Sunderland City Council

Item No. 5

AUDIT AND GOVERNANCE COMMITTEE 27 SEPTEMBER 2019

TREASURY MANAGEMENT – SECOND QUARTERLY REVIEW 2019/2020

Report of the Executive Director of Corporate Services

1. Purpose of Report

1.1 To report on the Treasury Management performance to date for the second quarter of 2019/2020.

2. Description of Decision (Recommendations)

2.1 The Committee is requested to:

- Note the Treasury Management performance during Quarter 2 of 2019/2020.

- Note the Lending List Criteria at Appendix B, the Approved Lending List at Appendix C and the Risk Management Review of Treasury Management at Appendix D.

3. Introduction

3.1 This report sets out the Treasury Management performance to date for the second quarter of the financial year 2019/2020, in accordance with the requirements of the Treasury Management Policy and Strategy agreed by Council.

4. Summary of Treasury Management Performance for 2019/2020 – Quarter 2

4.1 The Council's Treasury Management function continues to look at ways to maximise financial savings and increase investment return to the revenue budget, whilst maintaining a balanced risk position. Public Works Loan Board (PWLB) rates have reduced in recent months but continue to be volatile, in part linked to continued uncertainty over the outcome of Brexit negotiations. In line with discussions with the Council's economic advisors, the Council took advantage of the low borrowing rate troughs that have occurred and has taken out £50 million of new borrowing during the financial year. These rates were considered opportune and will benefit the revenue budget over the longer term.

4.2 One option to make savings is through debt rescheduling; however, no rescheduling has been possible in 2019/2020 as rates have not been considered sufficiently favourable. The Council's interest rate on borrowing is very low, currently 2.89%, and, as such, the Council already benefits from this lower cost of borrowing and also from the ongoing savings from past debt rescheduling exercises. Based on advice from the Council's treasury advisor, performance continues to see the Council's rate of borrowing compare favourably to other authorities.

4.3 Treasury Management Prudential Indicators are regularly reviewed and the Council is within the limits set for all of its Treasury Management Prudential Indicators. The statutory limit under section 3 (1) of the Local Government Act 2003, which is required to be reported separately, (also known as the Authorised Borrowing Limit for External Debt) was set at £673.627m for 2019/2020. The Council's maximum external debt during the financial year to 31st August 2019 was £497.047m and is within this limit. More details of all of the Treasury Management Prudential Indicators are set out in section A2 of Appendix A for information.

4.4 The Council's 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 Council.

4.5 As at 31st August 2019, the funds managed by the Council's Treasury Management team have achieved a rate of return on its investments of 0.97% compared with the benchmark 7 Day LIBID (London Interbank Bid) rate of 0.57%. Performance is significantly above the benchmark rate, whilst still adhering to the prudent policy agreed by the Council, in what remains a very challenging market.

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

4.7 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 since the last report. The updated Approved Lending List is shown in Appendix C for information.

5. Recommendation

5.1 Members are requested to note the Treasury Management performance for the second quarter of 2019/2020.

5.2 Members are requested to note the Lending List Criteria at Appendix B, 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 2019/2020

A1 Borrowing Strategy and Performance – 2019/2020

A1.1 The Borrowing Strategy for 2019/2020 was reported to Cabinet on 13th February 2019 and approved by full Council on 6th March 2019.

The Borrowing Strategy is based upon interest rate forecasts from a wide cross section of City institutions. The view when the Treasury Management Policy and Strategy was drafted was that there would be further increases to the current 0.75% Bank of England (BoE) Base Rate of 0.25% by June 2019, early/late 2020 and further increases to 2.00% by March 2022. PWLB borrowing rates were expected to rise, albeit gently, during 2019/2020 across all periods but could be subject to exceptional levels of volatility due to continued uncertainty over the outcome of Brexit negotiations and geopolitical developments throughout the world.

After raising the Bank Rate from 0.5% to 0.75% in August 2018, the BoE Monetary Policy Committee (MPC) are unlikely to make further changes until the outcome of Brexit negotiations is known. The original withdrawal deadline of 29th March was put back in the hope that progress could be made on a proposal that would be approved by Parliament. The new Prime Minister has reaffirmed his commitment for Brexit to happen by 31st October 2019, even if there is no deal. With Parliament passing legislation designed to delay a no deal Brexit and forcing the Prime Minister to request a further extension, something he has refused to do, there is a growing likelihood the country is heading towards a general election.

The BoE August Inflation Report reports growth in the UK economy has been volatile during the first half of the year. Stronger than expected growth of 0.5% during the first quarter was attributed to stockpiling by businesses in the run-up to the original March withdrawal date. Growth is expected to be flat during the second quarter with this volatility continuing into the second half of the year reflecting a slowdown in global economies and companies scaling back investment due to Brexit uncertainties.

Link Asset Services, the Council’s treasury advisors, have revised their Base Rate forecasts and have pushed back the timing of the next increase to the fourth quarter of 2020. This is based on a central assumption that some form of deal can be reached, possibly including a further delay to the withdrawal deadline. If that proves not to be the case then both Base Rate and PWLB rate forecasts will change including the potential for the BoE to vote for an immediate cut of 0.25% - 0.50% in the Base Rate to support growth.

Current forecasts from Link Asset Services predict a gradual rise in PWLB rates reaching 1.50%, 1.80%, 2.40% and 2.30% for 5, 10, 25 and 50-year durations by 31st March 2020. High levels of volatility in PWLB rates and bond yields are expected to continue during 2019 and 2020 particularly due to the continued Brexit uncertainty.

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

2019/2020	**Qtr 1* (Apr - June) %**	**Qtr 2* (Jul – 10th Sept) %**
7 days' notice	0.57	0.56
1 year	1.48*	1.31*
5 years	1.54*	1.21*
10 years	1.85*	1.43*
25 years	2.41*	2.05*
50 years	2.26*	1.93*

*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 2019/2020 is to adopt a pragmatic and flexible 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 Council. A benchmark financing rate of 3.50% for long-term borrowing was set for 2019/2020 in light of the views prevalent at the time the Treasury Management policy was set in March 2019.

There have been high levels of volatility in the financial markets during 2019/2020. PWLB interest rates increased during April 2019, with 50-year rates peaking at 2.60%. However, continued uncertainty over the outcome of Brexit negotiations and the increased risk of leaving without a deal have led to a downward trend in rates. In line with discussions with the Council's economic advisors, the Council took advantage of the low borrowing rate troughs that have occurred and has taken out £50 million of new borrowing during the financial year. These rates were considered opportune and the Treasury Management team continues to closely monitor PWLB rates to assess the value of possible further new borrowing in line with future capital programme requirements. The new borrowing is summarised in the following table.

Duration	**Date of the transaction**	**Start**	**Matures**	**Rate %**	**Loan Amount £m**
50 years	13/08/2019	15/08/2019	15/08/2069	1.89	20.0
50 years	06/09/2019	10/09/2019	10/09/2069	1.82	30.0

A1.3 The Borrowing Strategy for 2019/2020 made provision for debt rescheduling but due to 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.

The 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 at least 31st October 2019.

A1.4 The Council's treasury portfolio position at 10th September 2019 is set out below:

		Principal (£m)	Total (£m)	Average Rate (%)
Borrowing				
Fixed Rate Funding	PWLB	343.7		
	Market	39.6		
	Other	9.1	392.4	3.05
Variable Rate Funding	Temporary / Other		27.7	0.65
Total Borrowing			**420.1**	**2.89**

A2 Treasury Management Prudential Indicators – 2019/2020

A2.1 All external borrowing and investments undertaken in 2019/2020 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 Council's performance for all of the other Treasury Management 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 2019/2020 as follows:

	£m
Borrowing	598.239
Other Long-Term Liabilities	75.388
Total	**673.627**

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

	£m
Borrowing	573.239
Other Long-Term Liabilities	75.388
Total	**648.627**

The Council's maximum external debt in respect of 2019/2020 (to 31st August 2019) was £497.047m and is within the limits set by both these key indicators.

A2.3 The table below shows that all other Treasury Management Prudential Indicators have been complied with:

Prudential Indicators		**2019/2020 (to 10/09/19)**	
		Limit £'000	**Actual £'000**
P9	**Upper limit for fixed interest rate exposure**		
	Net principal re fixed rate borrowing / investments	485,000	268,041
P10	**Upper limit for variable rate exposure**		
	Net principal re variable rate borrowing / investments	48,000	27,640

Prudential Indicators		2019/2020 (to 10/09/19)	
		Limit £'000	**Actual £'000**
P11	**Maturity Pattern**	Upper Limit	
	Under 12 months	50%	9.18%
	12 months and within 24 months	60%	1.67%
	24 months and within 5 years	80%	4.19%
	5 years plus	100%	87.87%
	A lower limit of 0% for all periods		
P12	**Upper limit for total principal sums invested for over 365 days**	75,000	0

A3 Investment Strategy – 2019/2020

A3.1 The Investment Strategy for 2019/2020 was approved by Council on 6th March 2019. 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 2019, the funds managed by the Council's in-house team amounted to £205.346 million and all investments complied with the Annual Investment Strategy. This includes monies invested on behalf of all other external organisations. The table below shows the return received on these investments compared with the benchmark 7 Day LIBID (London Interbank Bid) rate, which the Council uses to assess its performance.

	2019/2020 Actual to 31/08/19 %	2019/2020 Benchmark to 31/08/19 %
Return on investments	0.97	0.57

A3.3 Investments placed in 2019/2020 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 Investment rates available in the market remain lower than those achieved in previous years, although there has been some upward movement since the Bank of England Monetary Policy Committee announced the 0.25% increase in the base rate to 0.75% on 1st August 2018.

A3.5 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 to shorter term periods.

A3.6 Advice also continues that the above guidance is not applicable to institutions considered to be very low risk, mainly where the government holds shares in these organisations (i.e. RBS) and therefore have the UK Government rating applied to them, or separately in respect of Money Market Funds which are AAA rated.

A3.7 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. Any changes are reflected on the Approved Lending List shown in Appendix C.

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	120	2 Years
AA+	F1+	A1+	Aa1	P-1	100	2 Years
AA	F1+	A1+	Aa2	P-1	80	2 Years
AA-	F1+ / F1	A1+ / A-1	Aa3	P-1	75	2 Years
A+	F1	A-1	A1	P-1	70	365 days
A	F1 / F2	A-1 / A-2	A2	P-1 / P-2	65	365 days
A-	F1 / F2	A-2	A3	P-1 / P-2	50	365 days
Local Authorities (limit for each local authority)					30	2 years
UK Government (including debt management office, gilts and treasury bills)					250	2 years
Money Market Funds (CNAV, LVNAV and VNAV) Maximum amount to be invested in Money Market Funds is £120m with a maximum of £50m in any one fund.					120	Liquid Deposits
Local Authority controlled companies					40	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.

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 non-UK 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 £50m which can be invested in other countries provided they meet the above criteria. A separate limit of £250m 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	250
Non-UK	50

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	250
Local Government	250
UK Banks	250
Money Market Funds	120
UK Building Societies	100
Foreign Banks	50

Group Limit
Where institutions are part of a group of companies e.g. Lloyds Banking Group 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 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	L Term	S Term	L Term	S Term	Limit £m	Max Deposit Period
UK	AA	-	Aa2	-	AA	-	250	2 years
Lloyds Banking Group							Group Limit 70	
Lloyds Bank Plc (RFB)	A+	F1	Aa3	P-1	A+	A-1	70	365 days
Lloyds Bank Corporate Markets plc (NRFB)	A	F1	A1	P-1	A	A-1	70	365 days
Bank of Scotland Plc (RFB)	A+	F1	Aa3	P-1	A+	A-1	70	365 days
Royal Bank of Scotland Group (See Note 1)							Group Limit 80	
The Royal Bank of Scotland Plc (RFB)	A+	F1	A1	P-1	A	A-1	80	2 years
National Westminster Bank Plc (RFB)	A+	F1	A1	P-1	A	A-1	80	2 years
NatWest Markets plc (NRFB)	A	F1	Baa2	P-2	A-	A-2	80	2 years
Santander UK plc	A+	F1	Aa3	P-1	A	A-1	65	365 days
Barclays Bank plc (NRFB)	A+	F1	A2	P-1	A	A-1	65	365 days
Barclays Bank plc (RFB)	A+	F1	A1	P-1	A	A-1	65	365 days
Clydesdale Bank *	A-	F2	Baa1	P-2	BBB+	A-2	0	
Co-Operative Bank Plc	B	B	B3	NP	-	-	0	
Goldman Sachs International Bank	A	F1	A1	P-1	A+	A-1	65	365 days
HSBC Bank plc (NRFB)	AA-	F1+	Aa3	P-1	AA-	A-1+	75	2 years
HSBC UK Bank plc (RFB)	AA-	F1+	-	-	AA-	A-1+	75	2 years
Nationwide BS	A	F1	Aa3	P-1	A	A-1	65	365 days
Standard Chartered Bank	A+	F1	A1	P-1	A	A-1	65	365 days
Top Building Societies (by asset value)								
Nationwide BS (see above)								
Coventry BS	A-	F1	A2	P-1	-	-	65	365 days
Leeds BS	A-	F1	A3	P-2	-	-	50	365 days
Nottingham BS **	-	-	Baa1	P-2	-	-	0	
Principality BS **	BBB+	F2	Baa2	P-2	-	-	0	

	Fitch		Moody's		Standard & Poor's			
	L Term	S Term	L Term	S Term	L Term	S Term	Limit £m	Max Deposit Period
Skipton BS **	A-	F1	Baa1	P-2	-	-	0	
West Bromwich BS **	-	-	Ba3	NP	-	-	0	
Yorkshire BS **	A-	F1	A3	P-2	-	-	50	365 days
Money Market Funds							120	Liquid
Prime Rate Stirling Liquidity	AAA				AAA		50	Liquid
Insight Liquidity Fund	AAA		-		AAA		50	Liquid
Aberdeen Liquidity Fund (Lux)	AAA		AAA		AAA		50	Liquid
Deutsche Managed Sterling Fund	AAA		Aaa		AAA		50	Liquid
Foreign Banks have a combined total limit of £50m								
Australia	AAA		Aaa		AAA		50	365 days
Australia and New Zealand Banking Group Ltd	AA-	F1+	Aa3	P-1	AA-	A-1+	50	365 days
Commonwealth Bank of Australia	AA-	F1+	Aa3	P-1	AA-	A-1+	50	365 days
National Australia Bank	AA-	F1+	Aa3	P-1	AA-	A-1+	50	365 days
Westpac Banking Corporation	AA-	F1+	Aa3	P-1	AA-	A-1+	50	365 days
Canada	AAA		Aaa		AAA		50	
Bank of Nova Scotia	AA-	F1+	Aa2	P-1	A+	A-1	50	365 days
Royal Bank of Canada	AA	F1+	Aa2	P-1	AA-	A-1+	50	365 days
Toronto Dominion Bank	AA-	F1+	Aa1	P-1	AA-	A-1+	50	365 days
Finland	AA+		Aa1		AA+		50	365 days
OP Corporate Bank plc	-	-	Aa3	P-1	AA-	A-1+	50	365 days
Germany	AAA		Aaa		AAA		50	365 days
DZ Bank AG (Deutsche Zentral-Genossenschaftsbank)	AA-	F1+	Aa1	P-1	AA-	A-1+	50	365 days
Landwirtschaftliche Rentenbank	AAA	F1+	Aaa	P-1	AAA	A-1+	50	365 days
NRW Bank	AAA	F1+	Aa1	P-1	AA-	A-1+	50	365 days
Netherlands	AAA		Aaa		AAA		50	365 days
Bank Nederlandse Gemeenten	AAA	F1+	Aaa	P-1	AAA	A-1+	50	365 days
Cooperatieve Centrale Raiffeisen Boerenleenbank BA (Rabobank Nederland)	AA-	F1+	Aa3	P-1	A+	A-1	50	365 days

	Fitch		Moody's		Standard & Poor's			
	L Term	S Term	L Term	S Term	L Term	S Term	Limit £m	Max Deposit Period
Nederlandse Waterschapsbank N.V	-	-	Aaa	P-1	AAA	A-1+	50	365 days
Singapore	AAA		Aaa		AAA		50	365 days
DBS Bank Ltd	AA-	F1+	Aa1	P-1	AA-	A-1+	50	365 days
Oversea Chinese Banking Corporation Ltd	AA-	F1+	Aa1	P-1	AA-	A-1+	50	365 days
United Overseas Bank Ltd	AA-	F1+	Aa1	P-1	AA-	A-1+	50	365 days
Sweden	AAA		Aaa		AAA		50	365 days
Svenska Handelsbanken AB	AA	F1+	Aa2	P-1	AA-	A-1+	50	365 days
USA	AAA		Aaa		AA+		50	365 days
Bank of New York Mellon	AA	F1+	Aa1	P-1	AA-	A-1+	50	365 days
JP Morgan Chase Bank NA	AA	F1+	Aa1	P-1	A+	A-1	50	365 days
Wells Fargo Bank NA	AA-	F1+	Aa1	P-1	A+	A-1	50	365 days

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 £80m.

* 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 Prudential Regulation Authority (PRA) is classed as a UK bank for the purposes of the Approved Lending List.

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 Treasury Management team's view on the outlook for interest rates, supplemented by the views of leading market forecasters provided by the Council's treasury advisor (currently Link Asset Services). 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 Treasury Management team's 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 proactive 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.

	Risk	Controls
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 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 Council's 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 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 Executive Director of Corporate Services 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, Credit Default Swap prices, professional advice and other appropriate sources to formulate its own view to keep

	Risk	Controls
		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 covering Treasury Management will change and the Council fails to respond to those changes.	The Council 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 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 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 Executive Director of Corporate Services and is staffed appropriately with a good mix of both 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.