ITEM No …9……….

REPORT TO: **POLICY & RESOURCES COMMITTEE – 24 FEBRUARY 2020**

REPORT ON: **TREASURY MANAGEMENT ACTIVITY 2019/2020 (MID-YEAR REVIEW)**

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

REPORT NO: **8-2020**

1 PURPOSE OF REPORT

To review the Treasury Management activities for the period 1 April to 30 September 2019.

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 3.80%, assumed when setting the 2019/2020 Revenue Budget, will be achieved. A saving of around £4,259,000 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 22 April 2019, the Policy and Resources Committee approved the Council's Treasury Policy Statement (Report no. 164-2019, article XV 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 22 April 2019, the Policy and Resources Committee approved the Council's Treasury Management Strategy for 2019/2020 (Report no. 165-2019, article XVI of minute refers).

The Policy and Resources Committee approved the Loans Fund Policy Review on 30 September 2019 (Report no. 279-2019, article VII of minute refers). The report recommendations agreed to amend the loans fund advances repayment mechanism and resultant debt charges profile for current and future loans repayments.

This monitoring report covers the Treasury Management activity over the first six months of 2019/2020 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 2019		30 September 2019	
Funding type		Principal £m	Average Rate %	Principal £m	Average Rate %
Long-term Fixed Rate	PWLB	436.5	4.3	438.9	4.2
	Market	30.0	4.2	30.0	4.2
Long-term Variable Rate	PWLB	-	-	-	-
	Market	10.0	4.9	10.0	4.9
Total Long-term Debt		476.5	4.3	478.9	4.3
Short-term Fixed Rate	Market	122.3	1.0	77.8	1.0
Total Debt		**598.8**	**3.6**	**556.7**	**3.8**

6 ACTUAL BORROWING

6.1 Long-Term - Public Work Loans Board

Date	Amount	Interest rate	Term (years)	Maturity date
16/08/2019	£3,000,000	1.61%	50	15/07/2069
20/08/2019	£5,000,000	1.67%	50	15/08/2069
27/09/2019	£5,000,000	1.62%	50	15/08/2069
Total	**£13,000,000**			

6.2 Short-Term - Market

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 %	
2019				Min	Max
April	104.3	122.3	109.3	0.65	1.13
May	104.3	112.8	112.8	0.70	1.13
June	90.8	112.8	90.8	0.75	1.13
July	80.8	90.8	88.8	0.63	1.13
August	76.8	88.8	76.8	0.63	1.13
September	76.8	77.8	77.8	0.63	1.13

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 £175m).

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 2019 shows:

Month	Lowest Amount Lent £m	Highest Amount Lent £m	End of month Amount Lent £m	Interest Rate Range %	
2019				Min	Max
April	2.8	34.2	2.8	0.75	0.79
May	1.7	20.1	1.7	0.72	0.78
June	1.7	44.5	10.8	0.60	0.78
July	4.4	17.6	5.4	0.74	0.76
August	2.7	25.1	2.7	0.71	0.75
September	2.7	21.6	4.1	0.71	0.74

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 2019	£7,888,420
Withdrawals made within period	0
Value of funds invested at end of period	£7,888,420
Value of funds at 30 September 2019	£8,168,240
Capital Growth of Investments	£279,820
Income from Investments	£140,776
Total Return on Investments in period	£420,596

The specified investment portfolio has increased in value and continues to provide the required budgetary income.

9 OUTLOOK FOR THE SECOND HALF OF 2019/2020

The Council's treasury advisor, Link Asset Services, has provided the following forecast. This forecast includes the increase in margin over gilt yields of 100bps introduced on 9th October 2019.

Link Asset Services Interest Rate View	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00
3 Month LIBID	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20
6 Month LIBID	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40
12 Month LIBID	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60
5yr PWLB Rate	2.30	2.40	2.40	2.50	2.50	2.60	2.70	2.80	2.90	2.90
10yr PWLB Rate	2.60	2.70	2.70	2.70	2.80	2.90	3.00	3.10	3.20	3.20
25yr PWLB Rate	3.20	3.30	3.40	3.40	3.50	3.60	3.70	3.70	3.80	3.90
50yr PWLB Rate	3.10	3.20	3.30	3.30	3.40	3.50	3.60	3.60	3.70	3.80

The above forecasts have been based on an assumption that there is an agreed deal on Brexit at some point in time. Given the current level of uncertainties, this is a huge assumption and so forecasts may need to be materially reassessed in the light of events over the next few weeks or months.

It has been little surprise that the Monetary Policy Committee (MPC) has left Bank Rate unchanged at 0.75% so far in 2019 due to the ongoing uncertainty over Brexit. In its meeting on 1 August, the MPC became more dovish as it was more concerned about the outlook for both the global and domestic economies. That's shown in the policy statement, based on an assumption that there is an agreed deal on Brexit, where the suggestion that rates would need to rise at a "gradual pace and to a limited extent" is now also conditional on "some recovery in global growth". Brexit uncertainty has had a dampening effect on UK GDP growth in 2019, especially around mid-year. If there were a no deal Brexit, then it is likely that there will be a cut or cuts in Bank Rate to help support economic growth. The September MPC meeting sounded even more concern about world growth and the effect that prolonged Brexit uncertainty is likely to have on growth.

The key changes to Link Asset Services forecasts are highlighted below:

BANK RATE	now	previously
Q1 2020	0.75%	0.75%
Q1 2021	1.00%	1.00%
Q1 2022	1.00%	1.25%

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 **RISK**

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

- 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. Although this risk has been reduced in previous report as forecasts for interest rate rises had been revised as a result of a weakened outlook for UK economic growth, the decision of HM Treasury to increase Public Work Loan Board (PWLB) rates by 1% on 9th October will detrimentally impact on the Council's revenue budget.

Please note that there is no change to Risk 6 (Revenue Budget) - the risk that the Council may not be able to execute some desired projects. This risk had been raised in the last assessment due to an increased likelihood that supply channels will be disrupted during the initial period following the UK exit from the EU. Whilst the UK exit is not as imminent as at time of previous report, the risk of the Council not having the ability to meet the financial demands of their Capital Plan remains heightened due to the impact of the rise of PWLB borrowing rates.

12 **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.

13 **CONSULTATIONS**

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

14 BACKGROUND PAPERS

None.

GREGORY COLGAN
EXECUTIVE DIRECTOR OF CORPORATE SERVICES **14 FEBRUARY 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
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 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
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	637,000	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	94,329	20,139	114,468
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

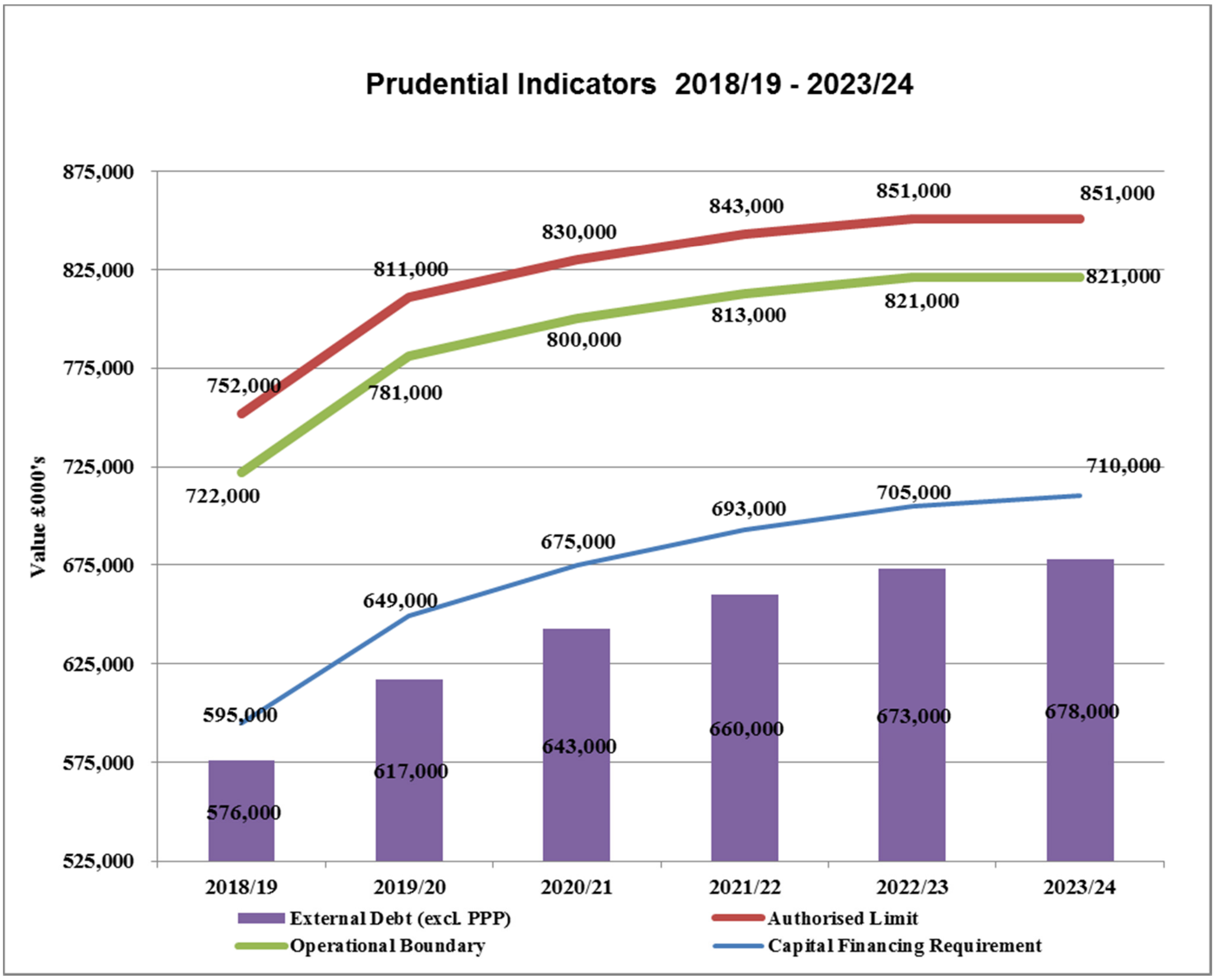
Ratio of financing costs to net revenue stream	
Non-HRA %	HRA %
6.7	38.8
5.9	38.1
6.7	36.8
6.9	37.4
6.5	38.5
6.7	38.2

	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	41,047
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	55,417
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	Incremental Impact of Capital Investment Decisions
	Total £000	Increase in average housing rent per week £
2018/19	16,630	(0.05)
2019/20	33,000	1.70
2020/21	33,000	1.05
2021/22	33,000	0.88
2022/23	33,000	0.63
2023/24	33,000	0.85

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



APPENDIX 2

ECONOMIC BACKGROUND

UK. This first half year has been a time of upheaval on the political front as Theresa May resigned as Prime Minister to be replaced by Boris Johnson on a platform of the UK leaving the EU on or 31 October, with or without a deal. However, in September, his proroguing of Parliament was overturned by the Supreme Court and Parliament carried a bill to delay Brexit until 31 January 2020 if there is no deal by 31 October. MPs also voted down holding a general election before 31 October, though one is likely before the end of 2019. So far, there has been no majority of MPs for any one option to move forward on enabling Brexit to be implemented. At the time of writing the whole Brexit situation is highly fluid and could change radically by the day. Given these circumstances and the likelihood of an imminent general election, any interest rate forecasts are subject to material change as the situation evolves. If the UK does soon achieve a deal on Brexit agreed with the EU then it is possible that growth could recover relatively quickly. The MPC could then need to address the issue of whether to raise Bank Rate at some point in the coming year when there is little slack left in the labour market; this could cause wage inflation to accelerate which would then feed through into general inflation. On the other hand, if there was a no deal Brexit and there was a significant level of disruption to the economy, then growth could weaken even further than currently and the MPC would be likely to cut Bank Rate in order to support growth. However, with Bank Rate still only at 0.75%, it has relatively little room to make a big impact and the MPC would probably suggest that it would be up to the Chancellor to provide help to support growth by way of a fiscal boost by e.g. tax cuts, increases in the annual expenditure budgets of government departments and services and expenditure on infrastructure projects, to boost the economy.

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. The MPC meeting of 19 September reemphasised their concern about the downturn in world growth and also expressed concern that prolonged Brexit uncertainty would contribute to a build-up of spare capacity in the UK economy, especially in the context of a downturn in world growth. This mirrored investor concerns around the world which are now expecting a significant downturn or possibly even a recession in some major 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. However, it is also worth noting that the new Prime Minister is making some significant promises on various spending commitments and a relaxation in the austerity programme. This will provide some support to the economy and, conversely, take some pressure off the MPC to cut Bank Rate to support growth.

As for **inflation** itself, CPI has been hovering around the Bank of England's target of 2% during 2019, but fell to 1.7% in August. It is likely to remain close to 2% over the next two years and so it does not pose any immediate concern to the MPC at the current time. However, if there was a no deal Brexit, inflation could rise towards 4%, primarily as a result of imported inflation on the back of a weakening pound.

With regard to the **labour market,** despite the contraction in quarterly GDP growth of -0.2% q/q, (+1.3% y/y), in quarter 2, employment continued to rise, but at only a muted rate of 31,000 in the three months to July after having risen by no less than 115,000 in quarter 2 itself: the latter figure, in particular, suggests that firms are preparing to expand output and suggests there could be a return to positive growth in quarter 3. Unemployment continued at a 44 year low of 3.8% on the Independent Labour Organisation measure in July and the participation rate of 76.1% achieved a new all-time high. Job vacancies fell for a seventh consecutive month after having previously hit record levels. However, with unemployment continuing to fall, this month by 11,000, employers will still be having difficulty filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to a high point of 3.9% in June before easing back slightly to 3.8% in July, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 2.1%. As 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. The latest GDP statistics also included a revision of the savings ratio from 4.1% to 6.4% which provides reassurance that consumers' balance sheets are not over stretched and so will be able to support growth going forward. This would then mean that the MPC will need to consider carefully at what point to take action to raise Bank Rate if there is an agreed Brexit deal, as the recent pick-up in wage costs is consistent with a rise in core services inflation to more than 4% in 2020.

In the **political arena**, if there is a general election soon, 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 although, conversely, a weak international backdrop could provide further support for low yielding government bonds and gilts.

USA. President Trump's massive easing of fiscal policy in 2018 fuelled a temporary boost in consumption in that year which generated an upturn in the rate of strong growth to 2.9% y/y. Growth in 2019 has been falling back after a strong start in quarter 1 at 3.1%, (annualised rate), to 2.0% in quarter 2. Quarter 3 is expected to fall further. The strong growth in employment numbers during 2018 has reversed into a falling trend during 2019, indicating that the economy is cooling, while inflationary pressures are also weakening The Fed finished its series of increases in rates to 2.25 – 2.50% in December 2018. In July 2019, it cut rates by 0.25% as a 'midterm adjustment' but flagged up that this was not to be seen as the start of a series of cuts to ward off a downturn in growth. It also ended its programme of quantitative tightening in August, (reducing its holdings of treasuries etc). It then cut rates again in September to 1.75% - 2.00% and is thought likely to cut another 25 bps in December. Investor confidence has been badly rattled by the progressive ramping up of increases in tariffs President Trump has made on Chinese imports and China has responded with increases in tariffs on American imports. This trade war is seen as depressing US, Chinese and world growth. In the EU, it is also particularly impacting Germany as exports of goods and services are equivalent to 46% of total GDP. It will also impact developing countries dependent on exporting commodities to China.

EUROZONE. Growth has been slowing from +1.8 % during 2018 to around half of that in 2019. Growth was +0.4% q/q (+1.2% y/y) in quarter 1 and then fell to +0.2% q/q (+1.0% y/y) in quarter 2; there appears to be little upside potential to the growth rate in the rest of 2019. German GDP growth fell to -0.1% in quarter 2; industrial production was down 4% y/y in June with car production down 10% y/y. Germany would be particularly vulnerable to a no deal Brexit depressing exports further and if President Trump imposes tariffs on EU produced cars. The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by purchases of debt. However, the downturn in EZ growth in the second half of 2018 and into 2019, 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%), has prompted the ECB to take new measures to stimulate growth. At its March meeting it said that it expected to leave interest rates at their present levels "at least through the end of 2019", but that was of little help to boosting growth in the near term. Consequently, it 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. However, since then, the downturn in EZ and world growth has gathered momentum so at its meeting on 12 September, it cut its deposit rate further into negative territory, from -0.4% to -0.5%, and announced a resumption of quantitative easing purchases of debt. It also increased the maturity of the third round of TLTROs from two to three years. However, it is doubtful whether this loosening of monetary policy will have much impact on growth and unsurprisingly, the ECB stated that governments will need to help stimulate growth by fiscal policy. On the political front, Austria, Spain and Italy are in the throes of forming coalition governments with some unlikely combinations of parties i.e. this raises questions around their likely endurance. The recent results of two German state elections will put further pressure on the frail German CDU/SDP coalition government.

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. Progress also still needs to be made to eliminate excess industrial capacity and to switch investment from property construction and infrastructure to consumer goods production. The trade war with the US does not appear currently to have had a significant effect on GDP growth as some of the impact of tariffs has been offset by falls in the exchange rate and by transhipping exports through other countries, rather than directly to the US.

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. The trade war between the US and China is a major concern to financial markets and is depressing worldwide growth, as any downturn in China will spill over into impacting countries supplying raw materials to China. Concerns are focused on the synchronised general weakening of growth in the major economies of the world compounded by fears that there could even be a recession looming up in the US, though this is probably overblown. These concerns have resulted in government bond yields in the developed world falling significantly during 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US), and there are concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks. The latest PMI survey statistics of economic health for the US, UK, EU and China have all been sub 50 which gives a forward indication of a downturn in growth; this confirms investor sentiment that the outlook for growth during the rest of this financial year is weak.

APPENDIX 3

Six Monthly Risk Report

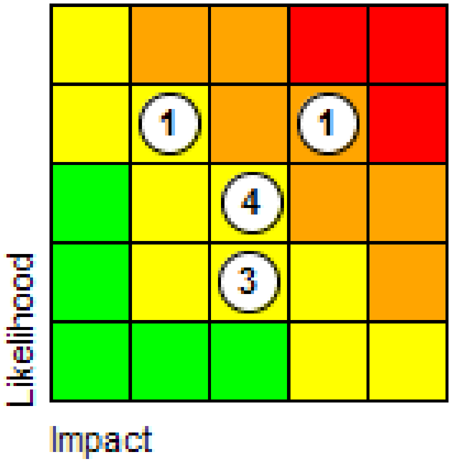
Treasury Risk Register Report

Report Author: Executive Director of Corporate Services

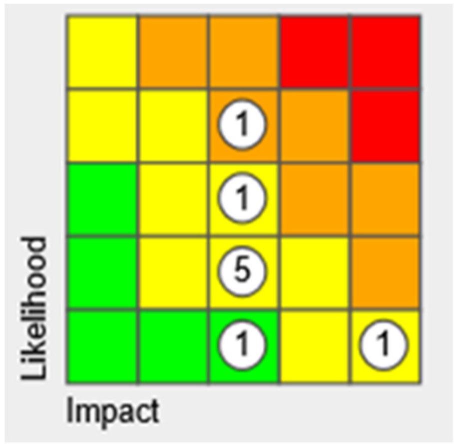
Generated: December 2019

Total Risk Summary

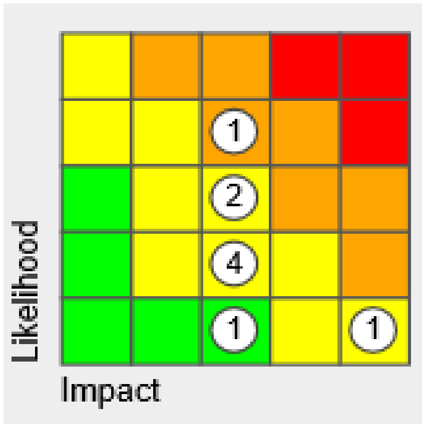
Inherent Risk



Risk at last report Sep 2019

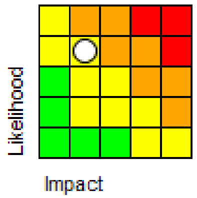
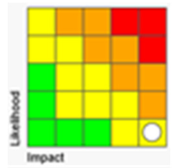
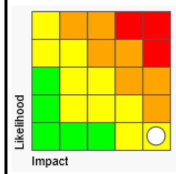
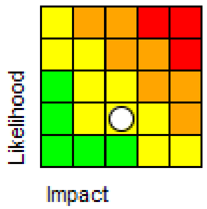
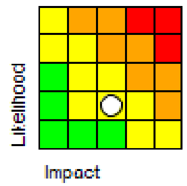
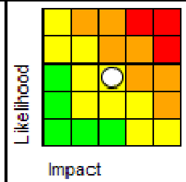


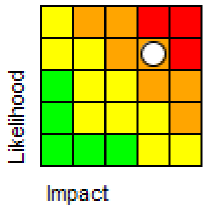
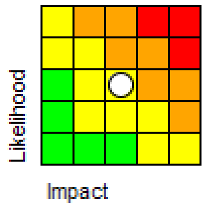
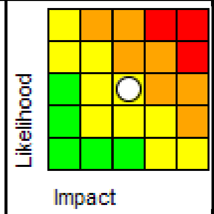
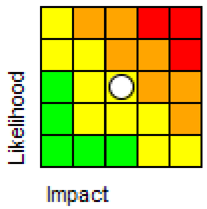
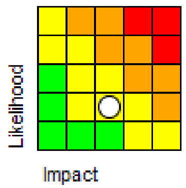
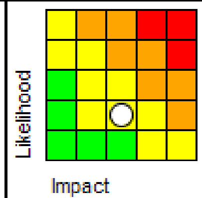
Residual Risk Dec 2019

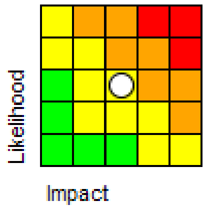
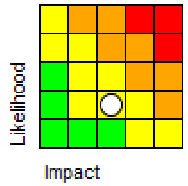
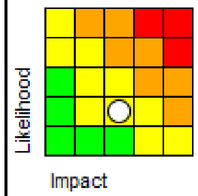
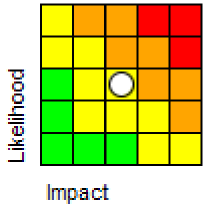
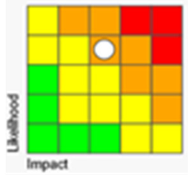
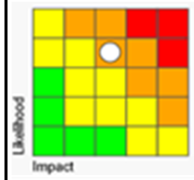


Six Monthly Risk Report

Treasury Risk Register Report
Report Author: Executive Director of Corporate Services
Generated on: December 2018

Risk Title	Risk Factors	Potential Effect	Potential Outcome	Inherent Risk	Control Measures/Mitigation	Risk Sep 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.	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		

Risk Title	Risk Factors	Potential Effect	Potential Outcome	Inherent Risk	Control Measures/Mitigation	Risk Sep 2019	Residual Risk
	. Impact on revenue budget resulting in mandatory efficiencies affecting service delivery				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 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		

Risk Title	Risk Factors	Potential Effect	Potential Outcome	Inherent Risk	Control Measures/Mitigation	Risk Sep 2019	Residual Risk
					. 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 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.		

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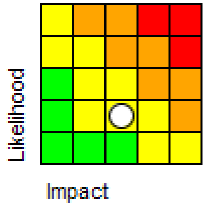
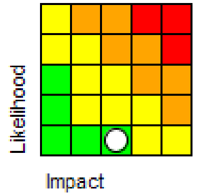
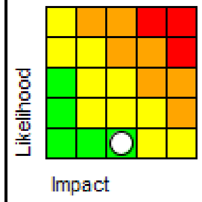
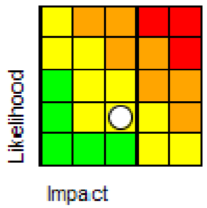
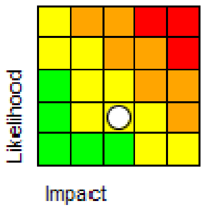
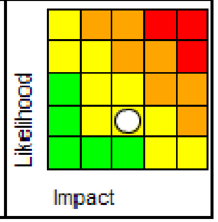
7. Lack of suitable counterparties	Use of counterparties not paying best value rates.	The Council does not have enough "space" with approved counterparties to place investments/deposit surplus cash balances.	Rising cash balances and a restricted counterparty list		The Council continually monitors its 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.		
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.		

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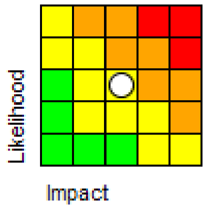
9. Over reliance on key officers	Detrimental decisions made in relation to financial investment management.	Specialist nature of work means there are relatively few experts in this field	If an officer leaves or falls ill knowledge gap may be difficult to fill.		. Key officers transfer specialist knowledge to colleagues. . Procedures & guidance available. . In the short-term advice can be sought from external investment adviser and/or peer support.