Annex 3

Risk Group	Risk Ref.	Risk Description	Impact: Financial	Impact: Reputation	Impact: Total	Likelihood	Total Risk Score	Mitigation actions
Financial	1	**Interest Rate Risk (Borrowing)** The risk that fluctuations in the levels of interest rates, offical and market, create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.	4	1	5	3	**15**	As part of the Treasury Management Strategy, the TM function will continually monitor interest rates available to ensure any borrowing is prudent, and at an affordable level.
Operational	2	**Regulatory (Markets in Financial Instruments Directive II)** MiFID II is due to come into effect from January 2018 and will result in all local authorities being automatically classified as retail status (both pension fund and treasury). A retail status infers that local authorities are not professionally competent to understand the instruments in which they are dealing, and so will have to rely on the particular investment firm to advise them of all the investment risks. Local authorities will be able to "opt up" to professional status, but the process will need to be with every counterparty (investing and borrowing), and is destined to be administratively burdonsome.	1	2	3	5	**15**	Officers are currently engaging very closely with professional bodies who, in turn, are engaging with the Financial Conduct Authority and the DCLG in order to have influence on the final outcome..
Operational	3	**Financial failure of SCC's main bankers** The collapse of the council's main bankers, leading to a total shutdown of services.	4	4	8	1	**8**	Banks operating within the UK regulatory framework are subject to bail-in regulations. In the event that HSBC is deemed by the regulator to be in financial difficulty, they can act to pre-empt possible financial collapse by bailing in certain investors or lenders to boost capital and allow operations to continue. The suitability of the council's banker (HSBC) in terms of its security and stability is assessed on a regular basis.
Financial	4	**Credit and counterparty risk** The risk of failure by a counterparty to meet its contractual obligations to the organisation under an investment, borrowing, capital, project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or revenue resources.	3	4	7	1	**7**	As part of the Treasury Management Strategy, counterparty criteria has been set at a level to allow only the most finanically secure banks and other counterparties within the lending list. Such lists are regularly monitored against updates and advice provided by our Treasury consultant.
Operational	5	**Fraud, Error and Corruption** This is defined as the risk that an organisation fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends.	3	4	7	1	**7**	Ongoing internal audit advice will ensure that the Council identifies the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Advice is also supplied with regard to the use of internal controls and compliance testing as to their effectiveness. Managers will maintain a constant watch over the suitability of its systems and procedures.
Financial	6	**Interest Rate Risk (Investments)** The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.	2	1	3	2	**6**	As part of the Treasury Strategy, all investments will be kept with counterparties with a high rating, on a short term basis of one year or less, minimising any interest rate risks.
Operational	7	**Liquidity Risk** The risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the organisation's business/service objectives will be thereby compromised.	1	2	3	2	**6**	The current Treasury Management Strategy, in recognition of the risks inherent in holding unecessary cash balances and the cost of carry on longer term borrowing, removed the requirement for a minimum cash balance and minimum deposit balance. The current strategy utilises internal and short term borrowing to meet liquidity requirements. As such significant emphasis has been placed upon the accuracy and scrutiny of cash flow forecasting to allow for effective planning for short term cash and borrowing needs. In the event of unforseen cash requirements, short term borrowing is widely available from other local authorities and money markets at low rates of interest.
Financial	8	**Too Conservative Strategy** The overall treasury management strategy is judged as too prudent and unnecessarily stringent, resulting in investment returns being lower than might have been with a more risky, but ultimately safe, approach.	3	2	5	1	**5**	Treasury strategies, outturn reports and monitoring reports and scrutinised on a regular basis by the Audit and Governance Committee with recommendations and opinions minuted and actioned.
Operational	9	**Legal and Regulatory Risk** Defined as the risk that the organisation itself, or a third party with which it is dealing, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly.	1	4	5	1	**5**	The Treasury Management function will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements, by receiving relevant updates from CIPFA and from the treasury advisors.
Operational	10	**Unauthorised access to offices leads to theft of intellectual property and confidential information**	1	4	5	1	**5**	Ensure all sensitive data is locked away. Challenge any unknown visitors. Use of secure passwords to protect against unauthorised access.
Operational	11	**HSBC System Failure** The partial or complete failure of HSBC's banking and security system disallowing access, usage of online payment and bank account information or that unauthorised access to accounts is not prevented due to coordinated cyber attack.	2	3	5	1	**5**	In the event of an online systems failure officers are able to request information or payments to be made through the Council's relationship manager and HSBC corporate team. HSBC as one of the worlds largest banks has dedicated significant resources to a cyber security system to combat this threat.
Financial	12	**Market Risk** The risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.	1	1	2	2	**4**	The Treasury Management Strategy prevents exposure to instruments which can be subject to signicant adverse market fluctuations in the capital sum invested.
Financial	13	**Refinancing Risk** The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancings, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.	2	2	4	1	**4**	As part of the Treasury Management Strategy, restrictions have been set on the proportion of borrowing that is due for refinancing in the short term..

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