38.8	(31.4)	7.4	4.47	0.01
- Secured	10.0	(10.0)	0.0	N/A	N/A
Money Market Funds	306.0	(237.7)	68.3	5.32	0.01
Government:					
- UK Treasury Bills	58.7	(33.7)	25.0	4.63	0.06
- Local Authorities	78.0	40.0	118.0	4.58	0.42
Cash Plus funds	10.0	0.0	10.0	2.85	0.01
Total	**501.5**	**(272.8)**	**228.7**	**4.73**	**0.32**
Long term investments					
Banks and Building Societies:					
- Secured	27.2	(14.3)	12.9	4.58	1.87
- High quality	0.0	38.9	38.9	5.72	2.26
Government:					
- Supranational	0.0	45.0	45.0	4.82	3.31
- Local Authorities	23.3	0.3	23.6	5.47	9.44
Pooled Funds:					
- Pooled property*	75.0	0.0	75.0	3.84	N/A
- Pooled equity*	51.0	(21.0)	30.0	8.19	N/A
- Pooled multi-asset*	48.5	(48.5)	0.0	N/A	N/A
Total	**225.0**	**0.4**	**225.4**	**5.15**	**4.02**
Total investments	**726.5**	**(272.4)**	**454.1**	**4.94**	**1.47**
Thames Basin Heaths pooled fund investments	13.5	1.5	15.0		
Total	**741.5**	**(270.9)**	**469.1**		

* 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 figures in Table 4 are from the balance sheet in the County Council’s accounts, but adjusted to exclude operational cash, accrued interest and other accounting adjustments.

33. The decrease in investment balances since the year end can primarily be attributed to the prepayment of three years' worth of employer pension contributions, totalling £264.2m, in early April 2023.

34. The CIPFA Code and government guidance both require the County 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 County 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 alongside managing the risk of receiving unsuitably low investment income. The County Council's Treasury Management Strategy Statement (TMSS) sets out how it will manage and mitigate these risks.

35. As demonstrated by the liability benchmark in this report, the Authority expects to be a net investor in the medium term, 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 local public services.

36. 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%.

37. The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5.

Table 5: Investment benchmarking (excluding pooled funds)	**Credit rating***	**Bail-in exposure %**	**Weighted average maturity (days)**	**Rate of return %**
31.03.2023	AA-	64	241	4.05
30.09.2023	AA-	23	571	4.82
Similar LAs	AA-	46	2,080	4.49
All LAs	AA-	59	13	4.79

* Credit ratings are taken from the three main ratings agencies; Fitch, Moody's and S&P

38. The table shows that the County Council compares favourably to other Arlingclose clients when considering 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. This investment in longer-dated instruments is also illustrated by the

increase in weighted average maturity. Return on investment has improved since March, 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

39. In previous years the County Council earmarked an amount of its cash balances for investments targeting higher yields; these were made from its most stable core balances with the intention that they would be held for at least the medium term, and it was targeted that these investments would achieve a return of at least 4%. This was a successful approach through the period of very low interest rates, as this portfolio achieved higher interest rates than what was being achieved by cash investments, which has contributed to the Council's funding for services..

40. Following the increases in UK Bank Rate there is no longer such a significant distinction between short-term cash rates, longer term rates and the returns from other asset classes. Therefore the County Council will no longer report against a 'higher yielding' section of investments and report on long term investments in total. Within the agreed strategy the Council will continue to utilise the stable core balances to maximise return with longer duration investments where appropriate.

41. As at 30 September 2023, £105m of the Authority's investments was invested in externally managed strategic pooled funds, which have generated an average total return of 25.07% since purchase. 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 Authority's medium-to long-term investment objectives are regularly reviewed. In addition, £15m is invested on behalf of Thames Basin Heaths Joint Strategic Partnership Board (TBH JSPB) where the County Council acts as the administrative body. Any investments made from cash held on behalf of the TBH JSPB are made with the agreement that the TBH JSPB has received its own financial advice and assumes all risks associated with these investments.

42. 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 County Council divested £68.0m of its pooled fund holdings in Quarter 2, crystallising a net capital gain of £3.9m as was highlighted in the Quarter 1 report. Gains made from this disinvestment will be transferred to the Investment Risk Reserve, in order to mitigate any potential losses on future disinvestment should they arise. The investments on behalf of the TBH JSPB were not impacted by this decision, and the full £15m allocation remains.

43. Financial market conditions were volatile during the quarter, but favourable in some areas. Resilient economic data, which led to diminishing talk of recessions at a time when interest rate peaks are thought to be near initially helped UK, euro-area and US equity markets. However, UK equities fell in May (sterling's strength weighed on some sectors) and ended the quarter marginally lower. Eurozone equities were slightly higher but did not match the larger global rally in US equities (helped by a soft-landing scenario for the economy and enthusiasm over AI) and Japanese equities.

44. 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.

45. The UK, Euro area and US equity markets were initially helped by resilient growth data and diminishing talk of recession. A weaker currency and better-than-expected fundamentals were broadly supportive for UK equities.

46. 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.

47. The combination of the above had a marginal negative effect on the combined value of the County Council's remaining pooled funds since March 2023. Based on market values at 30 September 2023, the County Council currently has a £9.8m unrealised loss on the £105m book value of its pooled fund holdings, summarised in Table 6.

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	75.0	70.3	(4.7)	1.1
Pooled equity funds	30.0	24.9	(5.1)	(0.6)
Total	**105.0**	**95.2**	**(9.8)**	**0.5**

48. The County Council'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 4.18% pa (per annum) since purchase, contributing to a total return of 25.07%.

Table 7: Higher yielding investments – income and total returns since purchase	**Annualised income return**	**Total return**
	%	**%**
Pooled property funds	3.87	24.08
Pooled equity funds	4.77	39.85
Pooled multi-asset funds	4.12	11.28
Total	**4.18**	**25.07**

49. In April 2023 the Department for Levelling Up, Housing and Communities published the full outcome of the consultation on the extension of the statutory override on accounting for gains and losses on pooled investment funds. The override has been extended for 2 years until 31st 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 Authority will discuss with Arlingclose the implications for the investment strategy and what action may need to be taken.

Non-Treasury Investments

50. The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the County 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).

51. 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.

52. This could include loans made to Hampshire based businesses or the direct purchase of land or property and such loans and investments will be subject to the County Council's normal approval process for revenue and capital expenditure and need not comply with the treasury management strategy.

53. The County Council's existing non-treasury investments are valued annually, and their valuations as at 31st March 2023 are listed in Table 8.

Table 8 – Non-treasury investments	31/03/23 Asset value £m	31/03/23 Rate %
Hampshire County Council:		
Loans to Hampshire based business	4.5	4.00
On behalf of Enterprise M3 LEP:		
Loans to Hampshire based business	12.2	2.33
Total non-treasury investments	**16.7**	**2.78**

Compliance Report

54. The County Council confirms compliance of all treasury management activities undertaken during the quarter with the CIPFA Code of Practice and the County Council’s approved Treasury Management Strategy.

55. Compliance with specific investment limits is demonstrated in Table 9 below.

Table 9 – Investment limits	30/09/23 Actual £m	2023/24 Authorised Limit	Complied
The UK Government	25.0	n/a	✓
Local authorities & other government entities	141.6	Unlimited	✓
Secured investments	12.9	Unlimited	✓
Banks (unsecured)	101.3	Unlimited	✓
Building societies (unsecured)	0.0	£90m	✓
Registered providers	0.0	£90m	✓
Money market funds	68.3	Unlimited	✓
Strategic pooled funds	105.0	£450m	✓
Real estate investment trusts	0.0	£90m	✓
Other investments	0.0	£90m	✓

56. Compliance with the authorised limit and operational boundary for external treasury management debt, is demonstrated in Table 10.

Table 10 – Debt limits	H1 2023/24 Maximum £m	30/09/23 Actual £m	2023/24 Operational Boundary £m £m	2023/24 Authorised Limit £m	Complied
Borrowing	251.0	231.2	745	780	✓
PFI and Finance Leases	121.4	121.4	135	140	✓
Total debt	**372.4**	**352.6**	**880**	**920**	✓

57. 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. However this limit was not breached during the financial year.

Treasury Management Indicators

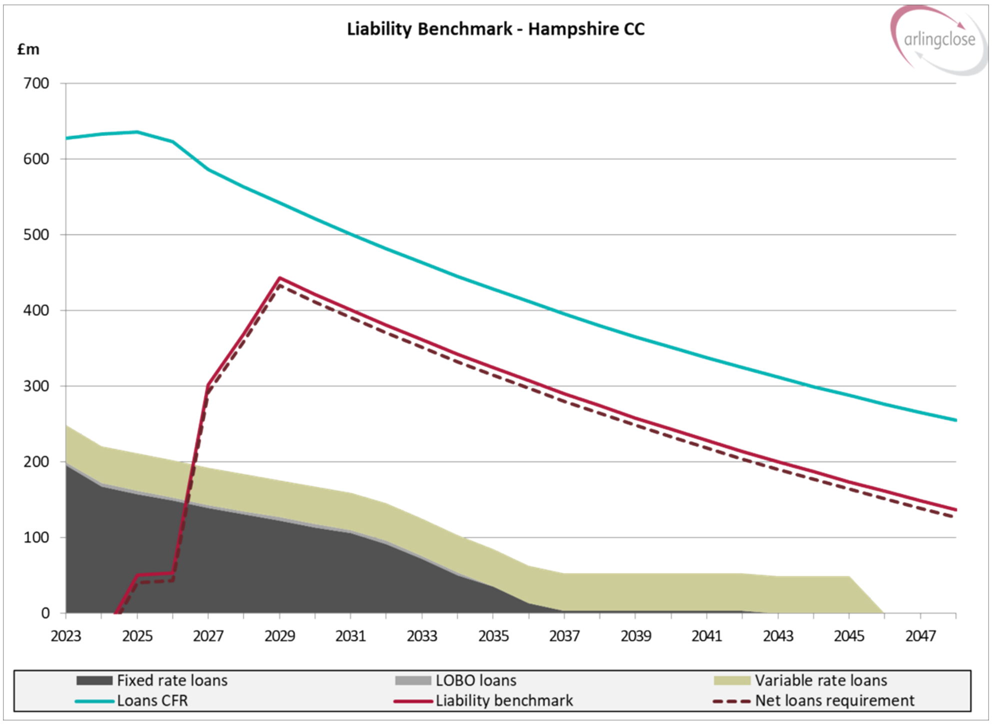
58. The County Council measures and manages its exposures to treasury management risks using the following indicators.

Liability benchmark

59. This indicator compares the Authority'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 11: Liability benchmark	31/03/2023 Actual £m	31/03/2024 Forecast £m	31/03/2025 Forecast £m	31/03/2026 Forecast £m
Loans CFR	629.0	635.0	637.0	624.0
Less: Balance sheet resources	(1,078.0)	(674.0)	(598.0)	(582.0)
Net loans requirement	**(449.0)**	**(39.0)**	**39.0**	**42.0**
Plus: Liquidity allowance	10.0	10.0	10.0	10.0
Liability benchmark	**(439.0)**	**(29.0)**	**49.0**	**52.0**
Existing borrowing	**172.0**	**162.0**	**153.0**	**143.0**

Graph 1: Liability Benchmark – Hampshire County Council



60. The County Council is at present a net investor and as the above table and graph shows, the County Council expects a negative liability benchmark until March 2025 (demonstrated by no visible liability benchmark line on the graph), meaning that there is not a requirement to borrow and that the County Council could potentially repay its current external borrowing and still fund the planned capital programme. A positive liability benchmark is expected from March 2025 onwards, however the level of existing borrowing should be sufficient to meet the needs of the planned capital programme without the need to borrow more until March 2027. From March 2027 onwards, additional borrowing will need to be taken on, as illustrated by the liability benchmark line in red crossing above the solid sections at the bottom of the graph that indicate the current external borrowing held.

Maturity structure of borrowing

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

Table 12 – Refinancing rate risk indicator	30/09/23 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	4%	50%	0%	✓
12 months and within 24 months	6%	50%	0%	✓
24 months and within 5 years	16%	50%	0%	✓
5 years and within 10 years	32%	75%	0%	✓
10 years and above	42%	100%	0%	✓

62. The County Council holds £4m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the County Council has the option to either accept the new rate or to repay the loan at no additional cost. If not repaid before maturity, this loan has a duration to maturity of just over 11 years.

Long term Treasury Management investments

63. The purpose of this indicator is to control the County 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 13 – Price risk indicator	2023/24	2024/25	2025/26
Actual principal invested beyond year end	£240.5m	£224.4m	£163.6m
Limit on principal invested beyond year end	£400m	£400m	£400m
Complied?	✓	✓	✓

Interest rate exposures

64. The following indicator shows the sensitivity of the County Council's current investments and borrowing to a change in interest rates:

Table 14: Interest rate risk indicator	30/09/23 Actual	Impact of +/-1% interest rate change
Sums subject to variable interest rates:		
Investments	£209.3m	+/- £2.1m
Borrowing	£4.0m	+/- £0.0m

Consultation, Equalities and Climate Change Impact Assessment

65. This report deals with the treasury management position for the first quarter of 2023/24, which is an in-year reporting matter and therefore no consultation or Equality Impact Assessments are required.

66. Hampshire County Council utilises two decision-making tools to assess the carbon emissions and resilience of its projects and decisions. These tools provide a clear, robust, and transparent way of assessing how projects, policies and initiatives contribute towards the County Council's climate change targets of being carbon neutral and resilient to the impacts of a 2℃ temperature rise by 2050. This process ensures that climate change considerations are built into everything the Authority does.

67. This report deals with the outturn position for the treasury management aspect of the County Council's business. In line with the CIPFA code, the County Council's treasury management investment balances are invested prioritising security, liquidity and then yield. The County Council's investments in pooled funds, which include investments in equities and bonds issued by a number of companies with exposures to a variety of issues, including those associated with Climate Change. All of the County Council's pooled funds are managed by investment managers who are signatories to the PRI (Principles for Responsible Investment), managing investments in line with their own individual responsible investment policies. The County Council's Treasury Management Advisers, Arlingclose, have advised the County Council on the suitability and selection of its pooled funds, including the investment managers' management of Environmental, Social and Governance (ESG) issues including the impact of Climate Change.

68. There are no further climate change impacts as part of this report which are concerned with financial reporting.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

This proposal does not link to the Strategic Plan but, nevertheless, requires a decision because it relates to the effective management of the County Council's cash balances.

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

Document	Location
None	

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

   The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

   - Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
   - Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
   - Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

   Due regard in this context involves having due regard in particular to:

   - The need to remove or minimise disadvantages suffered by persons sharing a relevant protected characteristic that are connected to that characteristic;
   - Take steps to meet the needs of persons sharing a relevant protected characteristic that are different from the needs of persons who do not share it;
   - Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionally low.

2. Equalities Impact Assessment:

Equalities objectives are not expected to be adversely impacted by the proposals in this report.