

Risk propositions – commercial investment, climate and global issues

CIPFA Wessex, 12th March 2020

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What is Commercialisation?

“The spirit, principles, or procedure of commerce.”

“Emphasis on the maximising of profit.”

“Return **of** your money is more important than return on your money.”

What is Commercialisation?

“The big question is what you are commercialising for.”

“It’s part of councils’ DNA to be entrepreneurial and generate income through commercial activity but that it needs to have a dual purpose: developing the place, while putting the Council’s finances on a sustainable footing.”

Global Risk Report - Impacts

Top 5 Global Risks in Terms of Impact



Global Risk Report - Likelihood

Top 5 Global Risks in Terms of Likelihood



Key Soundbites from Global Risk Report

The Economic Frontier
Trade USA v China
BREXIT
Economic Downturn

At the time of writing, the IMF expected growth to be 3.0% in 2019—the lowest rate since the economic crisis of 2008-2009.⁷ At a time when global coordination in the form of more efficient trade could help boost growth, trade has instead been turned into an instrument for rivalry.

Digitisation
IoT
IP Protection
Reduced collaboration
Cyber as a weapon

Cyber-related issues, such as cyber attacks and data fraud or theft, remain within the list of top 10 long-term risks globally

78% Respondents expecting “economic confrontations” to increase in 2020

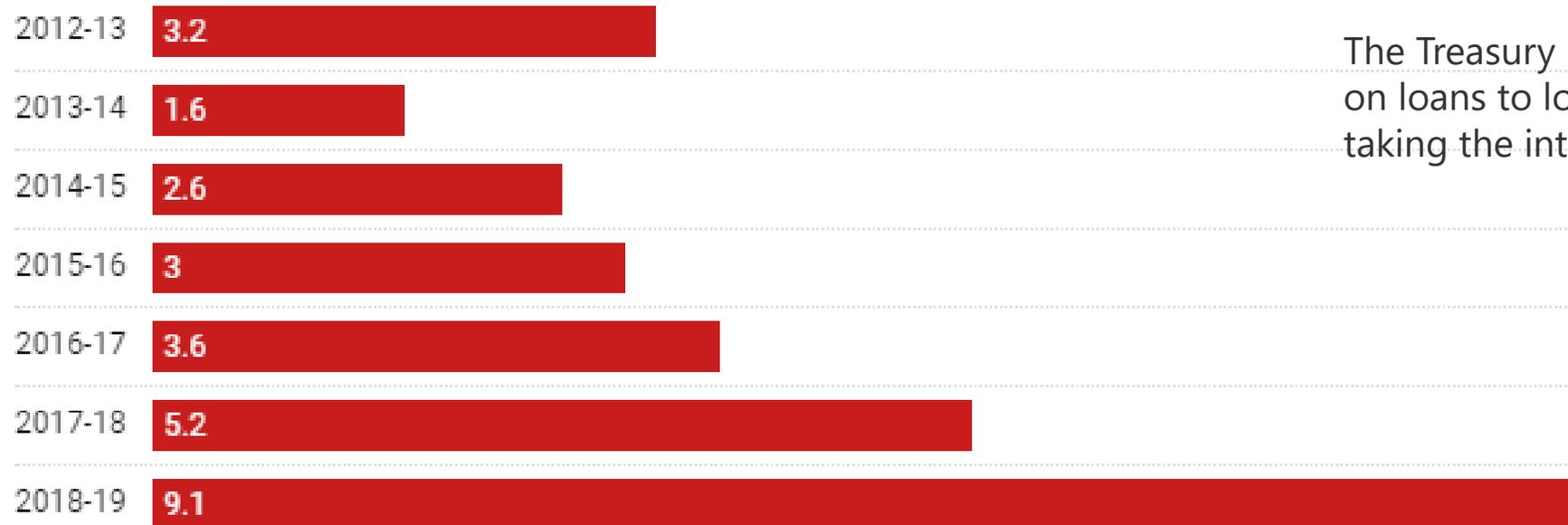
Change in Trade: Q1-Q3 (2018) to Q1-Q3 (2019)



Source: World Economic Forum estimates from WTO data, <https://data.wto.org/>, accessed 8 January 2020.

PWLB BORROWING BY LOCAL AUTHORITIES

■ VALUE OF LOANS (£bn)

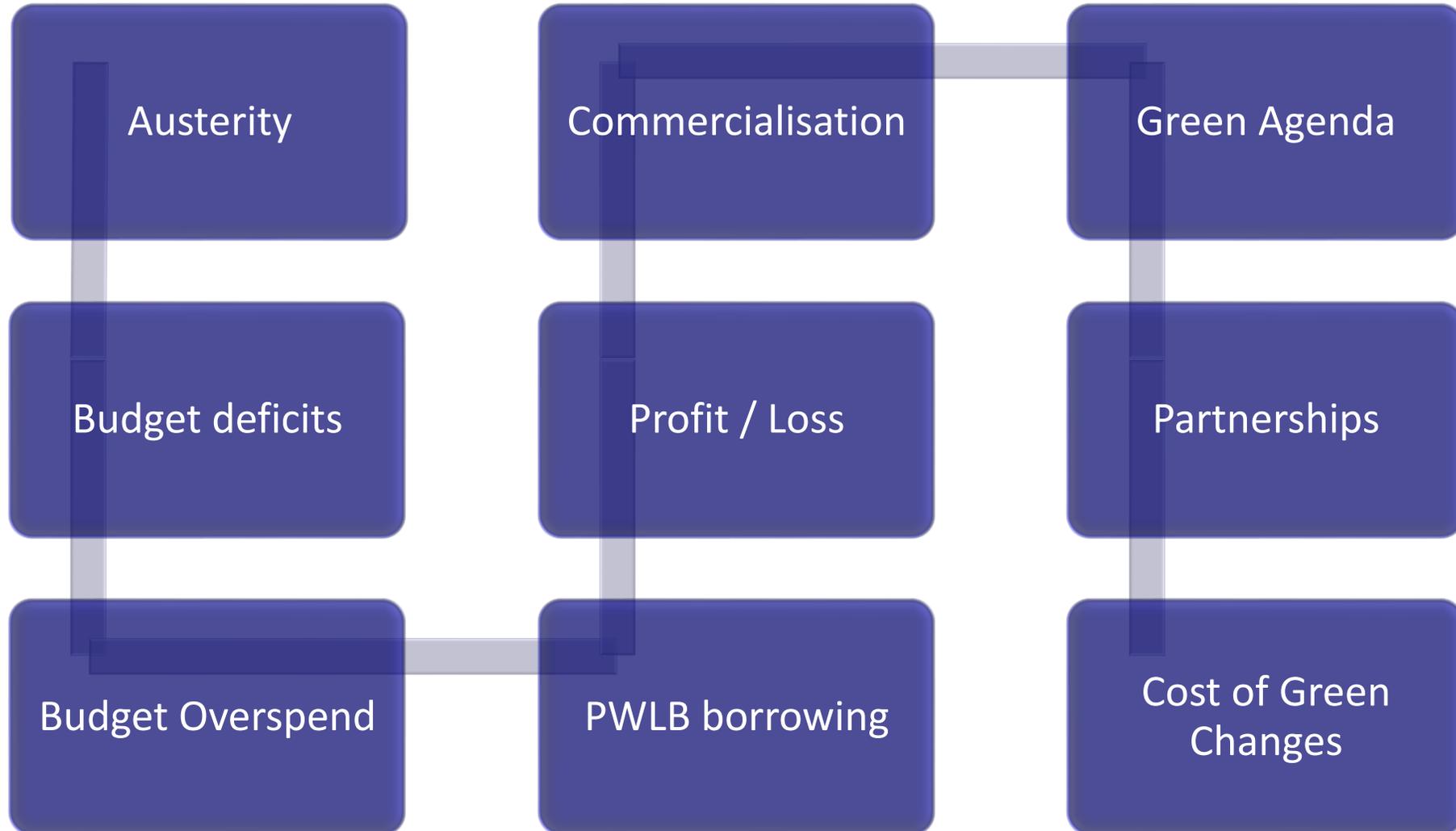


The recent 1% increase to the Public Works Loan Board (PWLB) rate will cost councils circa £70m a year in additional interest charges.

The Treasury hiked the interest rate charged on loans to local authorities by one percent, taking the interest rate from 1.8% to 2.8%.

Chart: Dbrady • Source: PWLB annual accounts • [Get the data](#) • Created with [Datawrapper](#)

The Continuous Financial Challenge



Commercialism and Positive Risk Management

- **Culture**
 - Commercial v social
- **Risk Appetite**
 - Overall and for commercial ventures
- **Decision Making**
 - Full knowledge and understanding of risks
 - Democratic accountability
- **Procurement and Supply Chain**
 - What are you asking from bidders?
- **Conduct Risk**
 - Ethical behaviours
- **Reputation Risk**
 - Public expectations / media scrutiny
- **Social Risk**
 - Impact on vulnerable communities

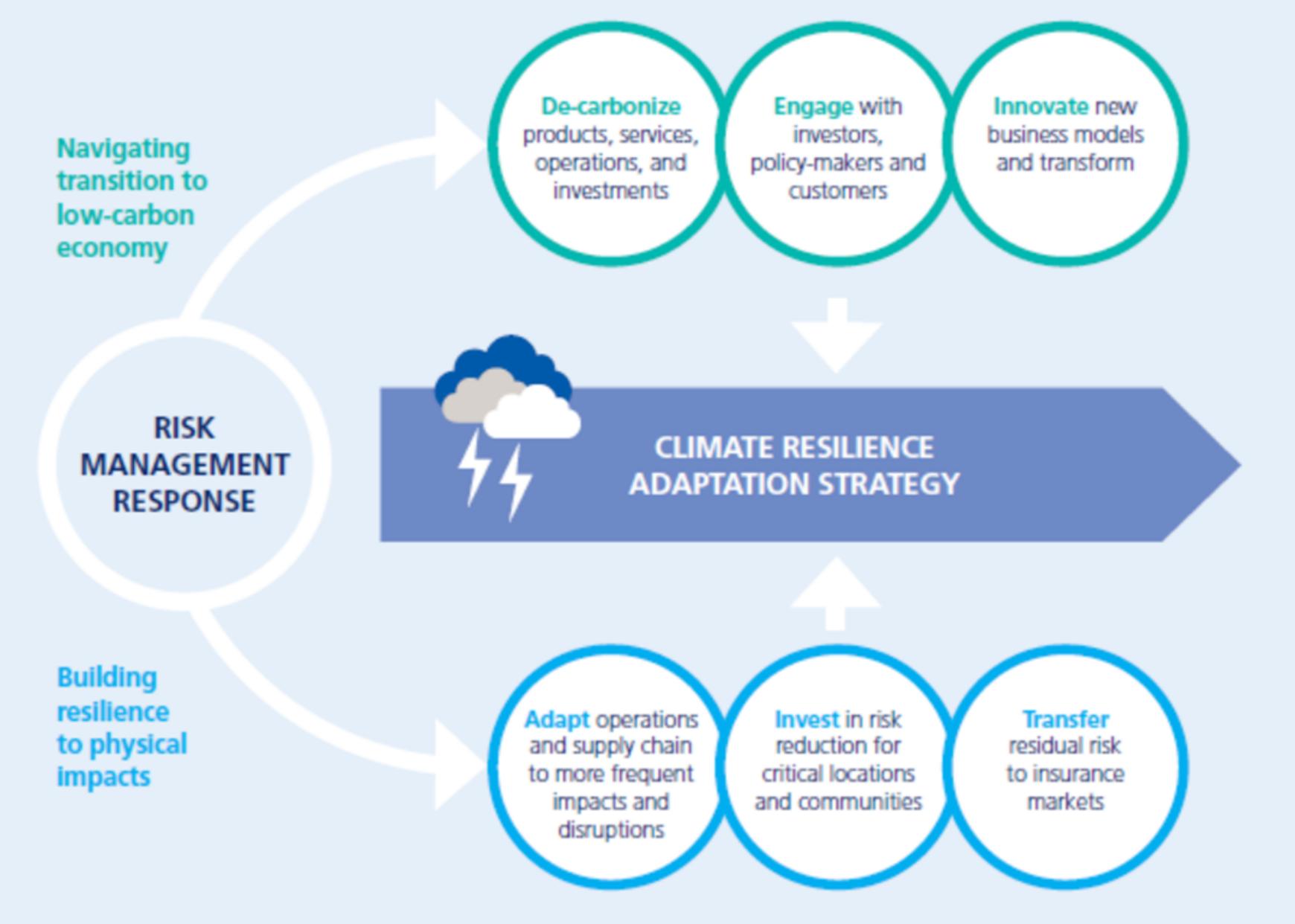


Risks from climate change

Mark Carney

- Physical Risks
 - adaptation to the largely physical consequences of climate change.
- Transition Risks
 - mitigation of greenhouse gas (GHG) emissions and its associated transition risks, including revaluation of assets.
- Liability Risks
 - the risk of actions initiated by claimants who have suffered loss and damage arising from climate change
- Opportunities

Risk management response



Commercial Risk Considerations

Financial	Strategic	Operational	Compliance
Liquidity	Exe board dynamics	Structures, systems, processes	Conduct risk
Cashflow	Business planning	Contract managements	Regulatory horizon
CAPEX	Governance	Human resources	Taxation
Future funding	Reputation	Skills and expertise	Transparency
Pensions	Culture and appetite	Plan B	Due diligence

Summary

- Keen focus remains on this agenda
- Risk appetite will vary. Be clear on what yours is
- Consider the risk implications early and throughout. Look for what can be tolerated and managed
- Don't just focus on finance and governance, consider risk in its widest sense
- Use risk to help you maximise opportunity

Special Report

Commercialisation in the public and voluntary sectors



Our report includes:

- The findings from an exclusive survey with members of ALARM, CIPFA and SOLACE
- Sector-specific insight for: local authorities; registered providers of social housing; charities and community organisations; and education institutions
- A focus on the social and ethical implications of commercial activity
- Guidance on how Zurich Municipal can help

Thank you

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