Sunderland City Council

Item No. 7

AUDIT AND GOVERNANCE COMMITTEE 30 September 2011

TREASURY MANAGEMENT – SECOND QUARTERLY REVIEW 2011/2012

Report of the Executive Director of Commercial and Corporate Services

1. Purpose of Report

1.1 To report on the Treasury Management performance for the second quarter of 2011/2012.

2. Description of Decision

2.1 The Committee is requested to note the Treasury Management performance for Quarter 2 of 2011/2012;

2.2 To approve to approve amendments to both the Lending List Criteria set out in Appendix B and the Lending List set out in Appendix C.

3. Introduction

3.1 The report sets out the Treasury Management performance to date for the second quarter of the financial year 2011/2012, in accordance with the requirements of the Treasury Management Policy and Strategy agreed by Council.

4. Review of the Treasury Management Performance for 2011/2012 – Quarter 2

4.1 The performance of the Council's treasury management function continues to contribute financial savings to support future year's capital programmes and helps to support the Council's revenue budget by reducing borrowing costs by taking advantage of debt rescheduling opportunities as appropriate. At this stage, no debt rescheduling has been undertaken in 2011/2012 as rates have not been considered sufficiently favourable, but it should be recognised that interest on borrowing is very low (currently averaging 3.35%) and the council continues to benefit from past debt rescheduling exercises;

4.2 Treasury Management Prudential Indicators are regularly reviewed and the Council is within the limits set for all of its TM Prudential Indicators;

4.3 The investment policy is regularly monitored and reviewed to ensure it has flexibility to take full advantage of any changes in market conditions to the benefit of the Council. In view of volatility within financial markets it is recommended that the Lending List Criteria is amended to increase amounts approved to be invested for AAA institutions from £50 million to £70 million. This will reduce risk by enabling the Council to increase its investments with those institutions in which the UK Government holds a financial stake and would be very unlikely to allow to fail should the financial situation substantially deteriorate. The proposed amendments are included and highlighted in Appendix B - Investment Criteria and in Appendix C - Lending List for information and endorsement.

4.4 As at 31st August 2011, the funds managed by the Council's Treasury Management team has achieved a rate of return on its investments of 1.51% compared with the benchmark rate (i.e. the 7 day rate) of 0.40%. Performance is very positive and is significantly above the benchmark rate, whilst adhering to the prudent policy agreed by the Council.

4.5 As a result the increased rate of return achieved on investments held by the Authority to date has generated additional interest above the budget target for 2011/12 of almost £0.6 million (up to end of September 2011).

4.6 More detailed Treasury Management information is included in Appendix A for members' information.

Background Papers

Sector CityWatch (Monthly) and weekly credit rating list
Sector / Capital Economics / UBS Economic forecasts
Local Government Act 2003
CIPFA Treasury Management Code of Practice 2009
The Financial Times
The Guardian

Appendix A

Detailed Treasury Management Performance Quarter 2 - 2011/2012

A1. Borrowing Strategy and Performance - 2011/2012

A1.1 The borrowing strategy for 2011/2012 was reported to Cabinet on 11th February 2011 and approved by full Council on 2nd March 2011.

The Borrowing Strategy was based upon interest rate forecasts from a wide cross section of City institutions. The view in February 2011, at the time the Treasury Management Policy and Strategy was drafted, was the Bank Base Rate was expected to increase over the next three financial years from its current level of 0.50% to 0.75% by December 2011, and to 3.25% by March 2014. It was anticipated that PWLB borrowing rates would steadily increase throughout 2011/2012 across all periods with the 5 years PWLB forecast to around 3.5% by March 2012, and the 25 year and 50 year PWLB rates to be at the 5.3% mark.

2011/2012 has seen:

- Demand for goods on the high street deteriorate;
- Mixed signals on the strength of the labour market recovery;
- Public sector borrowing higher than expected;
- The short-term outlook for CPI inflation deteriorate further;
- The Monetary Policy Committee moving away from raising interest rates;
- UK equities staying broadly flat over the quarter and gilt yields falling;
- Economic growth slow in the both US and euro-zone, with increasing concern over levels of debt in the euro-zone.

The economic recovery has been struggling to regain momentum after underlying activity more or less stagnated between October and March. Therefore weakness of the economy appears to be having some adverse effect on the public finances.

The marginal upgrading of the first half of 2011 has only had a minor effect on the big picture for the UK and there is considerable uncertainty as to how the UK economy will evolve in the coming months.

The Bank of England Inflation Report in August cut growth forecasts for the UK citing the weaker global economy, in particular the eurozone debt crisis. The report downgraded growth forecasts for 2011 from 1.8% to 1.5% and for 2012 from 2.5% to 2.0%. The expectation for growth to pick up very slowly makes it evident that the Bank's primary concern is to restore the health of the economy rather than tackle the high levels of inflation in the short term. Bank base rates are not anticipated to rise until December 2012 at the earliest and then expected to rise slowly to 2.5% by June 2014.

A slow economic recovery is the most likely outcome in the UK and US, for the next three to four years which is expected to be more protracted than business cycle recoveries of the past because off the added complication of the recent financial crisis and the lack of credit which continues to stifle growth.

The Bank of England forecasts that CPI will rise to around 5%, due to one off factors that will drop out of the index within 12 months (e.g. Vat increase). This underpins the view that inflation will be back to near its 2% target within a two to three year time horizon.

Similarly PWLB borrowing rates are expected to remain lower than forecast in February 2011 with the 5 years PWLB forecast to be 2.90% by March 2012, 3.40% in March 2013 and 4.10% by March 2014. Lower increases than previously estimated are forecast for the both the 25 year PWLB and 50 year PWLB rates (5.10% in March 2012, 5.20% in March 2013 and 5.50% in March 2014).

The table below shows the average borrowing rates for Q1 and Q2 in 2011/2012.

2011/2012	**Qtr 1 (Apr - June) %**	**Qtr 2 (to 31/08/2011) %**
7 days notice	0.40	0.40
1 year	1.69	1.52
5 year	3.29	2.86
10 year	4.51	4.09
25 year	5.22	4.99
50 year	5.16	4.98

A1.2 The strategy for 2011/2012 was to adopt a pragmatic approach and to respond to any changing circumstances to seek to secure benefit for the Council. A benchmark financing rate of 5.50% for long-term borrowing was set for 2011/2012. Due to high levels of volatility in the financial markets, with borrowing rates still forecast to remain low over the short term, no new borrowing has been undertaken in the current financial year.

A1.3 The Borrowing Strategy for 2011/2012 made provision for debt rescheduling but also stated that because of the proactive approach taken by the Council in recent years, and because of the very low underlying rate of the Council's long term debt it would be difficult to refinance long term loans at interest rates lower than those already in place.

At this stage, no debt rescheduling has been undertaken during 2011/2012 as rates have not been considered sufficiently favourable for rescheduling.

The strategy for the remainder of 2011/2012 is for the Treasury Management team to continue to monitor market conditions and secure early debt redemption if appropriate opportunities arise. Any rescheduling undertaken will be reported to Cabinet in line with the current Treasury Management reporting procedures.

The Council's treasury portfolio position at 1st September 2011 is set out below:

		Principal (£m)	Total (£m)	Average Rate (%)
Borrowing				
Fixed Rate Funding	PWLB	138.0		
	Market	34.5		
	Other	0.3	172.8	3.86
Variable Rate Funding	PWLB	0.0		
	Market	5.0		
	Temporary/ Other	31.1	36.1	0.92
Total Borrowing			**208.9**	**3.35**

A2. Treasury Management Prudential Indicators – 2011/2012

A2.1 All external borrowing and investments undertaken in 2011/2012 have been subject to the monitoring requirements of the Prudential Code. Under the code, Authorities must set borrowing limits (Authorised Borrowing Limit for External Debt and Operational Boundary for External Debt) and must report on the Council's performance for all of the other TM Prudential Indicators.

A2.2 The statutory limit under section 3(1) of the Local Government Act 2003 (which is also known as the Authorised Borrowing Limit for External Debt) was set by the Council for 2011/2012 as follows:

	£m
Borrowing	331.539
Other Long Term Liabilities	50.860
Total	**382.399**

The Operational Boundary for External Debt was set as shown below: -

	£m
Borrowing	261.603
Other Long Term Liabilities	50.860
Total	**312.463**

The maximum external debt in respect of borrowing in 2011/2012 (to 1st September 2011) was £208.921 million (which includes borrowing in respect of other organisations such as Tyne and Wear Fire and Rescue Authority) and is well within the borrowing limits set by both of these indicators.

A2.3 The table below shows that all other Treasury Management prudential indicators have been complied with.

Prudential Indicators		**2011/2012 (to 01/09/2011) Limit £'000**	**Actual £'000**
P10	Upper limit for fixed interest rate exposure Net principal re fixed rate borrowing / investments	105,000	18,317
P11	Upper limit for variable rate exposure Net principal re variable rate borrowing / investments	60,000	17,249
P13	Upper limit for total principal sums invested for over 364 days	100,000	0

A2.4 The Council is currently within the limits set for all of its TM Prudential Indicators.

A3. Investment Strategy – 2011/2012

A3.1 The Investment Strategy for 2011/2012 was approved by Council on 2nd March 2011. The general policy objective for the Council is the prudent investment of its treasury balances. The Council's investment priorities in order of importance are:

(A) The **security** of capital;
(B) The **liquidity** of its investments and then
(C) The Council aims to achieve the **optimum yield** on its investments but this is commensurate with the proper levels of security and liquidity.

A3.2 As at 31st August 2011 the funds managed by the Council's in-house team amounted to £222.879 million and all investments complied with the Annual Investment Strategy. The table below shows the return received on these investments as compared with the Council's benchmark rate (i.e. the 7 day rate).

	2011/2012 Actual to 31/08/2011 %	**2011/2012 Benchmark to 31/08/2011 %**
Return on investments (to 31st August 2011)	1.51	0.36

A3.3 Investments placed in 2011/2012 have been made in accordance with the approved investment strategy and comply with the counterparty criteria used to identify organisations on the Approved Lending List in place.

A3.4 However the investment policy is regularly monitored and reviewed to ensure it has flexibility to take full advantage of any changes in market conditions to the benefit of the Council.

A3.5 There is current high volatility within the financial markets, particularly the significant continuing concerns surrounding the level of debt and the possibility of debt default by some of the southern euro zone countries such as Spain, Greece, Portugal and possibly Italy; together with the very high profile problems within the US where they are now projecting a very slow and protracted economic recovery and the president has had problems agreeing measures to ensure they too did not default on their debt repayments. Both positions remain a significant cause for concern for the UK and these concerns coupled with the recent advice from our Treasury Management advisers to restrict investments to all financial institutions in the short term means that the council has reviewed its Treasury Management investment policy.

A3.6 Advice has also been given that the above guidance is not applicable to institutions considered very low risk because the government holds shares in these organisations (i.e. Lloyds TSB and RBS) or in respect of Money Market Funds which are also AAA rated.

A3.7 In light of all of this advice and the views of the Authority it is recommended that the Lending List Criteria is amended to increase amounts approved to be invested for AAA institutions from £50 million to £70 million. This will help reduce counterparty risk by enabling the Council to increase its investments with those institutions in which the UK Government holds a financial stake and would be very unlikely to be allowed to fail should the financial situation substantially deteriorate.

A3.8 The regular updating of the Council's authorised lending list is required to take into account financial institution mergers and changes in institutions' credit ratings. The Counterparty Criteria is shown in Appendix B and the Approved Lending List is shown in Appendix C have been updated with the proposed changes outlined above and summarised in 4.3 of the report.

A3.9 In accordance with the revised Treasury Management best practice a risk analysis of the Treasury Management functions has been carried out and included in Appendix D for information which sets out how the Council manages the risks associated with the Treasury Management function.

Appendix B

Counterparty Criteria

The Council takes into account not only the individual institution's credit ratings issued by all three credit rating agencies (Fitch, Moody's and Standard & Poor's), but also all available market data and intelligence, the level of government support and advice from its Treasury Management advisors.

Set out below are the criteria to be used in determining the level of funds that can be invested with each institution. Where an institution is rated differently by the rating agencies, the lowest rating will determine the level of investment.

Fitch / S&P's Long Term Rating	Fitch Short Term Rating	S&P's Short Term Rating	Moody's Long Term Rating	Moody's Short Term Rating	Maximum Deposit £m	Maximum Duration
AAA	F1+	A1+	Aaa	P-1	**70**	2 Years
AA+	F1+	A1+	Aa1	P-1	50	2 Years
AA	F1+	A1+	Aa2	P-1	40	364 days
AA-	F1+ / F1	A1+ / A-1	Aa3	P-1	20	364 days
A+	F1	A-1	A1	P-1	10	364 days
A	F1 / F2	A-1 / A-2	A2	P-1 / P-2	10	364 days
A-	F1 / F2	A-2	A3	P-1 / P-2	5	6 months
Local Authorities (limit for each local authority)					30	364 Days
Money Market Funds Maximum amount to be invested in Money Market Funds is £50 million with a maximum of £30 million in any one fund.					50	2 Years

Where the UK Government holds a shareholding in an institution the UK Government's credit rating of AAA will be applied to that institution to determine the amount the Council can place with that institution.

Where any banks / building societies are part of the UK Government's Credit Guarantee scheme (marked with * in the Approved Lending List), these counterparties will have an AA rating applied to them thus giving them a credit limit of £40 million for a maximum period of 364 days.

The Code of Practice for Treasury Management in the Public Services recommends that consideration should also be given to country, sector, and group limits in addition to the individual limits set out above, these new limits are as follows:

Country Limit
It is proposed that only countries with a minimum sovereign credit rating of AA+ by all three rating agencies will be considered for inclusion on the Approved Lending List.

It is also proposed to set a total limit of £40 million which can be invested in other countries provided they meet the above criteria. A separate limit of £300 million will be applied to the United Kingdom and is based on the fact that the government has done and is willing to take action to protect the UK banking system.

Country	**Limit £m**
UK	300
Non UK	40

Sector Limit
The Code recommends a limit be set for each sector in which the Council can place investments. These limits are set out below:

Sector	**Limit £m**
Central Government	300
Local Government	300
UK Banks	300
UK Building Societies	150

Group Limit
Where institutions are part of a group of companies e.g. Lloyds Banking Group, Santander and RBS, then total limit of investments that can be placed with that group of companies will be determined by the highest credit rating of a counterparty within that group, unless the government rating has been applied. This will apply provided that:

- the government's guarantee scheme is still in place;
- the UK continues to have a sovereign credit rating of AAA; and
- that market intelligence and professional advice is taken into account.
- **New limit of £70m (previously £50m)**

Current group limits are set out in Appendix C

Approved Lending List

Appendix C

	Fitch				Moody's			Standard & Poor's			
	L Term	S Term	Individual	Support	L Term	S Term	Fin Strength Rating	L Term	S Term	Limit £m	Max Deposit Period
UK	AAA	F1+			Aaa			AAA		300	364 days
Lloyds Banking Group (see Note 1)										**Group Limit 70**	
Lloyds Banking Group plc	AA-	F1+	C	1	Aa3	-	-	A	A-1	**70**	364 days
Lloyds TSB Bank Plc	AA-	F1+	C	1	Aa3	P-1	C-	A+	A-1	**70**	364 days
Bank of Scotland Plc	AA-	F1+	C	1	Aa3	P-1	D+	A+	A-1	**70**	364 days
Royal Bank of Scotland Group (See Note 1)										**Group Limit 70**	
Royal Bank of Scotland Group plc	AA-	F1+	C/D	1	A1	P-1	-	A	A-1	**70**	364 days
The Royal Bank of Scotland Plc	AA-	F1+	C/D	1	Aa3	P-1	C-	A+	A-1	**70**	364 days
National Westminster Bank Plc	AA-	F1+	-	1	Aa3	P-1	C-	A+	A-1	**70**	364 days
Ulster Bank Ltd	A+	F1+	E	1	A2	P-1	D-	A	A-1	**70**	364 days
Santander Group *										Group Limit 40	
Santander UK plc	AA-	F1+	B	1	Aa3	P-1	C-	AA	A-1+	40	364 days
Cater Allen	AA-	F1+	B	1	Aa3	P-1	C-	AA	A-1+	40	364 days
Barclays Bank plc *	AA-	F1+	B	1	Aa3	P-1	C	AA-	A-1+	40	364 days
HSBC Bank plc *	AA	F1+	B	1	Aa2	P-1	C+	AA	A-1+	40	364 days

Appendix C (continued)

	Fitch			Moody's				Standard & Poor's			
	L Term	S Term	Individual	Support	L Term	S Term	Fin Strength	L Term	S Term	Limit £m	Max Deposit Period
Nationwide BS *	AA-	F1+	B	1	Aa3	P-1	C-	A+	A-1	40	364 days
Standard Chartered Bank *	AA-	F1+	B	1	A2	P-1	C+	A+	A-1	40	364 days
Clydesdale Bank / Yorkshire Bank **	AA-	F1+	C	1	A1	P-1	C-	A+	A-1	10	364 days
Co-Operative Bank Plc	A-	F2	B/C	3	A2	P-1	D+	-	-	5	6 months
Northern Rock ***	BBB+	F2	C	2	-	-	-	A-	A-2	0	
Top 10 Building Societies (by asset value)											
Nationwide BS (see above)											
Yorkshire BS	A-	F2	B/C	5	Baa1	P-2	D+	A-	A-2	0	
Coventry BS	A	F1	B	5	A3	P-2	C-	-	-	5	6 Months
Skipton BS	A-	F2	B/C	5	Baa1	P-2	D+	-	-	0	
Leeds BS	A	F1	B/C	5	A2	P-1	C+	-	-	10	364 Days
West Bromwich BS ***	BBB-	F3	C/D	5	Baa3	P-3	E+	-	-	0	
Principality BS ***	BBB+	F2	C	5	Baa2	P-2	D-	-	-	0	
Newcastle BS ***	BBB-	F3	C/D	5	Baa2	P-2	D-	-	-	0	
Norwich and Peterborough BS ***	BBB+	F2	C	5	Baa2	P-2	D	-	-	0	
Nottingham BS	-	-	-	-	A3	P-2	C-	-	-	5	6 Months
Foreign Banks have a combined total limit of £40m											
Australia	AA+	-	-	-	Aaa	-	-	AAA		40	364 Days
National Australia Bank	AA	F1+	B	1	Aa1	P-1	B	AA	A-1+	40	364 Days
Australia and New Zealand Banking Group Ltd	AA-	F1+	B	1	Aa1	P-1	B	AA	A-1+	20	364 Days

Appendix C (continued)											
	Fitch				Moody's			Standard & Poor's			
	L Term	S Term	Individual	Support	L Term	S Term	Fin Strength	L Term	S Term	Limit £m	Max Deposit Period
Commonwealth Bank of Australia	AA	F1+	A/B	1	Aa1	P-1	B	AA	A-1+	40	364 Days
Westpac Banking Corporation	AA	F1+	A/B	1	Aa1	P-1	B	AA	A-1+	40	364 Days
Canada	**AAA**				**Aaa**			**AAA**		40	364 Days
Bank of Nova Scotia	AA-	F1+	B	1	Aa1	P-1	B	AA-	A-1+	20	364 Days
Royal Bank of Canada	AA	F1+	A/B	1	Aa1	P-1	B+	AA-	A-1+	20	364 Days
Toronto Dominion Bank	AA-	F1+	B	1	Aaa	P-1	B+	AA-	A-1+	20	364 Days
Money Market Funds										50	2 Years
Prime Rate Stirling Liquidity	AAA MMF							AAAm		30	2 Years
Insight Liquidity Fund					AAA MR1			AAAm		30	2 Years
Ignis Sterling Liquidity	AAA MMF							AAAm		30	2 Years

Notes

Note 1 **Nationalised / Part Nationalised**
The counterparties in this section will have the UK Government's AAA rating applied to them thus giving them a revised credit limit of **£70** million for a maximum period of 364 days

* Banks / Building Societies which are part of the UK Government's Credit Guarantee scheme
The counterparties in this section will have a AA rating applied to them thus giving them a revised credit limit of £40 million for a maximum period of 364 days

** The Clydesdale Bank (under the UK section) is owned by National Australia Bank

*** These will be revisited and used only if they meet the minimum criteria (ratings of A- and above)

Any bank which is incorporated in the United Kingdom and controlled by the FSA is classed as a UK bank for the purposes of the Approved Lending List.

APPENDIX D

Risk Management Review of Treasury Management

Set out below are the risks the Council face as a result of carrying out their Treasury Management functions and the controls that are in place to mitigate those risks:

	Risk	Controls
1.	**Strategic Risk** The Council's strategic objectives could be put at risk if borrowing costs escalated, or investment income was reduced, or there was a combination of the two. This could result in a negative impact on the Council's budget and could ultimately lead to a reduction in resources for front line services.	This risk is mitigated by the adoption of a Treasury Management Strategy approved by the Council in March each year for the next financial year, in accordance with the CIPFA Code of Practice on Treasury Management. The Treasury Management Strategy sets out a borrowing strategy and investment strategy for the year ahead. The strategy is based on the Director of Financial Resources' view on the outlook for interest rates, supplemented by the views of leading market forecasters provided by the Council's treasury advisor (currently Sector). The strategy also sets the Authorised Borrowing Limit (setting the maximum amount that the Council may borrow) and various prudential indicators to ensure the Treasury Management function is monitored and properly managed and controlled.
2.	**Interest Rate Risk** The risk of fluctuations in interest rates affects both borrowing costs and investment income and could adversely impact on the Council's finances and budget for the year.	The Council manages its exposure to fluctuations in interest rates with a view to minimising its borrowing costs and securing the best rate of return on its investments, having regard to the security of capital, in accordance with its approved Treasury Management Strategy. The risk is mitigated due to the prudent view taken on interest rates adopted in the budget after taking into account the Director of Financial Resources' own view of the financial markets, specialist

	expert advice, other information from the internet, the Financial Times, other domestic and international economic data, published guidance and Government fiscal policy . A pro-active approach is taken by the Council's Treasury Management team, which closely monitors interest rates on a daily basis and takes necessary actions to help mitigate the impact of interest rate changes over the short, medium and longer term as appropriate.
3. Exchange Rate Risk As a result of the nature of the Council's business, the Council may have an exposure to exchange rate risk from time to time. This will mainly arise from the receipt of income or the incurring of expenditure in a currency other than sterling.	All borrowings and investments are made in sterling and are therefore not subject to exchange rate risk. This risk is minimal as all other foreign exchange transactions are automatically converted into GBP sterling by the Council's bankers on the day of the transaction.
4. Inflation Risk There is a risk that the rate of inflation will impact on interest rates as a direct result of the intervention of the Bank of England to control inflation through the use of interest rates, where inflation rates have exceeded or are projected to exceed the target rates agreed between the Bank of England and Government.	Economic data such as pay, commodities, housing and other prices are monitored by the Council's treasury advisors. These are considered as part of an overall view on the influences on inflation rates, which in turn inform the Council's view on interest rate forecasts when drafting annual budgets and reviewing treasury management performance. Regular meetings are held with treasury advisors to provide updates on economic data to monitor any changes in inflation rates that may influence interest rates so that the Treasury Management Strategy can be revised and updated as necessary and any remedial action taken.
5. Counterparty Risk The Credit Crunch and problems encountered by some authorities with Icelandic Banks has	The prime objective of the Council's treasury management activity in this area is the security of the capital sums it

	demonstrated that there is a risk of losing funds/investments deposited with counterparties when carrying out its investment strategy activities.	invests. Accordingly, counterparty lists and limits reflect a prudent view of the financial strength of the institutions where funds are deposited. The Council also only uses instruments set out in its investment policy and places limits upon the level of investment with the Counterparties approved within the Council's Treasury Management Policy and Strategy Statement. The Director of Financial Resources has delegated authority to amend both the Lending Criteria and the Approved Lending List in response to changes in the financial markets should the need arise and these changes are reported to Cabinet at the next available opportunity. The Treasury Management team continually monitor information regarding counterparties using credit ratings, news articles, the internet, the Financial Times, Credit Default Swap prices, professional advice and other appropriate sources to formulate its own view to keep the approved lending list up to date and fully informed, using the latest available information.
6.	**Capital Financing and Refinancing Risk** There is a risk that opportunities for rescheduling of the Council's debt portfolio are constrained.	The risk is currently mitigated as the Council has access to the funds of the Public Works Loan Board (PWLB) and has the flexibility to temporarily use internal funds as required. PWLB funding could come under pressure in future years because of the large and increasing amount of public debt incurred by the Government which could see a return to the operation of the PWLB quota system as operated in previous years where Government funding was restricted.
7.	**Statutory and Regulatory Risk** There is a risk that regulations	The Council ensures full compliance with

	covering Treasury Management will change and the Council fails to respond to those changes.	the current legislative requirements under the Local Government Act 2003 and the Prudential Code, which also requires full compliance with the CIPFA Treasury Management Code of Practice. All Treasury Management Prudential Indicators are monitored daily and all Treasury Management practices fully comply with the Code of Practice (including the recent proposals) and this is reported to and agreed by Council.
8.	**Treasury Management Arrangements Risk** There is a risk that the council does not carry out its Treasury Management function effectively and thereby the Council could suffer financial loss as a result.	This is unlikely to happen because the Treasury Management function is required to ensure the Council can comply with all legislative and regulatory requirements. As such the Council has a well established Treasury Management team that operates under the Director of Financial Resources and is staffed appropriately with a good mix of both well experienced and qualified staff. Training and professional advice is regularly carried out to ensure the team is up to date and that they can inform senior management and Members of all developments and provide the necessary expert advice and guidance in this specialist area of finance.