Committee:	Cabinet	**Date:**
Title:	Treasury Management Q1 Report - 2023/24	Thursday, 2 November 2023
Portfolio Holder:	Councillor Neil Hargreaves, Portfolio Holder for Finance and the Economy	
Report Author:	Jody Etherington, Director of Finance, Revenues and Benefits JEtherington@uttlesford.gov.uk	**Key decision:** No

Summary

1. The Council is required to follow the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2021 Edition* (the 'CIPFA Code') in all its treasury management activities.

2. The CIPFA Code requires each local authority to set a Treasury Management Strategy on an annual basis (which was approved by Full Council in February 2023), and to publish reports setting out performance against this strategy at least twice per year.

3. In addition, with effect from 1 April 2023, all local authorities are now required to publish and monitor their key prudential indicators on a quarterly basis. This report fulfils this requirement in respect of the Council's treasury management prudential indicators for Quarter 1. Other prudential indicators are reported in the Quarter 1 Financial Forecast presented to Cabinet alongside this report.

4. Treasury management activities are defined by CIPFA as:

   "The management of the organisation's borrowing, investments and cash flows, including 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."

5. During the quarter, all treasury management activity has been undertaken in line with the approved Treasury Management Strategy 2023/24.

6. The detailed report at Appendix A, prepared with the assistance of the Council's treasury management advisers (Arlingclose), summarises the Council's treasury management activities for the period from 1 April to 30 June 2023.

7. Since this report covers the period up until 30 June 2023, it does not reflect key decisions taken by the Council since this date, including the Council's decision on 24 August 2023 to approve further funding of £21.1 million for Aspire (CRP) Ltd. This decision will result in an increase in the Council's Capital Financing Requirement (CFR), and therefore the amount of external

debt required, and this will be fully reflected in the next quarterly Treasury Management Report covering Quarter 2.

Recommendations

8. The Cabinet is recommended to note this report, including the detailed Treasury Management Report Q1 2023/24 at Appendix A.

Financial Implications

9. As set out at Appendix A.

Background Papers

10. None.

Impact

11.

Communication/Consultation	Corporate Management Team (CMT) and Informal Cabinet Briefing (ICB)
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

12. The Council 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 risks are therefore central to the Council's Treasury Management Strategy.

13. 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

14. A detailed report is attached at Appendix A and this has been compiled with the support of the Council's external treasury management advisers, Arlingclose.

Risk Analysis

15.

Risk	Likelihood	Impact	Mitigating actions
Liquidity – lack of cash available to meet commitments as they fall due	2 – unlikely due to forward planning of receipts and expenditure	2 – would incur additional costs of short-term 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 is maintained to cover any unexpected events.
Interest rate fluctuations – increased borrowing costs due to higher rates on refinancing of debt	3 – in the current environment of rising interest rates it is likely that much of the debt which falls due will need to be refinanced at higher rates	3 – significant increase in borrowing costs, although this is modelled within the Council's Medium Term Financial Strategy (MTFS) and closely monitored	Interest rate forecasts and projections are monitored regularly with regular updates from consultants (Arlingclose). In addition, action has been taken to reduce the Council's exposure by fixing a greater proportion of borrowing for the longer term.

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.