ITEM No …9………..

REPORT TO: CITY GOVERNANCE COMMITTEE - 18 NOVEMBER 2024

REPORT ON: ANNUAL TREASURY MANAGEMENT ACTIVITY 2023/2024

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 289-2024

1. PURPOSE OF REPORT

To review the Treasury Management activities for the period 1 April 2023 to 31 March 2024.

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 2023/2024 were that a saving of £1.4m was made from a combination of interest and principal repayment savings against 2023/2024 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 6 March 2023 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 VI of the minute of meeting of the Policy and Resources Committee of 6 March 2023, Report 66-2023 refers), and the Treasury Management Strategy 2023/24 (Article VII of the minute of meeting of the Policy and Resources Committee of 6 March 2023, Report 68-2023 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 2023/2024.

5. DEBT POSITION

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

		1 April 2023		31 March 2024	
		Principal £m	Average Rate %	Principal £m	Average Rate %
Fixed Rate Funding	PWLB	473.8	3.9	476.3	3.9
	Market	30.0	4.2	30.0	4.2
Variable Rate Funding	PWLB	-	-	-	-
	Market	10.0	4.9	-	-
		513.8	3.9	506.3	3.9

6. THE TREASURY MANAGEMENT STRATEGY FOR 2023/2024

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 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 2023) was that rates were forecast to reach 4.25% by the end of the financial year. It is important to note that The Bank of England increased base rate on three occasions during 2023/24 with base rate reaching 5.25% on 21 March 2024.

At its meeting on 6 March 2023, the Policy and Resources Committee approved the Council's Treasury Management Strategy 2023/24 (Article VII of the minute of meeting of the Policy and Resources Committee of 6 March 2023, Report 68-2023 refers), which indicated that the Council's borrowing requirement for capital expenditure would be approximately £70m.

7. ACTUAL BORROWING AND LENDING FOR 2023/2024

7.1 Interest Rates

Bank of England base rate started the financial year at 4.25% and increased to 5.25% by the end of the financial year.

Long-term Public Works Loan Board (PWLB) rates (50 year) started at 4.36% but moved between 4.27% and 5.74% throughout the year, finishing the year on 5.01%. 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

Long-term borrowing of £10m was undertaken during the year with repayment of existing loans totalling £7.5m. The new borrowing was drawn down in the financial year as follows:

Date	Amount (£)	Rate %	Term (years)	Maturity Date
21/12/2023	10,000,000	4.03	5.1	15/01/2029

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 2023	2.3	17.3	17.3	3.50	4.30
May 2023	17.3	17.3	17.3	3.50	4.30
June 2023	17.3	17.3	17.3	3.75	4.60
July 2023	12.3	17.3	12.3	4.25	5.00
August 2023	2.3	12.3	2.3	4.25	4.25
September 2023	2.3	12.3	12.3	4.50	5.25

October 2023	12.3	22.3	22.3	4.50	5.30
November 2023	22.3	32.3	32.3	4.50	5.50
December 2023	32.3	42.3	42.3	4.50	5.55
January 2024	42.3	47.3	47.3	4.50	5.50
February 2024	47.3	72.3	72.3	4.50	6.30
March 2024	72.3	87.3	75.7	4.50	6.55

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 4.23% 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 2024 shows:

Month	**Lowest Amount Lent £m**	**Highest Amount Lent £m**	**End of month Amount Lent £m**	**Interest Rate Range %**	
				Min	Max
April 2023	7.0	18.1	12.9	4.09	4.23
May 2023	4.6	25.5	8.8	4.22	4.45
June 2023	5.1	31.8	11.8	4.43	4.77
July 2023	8.4	28.1	8.4	4.77	4.96
August 2023	3.3	30.1	3.3	4.94	5.27
September 2023	3.5	20.8	6.9	5.23	5.35
October 2023	3.6	15.3	5.0	5.27	5.39
November 2023	2.1	22.4	2.1	5.34	5.39
December 2023	3.9	26.8	4.2	5.34	5.39
January 2024	4.2	23.2	5.5	5.31	5.38
February 2024	0.3	30.0	11.3	5.26	5.34
March 2024	3.8	31.1	15.3	5.27	5.33

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 2023/24 financial year is summarised as follows:

Value of funds invested at 1 April 2023	5,935,503
Withdrawals made within period	-
Value of funds invested at end of period	5,935,503
Capital Growth of Investments	224,576
Overall Value of funds at 31 March 2024	6,160,079

Total Return on Investments in period:	
Capital Growth of Investments[1]	224,577
Income from Investments[2]	293,365
Total Return on Investments in period	517,942

NOTES

1. Capital growth from bond investments occurs when the price of the bond increases above the purchase price.

2. Income from bond investments primarily comes from interest payments, also known as coupon payments, that the bond issuer makes to the bondholder. These payments are typically made at regular intervals and are based on the bond's coupon rate, which is a fixed percentage of the bond's face value (par value).

10. OUTLOOK FOR THE FIRST HALF OF 2024/25

The third quarter of 2024 (July to September) saw:

- GDP growth stagnating in July following downwardly revised Q2 figures (0.5% q/q);
- A further easing in wage growth as the headline 3myy rate fell from 4.6% in June to 4.0% in July;
- CPI inflation hitting its target in June before edging above it to 2.2% in July and August;
- Core CPI inflation increasing from 3.3% in July to 3.6% in August;
- The Bank of England initiating its easing cycle by lowering interest rates from 5.25% to 5.0% in August and holding them steady in its September meeting;
- 10-year gilt yields falling to 4.0% in September.

The economy's stagnation in June and July points more to a mild slowdown in GDP growth than a sudden drop back into a recession. Moreover, the drop in September's composite activity Purchasing Managers Index, from 53.8 in August to 52.9, was still consistent with GDP growth of 0.3%-0.4% for the summer months. This is in line with the Bank of England's view, and it was encouraging that an improvement in manufacturing output growth could be detected, whilst the services PMI balance suggests non-retail services output grew by 0.5% q/q in Q3. Additionally, the services PMI future activity balance showed an uptick in September, although readings after the Chancellor's announcements at the Budget on 30th October will be more meaningful.

The 1.0% m/m jump in retail sales in August was stronger than the consensus forecast for a 0.4% m/m increase. The rise was reasonably broad based, with six of the seven main sub sectors recording monthly increases, though the biggest gains came from clothing stores and supermarkets, which the ONS reported was driven by the warmer-than-usual weather and end of season sales. As a result, some of that strength is probably temporary.

The further easing in wage growth will be welcomed by the Bank of England as a sign that labour market conditions are continuing to cool. The growth rate of average earnings fell from 4.6% in June to 4.0% in July. On a three-month annualised basis, average earnings growth eased from 3.0% to 1.8%, its lowest rate since December 2023. Excluding bonuses, the rate fell from 5.4% to 5.1%.

Other labour market indicators also point to a further loosening in the labour market. The 59,000 fall in the alternative PAYE measure of the number of employees in August marked the fourth fall in the past five months. And the 77,000 decline in the three months to August was the biggest drop since November 2020. Moreover, the number of workforce jobs fell by 28,000 in Q2. The downward trend in job vacancies continued too. The number of job vacancies fell from 872,000 in the three months to July to 857,000 in the three months to August. That leaves it 34% below its peak in May 2022, and just 5% above its pre-pandemic level. Nonetheless, the Bank of England is still more concerned about the inflationary influence of the labour market rather than the risk of a major slowdown in labour market activity.

CPI inflation stayed at 2.2% in August, but services inflation rose from a two-year low of 5.2% in July to 5.6%, significantly above its long-run average of 3.5%. Food and fuel price inflation exerted some downward pressure on CPI inflation but these were offset by the upward effects from rising furniture/household equipment inflation, recreation/culture inflation and a surprisingly large rise in airfares inflation from -10.4% in July to +11.9% in August. As a result, core inflation crept back up from 3.3% to 3.6%. CPI inflation is also expected to rise in the coming months, potentially reaching 2.9% in November, before declining to around 2.0% by mid-2025.

The Bank initiated its loosening cycle in August with a 25bps rate cut, lowering rates from 5.25% to 5.0%. In its September meeting, the Bank, resembling the ECB more than the Fed, opted to hold rates steady at 5.0%, signalling a preference for a more gradual approach to rate cuts. Notably, one Monetary Policy Committee (MPC) member (Swati Dhingra) voted for a consecutive 25bps cut, while four members swung back to voting to leave rates unchanged. That meant the slim 5-4 vote in favour of a cut in August shifted to a solid 8-1 vote in favour of no change.

Looking ahead, CPI inflation will likely rise in the coming months before it falls back to its target of 2.0% in mid-2025. The increasing uncertainties of the Middle East may also exert an upward pressure on inflation, with oil prices rising in the aftermath of Iran's missile attack on Israel on 1 October. Our central forecast is for rates to fall to 4.5% by the end of 2024 with further cuts likely throughout 2025. This is in line with market expectations, however although a November rate cut still looks likely, December may be more problematic for the Bank if CPI inflation spikes towards 3%. In the second half of 2025, though, we think a more marked easing in inflation will prompt the Bank to speed up, resulting in rates eventually reaching 3.0%, rather than the 3.25-3.50% currently priced in by financial markets.

Looking at gilt movements in the first half of 2024/25, and you will note the 10-year gilt yield declined from 4.32% in May to 4.02% in August as the Bank's August rate cut signalled the start of its loosening cycle. Following the decision to hold the Bank Rate at 5.0% in September, the market response was muted, with the 10-year yield rising by only 5bps after the announcement. This likely reflected the fact that money markets had priced in a 25% chance of a rate cut prior to the meeting. The yield had already increased by about 10bps in the days leading up to the meeting, driven in part by the Fed's "hawkish cut" on 18 September. There is a possibility that gilt yields will rise near-term as UK policymakers remain cautious due to persistent inflation concerns, before declining in the longer term as rates fall to 3.0%.

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 28 May 2024:

Period	**Bank Rate**	**PWLB Borrowing Rates % (including certainty rate adjustment)**			
Quarter ending	**%**	**5 year**	**10 year**	**25 year**	**50 year**
Dec-24	4.50	4.50	4.60	5.00	4.80
Mar-25	4.00	4.30	4.40	4.80	4.60
Jun-25	3.50	4.10	4.30	4.70	4.50
Sep-25	3.25	4.00	4.10	4.50	4.30
Dec-25	3.25	3.90	4.10	4.50	4.30
Mar-26	3.25	3.90	4.10	4.40	4.20
Jun-26	3.25	3.90	4.00	4.40	4.20
Sep-26	3.00	3.90	4.00	4.40	4.20
Dec-26	3.00	3.90	4.00	4.30	4.10
Mar-27	3.00	3.80	3.90	4.30	4.10

See Appendix 2 for full economic review of 2023/24 financial year.

11. 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.

12. RISK

The Treasury Risks have been reviewed and the changes since the last report are as follows:

Item 4 - Over reliance on key officers. The likelihood of this risk has increased due to absences of key staff within the team although steps have been to taken to mitigate the impact this has. See Appendix 3 for detail.

13. 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.

14. CONSULTATION

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

15. BACKGROUND PAPERS

None.

ROBERT EMMOTT
EXECUTIVE DIRECTOR OF CORPORATE SERVICES **1 NOVEMBER 2024**

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
2023/24	30%	100%
2024/25	30%	100%
2025/26	30%	100%
2026/27	30%	100%
2027/28	30%	100%
2028/29	30%	100%

Actual External Debt

	31/03/2023	**31/03/2024**
	£'000	£'000
Actual borrowing	516,161	592,019
Actual other long-term liabilities	164,096	159,104
Actual external debt	**680,257**	**751,123**

Maturity structure of fixed rate borrowing 2023/24

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
2023/24	623,000	160,000	783,000	593,000	160,000	753,000
2024/25	679,000	154,000	833,000	649,000	154,000	803,000
2025/26	708,000	148,000	856,000	678,000	148,000	826,000
2026/27	721,000	142,000	863,000	691,000	142,000	833,000
2027/28	734,000	135,000	869,000	704,000	135,000	839,000
2028/29	733,000	129,000	862,000	703,000	129,000	832,000

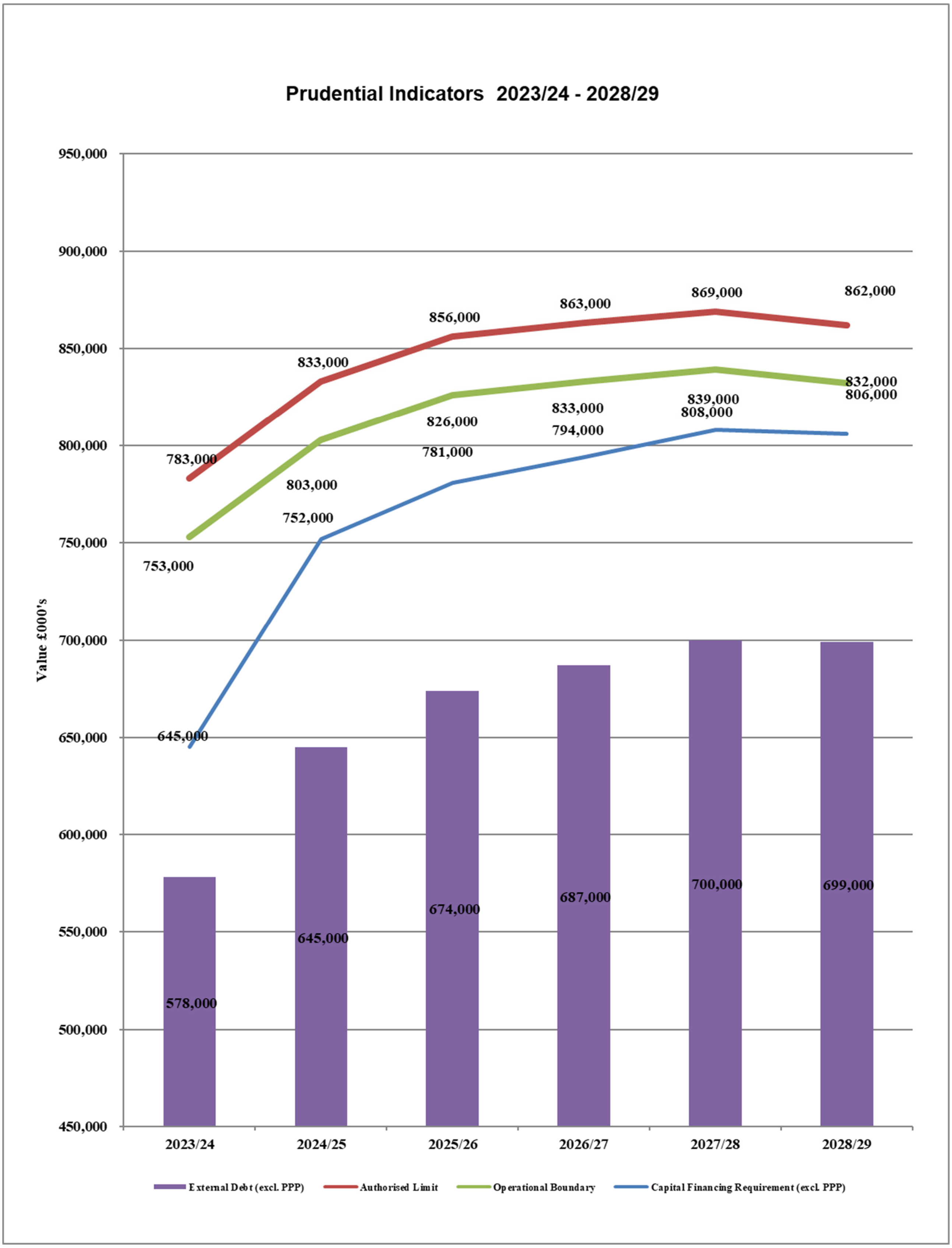
PRUDENTIAL CODE INDICATORS - PRUDENTIAL INDICATORS

	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 %
2023/24	73,454	12,175	85,629	1.6	5.1	34.8
2024/25	120,911	19,032	139,943	1.4	6.2	34.6
2025/26	63,944	28,206	92,150	1.4	7.7	34.4
2026/27	25,822	30,668	56,490	1.4	7.3	33.5
2027/28	31,750	21,282	53,032	1.4	7.4	34.9
2028/29	12,578	27,382	36,960	1.4	7.1	36.2

	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
2023/24	504,439	577,677	73,238	468,029	175,857	643,886	28,944
2024/25	577,677	645,000	67,323	560,000	192,000	752,000	108,114
2025/26	645,000	674,000	29,000	581,000	200,000	781,000	29,000
2026/27	674,000	687,000	13,000	578,000	216,000	794,000	13,000
2027/28	687,000	701,000	14,000	585,000	223,000	808,000	14,000
2028/29	701,000	699,000	(2,000)	574,000	232,000	806,000	(2,000)

	NBR v CFR Difference
	Total £000
2023/24	66,209
2023/24	107,000
2024/25	107,000
2025/26	107,000
2026/27	107,000
2027/28	107,000

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 Russian invasion of Ukraine, and war in the Middle East, UK interest rates have continued to be volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2023/24.

Markets have sought an end to central banks' on-going phase of keeping restrictive monetary policy in place on at least one occasion during 2023/24 but to date only the Swiss National Bank has cut rates and that was at the end of March 2024.

UK, EZ and US 10-year yields have all stayed stubbornly high throughout 2023/24. The table below provides a snapshot of the conundrum facing central banks: inflation is easing, albeit gradually, but labour markets remain very tight by historical comparisons, making it an issue of fine judgment as to when rates can be cut.

	UK	Eurozone	US
Bank Rate	5.25%	4%	5.25%-5.5%
GDP	-0.3%q/q Q4 (-0.2%y/y)	+0.0%q/q Q4 (0.1%y/y)	2.0% Q1 Annualised
Inflation	3.4%y/y (Feb)	2.4%y/y (Mar)	3.2%y/y (Feb)
Unemployment Rate	3.9% (Jan)	6.4% (Feb)	3.9% (Feb)

The Bank of England sprung no surprises in their March meeting, leaving interest rates at 5.25% for the fifth time in a row and, despite no MPC members no longer voting to raise interest rates, it retained its relatively hawkish guidance. The Bank's communications suggest the MPC is gaining confidence that inflation will fall sustainably back to the 2.0% target. However, although the MPC noted that "the restrictive stance of monetary policy is weighing on activity in the real economy, is leading to a looser labour market and is bearing down on inflationary pressures", conversely it noted that key indicators of inflation persistence remain elevated and policy will be "restrictive for sufficiently long" and "restrictive for an extended period".

Of course, the UK economy has started to perform a little better in Q1 2024 but is still recovering from a shallow recession through the second half of 2023. Indeed, Q4 2023 saw negative GDP growth of -0.3% while y/y growth was also negative at -0.2%.

But it was a strange recession. Unemployment is currently sub 4%, against a backdrop of still over 900k of job vacancies, and annual wage inflation is running at above 5%. With gas and electricity price caps falling in April 2024, the CPI measure of inflation - which peaked at 11.1% in October 2022 – is now due to slide below the 2% target rate in April and to remain below that Bank of England benchmark for the next couple of years, according to Capital Economics. The Bank of England still needs some convincing on that score, but upcoming inflation and employment releases will settle that argument shortly. It is noted that core CPI was still a heady 4.5% in February and, ideally, needs to fall further.

Shoppers largely shrugged off the unusually wet weather in February, whilst rising real household incomes should support retail activity throughout 2024. Furthermore, the impact of higher interest rates on household interest payments is getting close to its peak, even though fixed rate mortgage rates on new loans have shifted up a little since falling close to 4.5% in early 2024.

From a fiscal perspective, the further cuts to national insurance tax (from April) announced in the March Budget will boost real household disposable income by 0.5 - 1.0%. After real household disposable income rose by 1.9% in 2023, Capital Economics forecast it will rise by 1.7% in 2024 and by 2.4% in 2025. These rises in real household disposable income, combined with the earlier fading of the drag from previous rises in interest rates, means GDP growth of 0.5% is envisaged in 2024 and 1.5% in 2025. The Bank of England is less optimistic than that, seeing growth struggling to get near 1% over the next two to three years.

As for equity markets, the FTSE 100 has risen to nearly 8,000 and is now only 1% below the all-time high it reached in February 2023. The modest rise in UK equities in February was driven by strong performances in the cyclical industrials and consumer discretionary sectors, whilst communications and basic materials have fared poorly.

Despite its performance, the FTSE 100 is still lagging behind the S&P 500, which has been at an all-time high for several weeks.

USA Economy

Despite the markets willing the FOMC to cut rates as soon as June 2024, the continued resilience of the economy, married to sticky inflation, is providing a significant headwind to a change in monetary policy. Markets currently anticipate three rate cuts this calendar year, but two or less would not be out of the question. Currently, policy remains flexible but primarily data driven.

In addition, the Fed will want to shrink its swollen $16 trillion balance sheet at some point. Just because the $ is the world's foremost reserve currency (China owns over $1 trillion) does not mean the US can continually run a budget deficit. The mix of stubborn inflation and significant treasury issuance is keeping treasury yields high. The 10 year stands at 4.4%.

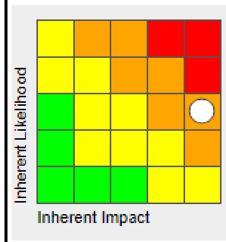
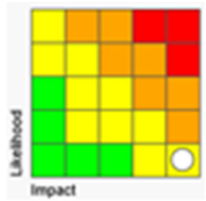
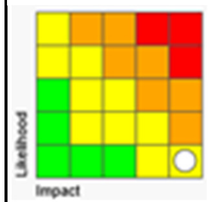
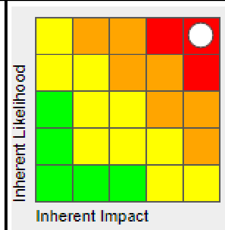
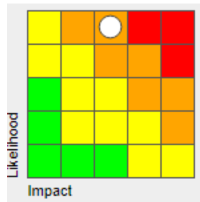
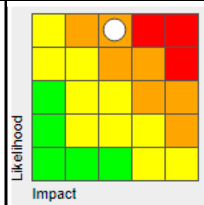
As for inflation, it is currently a little above 3%. The market is not expecting a recession, but whether rates staying high for longer is conducive to a soft landing for the economy is uncertain, hence why the consensus is for rate cuts this year and into 2025…but how many and when?

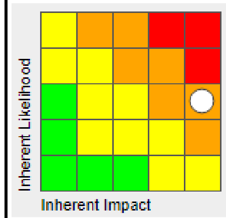
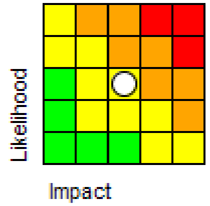
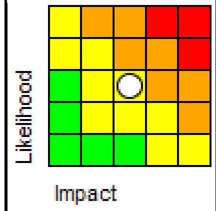
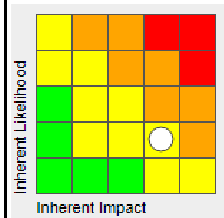
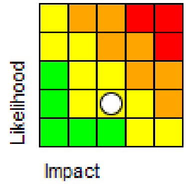
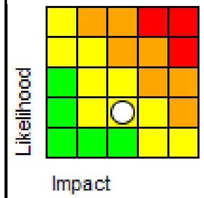
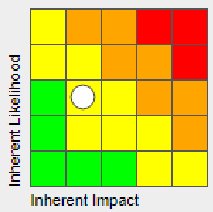
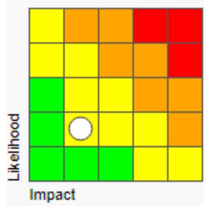
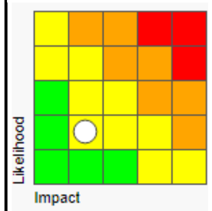
EZ Economy

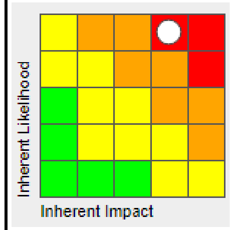
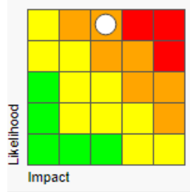
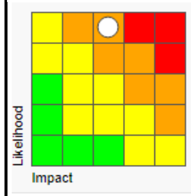
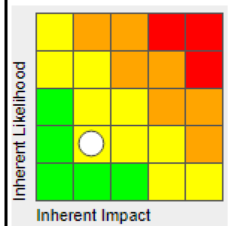
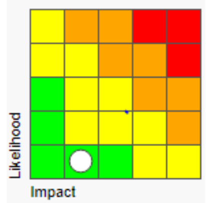
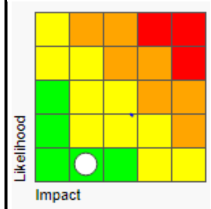
Although the Euro-zone inflation rate has fallen to 2.4%, the ECB will still be mindful that it has further work to do to dampen inflation expectations. However, with growth steadfastly in the slow lane (GDP flatlined in 2023), a June rate cut from the current 4% looks probable.

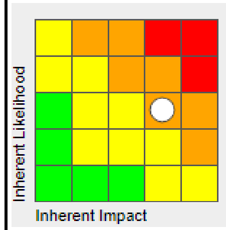
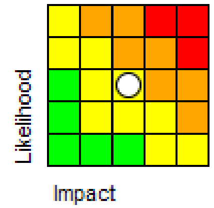
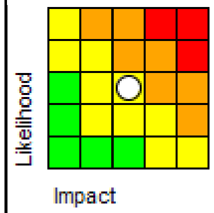
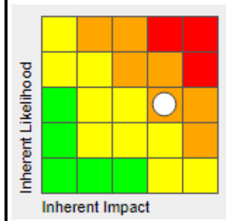
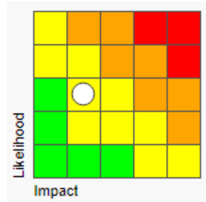
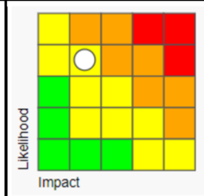
Appendix 3 - Six Monthly Risk Report

Treasury Risk Register Report
Report Author: Executive Director of Corporate Services
Generated on: 4 October 2024

Risk Title	Risk Factors	Potential Effect	Potential Outcome	Inherent Risk	Control Measures/Mitigation	Residual Risk (Prev Review)	Residual Risk at Oct 2024
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	Control Measures/Mitigation	Residual Risk (Prev Review)	Residual Risk at Oct 2024
					against budget to ensure it has secured the best value possible in the challenging economic climate.		
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	Control Measures/Mitigation	Residual Risk (Prev Review)	Residual Risk at Oct 2024
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	Control Measures/Mitigation	Residual Risk (Prev Review)	Residual Risk at Oct 2024
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.		 Increased likelihood