ITEM No …6………..

REPORT TO: **CITY GOVERNANCE COMMITTEE – 25 SEPTEMBER 2023**

REPORT ON: **ANNUAL TREASURY MANAGEMENT ACTIVITY 2022/2023**

REPORT BY: **EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

REPORT NO: **256-2023**

1 PURPOSE OF REPORT

To review the Treasury Management activities for the period 1 April 2022 to 31 March 2023.

2 RECOMMENDATION

The Committee is asked to note the information contained herein and agree the limits in Appendix 1.

3 FINANCIAL IMPLICATIONS

The financial implications of the Council's Treasury Management activities in 2022/2023 were that a saving of £2.7m was made from a combination of interest and principal repayment savings against 2022/2023 budget provision for capital financing costs in Housing Revenue Account (HRA) and General Services. This was due to the proactive use of short-term borrowing in line with the Treasury Management Strategy and prudential indicators, and delays in capital expenditure caused by the pandemic.

4 BACKGROUND

At its meeting on 7 March 2022 the Policy and Resources Committee approved the Council's Treasury Policy Statement setting out the policies which govern all borrowing and lending transactions carried out by the Council (Article III of the minute of meeting of the Policy and Resources Committee of 7 March 2022, Report 49-2022 refers), and the Treasury Management Strategy 2022/23 (Article IV of the minute of meeting of the Policy and Resources Committee of 7 March 2022, Report 50-2022 refers).

The Treasury Policy Statement requires that the Policy and Resources Committee will receive and consider the Treasury Management strategy in advance of each new financial year and subsequently an annual monitoring report on the activities in that year.

This monitoring report covers the Treasury Management activity over the financial year 2022/2023.

5 DEBT POSITION

The Council's long-term debt position at the beginning and end of the financial year was as follows:

		1 April 2022		31 March 2023	
		Principal £m	Average Rate %	Principal £m	Average Rate %
Fixed Rate Funding	PWLB	480.9	3.9	473.8	3.9
	Market	25.0	4.4	30.0	4.2
Variable Rate Funding	PWLB	-	-	-	-
	Market	15.0	4.3	10.0	4.9
		520.9	3.9	513.8	3.9

6 THE TREASURY MANAGEMENT STRATEGY FOR 2022/2023

The expectation for interest rates which are incorporated within the Council's treasury strategy statement were based upon officers' views along with advice from our treasury advisers supported by a selection of City forecasts. The view on base rates at time of strategy publication (in March 2022) was that rates were forecast to increase from 0.75% to 1.25% by the end of the financial year. It is important to note that The Bank of England increased base rate on eight occasions during 2022/23 with base rate reaching 4.25% on 23 March 2023.

At its meeting on 7 March 2022, the Policy and Resources Committee approved the Council's Treasury Management Strategy 2022/23 (Article IV of the minute of meeting of the Policy and Resources Committee of 7 March 2022, Report 50-2022 refers), which indicated that the Council's borrowing requirement for capital expenditure would be approximately £33m.

7 ACTUAL BORROWING AND LENDING FOR 2022/2023

7.1 Interest Rates

Bank of England base rate started the financial year at 0.75% and increased to 4.25% by the end of the financial year.

Long-term Public Works Loan Board (PWLB) rates (50 year) started at 2.39% but moved between 2.25% and 5.51% throughout the year, finishing the year on 4.41%. These PWLB rates include the reduction of 0.20% certainty rate funding that Dundee City Council is eligible for.

7.2 Borrowing

The Council maintained a net under-borrowed position. This meant that the capital borrowing need (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow was used as a temporary measure. This strategy was prudent as investment returns were low and counterparty risk was still an issue that needed to be considered.

7.2.1 Long-Term Borrowing

No long-term borrowing was undertaken in the reporting period.

7.2.2 Short-Term Borrowing

In order to indicate the level of short-term borrowing, shown below are the lowest and highest daily amounts outstanding each month, together with the short-term borrowing position at the end of every month and the range of interest rates at which borrowings were made -

Month	Lowest Amount Outstanding £m	Highest Amount Outstanding £m	End of month Amount Outstanding £m	Interest Rate Range %	
				Min	Max
April 2022	21.8	31.8	31.8	0.47	0.95
May 2022	26.8	31.8	26.9	0.65	0.95
June 2022	16.9	26.9	16.9	0.83	0.95
July 2022	16.9	16.9	16.9	0.94	0.95
August 2022	16.9	16.9	16.9	0.95	0.95
September 2022	11.9	16.9	11.9	0.95	0.95
October 2022	1.9	11.9	1.9	1.50	1.50
November 2022	1.9	2.3	2.3	1.50	1.50
December 2022	2.3	2.3	2.3	2.25	2.25
January 2023	2.3	2.3	2.3	2.75	2.75
February 2023	2.3	7.3	7.3	2.75	4.05
March 2023	2.3	7.3	2.3	3.25	3.25

The Interest on Revenue Balances (IORB) rate which is paid on non-General Fund cash balances is based on actual new short term borrowing which averaged 1.59% throughout the year. It can be seen from the above that short-term borrowing was undertaken throughout the year in line with Treasury Strategy Statement on short term borrowing.

8 LENDING

Balances on reserves and variations in cash flow requirements mean that there will be surplus funds which will be invested for short periods (maximum of 364 days).
Short term investments will be restricted to only those institutions identified in the Council's Approved Counter-parties list provided they have maintained their credit rating. An analysis of the lending position to 31 March 2023 shows:

Month	Lowest Amount Lent £m	Highest Amount Lent £m	End of month Amount Lent £m	Interest Rate Range %	
				Min	Max
April 2022	32.0	56.9	56.9	0.51	0.79
May 2022	38.0	60.0	38.0	0.63	0.94
June 2022	40.7	60.0	40.7	0.89	1.13
July 2022	39.5	63.2	51.2	1.11	1.35
August 2022	51.2	70.0	51.5	1.11	1.73
September 2022	42.4	67.4	42.4	1.64	2.54
October 2022	39.4	56.3	40.0	2.03	2.54
November 2022	29.2	57.4	29.2	2.22	3.04
December 2022	19.7	46.6	19.7	2.54	3.29
January 2023	19.7	40.9	22.2	2.54	3.47
February 2023	10.1	27.5	10.1	2.54	3.94
March 2023	9.2	31.5	12.6	3.90	4.11

The lending activity shown above related solely to short-term positions. All of the above loans were in compliance with Treasury Strategy Statement provisions on such lending with regards to amounts and institutions involved.

9 SPECIFIED INVESTMENTS

In accordance with the Treasury Management Strategy, in specific circumstances, specified funds identified by the Executive Director of Corporate Services are invested in longer term investment vehicles. These funds are Common Good; General Insurance; and Maintenance and Perpetuity of Lairs. These investments may have a higher risk threshold and can be subject to market fluctuation.

Investment activity throughout 2022/23 financial year is summarised as follows:

Value of funds invested at 1 April 2022	6,814,678
Withdrawals made within period	-
Value of funds invested at end of period	6,814,678
Value of funds at 31 March 2023	5,935,503
Capital Growth of Investments	(879,175)
Income from Investments	270,984
Total Return on Investments in period	(608,191)

10 CONSOLIDATED LOANS FUND INTEREST RATE

When setting the 2022/2023 Revenue Budget, the Council set its Loans Fund interest rate at 3.50%. The actual interest rate payable was 3.47%.

11 OUTLOOK FOR THE FIRST HALF OF 2023/24

The first quarter of 2023/24 saw a 0.2% month on month rise in real GDP in April and CPI inflation falling from 10.1% to 8.7% in April, before remaining at 8.7% in May, although core CPI inflation rose in both April and May, reaching a new 31-year high of 7.1%. Interest rates also rose by a further 75bps over the quarter, taking the Bank Rate from 4.25% to 5.00%.

The economy has endured the effects of higher inflation better than was widely expected, and the rise in real GDP in April, following March's 0.3% month on month contraction raises hopes that the economy will escape a recession this year. This sentiment was not in line with the composite Purchasing Managers Index (PMI) which fell to a three-month low of 52.8 in June (>50 points to expansion in the economy, <50 points to contraction). This was worse than the consensus forecast of 53.6. Whilst both the services and manufacturing PMIs fell, the decline in the services PMI was bigger (from 55.2 to 53.7), but it remains consistent with services activity expanding by an annualised 2%. The fall in the manufacturing PMI was smaller (from 47.1 to 46.2), but it is consistent with the annual rate of manufacturing output falling from -0.8% in April to around -5.0%.

Retail sales volumes have exceeded consensus forecasts of decline. In April there was a 0.5% month on month rise, followed by another 0.3 rise in retail sales volumes in May. Some of these rises can be attributed to the warmer weather.

The recent resilience of the economy has been due to a number of factors including the continued rebound in activity after the pandemic, with households spending some of their pandemic savings, the tight labour market and government support supporting household incomes. As government support declines, real household incomes are unlikely to grow rapidly. Furthermore, higher interest rates will mean GDP is likely to contract later this year. Specialists are making assumption that inflation will drop to the 2.0% target only if the Bank triggers a recession by raising rates from 5.00% to at least 5.5%, and that this rate is held there until at least mid-2024. There is also economist views that 60% of the detrimental effects on real activity from the rise in rates has yet to kick in, and believe that the drag on the quarterly rate of real GDP growth over the next year may be bigger than over the past year.

The labour market has become tighter, and wage growth has re-accelerated. We have also seen a big rise in employment, which meant the unemployment rate fell from 3.9% to 3.8%. UK wage growth remains much faster than in the US and Europe.

The Bank of England may have more work to do than the Federal Reserve or European Central Bank, and in their June meeting, the Monetary Policy Committee's (MPC) decision to step up the pace of hiking from the 25bps at the previous two meetings. The 7-2 vote, with only two members voting to leave rates unchanged at 4.50%, revealed support for stepping up the fight against high inflation.

The MPC has not committed to raising rates again or suggested that 50bps rises are now the norm. They also did not strengthen its forward guidance that any further rate hikes would be conditional on the data. However, it looks highly probable, given the on-going strength of inflation and employment data, that the Bank will need to raise rates to at least 5.5% and to keep rates at their peak until the mid-point of 2024.

Specialists still think that it is only a matter of time before the rise in rates weakens the economy sufficiently to push it into recession. That is why instead of rising to between 6.00%-6.25%, as is currently priced in by markets, they forecast that rates are more likely to peak between 5.50-6.00%, and also forecast for rates to be cut in the second half of 2024.

The Council's appointed treasury advisors, Link Asset Services assist the Council to formulate a view on interest rates. The following table gives Link Asset Services central view on interest rates as at 27 June 2023 :

Period	Bank Rate	PWLB Borrowing Rates % (including certainty rate adjustment)			
Quarter ending	%	5 year	10 year	25 year	50 year
Sep-23	5.50	5.60	5.20	5.40	5.10
Dec-23	5.50	5.30	5.00	5.20	5.00
Mar-24	5.50	5.10	4.90	5.10	4.90
Jun-24	5.25	4.80	4.70	4.90	4.70
Sep-24	4.75	4.50	4.40	4.70	4.50
Dec-24	4.25	4.20	4.20	4.50	4.30
Mar-25	3.75	3.90	3.90	4.20	4.00

Jun-25	3.25	3.60	3.70	4.00	3.80
Sep-25	2.75	3.40	3.50	3.90	3.60
Dec-25	2.75	3.30	3.50	3.80	3.60
Mar-26	2.50	3.30	3.50	3.80	3.50
Jun-26	2.50	3.20	3.40	3.70	3.50

See Appendix 2 for full economic review of 2022/23 financial year.

12 **PRUDENTIAL CODE INDICATORS**

The Treasury Management activity at the year end was maintained within the prudential code limits. All borrowing was maintained within the authorised borrowing limit throughout the year. All lending complied with the Treasury Policy Statement provisions, in relation to amounts and institutions involved. Updated indicators are shown in Appendix 1.

13 **RISK**

The Treasury Risks have been reviewed. There has been no changes to risk profile since review of December 2022. See Appendix 3 for detail.

14 **POLICY IMPLICATIONS**

This report has been subject to the Pre-IIA Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services or funding and so has not been subject to an Integrated Impact Assessment. An appropriate senior manager has reviewed and agreed with this assessment.

15 **CONSULTATION**

The Council Leadership Team have been consulted in the preparation of this report.

16 **BACKGROUND PAPERS**

None

ROBERT EMMOTT
EXECUTIVE DIRECTOR OF CORPORATE SERVICES **14 SEPTEMBER 2023**

APPENDIX 1

PRUDENTIAL CODE INDICATORS - TREASURY MANAGEMENT INDICATORS

Adoption of Revised CIPFA Treasury Management Code of Practice | Yes |

Upper limit for variable and fixed rate exposure

	Net principal re variable rate borrowing / investments	Net principal re fixed rate borrowing / investments
2022/23	30%	100%
2023/24	30%	100%
2024/25	30%	100%
2025/26	30%	100%
2026/27	30%	100%
2027/28	30%	100%

Actual External Debt

	31/03/2022	**31/03/2023**
	£'000	£'000
Actual borrowing	542,657	516,161
Actual other long-term liabilities	168,748	164,096
Actual external debt	**711,405**	**680,257**

Maturity structure of fixed rate borrowing 2022/23

Period	Lower %	Upper %
Under 12 months	0	10
12 months & within 24 months	0	15
24 months & within 5 years	0	25
5 years & within 10 years	0	25
10 years +	50	95
Upper limit for total principal sums invested for over 364 days	n/a	No sums will be invested longer than 364 days

External debt, excluding investments, with limit for borrowing and other long-term liabilities separately identified

	Authorised Limit			**Operational Boundary**		
	Borrowing £000	Other £000	Total £000	Borrowing £000	Other £000	Total £000
2022/23	547,000	165,000	702,000	517,000	165,000	682,000
2023/24	656,000	160,000	816,000	626,000	160,000	786,000
2024/25	720,000	154,000	874,000	690,000	154,000	844,000
2025/26	737,000	148,000	885,000	707,000	148,000	855,000
2026/27	744,000	142,000	886,000	714,000	142,000	856,000
2027/28	741,000	135,000	876,000	711,000	135,000	846,000

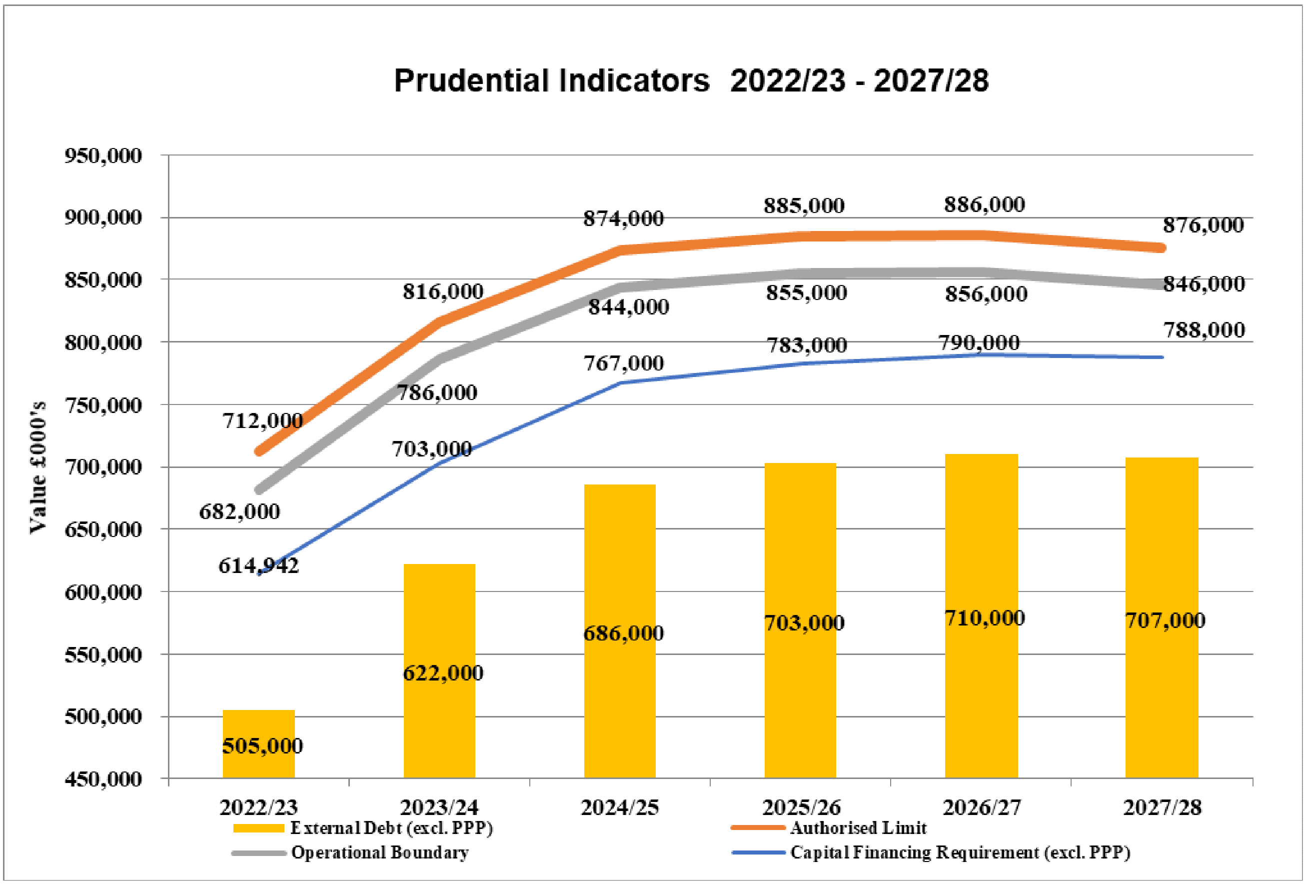
PRUDENTIAL CODE INDICATORS - PRUDENTIAL INDICATORS

	Capital Expenditure			Ratio Commercial & Service Income to Net Revenue Stream	Ratio of financing costs to net revenue stream	
	Non-HRA £000	HRA £000	Total £000	Non-HRA %	Non-HRA %	HRA %
2022/23	57,553	19,073	38,480	1.5	4.9	36.8
2023/24	103,292	29,735	133,027	1.5	5.5	36.0
2024/25	76,468	25,781	102,249	1.5	6.6	36.6
2025/26	42,486	17,957	60,443	1.5	7.8	37.2
2026/27	22,717	23,651	46,348	1.5	7.8	34.6
2027/28	14,000	25,082	39,082	1.5	7.9	35.1

	Net Borrowing Requirement (NBR)			Capital Financing Requirement (CFR)			
	1 April £000	31 March £000	Movement £000	Non-HRA £000	HRA £000	Total £000	Movement £000
2022/23	503,486	504,439	953	436,802	178,140	614,942	6,995
2023/24	504,439	622,000	117,561	508,000	195,000	703,000	88,058
2024/25	622,000	686,000	64,000	561,000	206,000	767,000	64,000
2025/26	686,000	703,000	17,000	574,000	209,000	783,000	10,000
2026/27	703,000	710,000	7,000	571,000	219,000	790,000	7,000
2027/28	710,000	707,000	(3,000)	561,000	216,000	787,000	(3,000)

	NBR v CFR Difference
	Total £000
2022/23	110,503
2023/24	81,000
2024/25	81,000
2025/26	80,000
2026/27	80,000
2027/28	80,000

The following provides a graphical representation of the 5 year projection:



APPENDIX 2

The Economy and Interest Rates

UK. Economy.

Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022/23.

Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200bps in 2022. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

	UK	Eurozone	US
Bank Rate	4.25%	3%	4.75%-5%
GDP	0.1%q/q Q4 (4.1%y/y)	+0.1%q/q Q4 (1.9%y/y)	2.6% Q4 Annualised
Inflation	10.4%y/y (Feb)	6.9%y/y (Mar)	6.0%y/y (Feb)
Unemployment Rate	3.7% (Jan)	6.6% (Feb)	3.6% (Feb)

Q2 of 2022 saw UK GDP deliver growth of +0.1% quarter on quarter, but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen's passing. Q4 GDP was positive at 0.1% q/q. Most recently, January saw a 0.3% month on month increase in GDP as the number of strikes reduced compared to December. In addition, the resilience in activity at the end of 2022 was, in part, due to a 1.3% q/q rise in real household disposable incomes. A big part of that reflected the £5.7bn payments received by households from the government under the Energy Bills Support Scheme.

Nevertheless, CPI inflation picked up to what should be a peak reading of 11.1% in October, although hopes for significant falls from this level will very much rest on the movements in the gas and electricity markets, as well as the supply-side factors impacting food prices. On balance, most commentators expect the CPI measure of inflation to drop back towards 4% by the end of 2023. As of February 2023, CPI was 10.4%.

The UK unemployment rate fell through 2022 to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact remains, however, that with many economic participants registered as long-term sick, the UK labour force shrunk by c500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at over 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food (up 18.3% year on year, in February 2023) and energy that have endured since Russia's invasion of Ukraine on 22 February 2022.

Bank Rate increased steadily throughout 2022/23, starting at 0.75% and finishing at 4.25%.

In the interim, following a Conservative Party leadership contest, Liz Truss became Prime Minister for seven weeks that ran through September and October. The markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor. Their tenure lasted barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their Autumn Statement of the 17th of November gave rise to a net £55bn fiscal tightening, although much of the "heavy lifting" has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have reversed the increases seen under the previous tenants of No10/11 Downing Street, although they remain elevated in line with developed economies generally.

As noted above, GDP has been tepid throughout 2022/23, although the most recent composite Purchasing Manager Indices for the UK, US, EZ and China have all surprised to the upside, registering survey scores just above 50 (below suggests economies are contracting, and above suggests expansion). Whether that means a shallow recession, or worse, will be avoided is still unclear. Ultimately, the MPC will want to see material evidence of a reduction in inflationary pressures and a loosening in labour markets. Realistically, that is an unlikely outcome without unemployment rising and wage settlements falling from their current levels. At present, the bigger rise in employment kept the ILO unemployment rate unchanged at 3.7% in January. Also, while the number of job vacancies fell for the ninth consecutive month in February, they remained around 40% above pre-pandemic levels.

Economic analysts, Capital Economics, expect real GDP to contract by around 0.2% q/q in Q1 and forecast a recession this year involving a 1.0% peak-to-trough fall in real GDP.

The UK pound has remained resilient of late, recovering from a record low of $1.035, on the Monday following the Truss government's "fiscal event", to $1.23. Notwithstanding it's better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 4.5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.

As for equity markets, the FTSE 100 started 2023 strongly, rising to a record high of 8,014 on 20th February, as resilient data and falling inflation boosted earnings. But global equities fell sharply after concerns over the health of the global banking system emerged early in March. The fall in the FTSE 100 was bigger than the drop in the US S&P 500. Indeed, at around 7,600 now, the FTSE is 5.2% below its record high on 20th February, while the S&P 500 is only 1.9% lower over the same period. That's despite UK banks having been less exposed and equity prices in the UK's financial sector not falling as far. It may be due to the smaller decline in UK interest rate expectations and bond yields, which raise the discounted value of future earnings, compared to the US.

USA. The flurry of comments from Fed officials over recent months suggest there is still an underlying hawkish theme to their outlook for interest rates. Markets are pricing in a further interest rate increases of 25-50bps, on top of the current interest rate range of 4.75% - 5%.

In addition, the Fed is expected to continue to run down its balance sheet once the on-going concerns about some elements of niche banking provision are in the rear-view mirror.

As for inflation, it is currently at c6% but with the economy expected to weaken during 2023, and wage data already falling back, there is the prospect that should the economy slide into a recession of any kind there will be scope for rates to be cut at the backend of 2023 or shortly after.

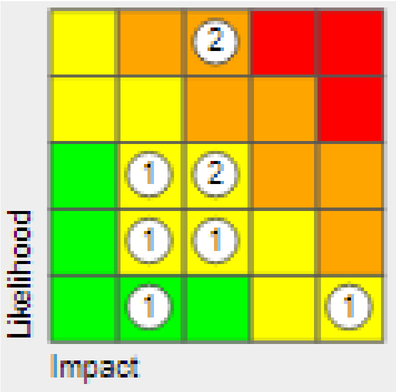
EU. Although the Euro-zone inflation rate has fallen below 7%, the ECB will still be mindful that it has further work to do to dampen inflation expectations and it seems destined to raise rates to 4% in order to do so. Like the UK, growth has remained more robust than anticipated but a recession in 2023 is still seen as likely by most commentators.

APPENDIX 3
Six Monthly Risk Report

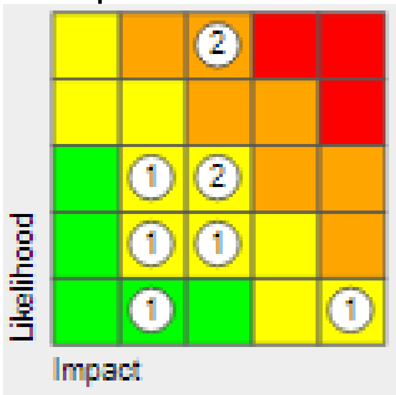
Treasury Risk Register Report
Report Author: Executive Director of Corporate Services
Generated: 5 September 2023

Total Risk Summary

Residual risk at last report December 2022

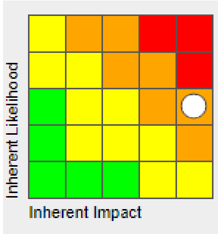
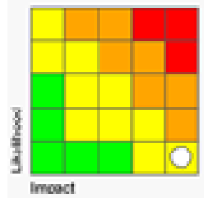
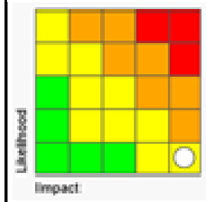
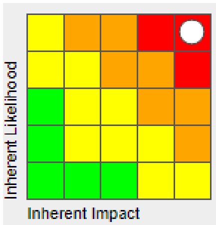
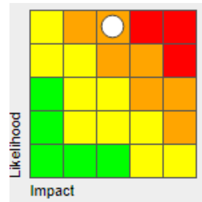
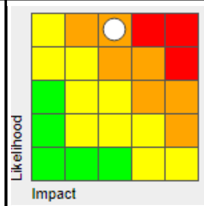


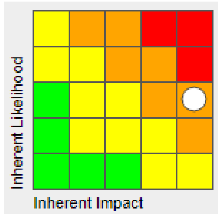
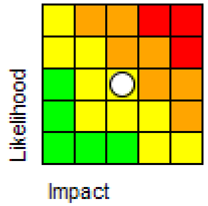
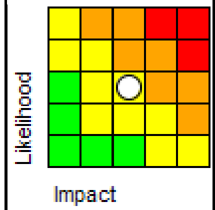
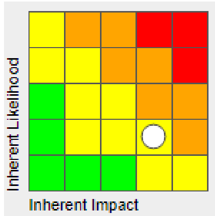
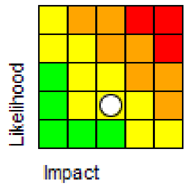
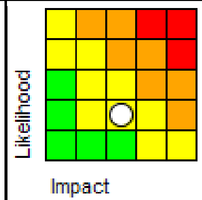
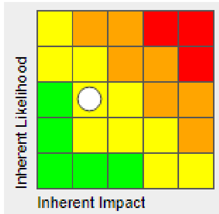
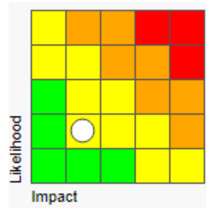
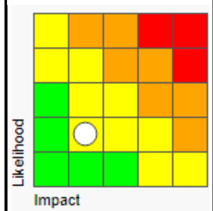
Residual risk at September 2023

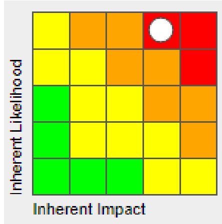
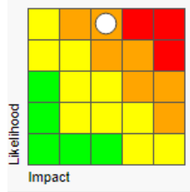
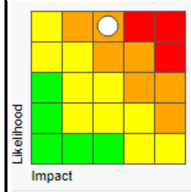
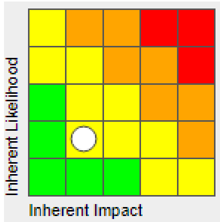
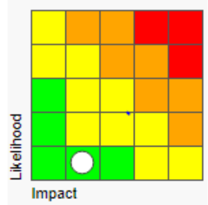
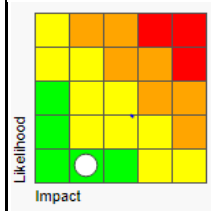


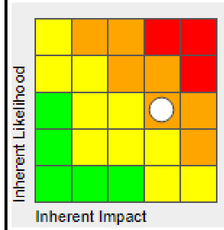
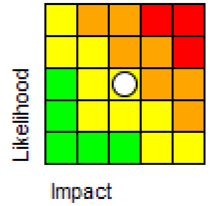
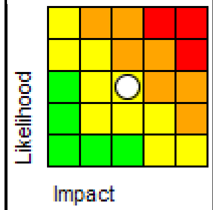
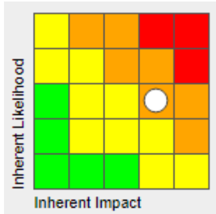
Six Monthly Risk Report

Treasury Risk Register Report
Report Author: Executive Director of Corporate Services
Generated on: 5 September 2023

Risk Title	Risk Factors	Potential Effect	Potential Outcome	Inherent Risk at Sept 2022	Control Measures/Mitigation	Residual Risk Dec 2022	Residual Risk at Sept 2023
1. Loss of capital due to counterparty collapse	The Council loses its principal investment or investment becomes impaired	Counterparty collapses or faces a financial crisis rendering it unable to repay investments	. The Council may suffer financial loss . The repayment of funds from the counterparty could be significantly delayed or impaired Either of these outcomes could have an adverse impact on operational funding levels		Per the Treasury Management Strategy: . Maximum investment value on approved counterparties in order to spread and reduce risk. . Controls and procedures are in place to ensure investment and durations limits with approved counterparties are not exceeded. . Counterparties are also monitored and reviewed on a weekly basis at least or more regularly if considered necessary to do so. .Limited threshold rating for approval of counterparties.		
2. Decline / rise in interest rates	The Council may not achieve its target level of interest payable / receivable for budgetary purposes.	Impact on revenue budget resulting in mandatory efficiencies affecting service delivery	. Base rate rising affecting associated market borrowing rates. . Lower risk counterparties not offering competitive rates in low rate environment affecting deposits.		. Arranging longer term investments where investment objectives and criteria allows in order to capitalise on higher rate of returns without risk of opportunity cost. . Offsetting the loss of interest income / cost of borrowing by undertaking refinancing loans at lower rates than previously undertaken as opportunities arise. The Council continually monitors base rate and rates being achieved		

Risk Title	Risk Factors	Potential Effect	Potential Outcome	Inherent Risk at Sept 2022	Control Measures/Mitigation	Residual Risk Dec 2022	Residual Risk at Sept 2023
					against budget to ensure it has secured the best value possible in the challenging economic climate.		Increased Likelihood
3. Fraudulent activity (now incorporating cybercrime)	. Financial loss to the Council as a direct consequence of fraudulent activity . Loss of money for the Council Disciplinary action for the staff involved . Reputational damage	Potential fraud by staff	Fraudulent activity		. Segregation of staff duties. . Review and monitor of internal controls to ensure the correct protocol across all relevant areas is being followed. . Ensure all insurance policies and relevant guarantees (Fidelity £2m per individual circumstance) are fully up to date.		
4. Money laundering	. Fine and/or imprisonment . Reputational damage	Money laundering by external parties	External parties pay a transaction by cash and subsequently request a refund		. Ensure the money laundering policy is reviewed and up to date. . Reconcile refunds back to source of income. . Raise awareness of this issue amongst staff . Review requirements of financial regulations.		
5. Network Failure / banking system being inaccessible	Daily Treasury functions will not be carried out	The Council is unable to carry out its daily treasury functions due to a network failure	RBS Bankline is unavailable or the Council's network has failed		Invoke the business continuity plan to minimise the effects of a network issue.		

Risk Title	Risk Factors	Potential Effect	Potential Outcome	Inherent Risk at Sept 2022	Control Measures/Mitigation	Residual Risk Dec 2022	Residual Risk at Sept 2023
6. Revenue Budgets	The Council may not be able to execute some desired projects	Revenue budgets are unable to meet borrowing costs of capital schemes	Revenue budgets come under pressure from restricted government funding or non-delivery of programmed savings		. Revenue budgets monitored on monthly basis and future year forecasts undertaken. . Reserve some capital receipts to cover borrowing costs in the short term. . Ensure monthly financial reports and Forecasts are produced and analysed . All borrowing decisions are made based on prudential indicators and are planned based on long term projections. . Capital Plans and borrowing is reviewed annually before the revenue budget is set to ensure that the costs are affordable.		
7. Lack of suitable counterparties	Use of counterparties not paying best value rates.	The Council does not have enough "space" with approved counterparties to place investments/deposit surplus cash balances.	Rising cash balances and a restricted counterparty list		The Council continually monitors its approved counterparty listing in conjunction with cash balances. Any potential new investment opportunities are discussed at Treasury Management performance meetings. The Council uses call accounts and money market funds to deposit surplus cash balances However, there are also limits on the amounts deposited to such funds. The Council has a facility to deposit cash with the Debt Management Office should all other investment options be exhausted.		

Risk Title	Risk Factors	Potential Effect	Potential Outcome	Inherent Risk at Sept 2022	Control Measures/Mitigation	Residual Risk Dec 2022	Residual Risk at Sept 2023
8. Lack of expertise of Committee or amongst officers	Financial consequence	Lack of training and continuous professional development.	Detrimental decisions made in relation to financial investment management.		. Provision of training . External investment advice . Consultation with peer groups.		
9. Over reliance on key officers	Detrimental decisions made in relation to financial investment management.	Specialist nature of work means there are relatively few experts in this field	If an officer leaves or falls ill knowledge gap may be difficult to fill.		. Key officers transfer specialist knowledge to colleagues. . Procedures & guidance available. . In the short-term advice can be sought from external investment adviser and/or peer support.