ITEM No …8………..

REPORT TO: **POLICY & RESOURCES COMMITTEE – 30 SEPTEMBER 2019**

REPORT ON: **ANNUAL TREASURY MANAGEMENT ACTIVITY 2018/2019**

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

REPORT NO: **331-2019**

1 PURPOSE OF REPORT

To review the Treasury Management activities for the period 1 April 2018 to 31 March 2019.

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 2018/2019 were that a saving of £3.5m was made for normal treasury activities against the 2018/2019 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 23 April 2018 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 XI of the minute of meeting of the Policy and Resources Committee of 23 April 2018, Report 126-2018 refers), and the Treasury Management Strategy 2018/19 (Article XII of the minute of meeting of the Policy and Resources Committee of 23 April 2018, Report 127-2018 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 2018/2019.

5 DEBT POSITION

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

		1 April 2018		31 March 2019	
		Principal £m	Average Rate %	Principal £m	Average Rate %
Fixed Rate Funding	PWLB	408.5	4.5	436.5	4.3
	Market	25.0	4.3	20.0	4.3
Variable Rate Funding	PWLB	0.0		0.0	
	Market	15.0	4.6	20.0	4.5
		448.5	4.5	476.5	4.3

6 THE TREASURY MANAGEMENT STRATEGY FOR 2018/2019

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 2018) was that rates would rise from 0.50% to 0.75% in June 2018 and then 1.0% in December 2018. It is important to note that The Bank of England base rate was increased to 0.75% on 2 August 2018 and remained unchanged for the remainder of the financial year.

At its meeting on 23 April 2018, the Policy and Resources Committee approved the Council's Treasury Management Strategy 2018/19 (Article XII of the minute of meeting of the Policy and Resources Committee of 23 April 2018, Report 127-2018 refers), which indicated that the Council's borrowing requirement for capital expenditure would be approximately £53m.

7 ACTUAL BORROWING AND LENDING FOR 2018/2019

7.1 Interest Rates

On 2 August 2018, the Bank of England announced an increase in the Bank of England Base Rate from 0.50% to 0.75% and this remained unchanged at 31 March 2019.

Long-term PWLB rates (45-50 years) started at 2.49% but moved between 2.36% and 2.99% throughout the year, finishing the year on 2.43%. 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 £37.5m was undertaken during the year with repayment of existing loans totalling £9.5m. The new borrowing was drawn down in the financial year as follows -

Date	Amount (£)	Rate %	Term (Years)	Maturity Date
06/12/2018	5,000,000	2.64	50.00	15/06/2068
10/12/2018	5,000,000	2.54	50.00	15/11/2068
13/12/2018	7,500,000	2.38	49.00	15/11/2067
12/02/2019	5,000,000	2.37	50.00	15/01/2069
22/03/2019	5,000,000	2.33	50.00	30/09/2068
25/03/2019	5,000,000	1.77	8.00	15/02/2027
28/03/2019	5,000,000	1.75	9.00	15/02/2028
	37,500,000			

These loans had an average interest rate of 2.26% and an average term of 38.7 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 2018	83.1	93.1	93.1	0.38	1.00
May 2018	88.1	93.1	91.1	0.39	1.00
June 2018	86.1	91.1	91.1	0.39	1.00
July 2018	91.1	101.1	101.1	0.39	1.00
August 2018	101.1	104.1	104.1	0.39	1.00
September 2018	102.1	112.1	112.1	0.50	1.02
October 2018	107.1	114.3	114.3	0.50	1.05
November 2018	114.3	121.3	121.3	0.50	1.05
December 2018	121.3	121.3	121.3	0.50	1.10
January 2019	110.3	121.3	115.3	0.65	1.10
February 2019	115.3	120.3	115.3	0.73	1.12
March 2019	115.3	122.3	122.3	0.85	1.13

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 0.78% 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 2019 shows:

Month	Lowest Amount Lent £m	Highest Amount Lent £m	End of month Amount Lent £m	Interest Rate Range %	
				Min	Max
April 2018	4.1	27.1	4.1	0.41	0.50
May 2018	2.0	15.3	4.7	0.46	0.52
June 2018	5.2	18.7	5.2	0.48	0.53
July 2018	2.0	16.3	2.0	0.49	0.56
August 2018	2.2	20.4	2.2	0.55	0.64
September 2018	2.2	17.4	4.8	0.64	0.67
October 2018	1.6	24.6	1.6	0.60	0.70
November 2018	1.9	19.0	1.9	0.69	0.72
December 2018	1.9	34.0	14.8	0.60	0.75
January 2019	5.8	35.2	5.8	0.55	0.79
February 2019	1.4	26.6	8.1	0.76	0.79
March 2019	5.0	37.2	20.5	0.60	0.80

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 2018/19 financial year is summarised as follows:

Value of funds invested at 1 April 2018	8,227,582
Withdrawals made within period	(263,000)
Value of funds invested at end of period	7,964,582
Value of funds at 31 March 2019	7,888,420
Capital Growth of Investments	(76,162)
Income from Investments	329,292
Total Return on Investments in period	253,130

10 CONSOLIDATED LOANS FUND INTEREST RATE

When setting the 2018/2019 Revenue Budget, the Council set its Loans Fund interest rate at 4.00%. The actual interest rate payable was 3.66%.

11 OUTLOOK FOR THE FIRST HALF OF 2019/20

The first half of 2019/20 has seen UK economic growth fall as Brexit uncertainty took a toll. In its Inflation Report of 1 August, the Bank of England was notably downbeat about the outlook for both the UK and major world economies. This mirrored investor confidence around the world which is now expecting a significant downturn or possibly even a recession in some developed economies. It was therefore no surprise that the Monetary Policy Committee (MPC) left Bank Rate unchanged at 0.75% throughout 2019, so far, and is expected to hold off on changes until there is some clarity on what is going to happen over Brexit.

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 a first Bank Rate increase in December 2020, to be followed by a further increase in March 2022.

The following table gives Link Asset Services central view on interest rates as at 5 August 2019 -

Period	Bank Rate	PWLB Borrowing Rates % (including certainty rate adjustment)			
Quarter ending	%	5 year	10 year	25 year	50 year
Sep-19	0.75	1.20	1.50	2.10	2.00
Dec-19	0.75	1.30	1.60	2.30	2.20
Mar-20	0.75	1.50	1.80	2.40	2.30
Jun-20	0.75	1.60	1.90	2.50	2.40
Sep-20	0.75	1.70	2.00	2.60	2.50
Dec-20	1.00	1.70	2.00	2.70	2.60
Mar-21	1.00	1.80	2.10	2.70	2.60
Jun-21	1.00	1.90	2.20	2.80	2.70
Sep-21	1.00	2.00	2.30	2.90	2.80
Dec-21	1.00	2.00	2.30	3.00	2.90
Mar-22	1.25	2.10	2.40	3.00	2.90

See Appendix 2 for full economic review of 2018/19 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 was in compliance with the Treasury Policy Statement provisions, with regard to amounts and institutions involved. Updated indicators are shown in Appendix 1.

13 RISK

The Treasury Risks have been reviewed. There are 2 changes to the risk profile as follows:

- Risk 2 (Decline / Rise in Interest Rates) – The risk that the Council may not achieve its target level of interest for budgetary purposes, having impact on revenue budgets, resulting in mandatory efficiencies. This risk has been reduced as forecasts for interest rate rises have been revised as a result of a weakened outlook for UK economic growth.
- Risk 6 (Revenue Budget) – The risk that the Council may not be able to execute some desired projects. This risk has been increased as there is an increased likelihood that supply channels will be disrupted during the initial period following the UK exit from the EU, and that costs of sourcing alternative essentials will be greater than budgeted for. This would have a negative impact on the revenue budget and the Council's ability to meet its objectives.

The Treasury Risk Register attached in Appendix 3.

14 POLICY IMPLICATIONS

This report has been subject to an assessment of any impacts on Equality and Diversity, Fairness and Poverty, Environment and Corporate Risk. 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 **20 SEPTEMBER 2019**

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
2018/19	30%	100%
2019/20	30%	100%
2020/21	30%	100%
2021/22	30%	100%
2022/23	30%	100%
2023/24	30%	100%

Actual External Debt

	31/03/2018	31/03/2019
	£'000	£'000
Actual borrowing	536,587	598,847
Actual other long term liabilities	70,113	122,720
Actual external debt	**606,700**	**721,567**

Maturity structure of fixed rate borrowing 2018/19

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
2018/19	628,000	123,000	751,000	598,000	123,000	721,000
2019/20	650,000	160,000	810,000	620,000	160,000	780,000
2020/21	667,000	153,000	820,000	647,000	153,000	790,000
2021/22	694,000	149,000	843,000	664,000	149,000	813,000
2022/23	706,000	145,000	851,000	676,000	145,000	821,000
2023/24	711,000	140,000	851,000	681,000	140,000	821,000

PRUDENTIAL CODE INDICATORS - PRUDENTIAL INDICATORS

	Capital Expenditure		
	Non-HRA £000	HRA £000	Total £000
2018/19	92,541	20,494	113,035
2019/20	113,769	29,357	143,126
2020/21	49,609	25,998	75,607
2021/22	37,843	22,978	60,821
2022/23	32,033	20,977	53,010
2023/24	23,253	23,236	46,489

Ratio of financing costs to net revenue stream	
Non-HRA %	HRA %
6.7	38.8
5.9	38.1
6.7	36.8
6.9	37.4
6.5	38.5
6.7	38.2

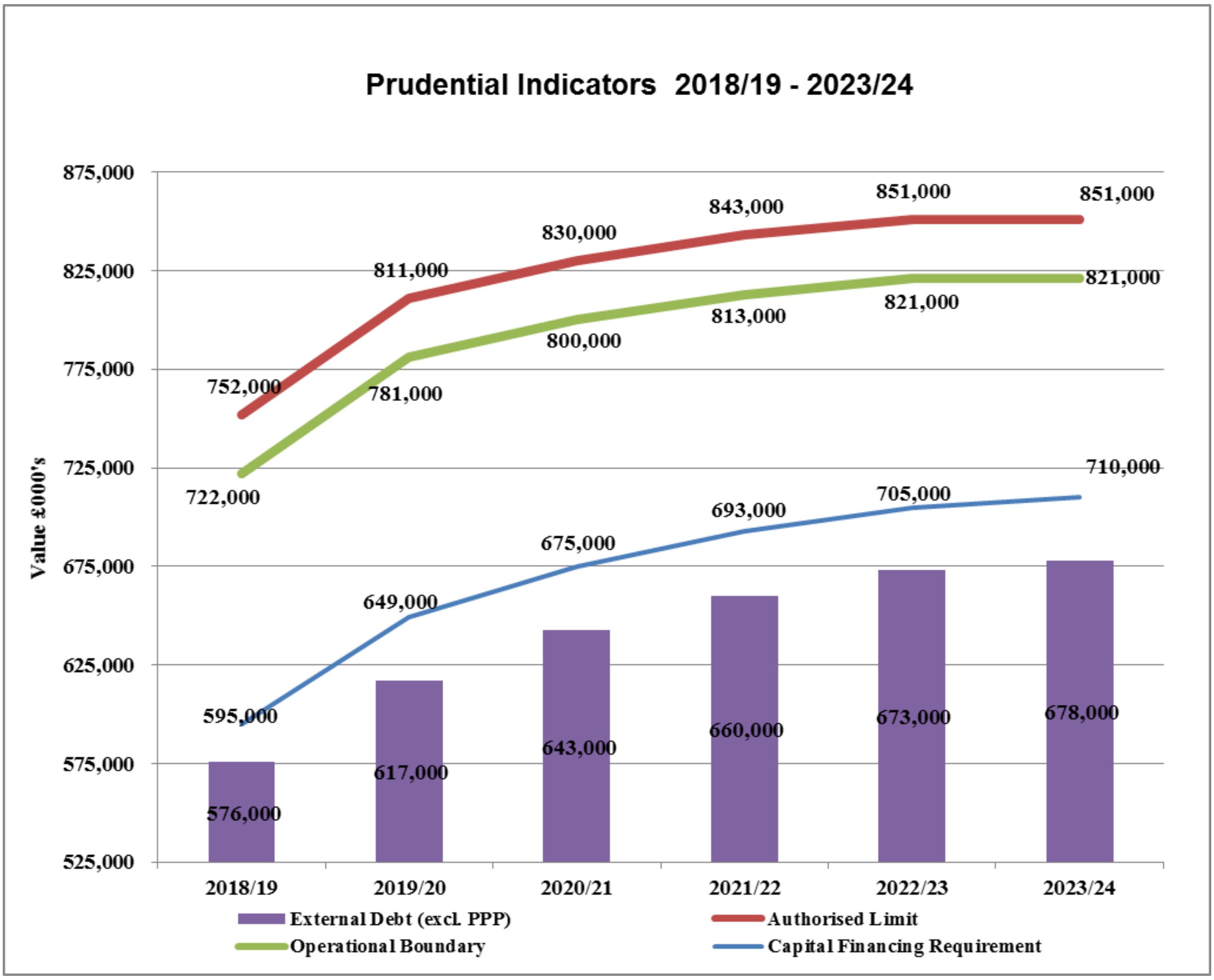
	Net Borrowing Requirement (NBR)		
	1 April £000	31 March £000	Movement £000
2018/19	533,169	575,953	42,784
2019/20	576,000	617,000	41,000
2020/21	617,000	642,000	25,000
2021/22	642,000	660,000	18,000
2022/23	660,000	672,000	12,000
2023/24	672,000	677,000	5,000

Capital Financing Requirement (CFR)			
Non-HRA £000	HRA £000	Total £000	Movement £000
416,890	177,693	594,583	36,859
458,000	192,000	650,000	55,000
476,000	199,000	675,000	25,000
487,000	206,000	693,000	18,000
495,000	210,000	705,000	12,000
493,000	217,000	710,000	5,000

	NBR v CFR Difference
	Total £000
2018/19	16,630
2019/20	33,000
2020/21	33,000
2021/22	33,000
2022/23	33,000
2023/24	33,000

Incremental Impact of Capital Investment Decisions
Increase in average housing rent per week £
(0.05)
1.70
1.05
0.88
0.63
0.85

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



APPENDIX 2

The Economy and Interest Rates

UK. After weak **economic growth** of only 0.2% in quarter one of 2018, growth picked up to 0.4% in quarter 2 and to a particularly strong 0.7% in quarter 3, before cooling off to 0.2% in the final quarter. Given all the uncertainties over Brexit, this weak growth in the final quarter was as to be expected. However, some recovery in the rate of growth is expected going forward. The annual growth in Q4 came in at 1.4% y/y confirming that the UK was the third fastest growing country in the G7 in quarter 4.

After the Monetary Policy Committee raised **Bank Rate** from 0.5% to 0.75% in August 2018, it is little surprise that they have abstained from any further increases since then. We are unlikely to see any further action from the MPC until the uncertainties over Brexit clear. If there were a disorderly exit, it is likely that Bank Rate would be cut to support growth. Nevertheless, the MPC has been having increasing concerns over the trend in **wage inflation** which peaked at a new post financial crisis high of 3.5%, (excluding bonuses), in the three months to December before falling only marginally to 3.4% in the three months to January. British employers ramped up their hiring at the fastest pace in more than three years in the three months to January as the country's labour market defied the broader weakness in the overall economy as Brexit approached. The number of people in work surged by 222,000, helping to push down the unemployment rate to 3.9 percent, its lowest rate since 1975. Correspondingly, the total level of vacancies has risen to new highs.

As for **CPI inflation** itself, this has been on a falling trend since peaking at 3.1% in November 2017, reaching a new low of 1.8% in January 2019 before rising marginally to 1.9% in February. However, in the February 2019 Bank of England Inflation Report, the latest forecast for inflation over both the two and three year time horizons remained marginally above the MPC's target of 2%.

The rise in wage inflation and fall in CPI inflation is good news for consumers as their spending power is improving in this scenario as the difference between the two figures is now around 1.5%, i.e. a real terms increase. Given the UK economy is very much services sector driven, an increase in **household spending power** is likely to feed through into providing some support to the overall rate of economic growth in the coming months.

Brexit. The Conservative minority government has so far, (8.4.19), been unable to muster a majority in the Commons over its Brexit deal. The EU has set a deadline of April 12 for the House of Commons to propose what form of Brexit it would support. If another form of Brexit, other than the proposed deal, does get a majority by April 12, then it is likely there will need to be a long delay to Brexit to allow time for negotiations with the EU. It appears unlikely that there would be a Commons majority which would support a disorderly Brexit or revoking article 50, (cancelling Brexit). There would also need to be a long delay if there is no majority for any form of Brexit. If that were to happen, then it increases the chances of a general election in 2019; this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

USA. President Trump's massive easing of fiscal policy in 2018 fuelled a (temporary) boost in consumption in 2018 which generated an upturn in the strong rate of growth; this rose from 2.2%, (annualised rate) in quarter 1 of 2018 to 4.2% in quarter 2, 3.5% in quarter 3 and then back to 2.2% in quarter 4. The annual rate came in at 2.9% for 2018, just below President Trump's aim for 3% growth. The strong growth in employment numbers has fed through to an upturn in wage inflation which hit 3.4% in February, a decade high point. However, CPI inflation overall fell to 1.5% in February, a two and a half year low, and looks to be likely to stay around that number in 2019 i.e. below the Fed's target of 2%. The Fed increased rates another 0.25% in December to between 2.25% and 2.50%, this being the fourth increase in 2018 and the ninth in the upward swing cycle. However, the Fed now appears to be edging towards a change of direction and admitting there may be a need to switch to taking action to cut rates over the next two years. Financial markets are now predicting two cuts of 25 bps by the end of 2020.

EUROZONE. The European Central Bank (ECB) provided massive monetary stimulus in 2016 and 2017 to encourage growth in the EZ and that produced strong annual growth in 2017 of 2.3%. However, since then the ECB has been reducing its monetary stimulus measures and growth has been weakening - to 0.4% in quarters 1 and 2 of 2018, and then slowed further to 0.2% in quarters 3 and 4; it is likely to be only 0.1 - 0.2% in quarter 1 of 2019. The annual rate of growth for 2018 was 1.8% but is expected to fall to possibly around half that rate in 2019. The ECB completely ended its programme of quantitative easing purchases of debt in December 2018, which means that the central banks in the US, UK and EU have all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by purchases of debt. However, the downturn in growth, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), prompted the ECB to take new measures to stimulate growth. With its refinancing rate already at 0.0% and the deposit rate at -0.4%, it has probably reached the limit of cutting rates. At its March 2019 meeting it said that it expects to leave interest rates at their present levels "at least through the end of 2019", but that is of little help to boosting growth in the near term. Consequently, it also announced a third round of TLTROs; this provides banks with cheap borrowing every three months from September 2019 until March 2021 which means that, although they will have only a two-year maturity, the Bank is making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank's eligible loans.

CHINA. 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 - 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.

WORLD GROWTH. Equity markets are currently concerned about the synchronised general weakening of growth in the major economies of the world: they fear there could even be a recession looming up in the US, though this fear is probably overdone.

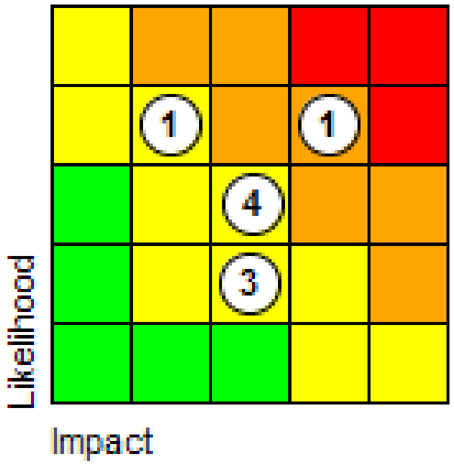
APPENDIX 3

Six Monthly Risk Report

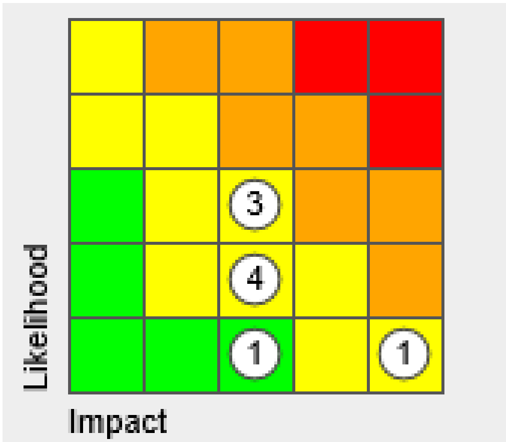
Treasury Risk Register Report
Report Author: Executive Director of Corporate Services
Generated on: 10th September 2019

Total Risk Summary

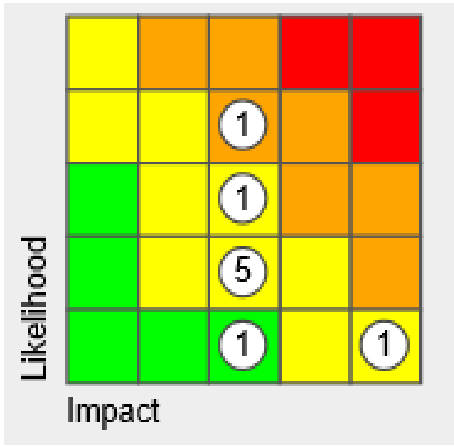
Inherent Risk



Risk at last report Dec 2018

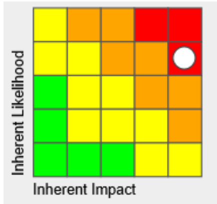
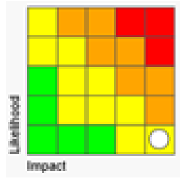
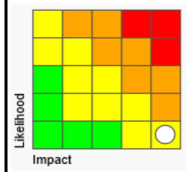
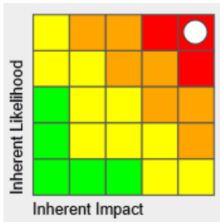
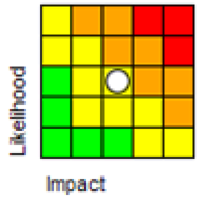
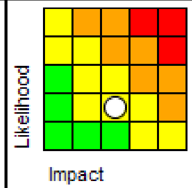


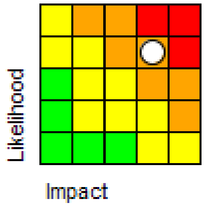
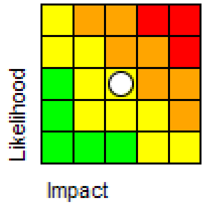
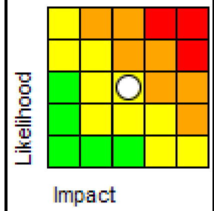
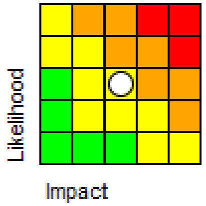
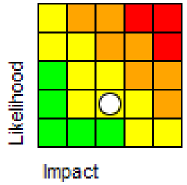
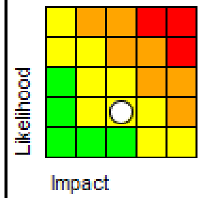
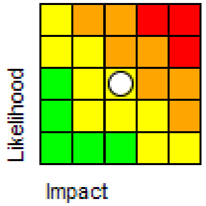
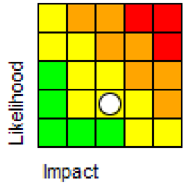
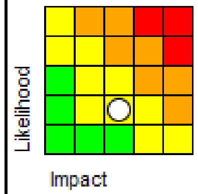
Residual Risk Sep 2019

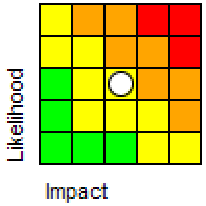
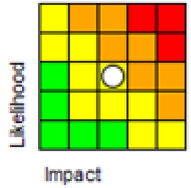
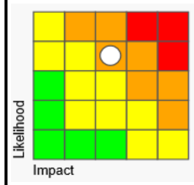
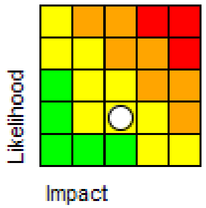
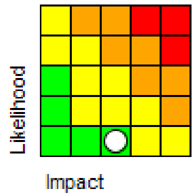
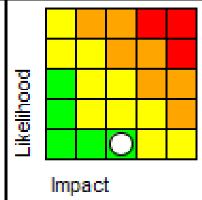


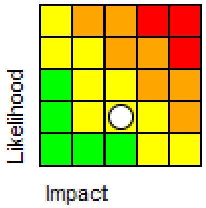
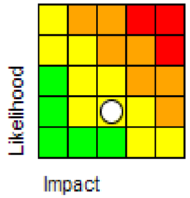
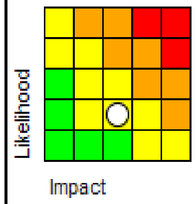
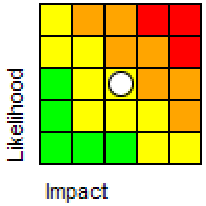
Six Monthly Risk Report

Treasury Risk Register Report
Report Author: Executive Director of Corporate Services
Generated on: 10th September 2019

Risk Title	Risk Factors	Potential Effect	Potential Outcome	Inherent Risk	Control Measures/Mitigation	Risk at Dec 2018	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	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 at Dec 2018	Residual Risk
	service 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.		

Risk Title	Risk Factors	Potential Effect	Potential Outcome	Inherent Risk	Control Measures/Mitigation	Risk at Dec 2018	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. This control has been tightened and the risk reduced to reflect. . 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. . There are also limits on the amounts deposited to such funds. The Council has a facility to deposit		

Risk Title	Risk Factors	Potential Effect	Potential Outcome	Inherent Risk	Control Measures/Mitigation	Risk at Dec 2018	Residual Risk
					cash with the Debt Management Office should all other 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. . The experience and of the new elected members has increased since appointment in 2017.		
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.