***Report to the Audit & Governance Committee***

***Date of meeting: 19th September 2024***

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|---|---|
| **Portfolio:** | **Finance & Economic Development** |
| **Subject:** | **Treasury Management Outturn 2023/24** |
| **Responsible Officer:** | **Andrew Small (01992 564278)** |
| **Democratic Services:** | **Laura Kirman (01992 564243)** |

## Recommendations/Decisions Required:

**(1)** To note the Treasury Management Outturn 2023/24 ***(Appendix A)*** and pass comment for full Council.

## Executive Summary:

The Council's Treasury Management Strategy (including Investment Strategy) for 2023/24 was considered at a meeting of the Audit and Governance Committee on 13th February 2023 and was subsequently agreed by full Council on 28th February 2023.

In accordance with CIPFA's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code 2021 Edition) and generally accepted good practice, the Treasury Management Outturn for 2023/24 (presented in ***Appendix A***) sets out the Council's actual Treasury Management activity for 2023/24, including the year-end position contained in the Council's (draft) Statement of Accounts for 2023/24.

***Appendix A*** begins by setting the external context for 2023/24 by exploring the Economic Background, Financial Markets and Credit Ratings, including steadily falling inflation and the stabilisation of UK interest rates.

The Borrowing and Investment position for Epping Forest District Council as at 31st March 2024 shows the following:

- *Borrowing* – external borrowing decreased by £28.5 million (from £281.6 million to £253.1 million) during the period April 2023 to March 2024; and

- *Investments* – there was a significant increase in investments of £29.8 million (from £14.1 million to £43.9 million) during the same period.

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

Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) also includes within the definition of investments all such assets held partially or wholly for financial return.

The report therefore also considers the Service and Commercial Investments held by the Council. This includes:

- Qualis and Home Assistance service loans (combined Balance Sheet value of £64.653 million as at 31st March 2024)
- Commercial Property (Balance Sheet value of £156.224 million as at 31st March 2024); and a
- Qualis Investment Loan (Balance Sheet value of £30.0 million as at 31st March 2024).

***Appendix A*** concludes by considering compliance with CIPFA's Treasury Management Code and the Treasury Management Strategy for 2023/24, including Prudential and Other adopted indicators. Compliance with reportable indicators was achieved in all areas in 2023/24, with available cash as of 31st March 2024 well above normal levels following a capital receipt that was received as a consequence of a land disposal at North Weald Airfield.

## Reasons for Proposed Decision:

To enable the robust scrutiny the Council's Treasury Management performance in 2023/24 in compliance with CIPFA's Treasury Management in the Public Services: Code of Practice (the CIPFA Code 2021 Edition) and generally accepted good practice.

## Legal and Governance Implications:

The Local Government Act 2003 created a framework for the financing of capital investments in local authorities which came into operation from April 2004. Alongside this, the Prudential Code was developed by CIPFA as a professional Code of Practice to support local authority decision making in capital investment and financing. Local authorities are required by regulation to have regard to the Prudential Code.

## Safer, Cleaner and Greener (SCG) Implications:

None.

## Background Papers:

Treasury Management in the Public Services: Code of Practice (2021 Edition) published by CIPFA December 2021.

(MHCLG) Statutory Guidance on Local Government Investments (3rd Edition). Issued under section 15(1)(a) of the Local Government Act 2003 and effective for financial years commencing on or after 1st April 2018.

Arlingclose Technical Update (revised Prudential and Treasury Management Codes) issued 22nd December 2021.

Treasury Management Strategy (including Investment Strategy) 2023/24 (Audit and Governance Committee, 13th February 2023).

## Risk Management:

There are a range of inherent financial risks associated with Treasury Management activity; not least the potential for loss of interest and/or deposits. The Council therefore engages the services of external Treasury Management advisors, Arlingclose Ltd.

Borrowing and Investment decisions are made in accordance with the Council's formally adopted Treasury Management Strategy (including Investment Strategy). The Strategy includes several Risk Management features, including – for example – the overriding priority that security of deposit takes precedence over return on investment.

**Appendix A**

# Treasury Management Quarter 4 (Outturn) 2023/24

## Introduction

The Council has previously adopted CIPFA's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Council to approve Treasury Management semi-annual ("mid-year updates") and annual reports.

The quarterly report provides an additional update on Treasury Management Prudential Indicators and was a new requirement in the 2021 Code, mandatory from 1st April 2023. The Non-Treasury Prudential Indicators are incorporated within the Council's routine quarterly (revenue and capital monitoring) report.

The Council's Treasury Management Strategy (including Investment Strategy) was considered at a meeting of the Audit and Governance Committee on 13th February 2023 and was subsequently agreed by full Council on 28th February 2023. 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 risk remains central to the Council's Treasury Management Strategy.

## External Context: April 2023 to March 2024

***Economic Background:*** UK inflation continued to decline from the 8.7% rate seen at the start of 2023/24. By the last quarter of the financial year headline Consumer Price Inflation (CPI) had fallen to 3.4% in February 2024, but was still above the Bank of England's 2.0% target at the end of the period.

The UK economy entered a 'technical recession' in the second half of 2023, as growth rates of -0.1% and -0.3% respectively were recorded for Q3 and Q4. Over the 2023 calendar year, GDP growth only expanded by 0.1% compared to 2022. Of the recent monthly data, the Office for National Statistics (ONS) reported a rebound in activity with economy expanding 0.2% in January 2024. While the economy may somewhat recover in Q1 2024, the data suggests that prior increases in interest rates and higher price levels are depressing growth, which will continue to bear down on inflation throughout 2024.

Having begun the financial year at 4.25%, the Bank of England's Monetary Policy Committee (MPC) increased the Bank Rate to 5.25% in August 2023. The Bank Rate was maintained at 5.25% through to March 2024. Although financial markets shifted their interest rate expectations downwards with expectations of a cut in June 2024, the MPC's focus remained on assessing how long interest rates would need to be restrictive in order to control inflation over the medium term.

Arlingclose, the Council's Treasury Advisers, maintains its central view that 5.25% represents the peak in the Bank Rate and interest rates will most likely start to be cut in the latter half of 2024. The risks in the short-term are deemed to be to the downside as a rate cut may come sooner than expected, but then more broadly balanced over the medium term.

***Financial Markets:*** Sentiment in financial markets remained uncertain and bond yields continued to be volatile over the year. During the first half of the financial year, yields rose as interest rates continued to be pushed up in response to rising inflation. From October 2023, they started declining again before falling sharply in December 2023. When it emerged in January 2024, that inflation was more stubborn than expected, yields rose once again.

Over the financial year, the 10-year UK benchmark Gilt Yield rose from 3.44% to peak at 4.75% in August 2023, before then dropping to 3.44% in late December 2023 and rising again to 3.92% (28th March 2024). The Sterling Overnight Rate (SONIA) averaged 4.96% over the period to 31st March 2024.

***Credit Review:*** In response to an improving outlook for credit markets, in January 2024 Arlingclose moved away from its previous temporary stance of a 35-day maximum duration and increased its advised recommended maximum unsecured duration limit on all banks on its Counterparty List to 100 days.

However, heightened market volatility is expected to remain a feature – at least in the near term – and the institutions and durations on the Counterparty List recommended by Arlingclose remain under constant review.

## Local Context

On 31st March 2024, the Council had net borrowing of £209.2 million 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 usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

**Table 1: Balance Sheet Summary**

| | **31/03/23 Actual £m** | **31/03/24 Actual £m** |
|---|---:|---:|
| General Fund CFR | 159.088 | 188.906 |
| HRA CFR | 154.475 | 154.625 |
| **Total CFR** | **313.563** | **343.531** |
| Less: Other Debt liabilities | 0 | 0 |
| **Borrowing CFR** | **313.563** | **343.531** |
| Less: External borrowing | (282.681) | (253.052) |
| **Internal borrowing:** | **30.882** | **90.479** |
| Less: Balance Sheet resources | (43.678) | (126.438) |
| **Net Investments** | **(12.796)** | **(35.959)*** |

**Excludes Accrued Interest and includes Cash-in-Transit*

The Treasury Management position as at 31st March 2024 and the change during the financial year is shown in Table 2 below.

**Table 2: Treasury Management Summary**

| | 31/03/23 Balance £m | Movement £m | 31/03/24 Balance £m | 31/03/24 Rate % |
|---|---|---|---|---|
| Long-term Borrowing | 248.6 | 4.5 | 253.1 | 3.3% |
| Short-term Borrowing | 33.0 | (33.0) | 0 | N/A |
| **Total Borrowing** | **281.6** | **(28.5)** | **253.1** | |
| Long-Term Investments | 0 | 0 | 0 | N/A |
| Short-term Investments | 0 | 19.0 | 19.0 | 6.1% |
| Cash and Cash Equivalents | 14.1 | 10.8 | 24.9 | 5.1% |
| **Total Investments** | **14.1** | **29.8** | **43.9** | |
| **Net Borrowing** | **267.5** | **(58.3)** | **209.2** | |

The Council experienced relatively unusual cash flows during 2023/24. Borrowing increased steadily as planned up until December 2023, but then there was a substantial 'sea change' from that point onwards, with the Council receiving a large capital receipt (of £88.2 million) in relation to a land disposal at North Weald Airfield. Initially this saw a sharp increase in the balance held on Investments, but the Council was then able to systematically pay off short-term debt upon maturity during Quarter 4, without the need to take our replacement Borrowing; this was not anticipated in the Treasury Management Strategy for 2023/24 (adopted in February 2023).

- *Borrowing* – the further rollout of loans to Qualis necessitated further long-term PWLB borrowing in the early part of the financial year, although there was initially a (deliberate) temporary shift towards short-term borrowing from Local Authorities pending the anticipated arrival of the North Weald capital receipt. The eventual arrival of the capital receipt allowed further loan advances to Qualis in Quarter 4, without recourse to further external Borrowing (as well as allowing the repayment of short-term debt as noted above); and

- *Investments* – the Council has also been able to place significant funds into Investments for the first time in several years, with Short-Term Investments (in Other Local Authorities) ending the year at £19.0 million. Cash and Cash Equivalents also increased by £10.8 million compared to the same stage in 2022/23, with funds mostly held in Money Market Funds (MMFs) in accordance with the Council's adopted Investment Strategy.

## Borrowing Update

Local authorities can borrow from the PWLB provided they can confirm they are not planning to purchase 'investment assets primarily for yield' in the current or next two financial years, with confirmation of the purpose of capital expenditure from the Section 151 Officer. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing.

Acceptable use of PWLB borrowing includes Service Delivery, Housing, Regeneration, Preventative Action, Refinancing and Treasury Management.

The Council is not planning to purchase any investment assets primarily for yield within the next three years and so is able fully access the PWLB.

### *Borrowing Strategy*

At 31st March 2024, the Council held £253.1 million in loans (a reduction of £28.5 million compared to the position as at 31st March 2023), as part of its strategy for funding the Capital Programme. Outstanding loans on 31st March 2024 are summarised in Table 3 below.

**Table 3: Borrowing Position**

| | 31/03/23 Balance £m | Net Movement £m | 31/03/24 Balance £m | 31/03/24 Weighted Average Rate % | 31/03/24 Weighted Average Maturity (Years/Days) |
|---|---|---|---|---|---|
| Public Works Loan Board | 261.6 | (8.5) | 253.1 | 3.32% | 13.3 Years |
| Banks | 0 | 0 | 0 | N/A | N/A |
| Local authorities (long-term) | 0 | 0 | 0 | N/A | N/A |
| Local authorities (short-term) | 20.0 | (20.0) | 0 | N/A | N/A |
| **Total Borrowing** | **281.6** | **(28.5)** | **253.1** | | |

The 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, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective. The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

As indicated above, further long-term PWLB borrowing was undertaken in the early part of the financial year (especially to finance on-lending to Qualis), although there was a subsequent temporary shift towards short-term borrowing from Local Authorities pending the anticipated arrival of the North Weald capital receipt. A proportion of the cash available from the capital receipt has been used to redeem short-term loans as they mature in Quarter 4.

***Other Debt Activity***

The Council did not raise any other capital finance in 2023/24.

## Treasury Investment Activity

The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held, and money borrowed in advance of need. During 2023/24, as is normal, the Council's investment balances varied due to timing differences between income and expenditure. The Council held £43.9 million in Treasury Investments as at 31st March 2024 as shown in Table 4 below.

***Table 4: Treasury Investment Position***

| | 31/03/23 Balance £m | Net Movement £m | 31/03/24 Balance £m | 31/03/24 Income Return % | 31/03/24 Weighted Average Maturity Days |
|---|---|---|---|---|---|
| Banks & Building Societies (unsecured) | 1.1 | (0.7) | 0.4 | 3.25% | Instant Access |
| The UK Government | 3.0 | 0 | 3.0 | 5.18% | 19 days |
| Local authorities & other Government entities | 0 | 19.0 | 19.0 | 6.14% | 50 days |
| Money Market Funds (MMF) | 10.0 | 11.5 | 21.5 | 5.15% | Instant Access |
| **Total Investments** | **14.1** | **29.8** | **43.9** | | |

Both the CIPFA Code and Government guidance requires local authorities to invest 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 Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

The table above illustrates the impact of the £88.215 million North Weald Airfield capital receipt received in December 2023 on the money held in Government Investments (including local authorities) and MMF deposits.

The rates on "Debt Management Account Deposit Facility" (DMADF) deposits reduced to 5.18% by the end of March 2024, as well as Money Market rates (typically in the range 5.11% to 5.17%).

## Non-Treasury Investments

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

Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) also includes within the definition of investments all such assets held partially or wholly for financial return.

The Council holds a range of both Service and Commercial investments. As at 31st March 2024, active investments included the following:

- *Service Investments*
    - Loans to Subsidiaries (Qualis)
    - Home Assistance Loans
- *Commercial Investments*
    - Commercial Property
    - Loans to Subsidiaries (Qualis).

### ***Service Investments***

The total value of Service Investments as at 31st March 2024 was £64.653 million and is summarised in Table 5 below.

**Table 5: Service Investments**

| Description | 31/03/23 Balance Owing* | Movement (Q1 to Q4 23/24) | 31/03/24 Balance Owing* | Total Approved Limit |
|---|---|---|---|---|
| | **£000's** | **£000's** | **£000's** | **£000's** |
| *Subsidiaries (Qualis):* | | | | |
| Working Capital Loan | 6,000 | (855) | 5,145 | 6,000 |
| Asset Purchase Loan | 14,138 | 1,864 | 16,002 | 16,782 |
| Development Loans | 18,333 | 24,829 | 43,162 | 68,218 |
| Regeneration Loans | 0 | 0 | 0 | 35,000 |
| Home Assistance Loans (General Fund) | 387 | (43) | 344 | 150** |
| **Total Value** | **38,858** | **25,795** | **64,653** | **126,150** |

* *Loss Allowances excluded (calculated annually for Balance Sheet purposes only)*

** *Capital Programme allocation 2023/24 to 2027/28 (£30,000 annually over five-years).*

An additional £25.900 million in Developments Loans were granted to Qualis in the financial year, which is enabling a range of developments including the completion of the Cottis Lane Multi-Story Car Park and the further development of the former Conder site (for Housing).

***Commercial Investments***

The Council also holds significant Commercial Property Investments on its Balance Sheet comprising a diverse portfolio of Shops, Industrial Units, and a range of other property assets. In addition, the Council holds a Commercial Loan with its wholly owned subsidiary, Qualis.

The value and return from the Commercial Property portfolio in 2023/24 is summarised in Table 6 below.

***Table 6: Commercial Property Investments***

| Category | 31/03/24 Balance Sheet Value | Net Income 2023/24 Actual | Net Income 2022/23 Actual |
|---|---|---|---|
| | **£Ms** | **£Ms** | **£Ms** |
| Shops* | 96.06 | 5.739 | 5.736 |
| Industrial Units | 43.83 | 1.488 | 1.689 |
| Other** | 16.334 | 1.363 | 1.349 |
| **Total Value/Net Income** | **156.224** | **8.590** | **8.774** |

** Includes Public Houses and a Petrol Station **Includes North Weald Airfield (excluding electricity recharges) and Sports Facilities*

The Council received total net income of £8.590 million from Commercial Property Investments in 2023/24 (compared to £8.774 million in 2022/23).

Returns have held up in 2023/24 on both Shops and Other Property, but there has been a reduction in rental income from Industrial Units, driven by four properties that were demolished for redevelopment and a further four vacant units.

Rent reviews, combined with inducements such as rent-free periods (temporarily restraining rent receipts in the first six months of the year), means that rental levels on Shops especially are expected to grow in 2024/25.

The Committee should note that the numbers reflect the accrued position currently in the Council's books, which does not take account of the collectability of income. The Commercial Property portfolio proved very resilient during the pandemic, but an increase in write-offs cannot be ruled out in the future given the current economic climate.

The Commercial Loan with Qualis had an outstanding balance of £30.0 million as at 31st March 2024 and is presented in Table 7 below.

***Table 7: Commercial Loans***

| Description | Balance Owing 31/03/23 | Movement | Balance Owing 31/03/24 | Approved Limit |
|---|---|---|---|---|
| | **£000's** | **£000's** | **£000's** | **£000's** |
| Qualis Investment Loan | 30,000 | 0* | 30,000 | 30,000 |

** 10-Year Maturity Loan (principal repayable upon maturity in September 2030)*

Members should note that, in accordance with the Council's MRP Policy and the prevailing accounting rules at the point at which the Commercial Loan to Qualis was granted (in September 2020), MRP is not provided on this loan. However, the Council has purposely protected its position in the form of a "floating charge" on the underlying commercial assets that were purchased (by Qualis) with the proceeds from the loan.

## Compliance

The Strategic Director and Section 151 Officer reports that Treasury Management activities undertaken during 2023/24 fully complied with the CIPFA Code of Practice.

Compliance with the Treasury Management Strategy has been achieved in all areas.

***Table 8: Investment Limits***

| Sector | Time limit | Counterparty limit | Sector limit | 31/03/24 | Complied? (Yes/No) |
|---|---|---|---|---|---|
| The UK Government | 50 years | Unlimited | N/A | £3.0 million | Yes |
| Local authorities & other Government entities | 25 years | £10 million | Unlimited | £19.0 | Yes |
| Banks (unsecured)* | 13 months | £4.0 million | £20.0 million | £0.4 million | Yes |
| Building Societies* (unsecured) | 13 months | £2.0 million | £2.0 million | £0 | Yes |
| Registered Providers* (unsecured) | 5 years | £3.0 million | £3.0 million | £0 | Yes |
| Money Market Funds* | N/A | £10.0 million | Maximum of 3 Funds (£10 million each) | £21.5 million (3 MMFs) | Yes |

** Minimum Credit Rating*

Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken account of.

***Table 9: Debt and the Authorised Limit and Operational Boundary***

| Description | 2023/24 Maximum | 31/03/24 Actual | Operational Boundary 2023/24 | Authorised Limit 2023/24 | Complied? (Yes/No) |
|---|---|---|---|---|---|
| | £000's | £000's | £000's | £000's | £000's |
| Borrowing | 293,444 | 253,052 | 443,184 | 453,184 | Yes |
| PFI & Finance Leases | 0 | 0 | 0 | 0 | Yes |
| **Total Debt** | **293,444** | **253,052** | **443,184** | **453,184** | **Yes** |

## Treasury Management Prudential Indicators

As required by the 2021 CIPFA Treasury Management Code, the Council monitors and measures the following Treasury Management Prudential Indicators.

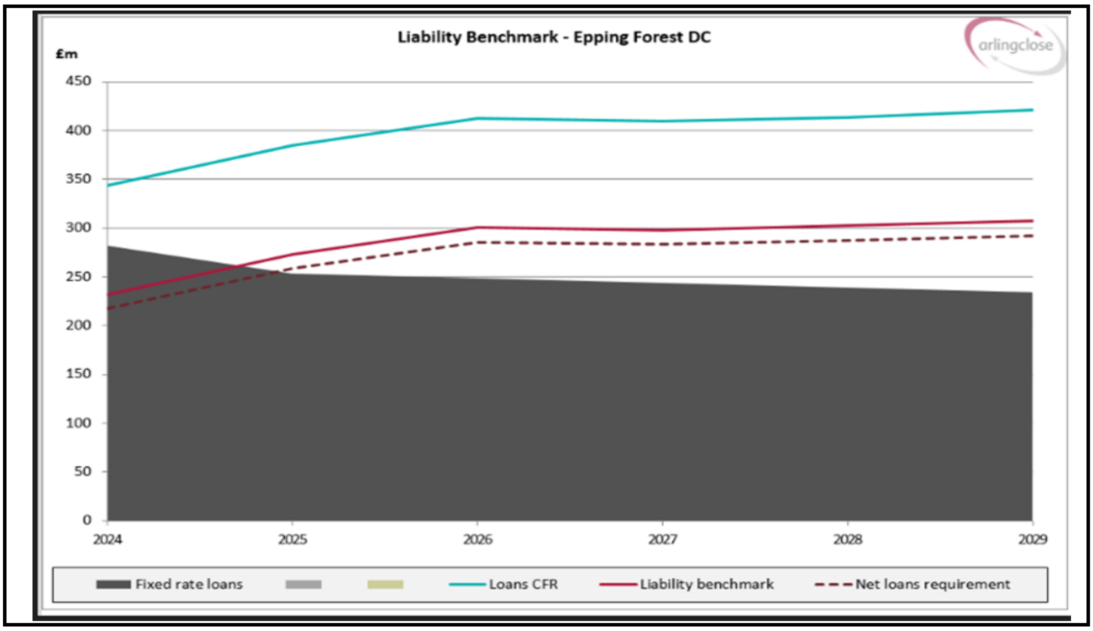
***Liability Benchmark***

This indicator compares actual 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 of £15.0 million required to manage day-to-day cash flow.

| Description | 31/03/24 Actual | 31/03/25 Forecast | 31/03/26 Forecast | 31/03/27 Forecast |
|---|---|---|---|---|
| | £M's | £M's | £M's | £M's |
| Loans CFR | 343.5 | 384.8 | 412.1 | 409.4 |
| Less: Balance Sheet resources | (126.4) | (126.4) | (126.4) | (126.4) |
| **Net loans requirement** | **217.1** | **258.4** | **285.7** | **283.0** |
| Plus: Liquidity Allowance | 15.0 | 15.0 | 15.0 | 15.0 |
| **Liability Benchmark** | **232.1** | **273.4** | **300.7** | **298.0** |
| **Existing Borrowing** | **253.1** | **224.5** | **219.8** | **215.2** |

Following on from the medium-term forecast above, the long-term (30-year) Liability Benchmark below assumes:

- Minimum Revenue Provision (MRP) on new capital expenditure based on an average asset life of 29 years (covering a range of 7 to 50 years); and
- Income, expenditure, and reserves all increasing by inflation of 2.5% per annum.



***Maturity Structure of Borrowing***

This indicator is set to control exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

| Refinancing Rate Risk Indicator | Upper Limit | Lower Limit | 31/03/24 Actual | Complied? |
|---|---|---|---|---|
| Under 12 months | 50% | 0% | 2% | Yes |
| 12 months and within 24 months | 50% | 0% | 2% | Yes |
| 24 months and within 5 years | 50% | 0% | 5% | Yes |
| 5 years and within 10 years | 50% | 0% | 20% | Yes |
| 10 years and within 15 years | 50% | 0% | 16% | Yes |
| 15 years and within 20 years | 50% | 0% | 50% | Yes |
| 20 years and within 25 years | 50% | 0% | 2% | Yes |
| 25 years and above | 50% | 0% | 3% | Yes |

It should be noted that – based on Arlingclose advice – the proposed limits presented above are deliberately wide in range. This is because the indicator is only designed to cover the risk of replacement loans being unavailable, rather than interest rate risk.

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

***Long-Term Treasury Management Investments***

The purpose of this indicator is to control the 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 in final maturities beyond the period end (i.e. investments greater than 12-months maturity at inception) were as follows:

| | 2023/24 (April – March) |
|---|---|
| Actual principal invested beyond year end. | £0 |
| Limit on principal invested beyond year end. | £15.0 million |
| Complied? | Yes |

## Additional Indicators

***Security***
The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

| | 31/03/24 Actual | 2023/24 Target | Complied? |
|---|---|---|---|
| Portfolio average credit rating | A+ | A- | Yes |

***Liquidity***
The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

| | 31/03/24 Actual | 2023/24 Target | Complied? |
|---|---|---|---|
| Total cash available within 3 months | £43.5 million | £15.0 million | Yes |

Available cash has increased significantly as a consequence of the North Weald Airfield capital receipt which was received by the Council in December 2023. The operational cash flow needs of the Council have continued to be met without recourse to the use of an overdraft facility throughout the period April 2023 to March 2024.

***Interest Rate Exposure***
The Treasury Management Strategy for 2023/24, considered by the Committee and adopted by the Council in February 2023, included an Interest Rate Exposure Indicator, aimed at controlling the Council's exposure to interest rate risk (setting upper limits on the one-year revenue impact of a 1% rise or fall in interests). The indicator is not a requirement of the Treasury Management Code, although it is a reporting requirement within the Council's Statement of Accounts and is good practice recommended by Arlingclose.

| | 31/03/24 Actual | 2023/24 Limit | Complied? |
|---|---|---|---|
| Upper limit on one-year revenue impact of a 1% rise in interest rates | (389,960) | £96,000 | Yes |
| Upper limit on one-year revenue impact of a 1% fall in interest rates | 389,960 | (96,000) | Yes |