

<b>Committee:</b>	Cabinet	<b>Date:</b>
<b>Title:</b>	Treasury Management Mid-Year Review	Tuesday, 26 November 2019
<b>Portfolio Holder:</b>	Portfolio Holder for Finance and Budget	
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## Summary

1. The Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Authority to approve treasury management semi-annual and annual reports.
2. This report is for the period 1 April to 30 September 2019.
3. The Authority's treasury management strategy for 2019/20 was approved at a meeting of the Authority on 21 February 2019.
4. This report is to give members an update on the current Treasury Activities and other factors that may influence or affect the financial market.
5. Treasury Management activities are defined by CIPFA as:

*"The management of the Council's investments, borrowing 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 optimal performance consistent with those risks."*

## Recommendations

6. The Cabinet is recommended to note the Treasury Management mid-year review report and updated prudential indicators

## Financial Implications

7. No direct financial implications arising from this report, any associated financial implications are included in Appendix A.

## Background Papers

8. None

## Impact

9.

Communication/Consultation	CMT
Community Safety	N/A
Equalities	N/A
Health and Safety	N/A
Human Rights/Legal Implications	N/A
Sustainability	N/A
Ward-specific impacts	N/A
Workforce/Workplace	N/A

## Situation

10. The Authority has borrowed and invested substantial 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 Authority's treasury management strategy.
11. The main risks to the Council's treasury activities are:
- I. Liquidity risk (inadequate cash resources)
  - II. Market or interest rate risk (fluctuations in interest rates)
  - III. Inflation risk (exposure to change in prices)
  - IV. Credit and counterparty risk (security of investments)
  - V. Refinancing risks (impact of debt maturing in future years)
  - VI. Legal and regulatory risk (i.e. non-compliance with requirements)
12. A detailed report is attached as Appendix A and this has been compiled with the support of Arlingclose Ltd.
13. The Capital Strategy was approved alongside the Treasury Management Strategy on the 21 February 2019. There is no specific requirement to provide a mid-year update on the Capital Strategy but it was felt that it would be of benefit to provide updated prudential indicators and these are detailed in Appendix B.
14. Routine Treasury Management activities on investments and borrowing are detailed in the Budget Monitoring – Qtr. 2 Forecast Outturn report, included as a separate agenda item for tonight's meeting.

## Risk Analysis

15.

Risk	Likelihood	Impact	Mitigating actions
Liquidity	2 – unlikely due to forward planning of income receipts and expenditure	2 – we would incur additional costs of borrowing from external sources	Cash in and out flows are managed on a daily basis. All income and expenditure is planned and built in to cash flow statements. A minimum amount of £1m is maintained to cover any unexpected events
Interest Rate fluctuations	2 – there is normally a period prior to rises being announced	3 – this could significantly affect the cost of borrowing if they went up	The interest rate forecasts and projections are monitored regularly and we receive regular updates from our Consultants (Arlingclose)

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.