ITEM No …10……….

REPORT TO: **POLICY & RESOURCES COMMITTEE – 13 NOVEMBER 2017**

REPORT ON: **TREASURY MANAGEMENT ACTIVITY 2017/2018 (MID-YEAR REVIEW)**

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

REPORT NO: **367-2017**

1 PURPOSE OF REPORT

To review the Treasury Management activities for the period 1 April 2017 to 30 September 2017.

2 RECOMMENDATION

The Committee is asked to note the information contained herein.

3 FINANCIAL IMPLICATIONS

The Treasury Management activity during the first half of the current financial year indicates that the Loans Fund interest rate of 4.10%, assumed when setting the 2017/2018 Revenue Budget, will be achieved. A saving of around £1,800,000 against budget provision for capital financing costs in HRA and General Services is being projected. Capital financing costs are continually monitored throughout the financial year.

4 BACKGROUND

The Council operates a balanced budget, which broadly means cash raised during the year will meet its revenue cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

At its meeting on 13th March 2017, the Policy and Resources Committee approved the Council's Treasury Policy Statement (Report no. 82-2017, article VII of minute refers) setting out the policies which would govern all borrowing and lending transactions carried out by the Council.

The Treasury Policy Statement requires that the Policy and Resources Committee will receive and consider the Treasury Management Strategy at the beginning of each new financial year.

On 13th March 2017, the Policy and Resources Committee approved the Council's Treasury Management Strategy for 2017/2018 (Report no. 83-2017, article VIII of minute refers).

This monitoring report covers the Treasury Management activity over the first six months of 2017/2018 financial year.

5 DEBT POSITION

The Council's gross debt position at the beginning and mid-point of the financial year was as follows:-

		1 April 2017		30 September 2017	
Funding type		Principal £m	Average Rate %	Principal £m	Average Rate %
Long-term Fixed Rate	PWLB	388.9	4.9	389.4	4.7
	Market	10.0	4.1	10.0	4.1
Long-term Variable Rate	PWLB	-	-	-	-
	Market	30.0	4.5	30.0	4.5
Total Long-term Debt		428.9	4.9	429.4	4.6
Short-term Fixed Rate	Market	68.8	0.4	90.1	0.4
Total Debt		497.7	4.2	519.5	3.9

6 ACTUAL BORROWING

6.1 Long-Term

Public Work Loans Board

Start Date	Amount (£)	Rate	Years	Maturity
30/05/2017	5,000,000.00	2.29%	50.0	15/05/2067
31/08/2017	10,000,000.00	2.30%	49.0	15/07/2066
31/08/2017	10,000,000.00	2.30%	50.0	15/07/2067
	25,000,000.00			

6.2 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 %	
2017				Min	Max
April	63.8	68.8	68.8	0.33	0.60
May	68.8	73.8	68.8	0.25	0.60
June	63.8	74.1	74.1	0.25	0.60
July	74.1	79.1	79.1	0.25	0.60
August	79.1	89.1	84.1	0.27	0.60
September	75.1	90.1	90.1	0.27	0.60

The Council's Treasury Strategy document provides that the amount of the overall borrowing which may be outstanding by way of variable rate exposure should be no greater than 30% of net borrowings included in Prudential Code Indicators (circa £140m).

6.3 **Debt Rescheduling**

Over the period of 31st August to 15th September, a debt rescheduling exercise was undertaken to refinance 20 loans with maturity dates between 2022 and 2033, paying average annual interest rates of 8.03%. These loans were replaced on 31st August with a £20m loan with an annual rate of 2.3%, with tactical repayment on 15th September when the applicable rate had risen to 2.39%, which reduced the premium charge by £263,812. The details of the repayment are noted below:

Loan Repayment	£13,920,392
Premium	£8,875,775
Interest	£404,791
	£23,200,958

This enables a gross saving of £2.57m over the next 5 years (£0.2m savings for the General Fund in current financial year). Over the longer term, this rescheduling over the 50 year term provides a positive net present value of £0.219m.

Any further opportunities will be assessed over the coming months.

7 ACTUAL 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 only to those institutions identified in the Council's Approved Counterparties list provided they have maintained a suitable credit rating.

The lending figures shown include funds held on behalf of Tay Road Bridge Joint Board, Tayside Valuation Joint Board and Tayside Contracts.

An analysis of the lending position to 30 September 2017 shows:

Month	Lowest Amount Lent £m	Highest Amount Lent £m	End of month Amount Lent £m	Interest Rate Range %	
2017				Min	Max
April	0.1	22.0	0.1	0.24	0.28
May	0.1	18.0	8.8	0.23	0.33
June	0.4	17.7	5.6	0.22	0.25
July	3.9	20.7	3.9	0.21	0.24
August	2.8	22.8	22.8	0.20	0.23
September	2.8	27.1	2.8	0.19	0.21

All of these loans were in compliance with the Treasury Policy Statement.

8 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 in the current financial year is summarised as follows:

Value of funds invested at 1 April 2017	£9,452,712
Withdrawals made within period	(£1,250,000)
Value of funds invested at end of period	£8,202,712
Value of funds at 30 September 2017	£8,307,093
Capital Growth of Investments	£104,381
Income from Investments	£163,714
Total Return on Investments in period	£268,095

The specified investment portfolio has increased in value, whilst also continuing to provide the required budgetary income.

9 OUTLOOK FOR THE SECOND HALF OF 2017/2018

Further borrowing will be required in the second half of the year to fund the capital programme. This will a combination of longer term PWLB and shorter term market loans based on an overview of interest rates over different maturities and the impact on future years borrowing strategy. The Council's treasury advisor, Capita Asset Services (CAS), has provided the following interest rate forecast:-

Quarter ending	Bank Rate %	PWLB Borrowing Rates % (including certainty rate adjustment)			
		5 year	10 year	25 year	50 year
Dec-17	0.25	1.30	2.00	2.70	2.50
Mar-18	0.25	1.40	2.10	2.70	2.50
Jun-18	0.25	1.50	2.10	2.80	2.60
Sep-18	0.25	1.50	2.20	2.80	2.60
Dec-18	0.25	1.60	2.20	2.90	2.70
Mar-19	0.25	1.60	2.30	2.90	2.70
Jun-19	0.50	1.70	2.30	3.00	2.80
Sep-19	0.50	1.70	2.40	3.00	2.80
Dec-19	0.75	1.80	2.40	3.10	2.90
Mar-20	0.75	1.80	2.50	3.10	2.90

CAS undertook last reviewed interest rate forecasts on 9th August after the quarterly Bank of England Inflation Report where there was no change in MPC policy. However, the MPC meeting of 14th September revealed a sharp change in sentiment whereby a majority of MPC members said they would be voting for an increase in Bank Rate "over the coming months". It is therefore possible that there will be an increase to 0.5% at the November MPC meeting. If that happens, the question will then be as to whether the MPC will stop at just withdrawing the emergency Bank Rate cut of 0.25% in August 2016, after the result of the EU withdrawal referendum, or whether they will embark on a series of further increases in Bank Rate during 2018. See Appendix 2 for full economic review.

10 PRUDENTIAL CODE INDICATORS

The Treasury Management activity at mid year was maintained within the prudential code limits. Updated indicators are shown in Appendix 1. Limits for future years have been amended to take account of current expectations.

11 OTHER

11.1 Revised CIPFA Codes

The Chartered Institute of Public Finance and Accountancy, (CIPFA), is currently conducting an exercise to consult local authorities on revising the Treasury Management Code and Cross Sectoral Guidance Notes, and the Prudential Code. CIPFA is aiming to issue the revised codes during November.

A particular focus of this exercise is how to deal with local authority investments which are not treasury type investments e.g. by investing in purchasing property in order to generate income for the authority at a much higher level than can be attained by treasury investments. One recommendation is that local authorities should produce a new report to members to give a high level summary of the overall capital strategy and to enable members to see how the cash resources of the authority have been apportioned between treasury and non-treasury investments. Dundee City Council Officers have been involved in constructing the CIPFA joint Director of Finance / Treasury Executive response on these consultations and are monitoring developments. Members will receive update when the new codes have been agreed and issued and on the likely impact on this authority.

11.2 MIFID II

The EU has now set a deadline of 3 January 2018 for the introduction of regulations under MIFID II. These regulations will govern the relationship that financial institutions conducting lending and borrowing transactions will have with local authorities from that date. This will have little effect on this authority apart from the completion of forms sent by each institution dealing with this authority and for each type of investment instrument we use apart from for cash deposits with banks requesting professional client opt-up status. A separate report (296-2017) on this subject was considered by Policy & Committee on 11 September 2017.

12 RISK

The Treasury Risks have been reviewed and the following changes have been made to the Treasury Risk Register attached in Appendix 3:

Risk 2 – Decline / Rise in interest rates – Risk has increased due to increasing likelihood of MPC to revise bank base rate faster than previously anticipated.

Risk 3 – Risk of Fraudulent Activity – This is now also to incorporate the risks of Cybercrime. Although it has been assessed that there is a greater likelihood of risk in this area globally, the controls put in place by the Council have resulted in the risk remaining at the same risk status.

Risk 6 – Risk that revenue budgets are unable to meet borrowing costs of capital schemes. This risk has been increased due to the increased pressure on revenue budgets.

Risk 8 – Lack of expertise of committee or amongst officers – This risk has been increased due to the change in committee membership since the local elections in May 2017. The newly elected members are not as experienced and have not yet had sufficient training in this area. This risk will reduce in the future.

13 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 other than the risks noted in the Treasury Risk Register contained within the report.

14 CONSULTATIONS

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

15 BACKGROUND PAPERS

None.

GREGORY COLGAN
EXECUTIVE DIRECTOR OF CORPORATE SERVICES **07 NOVEMBER 2017**

APPENDIX 1

DUNDEE CITY COUNCIL

1. CAPITAL EXPENDITURE INDICATORS

1.1 Level of Capital Expenditure

This indicator measures affordability and gives a basic control of the Council's capital expenditure. To provide an accurate indicator of capital expenditure all receipts are excluded from the calculation, so figures are based on gross expenditure.

1.2 Ratio of Financing Costs to Net Revenue Stream

This also measures affordability. The measure includes both current and future commitments based on the Capital Plan and shows the revenue budget used to fund the capital financing costs associated with the capital expenditure programme.

Variations to the ratio imply that the proportion of loan charges has either increased or decreased in relation to the total funded from Government Grants and local taxpayers.

1.3 Estimate of Incremental Impact of Capital Investment Decisions on the Council Tax

This is also a measure of affordability. It shows the relative impact of the capital programme on the Council Tax. The indicator takes into consideration the effects of self-financing capital projects funded from existing Revenue Budgets, the effects of government funded projects and reflects the revenue impact of capital schemes on capital financing costs. The variation in the indicators shows the incremental impact of the capital investment decisions within this 5 Year Plan on the Council Tax, with all other items held constant. In reality the Council will manage its Capital Financing Costs budget in the same way as other revenue budget headings to avoid a detrimental impact on Council Tax.

2. TREASURY MANAGEMENT INDICATORS

The Annual Treasury Management Activity for 2016/2017 (including Prudential Indicators covering period 2015/2016 to 2020/2021) was reported to Policy & Resources Committee on 12th June 2017 (Report No 176-2017, article IX of minute refers). These have now been updated to reflect projected expenditure included in the 2018-2023 Capital Plan.

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
2017/18	30%	100%
2018/19	30%	100%
2019/20	30%	100%
2020/21	30%	100%
2021/22	30%	100%
2022/23	30%	100%

Actual External Debt

	£'000
Actual borrowing as at 31/03/2017	497,697
Actual other long term liabilities as at 31/03/2017	72,093
Actual external debt as at 31/03/2017	**569,790**

Maturity structure of fixed rate borrowing 2017/18

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
2017/18	599,000	70,000	669,000	574,000	70,000	644,000
2018/19	652,000	68,000	720,000	627,000	68,000	695,000
2019/20	666,000	66,000	732,000	641,000	66,000	707,000
2020/21	671,000	64,000	735,000	646,000	64,000	710,000
2021/22	676,000	62,000	738,000	651,000	62,000	713,000
2022/23	684,000	60,000	744,000	659,000	60,000	719,000

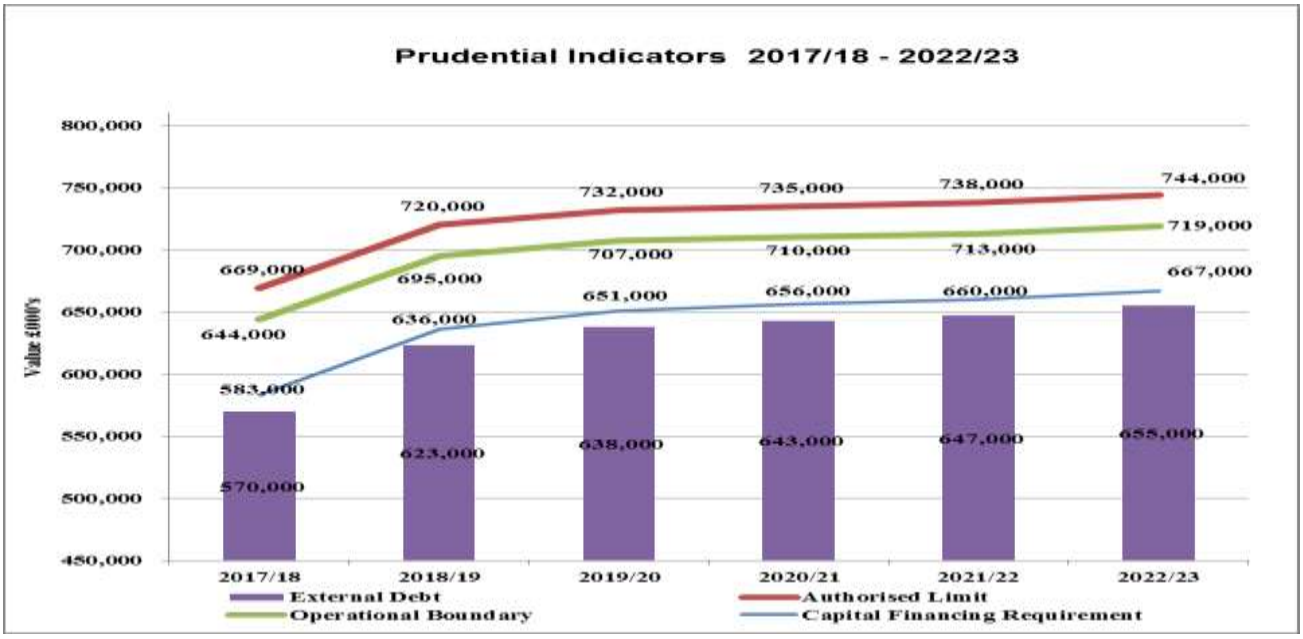
PRUDENTIAL CODE INDICATORS

	Capital Expenditure			**Ratio of financing costs to net revenue stream**	
	Non-HRA £000	HRA £000	Total £000	Non-HRA %	HRA %
2017/18	147,272	24,561	171,833	7.7	38.5
2018/19	99,529	28,746	128,275	8.9	39.3
2019/20	43,264	24,315	67,579	9.0	40.4
2020/21	28,563	20,869	49,432	8.9	38.8
2021/22	28,958	20,573	49,531	9.1	39.1
2022/23	30,389	20,575	50,964	9.4	40.3

	Net Borrowing Requirement (NBR)			Capital Financing Requirement (CFR)			
	1 April £000	31 March £000	Movement £000	Non-HRA £000	HRA £000	Total £000	Movement £000
2017/18	495,786	570,000	74,214	405,000	178,000	583,000	77,079
2018/19	570,000	623,000	53,000	450,000	186,000	636,000	53,000
2019/20	623,000	638,000	15,000	458,000	193,000	651,000	15,000
2020/21	638,000	643,000	5,000	457,000	199,000	656,000	5,000
2021/22	643,000	647,000	4,000	455,000	205,000	660,000	4,000
2022/23	647,000	655,000	8,000	457,000	211,000	667,000	8,000

	NBR v CFR Difference	Incremental Impact of Capital Investment Decisions	
	Total £000	Increase in council tax (band D) per annum £ (Note 1)	Increase in average housing rent per week £
2017/18	13,000	(0.92)	0.64
2018/19	13,000	(2.32)	1.22
2019/20	13,000	10.78	0.86
2020/21	13,000	16.92	0.87
2021/22	13,000	8.35	0.87
2022/23	13,000	(1.87)	0.81

Note 1 - The above figures reflect the incremental impact of the capital investment decisions within this 5 Year Plan on the Council Tax, with all other items held constant. In reality the Council will manage its Capital Financing Cost budget in the same way as other revenue budget headings to avoid a detrimental impact on Council Tax Levels. In addition the Property Rationalisation programme will generate revenue savings which will offset the incremental impact of the additional capital expenditure. The following provides a graphical representation of the 5 year projection:



APPENDIX 2

ECONOMIC REVIEW

1. Economics update

1.1. **UK**. After the UK economy surprised on the upside with strong growth in 2016, growth in 2017 has been disappointingly weak. The first half of 2017 was the slowest growth for the first half of any year since 2012. The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 75% of GDP, has seen weak growth as consumers cut back on their expenditure. However, more recently there has been encouraging statistics from the manufacturing sector which is seeing stronger growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year. However, this sector only accounts for around 11% of GDP so expansion in this sector will have a much more muted effect on the average total GDP growth figure for the UK economy as a whole.

The Monetary Policy Committee (MPC) meeting of 14 September 2017 surprised markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that Bank Rate will need to rise. The Bank of England Inflation Reports during 2017 have clearly flagged up that they expected CPI inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years' time. Inflation actually came in at 2.9% in August, (data released on 12 September), and so the Bank revised its forecast for the peak to over 3% at the 14 September meeting MPC. The MPC took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of increasing globalisation. This effectively means that the UK labour faces competition from overseas labour e.g. in outsourcing work to third world countries, and this therefore depresses the negotiating power of UK labour. However, the Bank was also concerned that the withdrawal of the UK from the EU would effectively lead to a decrease in such globalisation pressures in the UK, and so would be inflationary over the next few years.

There is increasing likelihood that the MPC may increase Bank Rate to 0.5% in November or, if not, in February 2018. The big question after that will be whether this will be a one off increase or the start of a slow, but regular, increase in Bank Rate. As at the start of October, short sterling rates are indicating that financial markets do not expect a second increase until May 2018 with a third increase in November 2019. However, some forecasters are flagging up that they expect growth to improve significantly in 2017 and into 2018, as the fall in inflation will bring to an end the negative impact on consumer spending power while a strong export performance will compensate for weak services sector growth. If this scenario were to materialise, then the MPC would have added reason to embark on a series of slow but gradual increases in Bank Rate during 2018. While there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two years will pan out.

1.2. **EU.** GDP growth was 0.5% in quarter 1 0.6% in quarter 2. However, despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in August inflation was 1.5%. It is therefore unlikely to start on an upswing in rates until possibly 2019.

1.3. **USA.** Growth in the American economy remains volatile in 2017 with quarter 1 coming in at only 1.2% but quarter 2 rebounding to 3.1%. Unemployment in the US has also fallen to the lowest level for many years, reaching 4.4%, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has started on a gradual upswing in rates with three increases since December 2016; and there could be one more rate rise in 2017, lifting their central rate to 1.50%. There could then be another four more increases in 2018, and the Fed have strongly hinted that it will soon begin to unwind its $4.5 trillion balance sheet holdings of bonds and mortgage backed securities by reducing its reinvestment of maturing holdings.

1.4. **Others.** Chinese economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

Japan is struggling to stimulate consistent significant 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.

2. Potential Up and Downside Risks

The overall balance of risks to economic recovery in the UK is currently to the downside but huge variables over the coming few years include just what final form Brexit will take, when finally agreed with the EU, and when.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- UK economic growth and increases in inflation are weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU and US.
- Geopolitical risks in Europe, the Middle East and Asia, which could lead to increasing safe haven flows.
- A resurgence of the Eurozone sovereign debt crisis.
- Weak capitalisation of some European banks.
- Monetary policy action failing to stimulate sustainable growth and to get inflation up consistently to around monetary policy target levels.

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include:

- The pace and timing of increases in the Fed. Funds Rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- UK inflation returning to significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

APPENDIX 3

Six Monthly Risk Report

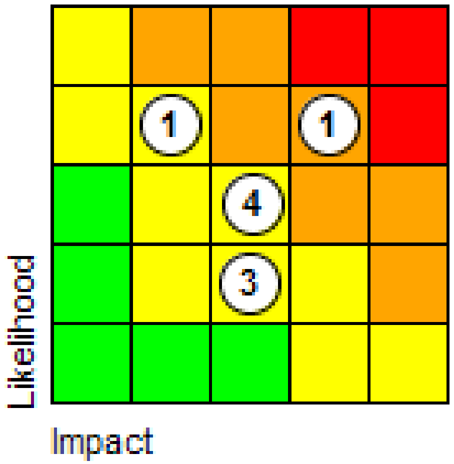
Treasury Risk Register Report

Report Author: Executive Director of Corporate Services

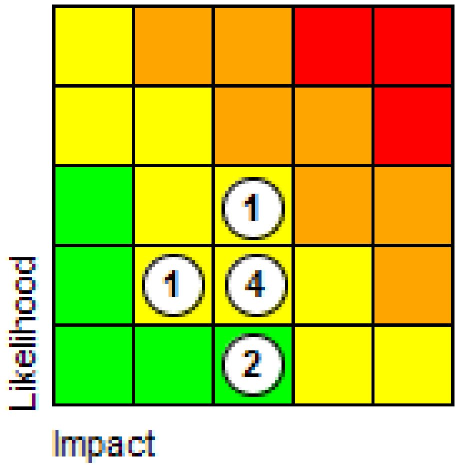
Generated on: 12 October 2017

Total Risk Summary

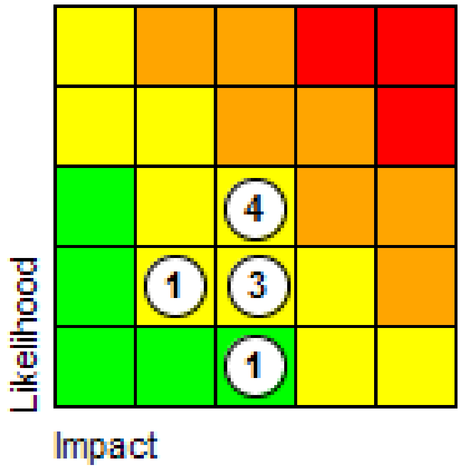
Inherent Risk



Risk at last report May 2017

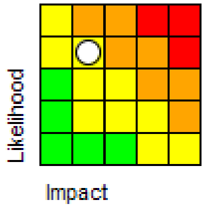
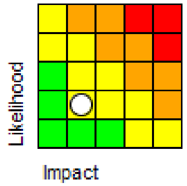
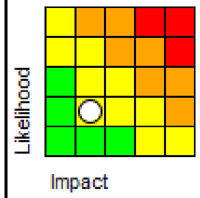
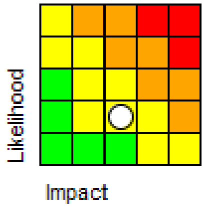
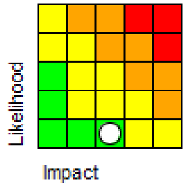
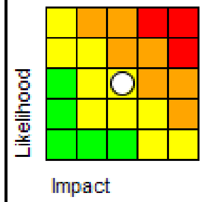


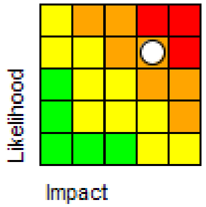
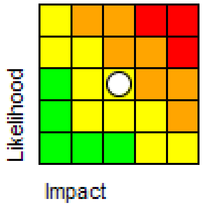
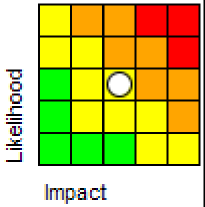
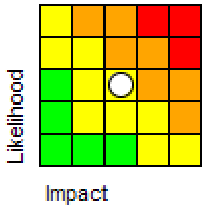
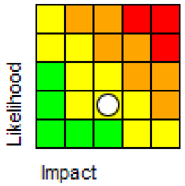
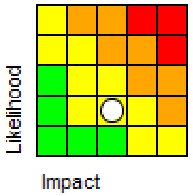
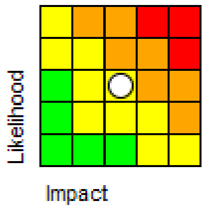
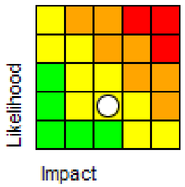
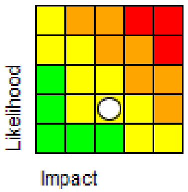
Residual Risk Oct 2017

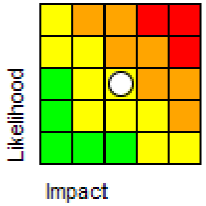
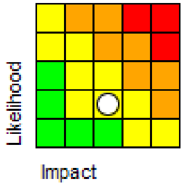
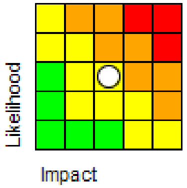
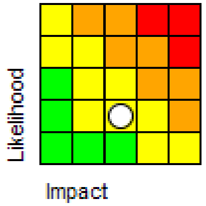
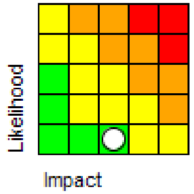
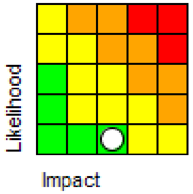


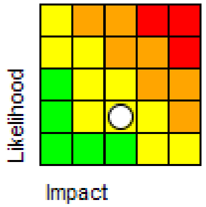
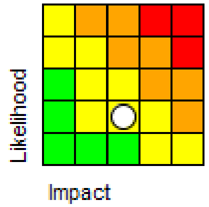
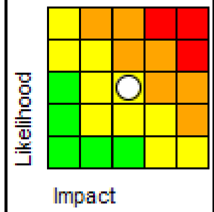
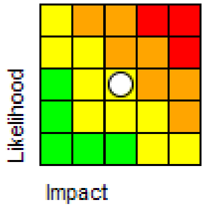
Six Monthly Risk Report

Treasury Risk Register Report
Report Author: Executive Director of Corporate Services
Generated on: 12 October 2017

Risk Title	Risk Factors	Potential Effect	Potential Outcome	Inherent Risk	Control Measures/Mitigation	Risk at 17 May 2017	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		

Risk Title	Risk Factors	Potential Effect	Potential Outcome	Inherent Risk	Control Measures/Mitigation	Risk at 17 May 2017	Residual Risk
	delivery				base rate and rates being achieved against budget to ensure it has secured the best value possible in 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.		

Risk Title	Risk Factors	Potential Effect	Potential Outcome	Inherent Risk	Control Measures/Mitigation	Risk at 17 May 2017	Residual Risk
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 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		

Risk Title	Risk Factors	Potential Effect	Potential Outcome	Inherent Risk	Control Measures/Mitigation	Risk at 17 May 2017	Residual Risk
					investment options be exhausted.		
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.