

REPORT TO: CITY GOVERNANCE COMMITTEE – 27 OCTOBER 2025
REPORT ON: ANNUAL TREASURY MANAGEMENT ACTIVITY 2024/2025
REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES
REPORT NO: 305-2025

1. PURPOSE OF REPORT

To review the Treasury Management activities for the period 1 April 2024 to 31 March 2025.

2. RECOMMENDATION

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

3. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report.

4. BACKGROUND

At its meeting on 4 March 2024 the City Governance 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 City Governance Committee of 4 March 2024, Report 61-2024 refers), and the Treasury Management Strategy 2024/25 (Article V of the minute of meeting of the City Governance Committee of 4 March 2024, Report 60-2024 refers).

The Treasury Policy Statement requires that the Policy and Resources Committee 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 2024/2025. The outcome of these activities resulted in a £1.9m overspend in 2024/2025 that was attributable to interest payable against 2024/2025 budget provision for capital financing costs in Housing Revenue Account (HRA) and General Services. This was due to higher than anticipated interest rates on both short and long-term borrowing throughout the financial year.

5. DEBT POSITION

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

		<u>31 March 2024</u>		<u>31 March 2025</u>	
		<u>Principal</u>	<u>Average</u>	<u>Principal</u>	<u>Average</u>
		<u>£m</u>	<u>%</u>	<u>£m</u>	<u>%</u>
Fixed Rate Funding	PWLB	476.3	3.9	498.8	3.9
	Market	30.0	4.2	30.0	4.2
Variable Rate Funding	PWLB	-	-	-	-
	Market	-	-	-	-
		<u>506.3</u>	<u>3.9</u>	<u>528.8</u>	<u>3.9</u>

6. THE TREASURY MANAGEMENT STRATEGY FOR 2024/2025

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 2024) was that rates were forecast to fall to 3.75% by the end of the financial year.

At its meeting on 4 March 2024, the City Governance Committee approved the Council's Treasury Management Strategy 2024/25 (Article V of the minute of meeting of the City Governance Committee of 4 March 2024, Report 60-2024 refers), which indicated that the Council's borrowing requirement for capital expenditure would be approximately £102m.

7. ACTUAL BORROWING AND LENDING FOR 2024/2025

7.1 Interest Rates

Bank of England base rate started the financial year at 5.25%, and this only decreased to 4.50% by the end of the financial year.

Long-term Public Works Loan Board (PWLB) rates (50 year) started at 5.07% but moved between 4.88% and 5.88% throughout the year, finishing the year on 5.69%. 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 £35m was undertaken during the year with repayment of existing loans totalling £12.5m. The new borrowing was drawn down in the financial year as follows:

<u>Date</u>	<u>Amount</u>	<u>Rate %</u>	<u>Term (years)</u>	<u>Maturity Date</u>
26/11/2024	£10,000,000	4.61	3.7	15/07/2028
26/11/2024	£10,000,000	4.60	5.0	15/11/2029
28/02/2025	£5,000,000	4.50	1.5	15/08/2026
03/03/2025	£10,000,000	4.85	1.3	15/07/2026
	<u>£35,000,000</u>			

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 2024	75.0	95.0	95.0	4.50	6.60
May 2024	95.0	105.0	105.0	4.50	6.60
June 2024	100.0	115.0	105.0	4.50	6.60
July 2024	105.0	105.0	105.0	4.50	6.60
August 2024	95.0	115.0	115.0	4.50	6.60
September 2024	115.0	120.0	120.0	4.25	6.30
October 2024	120.0	140.0	140.0	4.25	6.30

November 2024	140.0	159.0	144.0	4.25	6.30
December 2024	149.0	184.0	167.0	4.00	6.30
January 2025	162.0	178.0	173.0	4.00	5.50
February 2025	170.0	188.0	188.0	4.00	5.80
March 2025	163.0	193.0	163.0	3.75	5.80

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 4.25% 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 2025 shows -

Month	Lowest Amount Lent £m	Highest Amount Lent £m	End of month Amount Lent £m	Interest Rate Range %	
				Min	Max
April 2024	6.1	28.6	6.6	5.23	5.29
May 2024	0.1	28.8	28.8	5.11	5.26
June 2024	0.9	28.8	6.6	5.21	5.26
July 2024	6.4	28.7	18.9	5.20	5.24
August 2024	2.1	14.0	2.5	5.06	5.21
September 2024	2.2	30.5	12.2	5.00	5.17
October 2024	3.4	15.4	6.9	4.96	5.02
November 2024	12.4	33.4	12.7	4.78	4.97
December 2024	3.9	60.0	3.9	4.75	4.83
January 2025	3.9	31.1	7.3	4.73	4.97
February 2025	3.0	27.3	16.0	4.57	4.74
March 2025	4.8	38.9	4.8	4.52	4.61

The lending activity shown above related solely to short-term positions. All the above investments 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 2024/25 financial year is summarised as follows:

Value of funds invested at 1 April 2024	6,160,079
Withdrawals made within period	(87,643)
Capital Growth of Investments	(38,817)
Overall Value of funds at 31 March 2025	<u>6,033,619</u>

Total Return on Investments in period:	
Capital Growth of Investments ¹	(38,817)

Income from Investments ²	353,293
Total Return on Investments in period	314,476

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 2025/26

The UK economy is expected to recover modestly through the remainder of 2025, following a period of weak growth and persistent inflation. While headline inflation is forecast to ease gradually, core inflation and wage pressures remain elevated, complicating the Bank of England's path to rate cuts.

Growth is likely to be supported by rising household disposable incomes and increased government spending. However, external risk, such as global trade tensions and financial market volatility, continue to weigh on exports and business confidence.

The Bank of England is expected to adopt a cautious, gradual approach to monetary easing, with small rate cuts anticipated throughout the year. Labour market resilience and fiscal policy will be key factors influencing the pace of recovery.

The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of forecasts, but the risks to forecasts are generally to the upsides.

The Council's appointed treasury advisors, MUFG (previously Link Asset Services) assist the Council to formulate a view on interest rates. The following table gives MUFG's central view on interest rates as at 10 February 2025:

Period	Bank Rate	PWLB Borrowing Rates % (including certainty rate adjustment)			
		5 year	10 year	25 year	50 year
Quarter ending	%				
Mar-25	4.50	5.00	5.30	5.80	5.50
Jun-25	4.25	4.90	5.20	5.70	5.40
Sep-25	4.25	4.80	5.10	5.60	5.30
Dec-25	4.00	4.70	5.00	5.50	5.20
Mar-26	3.75	4.60	4.90	5.40	5.10
Jun-26	3.75	4.50	4.80	5.30	5.00
Sep-26	3.75	4.40	4.70	5.20	4.90
Dec-26	3.50	4.40	4.70	5.10	4.80
Mar-27	3.50	4.30	4.60	5.00	4.70
Jun-27	3.50	4.20	4.50	5.00	4.70
Sep-27	3.50	4.20	4.50	4.90	4.60
Dec-27	3.50	4.10	4.40	4.90	4.60
Mar-28	3.50	4.00	4.40	4.80	4.50

See Appendix 2 for full economic review of 2024/25 financial year from MUFG.

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 there are no changes since the last report.

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

PAUL THOMSON
EXECUTIVE DIRECTOR OF CORPORATE SERVICES

14 OCTOBER 2025

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THE PURPOSE OF PRUDENTIAL INDICATORS

The framework established by the Prudential Code should support local strategic planning, local asset management planning. The objectives of the Prudential Code are to ensure, within a clear reporting framework, that:

- All external borrowing and other long-term liabilities are within **prudent** and sustainable levels
- The Council's capital expenditure plans are **affordable** and proportionate
- Treasury management decisions are taken in accordance with good professional practice

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
2024/25	30%	100%
2025/26	30%	100%
2026/27	30%	100%
2027/28	30%	100%
2028/29	30%	100%
2029/30	30%	100%

Maturity structure of fixed rate borrowing 2024/25

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

PRUDENCE INDICATORS

CAPITAL EXPENDITURE

Prudential Indicator: Level of Capital Expenditure

This indicator measures affordability and gives a basic control of the Council's capital expenditure. To provide an accurate indicator of capital expenditure all receipts are excluded from the calculation, so figures are based on gross expenditure.

	Capital Expenditure		
	Non-HRA £m	HRA £m	Total £m
2024/25	110.955	15.714	126.669
2025/26	55.976	34.506	90.482
2026/27	38.815	30.934	69.749
2027/28	38.993	20.900	59.893
2028/29	12.828	26.622	39.450
2029/30	12.831	26.755	39.586

Prudential Indicator: Capital Financing Requirement

The calculation of the capital financing requirement reflects the Council's underlying need to borrow for a capital purpose. Capital expenditure can be funded from capital receipts from the sale of land and buildings, grants and contributions, or from revenue. The remaining expenditure not funded from the aforementioned, will require to be funded from borrowing, and will increase the capital financing requirement of the Council.

	Net Borrowing Requirement (NBR)		
	1 April £m	31 March £m	Movement £m
2024/25	577.677	690.000	112.323
2025/26	690.000	732.000	36.000
2026/27	732.000	758.000	26.000
2027/28	758.000	779.000	21.000
2028/29	779.000	780.000	1.000
2029/30	780.000	782.000	2.000

	Capital Financing Requirement (CFR)			
	Non-HRA £m	HRA £m	Total £m	Movement £m
2024/25	538.000	179.000	717.000	73.114
2025/26	561.000	198.000	759.000	42.000
2026/27	571.000	214.000	785.000	26.000
2027/28	585.000	221.000	806.000	21.000
2028/29	575.000	232.000	807.000	1.000
2029/30	566.000	243.000	809.000	2.000

	NBR v CFR Difference
	Total £m
2024/25	27.000
2025/26	27.000
2026/27	27.000
2027/28	27.000
2028/29	27.000
2029/30	27.000

EXTERNAL DEBT

Prudential Indicator: Authorised Limit

The authorised limit represents a maximum value beyond which the Councils external debt must not exceed. Total external debt needs to be expressed as gross of investments and split between borrowing and other long-term liabilities. The Council has a £30m headroom between its authorised limit and its operational boundary.

Prudential Indicator: Operational Boundary

This indicator focuses on the day-to-day treasury management activity within the Council. It is a means by which the Council ensures that it remains within its authorised limits. It is based on the what the Council expects its maximum level of debt based on the Councils level of borrowing as contained in the Capital Plan.

	Authorised Limit				Operational Boundary		
	Borrowing £m	Other £m	Total £m		Borrowing £m	Other £m	Total £m
2024/25	723.000	276.000	999.000		693.000	276.000	969.000
2025/26	766.000	271.000	1,037.000		736.000	271.000	1,007.000
2026/27	792.000	267.000	1,059.000		762.000	267.000	1,029.000
2027/28	813.000	262.000	1,075.000		783.000	262.000	1,045.000
2028/29	814.000	256.000	1,070.000		784.000	256.000	1,040.000
2029/30	816.000	251.000	1,067.000		786.000	251.000	1,037.000

Prudential Indicator: Actual External Debt

A record of the Council's actual external debt is kept as part of the Treasury Management Activities. Actual external debt reflects the position at a particular point in time and is therefore not directly comparable to the authorised limit and operational boundary.

	31/03/2024	31/03/2025
	£m	£m
Actual borrowing	582.019	692.919
Actual other long-term liabilities	202.477	275.208
Actual external debt	784.496	968.127

AFFORDABILITY INDICATORS

Prudential Indicator: Ratio of Commercial & Service Income to Net Revenue Stream

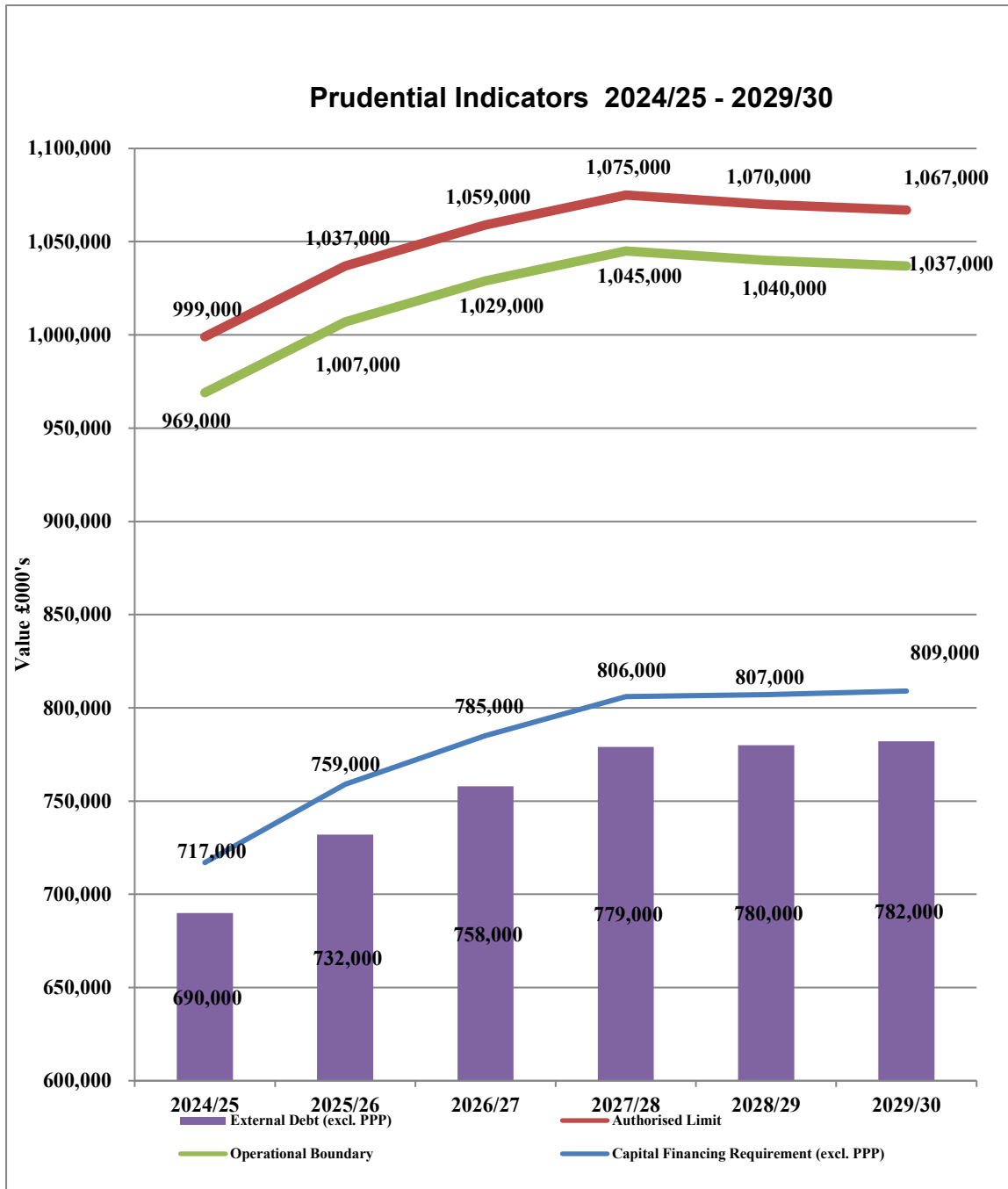
The ratio of commercial and service income to net revenue stream measures both current and future income streams from service and commercial assets as a percentage of the Council's total income that it is estimated over the period of the Capital Plan.

Prudential Indicator: Ratio of Financing Costs to Net Revenue Stream

The ratio of financing costs to net revenue stream also measures affordability. The measure includes both current and future commitments based on the Capital Plan and shows the revenue budget used to fund the capital financing costs associated with the capital expenditure programme.

Variations to the ratio imply that the proportion of loan charges has either increased or decreased in relation to the total funded from Government Grants and local taxpayers.

	Ratio Commercial & Service Income to Net Revenue Stream	Ratio of financing costs to Net Revenue Stream	
	Non HRA %	Non-HRA %	HRA %
2024/25	1.3	6.2	35.1
2025/26	1.3	7.1	34.9
2026/27	1.3	7.1	36.4
2027/28	1.3	7.2	37.7
2028/29	1.3	7.0	37.7
2029/30	1.3	6.9	37.7



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The Economy and Interest Rates FY24/25

UK Economy

Investment returns remained robust throughout 2024/25 with Bank Rate reducing steadily through the course of the financial year (three 0.25% rate cuts in total), and even at the end of March the yield curve was still relatively flat, which might be considered unusual as further Bank Rate cuts were expected in 2025/26.

Bank Rate reductions of 0.25% occurred in August, November and February, bringing the headline rate down from 5.25% to 4.5%. Each of the Bank Rate cuts occurred in the same month as the Bank of England publishes its Quarterly Monetary Policy Report, therein providing a clarity over the timing of potential future rate cuts.

Looking back to 2024/25, investors were able to achieve returns in excess of 5% for all periods ranging from 1 month to 12 months in the spring of 2024 but by March 2025 deposit rates were some 0.75% - 1% lower. Where liquidity requirements were not a drain on day-to-day investment choices, extending duration through the use of "laddered investments" paid off.

That is not to say that investment choices were straight-forward. Concerns over rising inflation after the Autumn Statement in October led to reduced expectations for Bank Rate to fall. Indeed, the CPI measure of inflation is expected to reach c3.75% by the autumn of 2025, which could provide for some presentational issues for a Bank whose primary mandate is to ensure inflation is close to 2% on a two-to-three-year timeframe. At the end of March, only two further rate cuts were priced into the market for 2025 (4% at December 2025). A week later and sentiment has changed dramatically in the wake of the equity market sell-off to the extent that markets now expect three Bank Rate reductions between May and December 2025 (Bank Rate to fall to 3.75%).

Interest rate forecasts initially suggested gradual reductions in short, medium and longer-term fixed borrowing rates during 2024/25. Bank Rate did peak at 5.25% as anticipated, but the initial expectation of significant rate reductions did not transpire, primarily because inflation concerns remained elevated. Forecasts were too optimistic from a rate reduction perspective, but more recently the forecasts, updated from November 2024 onwards, look more realistic.

Gilt yields have been volatile through 2024/25. Indeed, the low point for the financial year for many periods was reached in September 2024. Thereafter, and especially following the Autumn Statement, PWLB Certainty rates have remained elevated at between c5% - 6% with the exception of the slightly cheaper shorter dates.

UK inflation has proved somewhat stubborn throughout 2024/25. Having started the financial year at 2.3%, the CPI measure of inflation briefly dipped to 1.7% in September before picking up pace again in the latter months. The latest data showed CPI rising by 2.8% year on year (February), but there is a strong likelihood that figure will increase to at least 3.5% by the Autumn of 2025.

Against that backdrop, and the continued lack of progress in ending the Russian invasion of Ukraine, as well as the potentially negative implications for global growth as a consequence of the implementation of US tariff policies by US President Trump in April 2025, Bank Rate reductions have been limited. Bank Rate in April currently stands at 4.5%, despite the Office for Budget Responsibility reducing its 2025 GDP forecast for the UK economy to only 1% (previously 2% in October).

Borrowing has become increasingly expensive in 2024/25. Gilt yields rose significantly in the wake of the Chancellor's Autumn Statement, and the loosening of fiscal policy, and have remained elevated ever since, as dampened growth expectations and the minimal budget contingency (<£10bn) have stoked market fears that increased levels of borrowing will need to be funded during 2025.

The table below provides a snapshot of the conundrum facing central banks: inflation pressures remain, labour markets are still relatively tight by historical comparisons, and central banks are also having to react to a fundamental re-ordering of economic and defence policies by the US administration.

	UK	Eurozone	US
Bank Rate	4.50%	2.5%	4.25%-4.5%
GDP	0.1%q/q Q4 (1.1%y/y)	+0.1%q/q Q4 (0.7%y/y)	2.4% Q4 Annualised
Inflation	2.8%y/y (Feb)	2.3%y/y (Feb)	2.8%y/y (Feb)
Unemployment Rate	4.4% (Jan)	6.2% (Jan)	4.1% (Feb)

The Bank of England left the Bank Rate unchanged at 4.5% by a vote of 8-1 in March, but suggesting further reductions would be gradual. The Bank of England was always going to continue its cut-hold-cut-hold pattern by leaving interest rates at 4.50% but, in the opposite of what happened at the February meeting, the vote was more hawkish than expected. This suggested that as inflation rises later in the year, the Bank cuts rates even slower, but the initial impact of President Trump's tariff policies in April 2025 on the financial markets underpin the view that the Bank will eventually reduce rates to 3.50%.

Having said that, the Bank still thinks inflation will rise from 2.8% in February to 3¾% in Q3. And while in February it said, "inflation is expected to fall back thereafter to around the 2% target", this time it just said it would "fall back thereafter". That may be a sign that the Bank is getting a bit more worried about the "persistence in domestic wages and prices, including from second-round effects". Accordingly, although we expect a series of rate cuts over the next year or so, that does not contradict the Bank taking "a gradual and careful" approach to cutting rates, but a tepid economy will probably reduce inflation further ahead and prompt the Bank to cut at regular intervals.

From a fiscal perspective, the increase in businesses' national insurance and national minimum wage costs from April 2025 is likely to prove a headwind, although in the near-term the Government's efforts to provide 300,000 new homes in each year of the current Parliament is likely to ensure building industry employees are well remunerated, as will the clamp-down on immigration and the generally high levels of sickness amongst the British workforce. Currently wages continue to increase at a rate close to 6% y/y. The MPC would prefer a more sustainable level of c3.5%.

As for equity markets, the FTSE 100 has recently fallen back to 7,700 having hit an all-time intra-day high 8,908 as recently as 3rd March. The British Pound has also endured volatility, hitting a peak of \$1.34 before dropping to \$1.22 in January and then reaching \$1.27 in early April 2025.

USA Economy

Despite the markets willing the Federal Open Market Committee (FOMC) to repeat the rate cut medicine of 2024 (100 basis points in total), the Federal Reserve Chair, Jay Powell, has suggested that the Fed. Funds Rate will remain anchored at 4.25%-4.5% until inflation is under control, and/or the economy looks like it may head into recession as a consequence of President Trump's tariff policies.

Inflation is close to 3% and annualised growth for Q4 2024 was 2.4%. With unemployment just above 4%, and tax cuts in the pipeline, the FOMC is unlikely to be in a hurry to cut rates, at least for now.

Eurozone Economy

The Eurozone economy has struggled throughout 2024 and is flat lining at present, although there is the promise of substantial expenditure on German defence/infrastructure over the coming years, which would see a fiscal loosening. France has struggled against a difficult political backdrop, but with a large budget deficit it is difficult to see any turn-around in economic hopes in the near-term.

With GDP currently below 1% in the Euro-zone, the ECB is likely to continue to cut rates, although the headline inflation rate is still above 2% (2.3% February 2025). Currently at 2.5%, a further reduction in the Deposit Rate to at least 2% is highly likely.

Appendix 3 - Six Monthly Risk Report

Treasury Risk Register Report

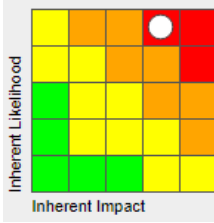
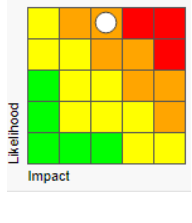
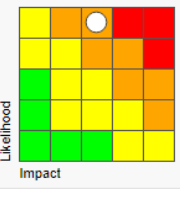
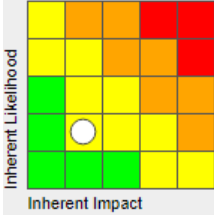
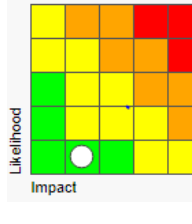
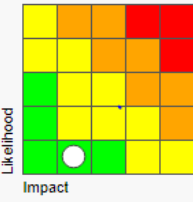
Report Author: Executive Director of Corporate Services

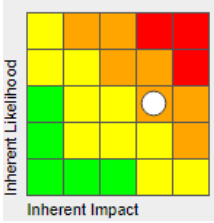
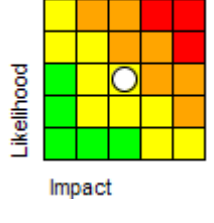
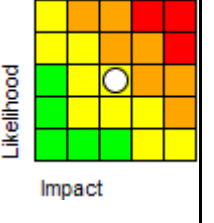
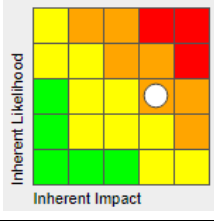
Generated on: 29 September 2025



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	<ul style="list-style-type: none"> . 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: <ul style="list-style-type: none"> . 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	<ul style="list-style-type: none"> . Base rate rising affecting associated market borrowing rates. . Lower risk counterparties not offering competitive rates in low rate environment affecting deposits. 		<ul style="list-style-type: none"> . 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. 		

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					The Council continually monitors base rate and rates being achieved against budget to ensure it has secured the best value possible in the challenging economic climate.		
3. Fraudulent activity (now incorporating cybercrime)	<ul style="list-style-type: none"> . 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		<ul style="list-style-type: none"> . 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	<ul style="list-style-type: none"> . Fine and/or imprisonment . Reputational damage 	Money laundering by external parties	External parties pay a transaction by cash and subsequently request a refund		<ul style="list-style-type: none"> . 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.		

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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		<p>. Revenue budgets monitored on monthly basis and future year forecasts undertaken.</p> <p>. Reserve some capital receipts to cover borrowing costs in the short term.</p> <p>. Ensure monthly financial reports and Forecasts are produced and analysed</p> <p>. All borrowing decisions are made based on prudential indicators and are planned based on long term projections.</p> <p>. Capital Plans and borrowing is reviewed annually before the revenue budget is set to ensure that the costs are affordable.</p>		
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		<p>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.</p>		

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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.		<ul style="list-style-type: none"> . 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.		<ul style="list-style-type: none"> . 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. 	