TYNE & WEAR FIRE AND RESCUE AUTHORITY **Item No 5**

GOVERNANCE COMMITTEE MEETING: **29 SEPTEMBER 2014**

SUBJECT: TREASURY MANAGEMENT – HALF YEARLY REVIEW OF PERFORMANCE 2014/2015

REPORT OF THE FINANCE OFFICER

1. Purpose of Report

1.1 To report on the Treasury Management (TM) performance for 2014/2015.

2. Description of Decision

2.1 The Committee is requested to note the positive progress in implementing the Treasury Management Strategy in 2014/2015.

2.2 The Committee is also requested to note amendments to the Approved Lending List at Appendix C and the Risk Management Review of Treasury Management at Appendix D.

3. Introduction

3.1 Sunderland City Council performs the treasury management function on behalf of the Authority.

3.2 This report sets out the Treasury Management performance to date for the financial year 2014/2015, in accordance with the requirements of the Treasury Management Policy and Strategy agreed by Authority. This information is based on the data for Sunderland City Council, which incorporates the investment and borrowing figures for the Authority.

4. Review of Treasury Management Performance for 2014/2015

4.1 The Authority's Treasury Management function continues to look at ways of maximising financial savings and increase investment return to the revenue budget. There was a large fall in PWLB borrowing rates in July and August as investors sought lower risk investment options following escalation of the conflict in the Ukraine and separately, expectations of further banking interventions within the Eurozone. As PWLB rates were at a relatively low level, it was decided to take advantage of these low rates and borrow £20m. This will help to keep the Authority's interest rate on borrowing at its low level and will benefit the Authority's revenue budget over the longer term.

4.2 One option to make savings is through debt re-scheduling, however no rescheduling has been undertaken in 2014/2015 as rates have not been considered sufficiently favourable. It should be noted the Authority's interest rate on borrowing is very low, currently 3.42%, and as such the Authority continues to benefit from this low cost of borrowing and from the ongoing savings from past debt rescheduling exercises. Temporary planned use of Internal Funds helps to make this an even lower cost in reality. Performance continues to see the Authority's rate of borrowing in the lowest quartile as compared to other authorities.

4.3 Treasury Management Prudential Indicators are regularly reviewed and the Authority is within the limits set for all of its TM Prudential Indicators.

4.4 The investment policy is regularly monitored and reviewed to ensure it has flexibility to take full advantage of any changes in market conditions which will benefit the Authority.

4.5 The Authority has benefited from additional investment income in the first half of the year of over £8,000 in cash terms based on a higher rate of return in 2014/2015 of 0.41% compared to the benchmark 7 Day LIBID (London Interbank Bid) rate of 0.35%. Performance remains above the benchmark rate, whilst still adhering to the prudent policy agreed by the Authority.

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

4.7 The regular updating of the Authority's authorised lending list is required to take into account all recent financial institution mergers and changes in institutions' credit ratings. The Approved Lending List as shown in Appendix C has been updated to reflect this.

4.8 In accordance with 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 on behalf of the Authority.

5. Recommendation

5.1 The Committee is requested to note the Treasury Management (TM) performance during the year to the second quarter of 2014/2015.

5.2 Members are requested to note amendments to the Approved Lending List at Appendix C and the Risk Management Review of Treasury Management at Appendix D.

Appendix A

Detailed Treasury Management Performance – Quarter 2 2014/15

A1 Borrowing Strategy and Performance – 2014/15

A1.1 The Borrowing Strategy for 2014/2015 was approved by the Authority on 24th March 2014.

The Borrowing Strategy is based upon interest rate forecasts from a wide cross section of City institutions. The view in February 2014, when the Treasury Management Policy and Strategy was drafted, was that the Bank Base Rate would remain at 0.50% until March 2016 before steadily rising to 1.25% by March 2017 and that PWLB borrowing rates would increase during 2014/2015 across all periods.

Comments from the Governor of the Bank of England suggest it is wavering in its view on the timing of any increase to the current 0.50% Bank Rate which has added to the volatility in the markets. Financial markets have now pushed back their expectation of an interest rate rise from late 2014 to the first quarter of 2015, a view shared by the Authority's economic advisers. Other economic forecasters believe rates will not increase before the May 2015 General Election, citing depressed wage inflation relative to overall inflation as a strong reason for the Bank to hold back. They argue a rate rise would increase prices and hit workers who have not seen any significant increase in earnings, which in turn could hamper continued economic growth. This is a view shared by the Authority.

Forecasts for PWLB interest rate levels have fallen slightly with benchmark rates of 2.7% for 5 years, 3.4% for 10 years and 4.0% for 25 and 50 years. There are significant geopolitical risks and risks from the Eurozone so all interest rate forecasts at the current time should be viewed with caution. However, the general expectation for an eventual trend of gently rising gilt yields and PWLB rates remains unchanged. Recent safe-haven flows into gilts have depressed gilt yields and PWLB rates, which the Council has taken advantage of on behalf of itself and the Authority. Geopolitical events make forecasting PWLB rates highly unpredictable in the shorter term and these fears could subside with rates returning to previous levels over the coming quarters.

The following table shows the average PWLB rates for Quarter 1 and 2 to date.

2014/2015	**Qtr 1* (Apr - June) %**	**Qtr 1* (July - Aug) %**
7 days notice	0.35	0.35
1 year	1.29*	1.43*
5 year	2.66*	2.70*
10 year	3.56*	3.45*
25 year	4.22*	4.04*
50 year	4.18*	4.01*

*Rates take account of the 0.2% discount to PWLB rates available to eligible authorities that came into effect on 1st November 2012.

A1.2 The strategy for 2014/2015 is to adopt a pragmatic approach in identifying the low points in the interest rate cycle at which to borrow and to respond to any changing circumstances to seek to secure benefit for the Authority. A benchmark financing rate of 5.00% for long-term borrowing was set for 2014/2015. Recent volatility in the financial markets has seen considerable movement of funds into gilts with a resulting fall in gilt yields and PWLB rates. PWLB rates for 50 year maturity loans reduced from a highpoint of 4.20% on 7th July to a lowpoint of 3.72% on 29th August and has seen some significant fluctuations especially in the last 2 months in particular. Investors have sought safer investment options following the conflict in Ukraine and more recently expectations of further financial support measures within the Eurozone. In line with discussions with the Authority's economic advisors, the Council has sought to take advantage of the low borrowing rate troughs that occurred over this period, which will benefit the revenue budget over the longer term. As a result £20 million of new borrowing has been taken out during the quarter as these rates were considered opportune at different stages during the period. The new borrowing is summarised in the following table:

Duration	Date of the transaction	Start	Matures	Rate %	Loan Amount £m
50 years	08/08/2014	12/08/2014	12/08/2064	3.84	10.0
50 years	29/08/2014	02/09/2014	02/09/2064	3.72	10.0

Since taking out this new borrowing, rates have gradually risen with the corresponding 50 year loan rate standing at 3.94% as at 12th September 2014.

A1.3 The Borrowing Strategy for 2014/2015 made provision for debt rescheduling but due to the proactive approach taken by the Authority in recent years, and because of the very low underlying rate of the Authority's long-term debt, it would be difficult to refinance long-term loans at interest rates lower than those already in place.

Rates have not been sufficiently favourable for rescheduling in 2014/2015 so far and the Treasury Management team will continue to monitor market conditions and secure early redemption if appropriate opportunities arise. Any rescheduling undertaken will be reported to the Authority in line with the current Treasury Management reporting procedures.

Sunderland City Council successfully applied to access PWLB loans at a discount of 0.20%. This certainty rate is available for those authorities that provide "improved information and transparency on their locally determined long-term borrowing and associated capital spending plans". The discount came into effect on 1st November 2012 and the Council has been successful in extending its access to the PWLB certainty rate until 31st October 2015.

A1.4 Sunderland City Council's treasury portfolio at 12th September 2014 is set out below :

		Principal (£m)	Total (£m)	Average Rate (%)
Borrowing				
Fixed Rate Funding	PWLB	147.9		
	Market	39.6		
	Other	2.4	189.9	3.86
Variable Rate Funding	Temporary / Other		27.6	0.41
Total Borrowing			**217.5**	**3.42**

A2 Treasury Management Prudential Indicators – 2014/2015

A2.1 All external borrowing and investments undertaken in 2014/2015 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 also report on the Authority'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 Authority for 2014/2015 as follows:

	£m
Borrowing	31.555
Other Long-Term Liabilities	23.273
Total	**54.828**

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

	£m
Borrowing	26.555
Other Long-Term Liabilities	23.273
Total	**49.828**

The maximum external debt in respect of borrowing in 2014/2015 (to 31st August 2014) was £38.218 million and is well within the borrowing limits set by both of these indicators.

A2.3 The table overleaf shows that all other Treasury Management Prudential Indicators set by Sunderland City Council have been complied with:

Prudential Indicators		2014/2015 (to 12/09/14)	
		Limit £'000	**Actual £'000**
P10	**Upper limit for fixed interest rate exposure**		
	Net principal re fixed rate borrowing / investments	250,000	90,181
P11	**Upper limit for variable rate exposure**		
	Net principal re variable rate borrowing / investments	60,000	-26,785
P12	**Maturity Pattern**	Upper Limit	
	Under 12 months	50%	19.57%
	12 months and within 24 months	60%	0.66%
	24 months and within 5 years	80%	4.60%
	5 years plus	100%	81.27%
	A lower limit of 0% for all periods		
P13	**Upper limit for total principal sums invested for over 364 days**	75,000	0

A3 Investment Strategy – 2014/2015

A3.1 The Investment Strategy for 2014/2015 was approved by the Authority on 24th March 2014. The general policy objective for the Authority is the prudent investment of its treasury balances. The Authority's investment priorities in order of importance are:

(A) The **security** of capital;
(B) The **liquidity** of its investments and then;
(C) The Authority 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 12th September 2014, funds managed by Sunderland City Council's in-house team on behalf of the Authority amounted to £27.514 million and all investments complied with the approved Annual Investment Strategy. The following table shows the return received on these investments compared with the benchmark 7 Day LIBID (London Interbank Bid) rate, which the Authority uses to assess its performance.

	2014/2015 Return %	2014/2015 Benchmark %
Return on investments (to 12th September 2014)	0.41	0.35

A3.3 Investments placed in 2014/2015 have been made in accordance with the approved Investment Strategy and comply with the Counterparty Criteria in place, shown in Appendix B, which is used to identify organisations on the Approved Lending List.

A3.4 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 Authority’s advantage.

A3.5 Investment rates available in the market have continued at historically low levels.

A3.6 Due to the continuing high volatility within the financial markets, particularly in the Eurozone, advice from our Treasury Management advisers is to continue to restrict investments with all financial institutions for shorter term periods.

A3.7 Advice also continues that the above guidance is not applicable to institutions considered to be very low risk because the government holds shares in these organisations (i.e. Lloyds and RBS) which have a AA+ rating applied to them, or in respect of Money Market Funds which are AAA rated.

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 Approved Lending List is shown in Appendix C and has been updated with notified changes to credit ratings.

Lending List Criteria **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 advisers.

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	110	2 Years
AA+	F1+	A1+	Aa1	P-1	90	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	2 years
UK Government (including debt management office, gilts and treasury bills)					90	2 years
Money Market Funds Maximum amount to be invested in Money Market Funds is £80m with a maximum of £40m in any one fund.					80	Liquid Deposits
Local Authority controlled companies (# duration limited to 20 years in accordance with Capital Regulations)					20	# 20 years

Where the UK Government holds a shareholding in an institution the UK Government's credit rating of AA+ will be applied to that institution to determine the amount the Council can place with that institution for a maximum period of 2 years.

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 £350m 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	350
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	350
Local Government	350
UK Banks	350
UK Building Societies	150
Money Market Funds	80
Foreign Banks	40

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 AA+; and
- that market intelligence and professional advice is taken into account.

Proposed group limits are set out in Appendix C.

Approved Lending List **Appendix C**

	Fitch				Moody's			Standard & Poor's			
	L Term	S Term	Viability	Support	L Term	S Term	Fin Strength Rating	L Term	S Term	Limit £m	Max Deposit Period
UK	AA+				Aa1			AAA		350	2 years
Lloyds Banking Group (see Note 1)										**Group Limit 90**	
Lloyds Banking Group plc	A	F1	**a-**	1	**A2**	-	-	A-	A-2	90	2 years
Lloyds TSB Bank Plc	A	F1	**a-**	1	**A1**	P-1	C-	A	A-1	90	2 years
Bank of Scotland Plc	A	F1	**a-**	1	**A1**	P-1	**C-**	A	A-1	90	2 years
Royal Bank of Scotland Group (See Note 1)										**Group Limit 90**	
Royal Bank of Scotland Group plc	A	F1	bbb	1	**Baa2**	P-2	-	**BBB+**	A-2	90	2 years
The Royal Bank of Scotland Plc	A	F1	bbb	1	**Baa1**	P-2	D+	**A-**	**A-2**	90	2 years
National Westminster Bank Plc	A	F1	bbb	1	**Baa1**	P-2	D+	**A-**	**A-2**	90	2 years
Ulster Bank Ltd	A-	F1	ccc	1	**Baa3**	**P-3**	**E+**	BBB+	A-2	90	2 years
Santander Group *										**Group Limit 40**	
Santander UK plc	A	F1	a	1	A2	P-1	C-	A	A-1	40	364 days
Cater Allen	-	-	-	-	-	-	-	-	-	40	364 days
Barclays Bank plc *	A	F1	a	1	A2	P-1	C-	A	A-1	40	364 days
HSBC Bank plc *	AA-	F1+	a+	1	Aa3	P-1	C	AA-	A-1+	40	364 days

Appendix C (continued)

	Fitch				Moody's			Standard & Poor's			
	L Term	S Term	Viability	Support	L Term	S Term	Fin Strength Rating	L Term	S Term	Limit £m	Max Deposit Period
Nationwide BS *	**A**	F1	**a**	1	A2	P-1	C	**A**	A-1	40	364 days
Standard Chartered Bank *	AA-	F1+	aa-	1	A1	P-1	B-	AA-	A-1+	40	364 days
Clydesdale Bank / Yorkshire Bank **/***	A	F1	Bbb+	1	**Baa2**	**P-2**	**D+**	BBB+	A-2	0	
Co-Operative Bank Plc	**B**	B	**B**	5	**Caa2**	NP	E	-	-	0	
Top Building Societies (by asset value)											
Nationwide BS (see above)											
Yorkshire BS ***	BBB+	F2	bbb+	5	Baa2	P-2	C-	**-**	**-**	0	
Coventry BS	A	F1	a	5	A3	P-2	C	-	-	5	6 Months
Skipton BS ***	BBB-	F3	bbb-	5	Ba1	NP	D+	-	-	0	
Leeds BS	A-	F2	a-	5	A3	P-2	C	-	-	5	6 Months
West Bromwich BS ***	-	-	-	-	B2	NP	E+	-	-	0	
Principality BS ***	BBB+	F2	bbb+	5	Ba1	NP	D+	-	-	0	
Newcastle BS ***	BB+	B	bb+	5	-	-	-	-	-	0	
Nottingham BS ***	-	-	-	-	Baa2	P-2	C-	-	-	0	
Foreign Banks have a combined total limit of £40m											
Australia	AAA	-	-	-	Aaa	-	-	AAA		40	364 Days
National Australia Bank	AA-	F1+	aa-	1	Aa2	P-1	B-	AA-	A-1+	20	364 Days
Australia and New Zealand Banking Group Ltd	AA-	F1+	aa-	1	Aa2	P-1	B-	AA-	A-1+	20	364 Days
Commonwealth Bank of Australia	AA-	F1+	aa-	1	Aa2	P-1	B-	AA-	A-1+	20	364 Days
Westpac Banking Corporation	AA-	F1+	aa-	1	Aa2	P-1	B-	AA-	A-1+	20	364 Days

Appendix C (continued)

	Fitch				Moody's			Standard & Poor's			
	L Term	S Term	Viability	Support	L Term	S Term	Fin Strength Rating	L Term	S Term	Limit £m	Max Deposit Period
Canada	AAA				Aaa			AAA		40	364 Days
Bank of Nova Scotia	AA-	F1+	aa-	1	Aa2	P-1	B-	A+	A-1	10	364 Days
Royal Bank of Canada	AA	F1+	aa	1	Aa3	P-1	C+	AA-	A-1+	20	364 Days
Toronto Dominion Bank	AA-	F1+	aa-	1	Aa1	P-1	B	AA-	A-1+	20	364 Days
Money Market Funds										80	Liquid
Prime Rate Stirling Liquidity	AAA				Aaa			AAA		40	Liquid
Insight Liquidity Fund	AAA							AAA		40	Liquid
Ignis Sterling Liquidity	AAA							AAA		40	Liquid
Deutsche Bank Sterling Fund					Aaa			AAA		40	Liquid

Notes

Note 1 **Nationalised / Part Nationalised**
The counterparties in this section will have the UK Government's AA+ rating applied to them thus giving them a credit limit of £90m.

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

** 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 Authority'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 Authority'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 Authority 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 Finance Officers' view on the outlook for interest rates, supplemented by the views of leading market forecasters provided by the treasury advisor (currently Capita Asset Services). The strategy also sets the Authorised Borrowing Limit (setting the maximum amount that the Authority 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 Authority's finances and budget for the year.	The Authority 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 Finance Officers' own view of the financial markets, specialist expert advice, other information from the internet, other domestic and international economic data, published guidance and Government fiscal policy. A pro-active approach is taken by the 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.

	Risk	Controls
3.	**Exchange Rate Risk** As a result of the nature of the Authority's business, the Authority 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 Authority'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 treasury advisors. These are considered as part of an overall view on the influences on inflation rates, which in turn inform the Authority'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 Economic Downturn and problems encountered by some authorities with Icelandic Banks has demonstrated that there is a risk of losing funds/investments deposited with counterparties when carrying out its investment strategy activities.	The prime objective of the treasury management activity in this area is the security of the capital sums it invests. Accordingly, counterparty lists and limits reflect a prudent view of the financial strength of the institutions where funds are deposited. The Authority also only uses instruments set out in its investment policy and places limits upon the level of investment with the Counterparties approved within the Authority's Treasury Management Policy and Strategy Statement. The Finance Officer 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 the relevant Committee at the next available opportunity. The Treasury Management team continually monitor information regarding counterparties using credit ratings, news articles, the internet, Credit Default

	Risk	Controls
		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 Authority’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). PWLB funding could come under pressure in future years because of Government targets to reduce the level of public debt which could see a return to the operation of the PWLB quota system as operated in previous years where Government funding was restricted. However, the Government has not indicated that this is an option that they are currently considering.
7.	**Statutory and Regulatory Risk** There is a risk that regulations covering Treasury Management will change and the Authority fails to respond to those changes.	The Authority ensures full compliance with the current legislative requirements under the Local Government Act 2003 and the Prudential Code, which also requires full compliance with the latest CIPFA Treasury Management Code of Practice. All Treasury Management Prudential Indicators are monitored daily and all Treasury Management practices fully comply with the Revised Code of Practice and this is reported to and agreed by the Authority.
8.	**Treasury Management Arrangements Risk** There is a risk that the Authority does not carry out its Treasury Management function effectively and thereby the Authority could suffer financial loss as a result.	This is unlikely to happen because the Treasury Management function is required to ensure the Authority can comply with all legislative and regulatory requirements. As such the Authority has access to a well established Treasury Management team that operates under the Finance Officer and is staffed appropriately with a good mix of both well experienced and qualified staff. Professional advice is regularly accessed 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.