ITEM No …13………..

REPORT TO: **POLICY & RESOURCES COMMITTEE – 28 SEPTEMBER 2020**

REPORT ON: **ANNUAL TREASURY MANAGEMENT ACTIVITY 2019/2020**

REPORT BY: **EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

REPORT NO: **226-2020**

1 PURPOSE OF REPORT

To review the Treasury Management activities for the period 1 April 2019 to 31 March 2020.

2 RECOMMENDATION

The Committee is asked to note the information contained herein and agree the limits in Appendix 1.

3 FINANCIAL IMPLICATIONS

The financial implications of the Council's Treasury Management activities in 2019/2020 were that a saving of £4.2m was made from a combination of interest savings and the implementation of the loans repayment policy against the 2019/2020 budget provision for capital financing costs in HRA and General Services. This was due to the proactive use of short-term borrowing in line with the Treasury Management Strategy and prudential indicators.

4 BACKGROUND

At its meeting on 22 April 2019 the Policy and Resources Committee approved the Council's Treasury Policy Statement setting out the policies which govern all borrowing and lending transactions carried out by the Council (Article XV of the minute of meeting of the Policy and Resources Committee of 22 April 2019, Report 164-2019 refers), and the Treasury Management Strategy 2019/20 (Article XVI of the minute of meeting of the Policy and Resources Committee of 22 April 2019, Report 165-2019 refers).

The Treasury Policy Statement requires that the Policy and Resources Committee will receive and consider the Treasury Management strategy in advance of each new financial year and subsequently an annual monitoring report on the activities in that year.

This monitoring report covers the Treasury Management activity over the financial year 2019/2020.

5 DEBT POSITION

The Council's long-term debt position at the beginning and end of the financial year was as follows:-

		1 April 2019		31 March 2020	
		Principal £m	Average Rate %	Principal £m	Average Rate %
Fixed Rate Funding	PWLB	436.5	4.3	468.5	4.1
	Market	30.0	4.2	25.0	4.4
Variable Rate Funding	PWLB	0.0		0.0	
	Market	10.0	4.9	15.0	4.3
		476.5	4.3	508.5	4.1

6 THE TREASURY MANAGEMENT STRATEGY FOR 2019/2020

The Expectation for Interest Rates - The interest rate views incorporated within the Fund’s treasury strategy statement were based upon officers' views along with advice from our treasury advisers supported by a selection of City forecasts. The view on base rates at time of strategy publication (in March 2019) was that rates would rise from 0.75% to 1.00% in September 2019 and then remain unchanged for the remainder of the financial year. It is important to note that due to the onset of the global coronavirus pandemic The Bank of England base rate decreased to 0.25% on 11 March 2020 quickly followed by a further reduction to 0.10% on 19 March 2020.

At its meeting on 22 April 2019, the Policy and Resources Committee approved the Council's Treasury Management Strategy 2019/20 (Article XVI of the minute of meeting of the Policy and Resources Committee of 22 April 2019, Report 165-2019 refers), which indicated that the Council's borrowing requirement for capital expenditure would be approximately £59m.

7 ACTUAL BORROWING AND LENDING FOR 2019/2020

7.1 Interest Rates

Bank of England base rate started the financial year at 0.75% and decreased to 0.25% on 11 March 2020. This was quickly followed by another decrease to 0.10% on 19 March 2020 and remained unchanged for the remainder of the financial year.

HM Treasury imposed two changes of margins over gilt yields for PWLB rates in 2019-20 without any prior warning. The first took place on 9 October 2019, adding an additional 1% margin over gilts to all PWLB period rates. That increase was then at least partially reversed for some forms of borrowing most notably HRA, on 11 March 2020, but not for mainstream General Fund capital schemes, at the same time as the Government announced in the Budget a programme of increased infrastructure expenditure. It also announced that there would be a consultation with local authorities on possibly further amending margins; this was to end on 4 June, but that date was subsequently put back to 31 July. It is clear that the Treasury will no longer allow local authorities to borrow money from the PWLB to purchase commercial property if the aim is solely to generate an income stream (assets for yield).

Long-term PWLB rates (45-50 years average) started at 2.44% but moved between 1.78% and 3.25% throughout the year, finishing the year on 2.60%. These rates do not include the reduction of 0.20% certainty rate funding that Dundee City Council is eligible for.

7.2 Borrowing

The Council maintained a net under-borrowed position. This meant that the capital borrowing need (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow was used as a temporary measure. This strategy was prudent as investment returns were low and counterparty risk was still an issue that needed to be considered.

7.2.1 Long-Term

Long-term borrowing of £43.0m was undertaken during the year with repayment of existing loans totalling £11.1m. The new borrowing was drawn down in the financial year as follows -

Date	Amount (£)	Rate %	Term (Years)	Maturity Date
16/08/2019	3,000,000	1.61	50.00	15/07/2069
20/08/2019	5,000,000	1.67	50.00	15/08/2069
27/09/2019	5,000,000	1.62	50.00	15/08/2069
30/01/2020	5,000,000	2.14	5.00	15/01/2025
03/02/2020	5,000,000	2.69	50.00	15/01/2070
26/02/2020	5,000,000	2.56	50.00	15/02/2070
10/03/2020	5,000,000	2.41	49.00	31/03/2069
11/03/2020	5,000,000	2.07	49.70	15/11/2069
11/03/2020	5,000,000	2.07	48.40	15/08/2068
	43,000,000			

These loans had an average interest rate of 2.12% and an average term of 44.4 years.

7.2.2 Short-Term

In order to indicate the level of short-term borrowing, shown below are the lowest and highest daily amounts outstanding each month, together with the short-term borrowing position at the end of every month and the range of interest rates at which borrowings were made -

Month	Lowest Amount Outstanding £m	Highest Amount Outstanding £m	End of month Amount Outstanding £m	Interest Rate Range %	
				Min	Max
April 2019	104.3	122.3	109.3	0.65	1.13
May 2019	104.3	112.8	112.8	0.70	1.13
June 2019	90.8	112.8	90.8	0.75	1.13
July 2019	80.8	90.8	88.8	0.63	1.13
August 2019	76.8	88.8	76.8	0.63	1.13
September 2019	76.8	77.8	77.8	0.63	1.13
October 2019	77.8	82.8	82.8	0.63	1.13
November 2019	77.8	79.8	79.8	0.76	1.13
December 2019	77.8	82.8	82.8	0.70	1.13
January 2020	82.8	87.8	82.8	0.76	1.13
February 2020	82.8	87.8	82.8	0.72	1.13
March 2020	77.8	82.8	77.8	0.72	1.25

The Interest on Revenue Balances (IORB) rate which is paid on non-General Fund cash balances is based on actual new short term borrowing which averaged 0.98% throughout the year. It can be seen from the above that short-term borrowing was undertaken throughout the year in line with Treasury Strategy Statement on short term borrowing.

8 LENDING

Balances on reserves and variations in cash flow requirements mean that there will be surplus funds which will be invested for short periods (maximum of 364 days).
Short term investments will be restricted to only those institutions identified in the Council's Approved Counter-parties list provided they have maintained their credit rating. An analysis of the lending position to 31 March 2020 shows:

Month	**Lowest Amount Lent £m**	**Highest Amount Lent £m**	**End of month Amount Lent £m**	**Interest Rate Range %**	
				Min	Max
April 2019	2.8	34.2	2.8	0.75	0.79
May 2019	1.7	20.1	1.7	0.72	0.78
June 2019	1.7	44.5	10.8	0.60	0.78
July 2019	4.4	17.6	5.4	0.74	0.76
August 2019	2.7	25.1	2.7	0.71	0.75
September 2019	2.7	21.6	4.1	0.71	0.74
October 2019	9.1	29.5	11.5	0.70	0.74
November 2019	3.3	24.7	3.3	0.71	0.74
December 2019	3.3	21.8	8.5	0.71	0.74
January 2020	7.4	23.2	9.6	0.71	0.74
February 2020	9.6	24.4	12.5	0.70	0.73
March 2020	4.5	46.9	23.0	0.32	0.73

The lending activity shown above related solely to short-term positions. All of these loans were in compliance with the Treasury Strategy Statement provisions on such lending with regards to amounts and institutions involved.

9 **SPECIFIED INVESTMENTS**

In accordance with the Treasury Management Strategy, in specific circumstances, specified funds identified by the Executive Director of Corporate Services are invested in longer term investment vehicles. These funds are Common Good; General Insurance; and Maintenance and Perpetuity of Lairs. These investments may have a higher risk threshold and can be subject to market fluctuation.

Investment activity throughout 2019/20 financial year is summarised as follows:

Value of funds invested at 1 April 2019	7,888,420
Withdrawals made within period	(500,000)
Value of funds invested at end of period	7,388,420
Value of funds at 31 March 2020	6,948,782
Capital Growth of Investments	(439,638)
Income from Investments	308,534
Total Return on Investments in period	(131,104)

10 **CONSOLIDATED LOANS FUND INTEREST RATE**

When setting the 2019/2020 Revenue Budget, the Council set its Loans Fund interest rate at 3.80%. The actual interest rate payable was 3.54%.

11 **OUTLOOK FOR THE FIRST HALF OF 2020/21**

After the Monetary Policy Committee raised Bank Rate from 0.5% to 0.75% in August 2018, Brexit uncertainty caused the MPC to sit on its hands and to do nothing until March 2020; at this point it was abundantly clear that the coronavirus outbreak posed a huge threat to the economy of the UK. Two emergency cuts in Bank Rate from 0.75% occurred in March, first to 0.25% and then to 0.10%. These cuts were accompanied by an increase in quantitative easing (QE), essentially the purchases of gilts (mainly) by the Bank of England of £200bn.

The coronavirus outbreak has done huge economic damage to the UK and around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its last meeting on 6 August, although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected within the forecast horizon ending on 31 March 2023 as economic recovery is expected to be gradual and prolonged.

The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. In light of the MPC decision, they have revised their forecasts and are predicting no change the Bank Rate through the forecast period ending March 2023.

The following table gives Link Asset Services central view on interest rates as at 11 August 2020 -

Period	Bank Rate	PWLB Borrowing Rates % (including certainty rate adjustment)			
Quarter ending	%	5 year	10 year	25 year	50 year
Sep-20	0.10	1.90	2.10	2.50	2.30
Dec-20	0.10	1.90	2.10	2.50	2.30
Mar-21	0.10	2.00	2.10	2.50	2.30
Jun-21	0.10	2.00	2.10	2.50	2.30

Sep-21	0.10	2.00	2.10	2.60	2.40
Dec-21	0.10	2.00	2.20	2.60	2.40
Mar-22	0.10	2.00	2.20	2.60	2.40
Jun-22	0.10	2.10	2.20	2.70	2.50
Sep-22	0.10	2.10	2.30	2.70	2.50
Dec-22	0.10	2.10	2.30	2.70	2.50
Mar-23	0.10	2.10	2.30	2.70	2.50

See Appendix 2 for full economic review of 2019/20 financial year.

12 **PRUDENTIAL CODE INDICATORS**

The Treasury Management activity at the year end was maintained within the prudential code limits. All borrowing was maintained within the authorised borrowing limit throughout the year. All lending complied with the Treasury Policy Statement provisions, in relation to amounts and institutions involved. Updated indicators are shown in Appendix 1.

13 **RISK**

The Treasury Risks have been reviewed. There is one change to the risk profile as follows:

Risk 6 (Revenue Budgets) – The risk that the Council may not be able to execute some desired projects as revenue budgets are unable to meet the borrowing costs of capital schemes.

The likelihood of revenues budgets coming under pressure as a result of restricted government funding has significantly increased as a result of the economic impact of Covid-19.

The Treasury Risk Register is attached in Appendix 3.

14 **POLICY IMPLICATIONS**

This report has been screened for any policy implications in respect of Sustainability Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. There are no major issues.

15 **CONSULTATION**

The Council Management Team have been consulted in the preparation of this report.

16 **BACKGROUND PAPERS**

None

GREGORY COLGAN
EXECUTIVE DIRECTOR OF CORPORATE SERVICES **17 SEPTEMBER 2020**

APPENDIX 1

PRUDENTIAL CODE INDICATORS - TREASURY MANAGEMENT INDICATORS

Adoption of Revised CIPFA Treasury Management Code of Practice | Yes

Upper limit for variable and fixed rate exposure

	Net principal re variable rate borrowing / investments	Net principal re fixed rate borrowing / investments
2019/20	30%	100%
2020/21	30%	100%
2021/22	30%	100%
2022/23	30%	100%
2023/24	30%	100%
2024/25	30%	100%

Actual External Debt

	31/03/2019	**31/03/2020**
	£'000	£'000
Actual borrowing	598,847	586,266
Actual other long term liabilities	122,720	160,585
Actual external debt	**721,567**	**746,851**

Maturity structure of fixed rate borrowing 2019/20

Period	Lower %	Upper %
Under 12 months	0	10
12 months & within 24 months	0	15
24 months & within 5 years	0	25
5 years & within 10 years	0	25
10 years +	50	95
Upper limit for total principal sums invested for over 364 days	n/a	No sums will be invested longer than 364 days

External debt, excluding investments, with limit for borrowing and other long term liabilities separately identified

	Authorised Limit			**Operational Boundary**		
	Borrowing £000	Other £000	Total £000	Borrowing £000	Other £000	Total £000
2019/20	616,000	161,000	777,000	586,000	161,000	747,000
2020/21	657,000	177,000	834,000	627,000	177,000	804,000
2021/22	690,000	173,000	863,000	660,000	173,000	833,000
2022/23	723,000	169,000	892,000	693,000	169,000	862,000
2023/24	751,000	164,000	915,000	721,000	164,000	885,000
2024/25	785,000	160,000	945,000	755,000	160,000	915,000

PRUDENTIAL CODE INDICATORS - PRUDENTIAL INDICATORS

	Capital Expenditure		
	Non-HRA £000	HRA £000	Total £000
2019/20	47,548	23,565	71,113
2020/21	66,761	23,431	90,192
2021/22	51,317	30,732	82,049
2022/23	49,363	24,002	73,365
2023/24	50,494	17,993	68,487
2024/25	55,600	21,514	77,114

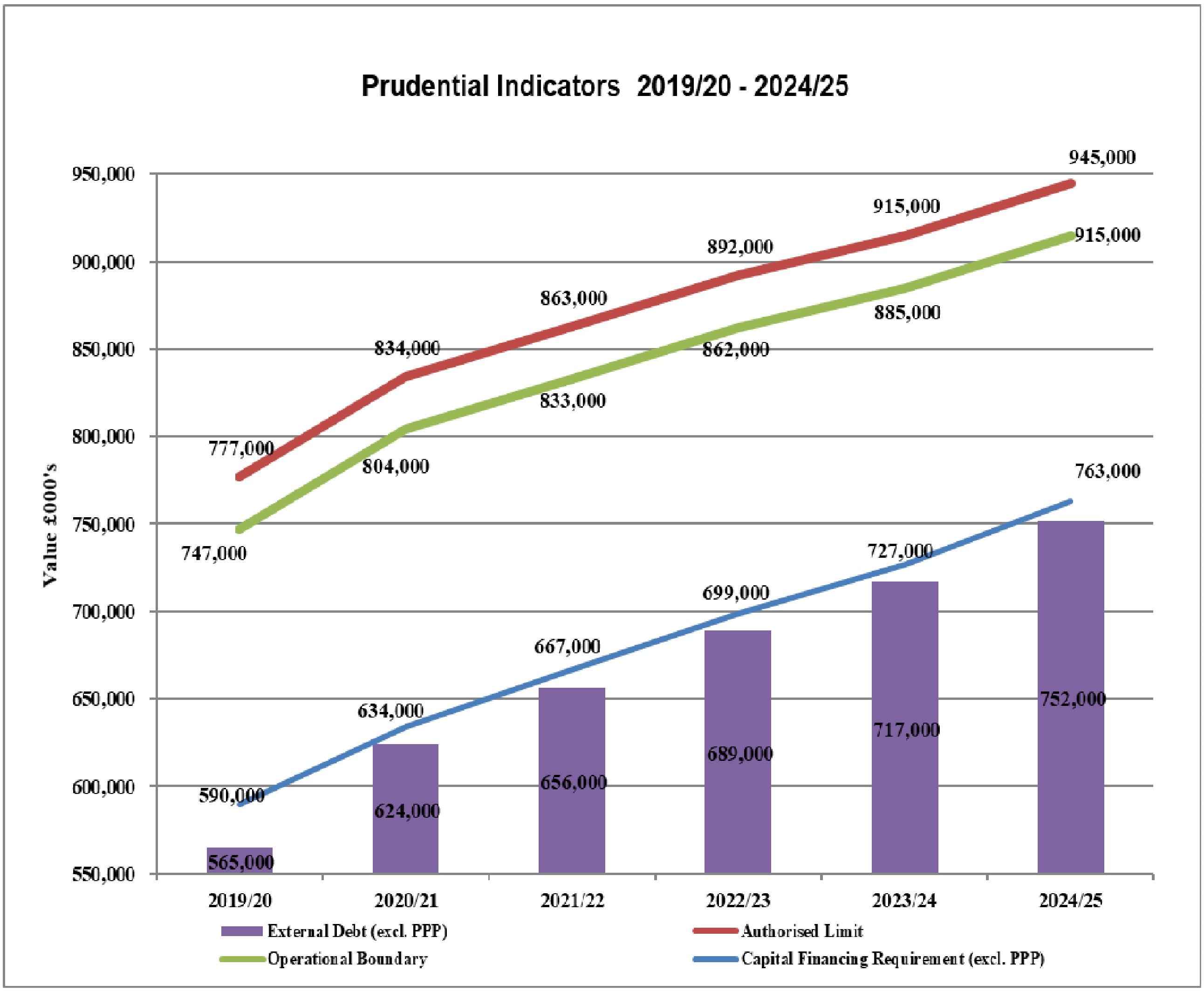
	Ratio of financing costs to net revenue stream	
	Non-HRA %	HRA %
2019/20	5.7	43.8
2020/21	5.7	37.9
2021/22	6.1	41.4
2022/23	5.9	36.8
2023/24	6.5	27.6
2024/25	7.2	33.0

	Net Borrowing Requirement (NBR)		
	1 April £000	31 March £000	Movement £000
2019/20	575,953	564,079	(11,874)
2020/21	565,000	624,000	59,000
2021/22	624,000	656,000	32,000
2022/23	656,000	689,000	33,000
2023/24	689,000	717,000	28,000
2024/25	717,000	752,000	35,000

	Capital Financing Requirement (CFR)			
	Non-HRA £000	HRA £000	Total £000	Movement £000
2019/20	401,136	188,408	589,544	(4,864)
2020/21	437,000	197,000	634,000	44,000
2021/22	459,000	207,000	666,000	32,000
2022/23	485,000	214,000	699,000	33,000
2023/24	511,000	216,000	727,000	28,000
2024/25	541,000	221,000	762,000	35,000

	NBR v CFR Difference
	Total £000
2019/20	24,000
2020/21	10,000
2021/22	10,000
2022/23	10,000
2023/24	10,000
2024/25	10,000

The following provides a graphical representation of the 5 year projection:


Prudential Indicators 2019/20 - 2024/25
Value £000's
950,000
900,000
850,000
800,000
750,000
700,000
650,000
600,000
550,000
2019/20
2020/21
2021/22
2022/23
2023/24
2024/25
777,000
834,000
863,000
892,000
915,000
945,000
747,000
804,000
833,000
862,000
885,000
915,000
590,000
634,000
667,000
699,000
727,000
763,000
565,000
624,000
656,000
689,000
717,000
752,000
External Debt (excl. PPP)
Authorised Limit
Operational Boundary
Capital Financing Requirement (excl. PPP)

APPENDIX 2

The Economy and Interest Rates

UK. Brexit. The UK to leave the EU on 31 January 2020. There is much uncertainty as to whether there will be a reasonable trade deal achieved by the target deadline of the end of 2020. It is also unclear as to whether the coronavirus outbreak may yet impact on this deadline, with the second and third rounds of negotiations having to be cancelled due to the virus.

Economic growth in 2019 was very volatile with quarter 1 unexpectedly strong at 0.5%, followed by a negative quarter 2 at -0.2%. In quarter 3 there was a bounce back up to +0.5% and flat quarter 4 flat at 0.0%, (+1.1% year on year). 2020 started with optimistic business surveys pointing to an upswing in growth after the general election in December, ending political uncertainty, and settling the Brexit issue. However, the quarterly GDP statistics in January were disappointing at 0% growth. Since then, as a result of Covid-19, it now looks likely that the closedown of whole sections of the economy will result in a fall in GDP of at least 15% in quarter two. What is uncertain, is the extent of the damage that will be done to businesses by the end of the lock down period, when the end of the lock down will occur, whether there could be a second wave of the outbreak, and how soon a vaccine will be created, and then how quickly it can be administered to the population. This leaves huge uncertainties as to how quickly the economy will recover.

In March 2020, the Monetary Policy Committee (MPC) announced its first emergency cut in Bank Rate from 0.75% first to 0.25%, and then another cut to 0.10%. These cuts were accompanied by an increase in **quantitative easing (QE),** essentially the purchases of gilts (mainly) by the Bank of England of £200bn. In an attempt in avoiding mass job losses, the UK Government introduced various schemes to subsidise both employed and self-employed jobs for three months while the country is locked down. It also put in place a raft of other measures to help businesses access loans from their banks, (with the UK Government providing guarantees to the banks against losses), to tide them over the lock down period when some firms may have little or no income. However, at the time of writing, this leaves open a question as to whether some firms will be solvent, even if they take out such loans, and some may also choose to close as there is, and will be, insufficient demand for their services. At the time of writing, this is a rapidly evolving situation so there may be further measures to come from the Bank and the Government in April and beyond. The measures to support jobs and businesses already taken by the Government will result in a huge increase in the annual budget deficit in 2020/21 from 2%, to nearly 11%. The ratio of debt to GDP is also likely to increase from 80% to around 105%. In the Budget in March, the Government also announced a large increase in spending on infrastructure; this will also help the economy to recover once the lock down is ended. Provided the coronavirus outbreak is brought under control relatively swiftly, and the lock down is eased, then it is hoped that there would be a sharp recovery, but one that would take a prolonged time to fully recover previous lost momentum.

Inflation has posed little concern for the MPC during the last year, being mainly between 1.5 – 2.0%. It also poses no issue for the near future as the world economy will be heading into a recession which has already caused an increase in the supply of oil, which has fallen sharply in price. Other prices will also be under downward pressure. Wage inflation has also been on a downward path over the last six months and is this is likely to continue in the current environment. While inflation could even turn negative in the Eurozone, this is currently not likely in the UK.

Employment had been growing healthily through the last year but was impacted significantly in March – April 2020. Over the last year, wage inflation had been significantly higher than CPI inflation, meaning that consumer real spending power had been increasing, providing support to GDP growth. Covid-19 restrictions will have significant detrimental effect.

USA. Growth in quarter 1 of 2019 was strong at 3.1% but growth fell back to 2.0% in quarter 2 and 2.1% in quarters 3 and 4. The slowdown in economic growth resulted in the Federal Reserve cutting rates from 2.25-2.50% by 0.25% in each of July, September and October. Once Covid-19 started to impact the US, the Fed took decisive action by cutting rates twice by 0.50%, and then 1.00%, in March, all the way down to 0.00 – 0.25%. Near the end of March, Congress agreed a $2trn stimulus package (worth about 10% of GDP) and the Fed announced new lending facilities. These measures however, will not stop the US falling into a sharp recession in quarter 2 of 2020; some estimates are that growth could fall by as much as 40%. The first two weeks in March of initial jobless claims have already hit a total of 10 million and look headed for a total of 15 million by the end of March.

EUROZONE. The annual rate of GDP growth has been steadily falling, from 1.8% in 2018 to only 0.9% year on year in quarter 4 2019. At its meeting in September 2019, the European Central Bank (ECB) cut its deposit rate further into negative territory, from -0.4% to -0.5% and announced a resumption of quantitative easing purchases of debt to start in November at €20bn per month, a relatively small amount, plus more TLTRO measures. Once coronavirus started having a major impact in Europe, the ECB took action in March 2020 to expand its QE operations and other measures to help promote expansion of credit and economic growth. What is currently missing is a coordinated EU response of fiscal action by all national governments to protect jobs, support businesses directly and promote economic growth by expanding government expenditure on e.g. infrastructure; action is therefore likely to be patchy.

CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium-term risks have also been increasing. The major feature of 2019 was the trade war with the US. However, this has been eclipsed by being the first country to be hit by the coronavirus outbreak; this resulted in a lock down of the country and a major contraction of economic activity in February-March 2020. It is clear that the economy is going to take some time to recover its previous rate of growth. Ongoing economic issues remain, in needing to make major progress to eliminate excess industrial capacity and to switch investment from property construction and infrastructure to consumer goods production. It also needs to address the level of non-performing loans in the banking and credit systems.

JAPAN has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. It appears to have missed much of the domestic impact from coronavirus in 2019-20 but the virus is at an early stage there.

WORLD GROWTH. The trade war between the US and China on tariffs was a major concern to financial markets and was depressing worldwide growth during 2019, as any downturn in China would spill over into impacting countries supplying raw materials to China. Concerns were particularly focused on the synchronised general weakening of growth in the major economies of the world. These concerns resulted in government bond yields in the developed world falling significantly during 2019. In 2020, coronavirus is the big issue which is going to sweep around the world and have a major impact in causing a world recession in growth in 2020.

APPENDIX 3

Six Monthly Risk Report

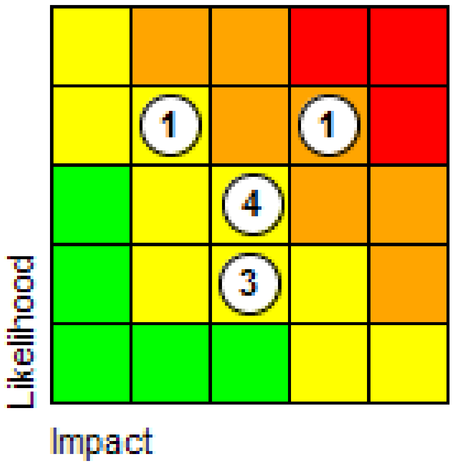
Treasury Risk Register Report

Report Author: Executive Director of Corporate Services

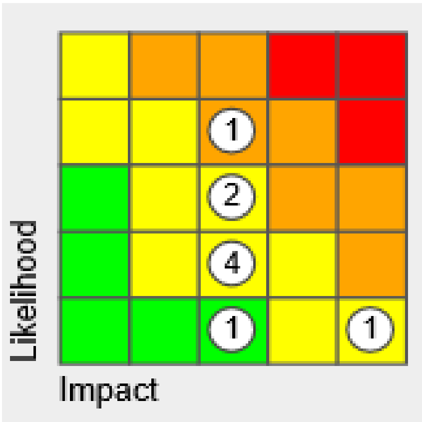
Generated on: 8th September 2020

Total Risk Summary

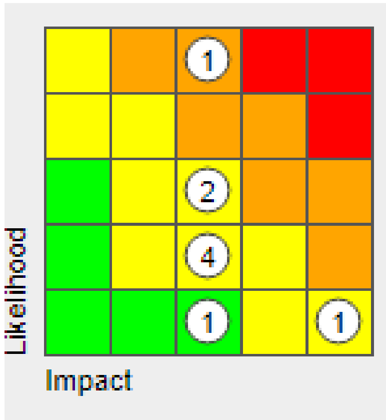
Inherent Risk



Risk at last report Dec 2019

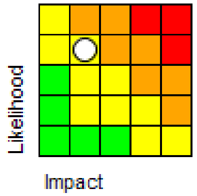
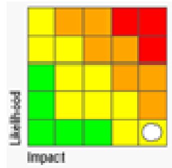
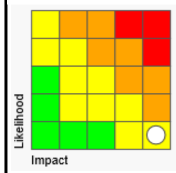
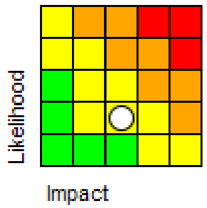
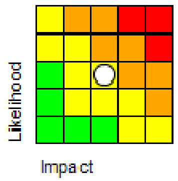
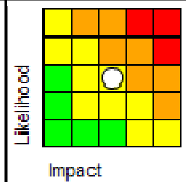


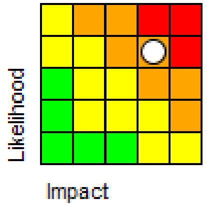
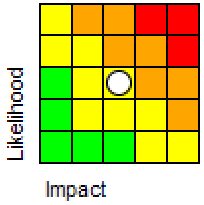
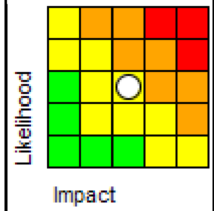
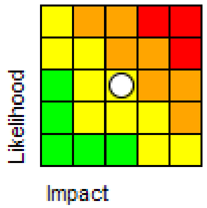
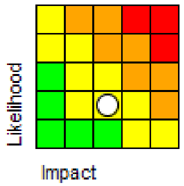
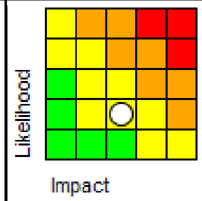
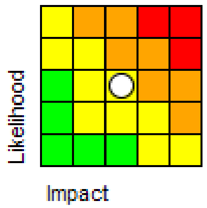
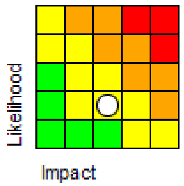
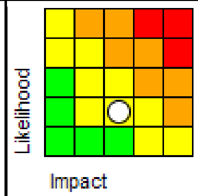
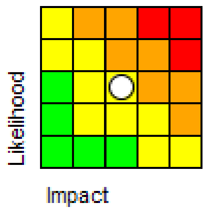
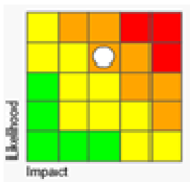
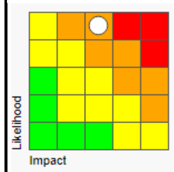
Residual Risk Sep 2020

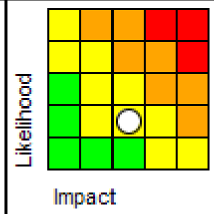
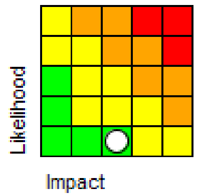
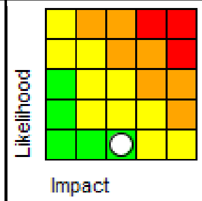


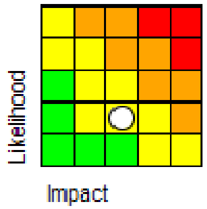
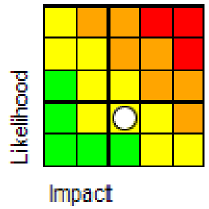
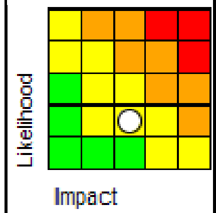
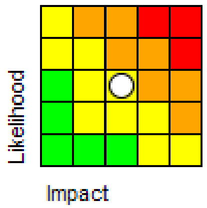
Six Monthly Risk Report

Treasury Risk Register Report
Report Author: Executive Director of Corporate Services
Generated on: 8th September 2020

Risk Title	Risk Factors	Potential Effect	Potential Outcome	Inherent Risk	Control Measures/Mitigation	Risk Dec 2019	Residual Risk
1. Loss of capital due to counterparty collapse	The Council loses its principal investment or investment becomes impaired	Counterparty collapses or faces a financial crisis rendering it unable to repay investments	. The Council may suffer financial loss . The repayment of funds from the counterparty could be significantly delayed or impaired Either of these outcomes could have an adverse impact on operational funding levels		Per the Treasury Management Strategy: . Maximum investment value on approved counterparties in order to spread and reduce risk. . Controls and procedures are in place to ensure investment and durations limits with approved counterparties are not exceeded. . Counterparties are also monitored and reviewed on a weekly basis at least or more regularly if considered necessary to do so. Limiting the threshold rating for approval of counterparties.		
2. Decline / rise in interest rates	. The Council may not achieve its target level of interest for budgetary purposes. . Impact on revenue budget resulting in mandatory efficiencies affecting service	Interest rates continue to remain at an all-time low with very little movement.	. No change to base rate and associated market investment rates. . Lower risk counterparties not offering competitive rates.		. Arranging longer term investments where investment objectives and criteria allows in order to capitalise on higher rate of returns without risk of opportunity cost. . Offsetting the loss of interest income by undertaking refinancing loans at lower rates than previously undertaken as opportunities arise. The Council continually monitors base rate and rates being achieved against budget to ensure it has secured the best value possible in		

Risk Title	Risk Factors	Potential Effect	Potential Outcome	Inherent Risk	Control Measures/Mitigation	Risk Dec 2019	Residual Risk
	delivery				the challenging economic climate.		
3. Fraudulent activity (now incorporating cybercrime)	. Financial loss to the Council as a direct consequence of fraudulent activity . Loss of money for the Council Disciplinary action for the staff involved . Reputational damage	Potential fraud by staff	Fraudulent activity		. Segregation of staff duties. . Review and monitor of internal controls to ensure the correct protocol across all relevant areas is being followed. . Ensure all insurance policies and relevant guarantees (Fidelity £2m per individual circumstance) are fully up to date.		
4. Money laundering	. Fine and/or imprisonment . Reputational damage	Money laundering by external parties	External parties pay a transaction by cash and subsequently request a refund		. Ensure the money laundering policy is reviewed and up to date. . Reconcile refunds back to source of income. . Raise awareness of this issue amongst staff . Review requirements of financial regulations.		
5. Network Failure / banking system being inaccessible	Daily Treasury functions will not be carried out	The Council is unable to carry out its daily treasury functions due to a network failure	RBS Bankline is unavailable or the Council's network has failed		Invoke the business continuity plan to minimise the effects of a network issue.		
6. Revenue Budgets	The Council may not be able to execute some desired projects	Revenue budgets are unable to meet borrowing costs of capital schemes	Revenue budgets come under pressure from restricted government funding or non-delivery of programmed savings		. Revenue budgets monitored on monthly basis and future year forecasts undertaken. . Reserve some capital receipts to cover borrowing costs in the short term. . Ensure monthly financial reports		

Risk Title	Risk Factors	Potential Effect	Potential Outcome	Inherent Risk	Control Measures/Mitigation	Risk Dec 2019	Residual Risk
					and Forecasts are produced and analysed . All borrowing decisions are made based on prudential indicators and are planned based on long term projections. . Capital Plans and borrowing is reviewed annually before the revenue budget is set to ensure that the costs are affordable.		
7. Lack of suitable counterparties	Use of counterparties not paying best value rates.	The Council does not have enough "space" with approved counterparties to place investments/deposit surplus cash balances.	Rising cash balances and a restricted counterparty list		The Council continually monitors its approved counterparty listing in conjunction with cash balances. Any potential new investment opportunities are discussed at Treasury Management performance meetings. The Council uses call accounts and money market funds to deposit surplus cash balances in the event of no space with other counterparties and also to ensure there is always cash instantly available in order to meet payment obligations when they fall due. However, there are also limits on the amounts deposited to such funds. The Council has a facility to deposit cash with the Debt Management Office should all other investment options be exhausted.		

Risk Title	Risk Factors	Potential Effect	Potential Outcome	Inherent Risk	Control Measures/Mitigation	Risk Dec 2019	Residual Risk
8. Lack of expertise of Committee or amongst officers	Financial consequence	Lack of training and continuous professional development.	Detrimental decisions made in relation to financial investment management.		. Provision of training . External investment advice . Consultation with peer groups.		
9. Over reliance on key officers	Detrimental decisions made in relation to financial investment management.	Specialist nature of work means there are relatively few experts in this field	If an officer leaves or falls ill knowledge gap may be difficult to fill.		. Key officers transfer specialist knowledge to colleagues. . Procedures & guidance available. . In the short-term advice can be sought from external investment adviser and/or peer support.