

## **Decision by the Police and Crime Commissioner for Hertfordshire**

**Item:** Treasury Management Mid-Year Report

**Date:** 28<sup>th</sup> October 2025

**Background:** Quarterly update on treasury management activities following review by the Joint Audit Committee

**Paper:** 28<sup>th</sup> October Herts PCC TM mid-year Q2 report 202526

**Decision:** Approved and noted the content of the report.



<b>Meeting</b>	Decision-making meeting
<b>Date</b>	28 October 2025
<b>Title of Report</b>	Treasury Management mid-year report 2025/26
<b>Submitted By</b>	Chief Finance Officer
<b>Purpose of Report</b>	To fulfil the requirement to provide a quarterly update report on treasury management activities.
<b>Decision(s) Required</b>	That the content of the report is noted following consideration and review by the Joint Audit Committee on 23 October 2025.
<b>Financial Implications</b>	As set out in report
<b>Risk Implications</b>	Failure to adhere to the Treasury Management and Prudential Codes may impact on the organisation's financial sustainability and ability to demonstrate good financial management.
<b>Legal Implications</b>	Authorities are required by regulation to have regard to the Prudential Code when carrying out their duties in England and Wales under Part 1 of the Local Government Act 2003 and the Treasury Management Code has a particular significance as it requires local authorities "to have regard (a) to such guidance as the Secretary of State may issue, and (b) to such other guidance as the Secretary of State may by regulations specify." The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, paragraph 24 requires local authorities to have regard to this guidance.
<b>Equalities Impacts</b>	None identified
<b>Freedom of Information Exemption Section if Applicable</b>	None

## **1. Purpose**

- 1.1. The Police and Crime Commissioner for Hertfordshire (PCC) 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), which requires the PCC to approve, as a minimum, three treasury management reports a year, including an annual strategy and outturn report.
- 1.2. This report provides an update on treasury management activity in the first half of 2025/26 and meets the requirement in the 2021 Code of quarterly reporting of the treasury management prudential indicators.

## **2. Recommendation**

- 2.1. It is recommended that the report is considered, and observations are made as appropriate.

## **3. Executive Summary**

- 3.1. 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 2025/26.
- 3.2. The PCC's treasury management strategy was most recently updated and approved by the PCC in March 2025. 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.
- 3.3. 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."
- 3.4. This report sets out the performance of the treasury management function during the first half of 2025/26, to include the effects of the decisions taken and the transactions executed in the six months.
- 3.5. With effect from February 2022 Hampshire County Council's Investments and Borrowing Team provides a Treasury Service which includes the management of the PCC's cash balances and investment of surplus cash, as well as the sourcing of borrowing in accordance with the agreed Treasury Management Strategy Statement. 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.

- 3.6. All treasury activity has complied with the PCC's Treasury Management Strategy and Investment Strategy for 2025/26, 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.

#### **4. External Context**

- 4.1. The following sections outline the key economic themes in the UK against which investment and borrowing decisions have been made so far in 2025/26.

##### **Economic background**

- 4.2. From late June 2025, amid a UK backdrop of economic uncertainty, concerns around the government's fiscal position and speculation around the autumn Budget, yields on medium- and longer-term gilts pushed higher, including the 30-year gilt which hit its highest level for almost 30 years.
- 4.3. UK headline annual consumer price inflation (CPI) increased over the period, rising from 2.6% in March 2025 to 3.8% in August 2025, still well above the Bank of England's 2% target. Core inflation also rose, from 3.4% to 3.6% over the same period, albeit the August 2025 reading was down % from 3.8% the previous month. Services inflation also fell from July to August 2025, to 4.7% from 5.0%.
- 4.4. The UK economy expanded by 0.7% in the first quarter of the calendar year and by 0.3% in the second quarter. In the final version of the Q2 2025 GDP report, annual growth was revised upwards to 1.4% year on year. However, monthly figures showed zero growth in July 2025, in line with expectations, indicating a sluggish start to Q3.
- 4.5. The August 2025 BoE Monetary Policy Report highlighted that after peaking in Q3 2025, inflation is projected to fall back to target by mid-2027, helped by increasing spare capacity in the economy and the ongoing effects from past tighter policy rates. GDP is expected to remain weak in the near-term while over the medium-term outlook will be influenced by domestic and global developments.
- 4.6. Arlingclose, the PCC's treasury adviser, maintained its central view that Bank Rate would be cut further as the BoE focused on weak GDP growth more than higher inflation. One more cut is currently expected during 2025/26, taking Bank Rate to 3.75%. The risks to the forecast are balanced in the near-term but weighted to the downside further out as weak consumer sentiment and business confidence and investment continue to constrain growth. There is also considerable uncertainty around the autumn Budget and the impact this will have on the outlook.

##### **Credit review**

- 4.7. Arlingclose maintained its recommended maximum unsecured duration limit on the majority of the banks on its counterparty list at 6 months. The other banks remain on 100 days.
- 4.8. After spiking in early April 2025 following the US trade tariff announcements, UK credit default swap (CDS) prices have since generally trended downwards and ended the period at levels broadly in line with those in the first quarter of the calendar year and throughout most of 2024.
- 4.9. Overall, at the end of the period CDS prices for all banks on Arlingclose's counterparty list remained within limits deemed satisfactory for maintaining credit advice at current durations.
- 4.10. Financial market volatility is expected to remain a feature, at least in the near term and, CDS levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the PCC's counterparty list recommended by Arlingclose remain under constant review.

## 5. Local Context

- 5.1. On 31 March 2025, the PCC had net investments of £14.4m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying resources available for investment. Table 1 lays out the various CFR elements and how they are financed, comparing the position at 31 March 2025 to the forecast position expected at 31 March 2026.

<b>Table 1: Balance sheet summary</b>	<b>31/03/25 Balance £m</b>	<b>31/03/26 Forecast £m</b>
<b>CFR</b>	<b>104.9</b>	<b>136.0</b>
Less: Other Debt Liabilities	(5.9)	(4.5)
<b>Loans CFR</b>	<b>99.0</b>	<b>131.5</b>
Less: External borrowing	(94.9)	(140.7)
<b>Internal Borrowing</b>	<b>4.1</b>	<b>(9.2)</b>
Less: Balance Sheet resources	(18.5)	(9.7)
<b>Net Borrowing/(Investments)</b>	<b>(14.4)</b>	<b>(18.9)</b>

- 5.2. The PCC'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. Table 1 shows the PCC is forecast to have borrowing above underlying levels, known as overborrowing, at the end of 2025/26. This is a short-term occurrence, permitted under the CIPFA Prudential Code, because of the PCC's borrowing strategy. Further explanations on the reasons for this are

provided in the Borrowing Strategy & Activity and Liability Benchmark sections of this report.

- 5.3. The treasury management position at 30 June 2025 and the change over the quarter to 30 September 2025 is shown in Table 2.

<b>Table 2: Treasury management summary</b>	<b>30/06/25 Balance £m</b>	<b>Movement £m</b>	<b>30/09/25 Balance £m</b>	<b>30/09/25 Rate %</b>
Long-term borrowing	(66.7)	0.0	(66.7)	4.02
Short-term borrowing	(16.0)	(14.0)	(30.0)	4.23
<b>Total borrowing</b>	<b>(82.7)</b>	<b>(14.0)</b>	<b>(96.7)</b>	<b>4.08</b>
Long-term investments	2.5	0.0	2.5	4.84
Short-term investments	0.0	0.0	0.0	0.00
Cash and cash equivalents	2.0	5.2	7.2	4.03
<b>Total investments</b>	<b>4.5</b>	<b>5.2</b>	<b>9.7</b>	<b>4.24</b>
<b>Net treasury management borrowing</b>	<b>(78.2)</b>	<b>(8.8)</b>	<b>(87.0)</b>	

Note: the 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.

- 5.4. Net borrowing increased by £8.8m from the end of Q1 position, due to the short-term borrowing taken to bridge the gap between outflows of expenditure and the receipt of PCC's various funding streams, a large portion of which was received in July 2025 through the pension top-up grant.

## 6. Borrowing Strategy and Activity

- 6.1. As outlined in the Treasury Management Strategy, the PCC's chief objective when borrowing has been to strike an appropriately low risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the PCC's long-term plans change is a secondary objective. The PCC's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. At the present time short term interest rates are higher than long term interest rates.
- 6.2. After substantial rises in interest rates since 2021 many central banks have now begun to reduce rates, albeit slowly. Gilt yields however have increased over the period amid concerns about inflation, the UK government's fiscal position and general economic uncertainty.
- 6.3. The PWLB certainty rate for 10-year maturity loans was 5.38% at the beginning of the period and 5.53% at the end. The lowest available 10-year maturity certainty rate was 5.17% and the highest was 5.62%. Rates for 20-year

maturity loans ranged from 5.71% to 6.30% during the period, and 50-year maturity loans from 5.46% to 6.14%. The cost of short-term borrowing from other local authorities has been similar to the Base Rate during the period at 4.0% to 4.5%. Based on these rates the PCC's tactical approach to meeting its borrowing requirements has been to utilise borrowing from other local authorities in the first half of the financial year. This is planned to change in the coming months as set out below, as local authority borrowing rates follow their patten of rising over the end of the financial year.

- 6.4. CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of the PCC. PWLB loans are no longer available to local authorities (including police and crime commissioners) planning to buy investment assets primarily for yield unless these loans are for refinancing purposes. The PCC has no plans to borrow to invest primarily for financial return, so is able to retain full access to the PWLB.
- 6.5. The PCC is a net borrower and as stated in the Treasury Management Strategy 2025/26, 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 PCC currently has taken external borrowing, this is not predicted to be sufficient to meet the CFR and further borrowing will be considered by the Chief Finance Officer when required.
- 6.6. At 30 September 2025 the PCC held £96.7m of loans (an increase of £14.0m from 30 June 2025) as part of its strategy for funding previous years' capital programmes and to meet short-term cash flow requirements. Outstanding loans on 30 September 202 are summarised in Table 3.

<b>Table 3: Borrowing position</b>	<b>30/06/25 Balance £m</b>	<b>Movement £m</b>	<b>30/09/25 Balance £m</b>	<b>30/09/25 Rate %</b>	<b>30/09/25 WAM* years</b>
Public Works Loan Board	(56.7)	0.0	(56.7)	4.00	12.77
Banks (LOBO)	(10.0)	0.0	(10.0)	4.15	52.62
Other (fixed term)	(16.0)	(14.0)	(30.0)	4.23	0.64
<b>Total borrowing</b>	<b>(82.7)</b>	<b>(14.0)</b>	<b>(96.7)</b>	<b>4.08</b>	<b>13.13</b>

\*Weighted Average Maturity. Note: the figures in Table 3 are from the balance sheet in the PCC's accounts but adjusted to exclude accrued interest.

- 6.7. 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.
- 6.8. In order to best manage the cash requirements for the PCC's capital programme, and in particular the HQ redevelopment work taking place, new

borrowing has been arranged utilising both the local authority lending market and the PWLB. Given the volatility in interest rates and the tightening of the local authority lending market owing to greater cash requirements over the end of the financial year, a mixture of loans with differing maturity profiles have been taken to mitigate both interest rate risk and refinancing risk. A summary of these loans is shown below in Table 4.

<b>Table 4: New borrowing</b>	<b>Amount £m</b>	<b>Loan type</b>	<b>Interest rate %</b>	<b>Maturity date</b>	<b>Duration</b>
Public Works Loan Board	(20.0)	EIP*	4.64	October 2030	5 years
Public Works Loan Board	(13.0)	Maturity	4.59	July 2027	21 months
Public Works Loan Board	(13.0)	Maturity	4.65	July 2028	33 months
Other (fixed term)	(1.0)	Maturity	4.42	July 2026	9 months
<b>Total borrowing</b>	<b>(47.0)</b>				

\*Equal Instalments of Principal

- 6.9. By taking this approach, this will allow the PCC to get through the year end period where cash balances historically diminish without taking on any additional borrowing, with a view to refinancing some of the maturing debt in the new financial year.
- 6.10. This borrowing strategy has been monitored with the assistance of Arlingclose and has enabled the PCC to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.

## 7. Treasury Investment Strategy

- 7.1. The CIPFA Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (revised in 2021) defines treasury management investments as those investments which arise from the PCC'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.
- 7.2. The PCC holds invested funds representing income received in advance of expenditure plus balances and reserves held. During the financial year to date, the PCC's investment balances have ranged between £3.4m and £60.0m due to timing differences between income and expenditure, in particular the annual pension grant that the PCC receives for the payment of police pensions paid out through the year. The investment position is shown in Table 5.

<b>Table 5: Treasury investment position</b>	<b>30/06/2025 Balance £m</b>	<b>Net movement £m</b>	<b>30/09/2025 Balance £m</b>	<b>30/09/2025 Income return %</b>	<b>30/09/2025 Weighted average maturity years</b>
<b>Short term investments</b>					
Banks and building societies:					
- Unsecured	0.2	0.0	0.2	2.74	0.00
Money Market Funds	1.8	5.1	7.0	4.07	0.00
	<b>2.0</b>	<b>5.1</b>	<b>7.2</b>	<b>4.03</b>	<b>0.00</b>
<b>High yield investments</b>					
Pooled funds:					
- Pooled property*	2.5	0.0	2.5	4.84	N/A
	<b>2.5</b>	<b>0.0</b>	<b>2.5</b>	<b>4.84</b>	<b>N/A</b>
<b>TOTAL INVESTMENTS</b>	<b>4.5</b>	<b>5.1</b>	<b>9.7</b>	<b>4.24</b>	<b>0.0</b>

\*The rates provided for pooled fund investments are reflective of annualised income returns over the year to 30 September 2025 based on the market value of investments at the start of the year (1 October 2024).

- 7.3. Investment balances have increased by £5.1m in the period from June to September 2025, primarily due to receipt in July of pension top up grant funding.
- 7.4. Both the CIPFA Code and government guidance require the PCC to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest 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.
- 7.5. The security of investments has been maintained by following the counterparty policy and investment limits within the TMSS, taking advice from Arlingclose on changes in counterparty credit worthiness, and making use of secured investment products that provide collateral. The PCC should invest in liquid investments to ensure money is available when required to meet its financial obligations, spreading these investments across a number of counterparties to mitigate operational risk.

- 7.6. As demonstrated by the liability benchmark in this report, the PCC expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments. The PCC has invested 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 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. The Chief Finance Officer will review the current pooled fund investment prior to making any additional external borrowing decisions.
- 7.7. The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 6. These metrics monitor the internal investments of the portfolio, which is the total portfolio less the pooled property fund.

<b>Table 6: Investment benchmarking (excluding pooled funds)</b>	<b>Credit rating</b>	<b>Bail-in exposure</b>	<b>Weighted average maturity (days)</b>	<b>Rate of return</b>
30.06.2025	A+	100%	1	4.16%
30.09.2025	A+	100%	1	4.02%
Police & Fire Authorities	AA-	60%	44	4.11%
All Local Authorities	A+	62%	11	4.06%

- 7.8. At 30 September 2025 the PCC's internally held investment balances had an average credit rating of A+, bail-in exposure of 100% and a weighted average maturity of 1 day. The PCC's average credit rating is slightly lower than other Arlingclose clients, in addition to 'bail-in' exposure being higher. This reflects the PCC's relatively small cash balances and the requirement that these are all kept liquid, including the PCC's current account, which mitigates unplanned cashflows and overdraft fees. This is illustrated by the comparison of weighted average maturity. Rates of return were lower than in June 2025 owing to the reduction in interest rates in that time and compare similarly to other Arlingclose clients.
- 7.9. Although the exposure to bail-in risk is greater than other authorities included in the benchmarking data, the fact that all of the internally held investment balances were held as liquid cash means that the PCC can have access to the investment balances at short notice, which potentially reduces the impact on the PCC of a bail-in event.

### **Pooled fund update**

- 7.10. £2.5m of the PCC's investments are invested in an externally managed strategic pooled property fund where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. Over the 12 months to 30 September 2025 these funds generated an average total return of 8.64%, comprising a 4.84% income return which is used to support services in year, and 3.80% of unrealised capital gain.
- 7.11. By comparison, over the holding period of these investments, the pooled fund portfolio has generated a total return of 3.02% pa, comprising 3.62% pa average income return and -0.83% pa average capital return. There is currently an unrealised capital loss of £199,000 on the pooled funds, and it is hoped that the capital value of these investments will recover over the medium term. Regardless of this, an income return of 3.62% pa represents good value over a period where generally interest rates have remained low.
- 7.12. Most asset classes achieved positive performance over the first half of the 2025/26 financial year, although conditions remained volatile and heavily influenced by political and macroeconomic developments. The gradual improvement in UK commercial property has continued. Capital values recorded marginal gains, while total returns were driven largely by rental income.
- 7.13. 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. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three- to five-year period total returns should exceed cash interest rates.
- 7.14. Further to consultations in April 2023 and December 2024 MHCLG wrote to finance directors in England in February 2025 regarding the statutory override on accounting for gains and losses in pooled investment funds. On the assumption that when published regulations follow this policy announcement, the statutory override will be extended up until the 1 April 2029 for investments already in place before 1 April 2024 (which would include the PCC's investments). The override will not apply to any new investments taken out on or after 1st April 2024.

## **8. Non-Treasury Investments**

- 8.1. 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).
- 8.2. 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. 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.

- 8.3. 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.

## 9. Compliance Report

- 9.1. The Chief Finance Officer 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.
- 9.2. Compliance with the authorised limit and operational boundary for external debt, is demonstrated in Table 7.

<b>Table 7: Debt limits</b>	<b>H1 2025/26 Maximum £m</b>	<b>30/09/25 Actual £m</b>	<b>2025/26 Operational Boundary £m</b>	<b>2025/26 Authorised Limit £m</b>	<b>Complied?</b>
Borrowing	(108.7)	(96.7)	(240.0)	(260.0)	✓
Leases	(5.9)	(5.9)	(10.0)	(15.0)	✓
<b>Total debt</b>	<b>(114.6)</b>	<b>(102.6)</b>	<b>(250.0)</b>	<b>(275.0)</b>	✓

- 9.3. Since the Operational Boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure. However, this limit was not breached during the financial year to date.

## 10. Treasury Management Indicators

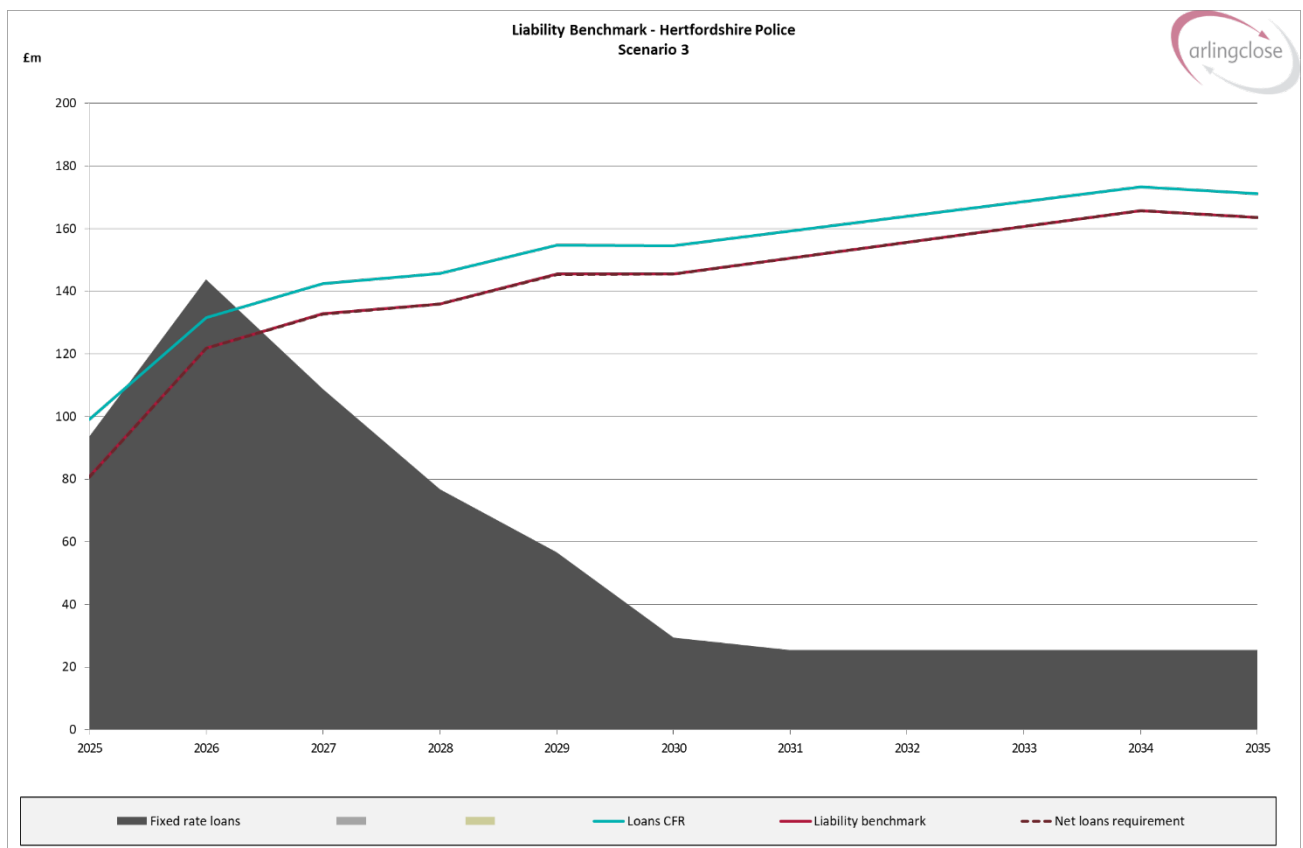
- 10.1. As required by the 2021 CIPFA Treasury Management Code, the PCC monitors and measures the following treasury management prudential indicators.

### Liability benchmark

- 10.2. 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 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.

<b>Table 8: Liability benchmark</b>	<b>31/03/2025 Actual £m</b>	<b>31/03/2026 Forecast £m</b>	<b>31/03/2027 Forecast £m</b>	<b>31/03/2028 Forecast £m</b>
Loans CFR	99.1	131.5	142.4	145.6
Less: Balance sheet resources	(18.5)	(9.7)	(9.7)	(9.7)
<b>Net loans requirement</b>	<b>80.6</b>	<b>121.8</b>	<b>132.7</b>	<b>135.9</b>
Plus: Liquidity allowance	0.1	0.1	0.1	0.1
<b>Liability benchmark</b>	<b>80.7</b>	<b>121.9</b>	<b>132.8</b>	<b>140.0</b>



**Graph 1: Liability Benchmark (10 year)**

10.3. The PCC is a net borrower and as Table 8 and Graph 1 show, the PCC 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.

10.4. In the short-term Graph 1 shows that, owing to the borrowing activity outlined earlier in this report, the level of borrowing is set to exceed both the liability benchmark and the forecast Loans CFR at the end of 2025/26. The reason for

this being that the PCC has pursued a strategy of taking short-term loans from the local authority lending market in the absence of there being value from the PWLB, with a view to re-financing these short-term loans with long-term PWLB borrowing at a more opportune time. This crossover point has been reached and PWLB rates are now on a par with, and in some cases more attractive than, short-term local authority borrowing, meaning that there is some overlap between these maturing short-term loans and the new PWLB borrowing taken out.

- 10.5. In the longer term however, the graph also shows that if it is to deliver its capital programme as planned, the PCC will need to take out additional external borrowing, as reflected in the gap between the liability benchmark (the red line) and the existing borrowing (the grey area) in future years. Therefore, as a result, further borrowing will be considered by the Chief Finance Officer in consultation with Hampshire County Council’s Investments & Borrowing team and Arlingclose.
- 10.6. The full 50-year liability benchmark graph can be found in Appendix 1.

**Interest rate exposures**

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

<b>Table 8: Interest rate risk indicator</b>	<b>30/09/25 Actual</b>	<b>Impact of +/-1% interest rate change</b>
Sums subject to variable interest rates:		
Investments	9.7m	+/-£0.1m
Borrowing	(£30.0m)	+/-£0.1m

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

**Maturity structure of borrowing**

- 10.9. 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.

<b>Table 9: Maturity Structure of Borrowing</b>	<b>30/09/25 Actual</b>	<b>Upper Limit</b>	<b>Lower Limit</b>	<b>Complied</b>
Under 12 months	31%	65%	0%	✓
12 months and within 24 months	0%	60%	0%	✓
24 months and within 5 years	43%	60%	0%	✓
5 years and within 10 years	0%	60%	0%	✓
10 years and within 20 years	0%	65%	0%	✓
20 years and within 30 years	3%	65%	0%	✓
30 years and above	23%	100%	0%	✓

### **Long-term Treasury Management Investments**

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 will be:

<b>Table 10: Long-term Treasury Management Investments</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>No fixed date</b>
Actual principal invested beyond year end	-	-	-	£2.5m
Limit on principal invested beyond year end	£10m	£10m	£10m	£2.5m
Complied	✓	✓	✓	✓

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

**Appendix 1 – Liability Benchmark graph (50 year)**

Liability Benchmark - Hertfordshire Police  
Scenario 3



£m



