

APPENDIX A – MID YEAR TREASURY REVIEW REPORT 2020/21

Wiltshire Council

Cabinet

3 November 2020

Subject: Update Report on Treasury Management Strategy 2020/2021
Half Year ended 30 September 2020

Cabinet member: Cllr Pauline Church
Cabinet Member for Finance, Procurement and Commercial
Investment

Key Decision: Non Key

Executive Summary

The Council adopted a Treasury Management Strategy and an Annual Investment Strategy for 2020/2021 at its meeting on 25 February 2020.

In addition to an Annual Report, the Treasury Management Strategy requires a mid-year report reviewing the Treasury Management activities for the current year so far. This report covers the period from 1 April 2020 to 30 September 2020.

The Council has not taken out any new external borrowing (loans) during 2020/2021.

Against budget, there is a projected net overspend in respect of interest receivable* of £0.650m.

The Council has not breached any of its performance indicators for the half year 1 April 2020 to 30 September 2020.

* an amendment has been made since the report was considered by Cabinet to remove the word payable as the pressure is solely as a result of reduced interest receivable

Proposals

Cabinet is asked to note:

- a) that the contents of this report are in line with the Treasury Management Strategy 2020/2021.
- b) the performance of the Council's investments and borrowings against the parameters set out in the approved Treasury Management Strategy for 2020/2021.
- c) the investment limits for the money market funds have been increased to £30m, in line with an Officer Decision made on 1 April 2020 (see paragraphs 40 - 44).
- d) the investment limit for Handelsbanken was breached by £0.005m during August 2020 (see paragraph 36 - 39).

Cabinet is asked to approve:

- e) a recommendation to Full Council to approve the revised lending criteria, in that the Council uses the counterparty list provided by Link Asset Services, without any adjustment (paragraph 32 – 35).

Reasons for Proposals

To give members an opportunity to consider the performance of the Council in the period to 30 September 2020 against the parameters set out in the approved Treasury Management Strategy for 2020/2021.

To improve the operational framework within which officers can place external investments.

Andy Brown
Interim Corporate Director - Resources

Wiltshire Council

Cabinet

3 November 2020

Subject: Report on Treasury Management Strategy 2020/2021
Half Year ended 30 September 2020

Cabinet member: Cllr Pauline Church
Cabinet Member for Finance, Procurement and Commercial
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Key Decision: Non Key

PURPOSE OF REPORT

1. The Council adopted a Treasury Management Strategy for 2020/2021 at its meeting on 25 February 2020, incorporating Prudential Indicators, Treasury Management Indicators and an Annual Investment Strategy, in accordance with the Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
2. The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that members be updated on treasury management activities regularly. This report, therefore, ensures Wiltshire Council is implementing best practice in accordance with the Code.

Economic Background and Interest Rate Forecast

3. The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut bank rate to 0.25%, and then to 0.10%, it left Bank Rate unchanged in August, and the subsequent September meeting; although some forecasters had suggested that a cut into negative territory could happen.
4. The Monetary Policy Committee have suggested that although negative interest rates can work in some circumstances, it would be less effective as a tool to stimulate the economy, at this time when banks are worried about future loan losses. It also has other instruments available, including quantitative easing and the use of forward guidance.
5. The Council's treasury advisor, Link Asset Services, has provided the following forecast. No increase in Bank Rate is expected within the forecast horizon ending in March 2023, as economic recovery is expected to be only gradual and drawn out.

	2020/2021		2021/2022				2022/2023			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Bank Rate	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 Month Average	0.05	0.05	0.05	0.05	0.05	-	-	-	-	-
6 Month Average	0.10	0.10	0.10	0.10	0.10	-	-	-	-	-

6. Gilt yields had been on a generally falling trend up until the coronavirus outbreak in March. They then spiked during the initial phase of the health crisis, but have since fallen sharply to unprecedented lows, as major western central banks took rapid action to deal with stress in financial markets and started massive quantitative easing purchases of government bonds.
7. From a local authority borrowing perspective, the current PWLB certainty rate (the rate at which the Council can borrow) is 180 basis points (1.80%) over gilt yields. This is reduced to 80 basis points over gilt yields for HRA borrowing.
8. Below is an interest forecast table for PWLB certainty rates, provided by Link Asset Services. This shows that there is likely to be little upward movement in PWLB rates over the next two years as it will take the UK economy a prolonged period to recover all the momentum they have lost in the sharp recession caused during the coronavirus shut down period.

	2020/2021		2021/2022				2022/2023			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
25yr PWLB Rate	2.50	2.50	2.50	2.60	2.60	2.60	2.70	2.70	2.70	2.70
50yr PWLB Rate	2.30	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.50	2.50

9. Inflation is also likely to be very low during this period and could even turn negative in some major western economies during 2020/2021.
10. The overall balance of risks to UK economic growth is relatively even; but is subject to major uncertainty due to the virus. There is relatively little domestic risk of increases or decreases in Bank Rate and significant changes in short term PWLB rates.

Treasury Management Strategy Statement and Annual Investment Strategy Update 2020/2021

11. The Treasury Management Strategy Statement (TMSS) 2020/2021, which includes the Annual Investment Strategy, was approved by Full Council on 25 February 2020.

The Council's Capital Position (Prudential Indicators)

12. This part of the report is structured to update
 - The Council's capital expenditure plans
 - How these plans are being financed
 - The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow
 - Compliance with the limits in place for borrowing activity

Prudential Indicator for Capital Expenditure

13. The following table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed by Full Council on 25 February 2020.

* an amendment has been made since the report was considered by Cabinet to add the date of the COVID-19 Response Task Group meeting

Capital Expenditure	2020/2021 Original Budget £m	2020/2021 Revised Budget £m	Current Position £m
General Fund	192.352	131.549	35.496
Housing Revenue Account (HRA)	40.482	18.323	3.520
Commercial Activities/Non-financial investments *	28.700	15.580	(0.125)
Total	261.534	165.452	38.891

* Commercial activities/non-financial investments relate to areas such as capital expenditure on investment properties, loans to third parties etc.

Changes to the Financing of the Capital Programme

14. The following table draws together the main strategy elements of the capital plans (above) highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This borrowing need may also be supplemented by maturing debt and other treasury requirements.

Capital Expenditure	2020/2021 Original Budget £m	2020/2021 Revised Budget £m
Total Capital Expenditure	261.534	165.452
Financed by:		
Capital Receipts	13.802	1.545
Capital Grants	55.302	65.375
Capital Reserves	0.000	0.000
Revenue	0.000	0.000
HRA	29.843	18.130
Total Financing	98.947	85.050
Borrowing Funded by Revenue Saving in Service	66.047	22.878
External Borrowing	96.540	57.524
Total Borrowing Requirement	162.587	80.402

Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary

15. The following table shows the CFR, which is the underlying need to borrow for a capital purpose.

Prudential Indicator – Capital Financing Requirement	2020/2021 Original Estimate £m	2020/2021 Revised Estimate £m
CFR – General Fund	581.433	502.267
CFR – HRA	126.558	116.070
Total CFR	707.991	618.337

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16. The following table shows the operational boundary; this is the limit beyond which the external debt is not normally expected to exceed. The operational boundary is based on a prudent estimate of the most likely maximum level of external borrowing for both capital expenditure and cashflow purposes, which is consistent with other budget proposals. This was set in the TMSS 2020/2021, which was approved by Full Council on 25 February 2020 and does not change throughout the year.

Prudential Indicator - Operational Boundary for External Debt	2020/2021 Original Estimate £m
Borrowing	731.572
Other Long Term Liabilities	0.200
Operational Boundary	731.772

Limits to Borrowing Activity

17. The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowing less investments) will only be for a capital purpose.
18. Gross external borrowing should not, except in the short term exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2020/2021 and the next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to.

	2020/2021 Original Estimate £m	2020/2021 Current Position £m	2020/2021 Revised Estimate £m
Borrowing	561.560	335.123	379.530
Other Long Term Liabilities	0.200	0.200	0.200
Salix Borrowing	0.000	2.204	2.204
Total Debt	561.760	337.527	381.934
CFR	707.991	618.337	618.337

19. A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit, which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired could be afforded in the short term, is not sustainable in the long term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Authorised Limit was set in the TMSS 2020/2021, which was approved by Full Council on 25 February 2020 and does not change throughout the year.

Authorised Limit for External Debt	2020/2021 Original Estimate £m
Borrowing	746.697
Other Long Term Liabilities	0.200
Total Authorised Limit	746.897

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Borrowing

20. The Council's Capital Financing Requirement (CFR) for 2020/2021 is £618.337m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is usually driven by market conditions.
21. The table in paragraph 18 shows the Council has borrowings of £337.527m and has utilised £280.810m of cash flow funds in lieu of borrowing. This figure includes £68.816m PFI liability, which when accounted for, results in a net internal borrowing position of £211.994m. This is a prudent and cost effective approach in the current economic climate will be continually reviewed in order to achieve optimum value and risk exposure in the long-term.
22. Due to the overall financial position and the increasing underlying need to borrow for capital purposes, it is anticipated that further external borrowing may be undertaken at the end of the financial year.
23. A summary of the Council's borrowing position as at 30 September 2020 is detailed at Appendix 1.

Debt Rescheduling

24. Debt rescheduling opportunities have been very limited in the current economic climate and following the various increases in the margins added to gilt yields which have impacted the PWLB borrowing rates since October 2010. Therefore, no debt rescheduling has been undertaken in the current financial year.

Compliance with Treasury and Prudential Limits

25. It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the half year ended 30 September 2020, the Council has operated within the treasury and prudential indicators set out in the Council's TMSS 2020/2021.
26. No future difficulties are envisaged for the current or future years in complying with these indicators.
27. All treasury management operations have been conducted in full compliance with the Council's Treasury Management Practices.

Annual Investment Strategy

28. In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods of up to 12 months with high credit rated institutions.

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29. As shown by the interest forecast in paragraph 8, it is now impossible to earn the level of interest commonly seen in previous decades. Now that Bank Rate is 0.1%, all investment rates are barely above zero. This has seen a number of counterparties, including the HSBC overnight account, offer nil or negative rates for very short-term maturities. However, Money Market Funds are still offering a marginally positive return.
30. Inter-local authority lending and borrowing rates have also declined due to the surge in the levels of cash seeking a short-term home at a time when many local authorities are having difficulties with accurate forecasting. This is due to uncertainty around when disbursements of funds received will occur or when further large receipts will be received from the Government.
31. Given the risk environment and the fact that Bank Rate increases are unlikely to occur before the end of the current forecast horizon, investment returns are expected to remain low.

Investment Counterparty Criteria

32. The Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach, combining credit ratings, credit watches and credit outlooks in a weighted scoring system. This produces a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments.
33. In addition to the above, the TMSS states that; typically, the minimum credit ratings the Council use, will be a short-term rating (Fitch or equivalent) of F1 and a long-term rating of A-, and these are strictly applied by Council. However, Link Asset Services state that there may be occasions when the counterparty ratings are marginally lower than this, but the counterparty may still be used.
34. This means that the application of the F1 and A- ratings by the Council are an unnecessary layer, as a wide variety of information and expertise, other than just primary ratings, have already been used by Link Asset Services to produce the counterparty list.
35. Therefore, it is proposed that,
 - a. the Council uses the counterparty list provided by Link Asset Services, without the strict application of the additional credit ratings (F1 and A-)

Approved Limits – Breach

36. The Council operates a 35-day notice account with Handelsbanken, with a counterparty limit of £15.000m. In August 2020, the balance held was £14.992m. At the end of this month, notification was received from the bank that they had applied quarterly interest of £0.013m, which resulted in the balance on the account being £15.005m; which is £0.005m over the limit.
37. The balances on the liquid investments, such as the money market funds and call account are regularly monitored, so that they do not breach counterparty limits. However, on this occasion, due to Covid-19 restrictions, the notification of the

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quarterly investment was not received by the treasury team, until such time that it was too late to adjust the balance.

38. As soon as the breach was identified, funds were recalled, to bring the Handelsbanken investment balance back to within the prescribed limit.
39. Processes have been reviewed and revised, to ensure that a similar breach does not occur in the future.

Approved Limits – Counterparty Criteria

40. The following criteria has been changed since the TMSS was agreed at Full Council on 25 February 2020.
 - a. Due to operational requirements, mainly as a result of the significant value of grants paid to the council as paymaster, as a result of the Covid-19 pandemic, the monetary limit for each money market fund was increased from £15m to £30m.
41. This decision would in other circumstances be taken by Council. However, in circumstances where the Council is unable to meet to expedite its functions in a timely manner during the Covid-19 pandemic, this decision was taken in accordance with the appropriate power, in consultation with the Chief Executive Officers and other statutory officers of the Council.
42. The above Officer Decision was taken by Interim Corporate Director of Resources, Andy Brown, on 1 April 2020.
43. The decision was taken to enable the treasury team to place larger amounts of very short-term liquid funds on the money market following the announcement by Central Government that the Council was going to be in receipt of £106m of funding in respect of the Covid-19 Business Grant Scheme. Payments were starting to be made to businesses the following week, so general fixed term deposits would not have been appropriate.
44. Holding this increased level of cash, is in excess of any normal business holdings the council would expect to manage over this short space of time. Given the structure of the portfolio, the current limits of £15m per money market fund, were not sufficient to place the level of funds necessary.

Investment Portfolio 2020/2021

45. As at 30/09/2020, the Council held £119.467m of investments (£79.525m as at 31/03/2020). The average level of funds available for investments over the first six months of the year was £128.131m.
46. A summary of the Council's investments as at 30 September 2020 are detailed at Appendix 2

Investment Performance 2020/2021

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47. The investment portfolio yield for the first six months of the year was 0.41% against a benchmark of 0.21% (Six month LIBID rate). Therefore, the Council outperformed the benchmark by 20 bps (basis points).
48. The current forecast for interest expenditure for 2020/2021 is in line with the budget.
49. Budgets assumptions for interest receivable were based on market interest rates, prior to the Covid-19 impact on the economy. Interest rates were previously 0.75% and on a rising trend and are currently 0.10%. This significant market decline has resulted in the current forecast for interest income being £0.650m lower than budget.
50. These forecasts have been included within the figures reported in the period 6 revenue budget monitoring report to Cabinet.

Overview & Scrutiny Engagement

51. The COVID-19 Response Task Group will consider this report on 28 October 2020*. Any comments from the Task Group will be reported verbally at the meeting of Cabinet.

Safeguarding Implications

52. None have been identified as arising directly from this report.

Public Health Implications

53. None have been identified as arising directly from this report.

Procurement Implications

54. None have been identified as arising directly from this report.

Equalities Impact of the Proposal

55. None have been identified as arising directly from this report.

Environmental and Climate Change Considerations

56. None have been identified as arising directly from this report.

Risk Assessment

57. All investments have been at fixed rates during the period. The Council's current average interest rate on long term debt is 3.78%, which compares favourably with similar rates of other UK local authorities.
58. The primary management risks to which the Council is exposed are adverse movements in interest rates and the credit risk of counterparties.
59. Investment counterparty risk is controlled by assessing and monitoring the credit risk of borrowers as authorised by the Annual Investment Strategy.

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Financial Implications

60. These have been examined and are implicit throughout the report.

Legal Implications

61. None have been identified as arising directly from this report.

Proposals

62. Cabinet is asked to note:

- a) that the contents of this report are in line with the Treasury Management Strategy 2020/2021.
- b) the performance of the Council's investments and borrowings against the parameters set out in the approved Treasury Management Strategy for 2020/2021.
- c) the investment limits for the money market funds have been increased to £30m, in line with an Officer Decision made on 1 April 2020 (see paragraphs 40 - 44).
- d) the investment limit for Handelsbanken was breached by £0.005m during August 2020 (see paragraph 36 - 39).

63. Cabinet is asked to approve:

- e) a recommendation to Full Council to approve the revised lending criteria, in that the Council uses the counterparty list provided by Link Asset Services, without any adjustment (paragraphs 32 – 35).

Andy Brown

Interim Corporate Director – Resources (Section 151 Officer)

Report Author:

Debbie Price, Finance Business Analyst

Appendices:

Appendix 1 Borrowing Portfolio

Appendix 2 Investment Portfolio

Borrowing Portfolio as at 30 September 2020

Lender	Start Date	Maturity Date	Amount £m	Rate %	Annual Interest £m
Public Works Loan Board (PWLB)					
PWLB	28/03/2012	28/03/2021	4.000	2.21	0.088
PWLB	15/02/2010	01/06/2021	2.000	4.33	0.087
PWLB	28/03/2012	28/03/2022	8.000	2.40	0.192
PWLB	28/03/2012	28/03/2023	8.000	2.56	0.205
PWLB	15/02/2010	01/06/2023	2.000	4.45	0.089
PWLB	28/03/2012	28/03/2024	8.000	2.70	0.216
PWLB	15/02/2010	01/06/2024	2.000	4.49	0.090
PWLB	28/03/2012	28/03/2025	8.000	2.82	0.226
PWLB	14/08/2001	01/12/2025	0.123	4.875	0.006
PWLB	28/03/2012	28/03/2026	10.000	2.92	0.292
PWLB	15/02/2010	01/06/2026	2.000	4.54	0.091
PWLB	28/03/2012	28/03/2027	8.000	3.01	0.241
PWLB	21/08/2002	01/06/2027	4.000	4.75	0.190
PWLB	28/03/2012	28/03/2028	6.000	3.08	0.185
PWLB	29/07/1999	01/06/2028	1.000	4.75	0.048
PWLB	15/02/2010	01/06/2028	2.000	4.56	0.091
PWLB	28/03/2012	28/03/2029	7.000	3.15	0.221
PWLB	29/07/1999	01/06/2029	1.000	4.75	0.048
PWLB	28/03/2012	28/03/2030	8.000	3.21	0.257
PWLB	29/07/1999	01/06/2030	1.000	4.75	0.048
PWLB	20/05/2005	01/06/2030	2.000	4.45	0.089
PWLB	05/12/2005	18/03/2031	5.000	4.25	0.213
PWLB	28/03/2012	28/03/2031	2.000	3.26	0.065
PWLB	29/07/1999	01/06/2031	1.000	4.75	0.048
PWLB	20/05/2005	01/06/2031	2.000	4.45	0.089
PWLB	21/11/2005	18/09/2031	2.000	4.25	0.085
PWLB	28/03/2012	28/03/2032	5.000	3.30	0.165
PWLB	20/05/2005	01/06/2032	2.000	4.45	0.089
PWLB	04/11/1999	01/12/2032	1.500	4.625	0.069
PWLB	28/03/2012	28/03/2033	6.000	3.34	0.200
PWLB	20/05/2005	01/06/2033	2.000	4.45	0.089
PWLB	15/11/1999	19/09/2033	1.000	4.25	0.043
PWLB	28/03/2012	28/03/2034	7.000	3.37	0.236
PWLB	20/05/2005	01/06/2034	2.000	4.45	0.089
PWLB	15/11/1999	18/09/2034	1.000	4.25	0.043
PWLB	21/11/2005	18/09/2034	5.000	4.25	0.213
PWLB	28/03/2012	28/03/2035	2.000	3.40	0.068
PWLB	14/06/2005	14/06/2035	5.000	4.35	0.218
PWLB	15/11/1999	18/09/2035	1.000	4.25	0.042
PWLB	21/11/2005	18/09/2035	5.000	4.25	0.213

PWLB	15/11/1999	18/09/2036	0.500	4.25	0.021
PWLB	15/11/1999	18/09/2036	0.500	4.25	0.021
PWLB	28/03/2012	28/03/2037	9.000	3.44	0.310
PWLB	11/01/2006	01/12/2037	4.000	4.00	0.160
PWLB	11/01/2006	01/12/2038	4.000	4.00	0.160
PWLB	15/02/2010	01/06/2041	2.000	4.57	0.091
PWLB	11/08/2006	01/12/2041	3.000	4.35	0.131
PWLB	15/02/2010	01/06/2042	2.000	4.57	0.091
PWLB	11/08/2006	01/12/2042	2.000	4.35	0.087
PWLB	11/08/2006	01/12/2043	2.000	4.35	0.087
PWLB	06/09/2006	01/12/2044	3.000	4.25	0.128
PWLB	06/09/2006	01/12/2045	3.000	4.25	0.128
PWLB	29/06/2006	18/09/2046	4.000	4.45	0.178
PWLB	30/08/2006	01/12/2046	2.000	4.25	0.085
PWLB	29/06/2006	18/09/2047	4.000	4.45	0.178
PWLB	30/08/2006	01/12/2047	2.000	4.25	0.085
PWLB	09/10/1998	18/09/2048	1.000	4.50	0.045
PWLB	29/06/2006	18/09/2048	3.500	4.45	0.156
PWLB	30/08/2006	01/12/2048	2.000	4.25	0.085
PWLB	09/10/1998	18/09/2049	1.000	4.50	0.045
PWLB	29/06/2006	18/09/2049	3.000	4.45	0.134
PWLB	30/08/2006	01/12/2049	2.000	4.25	0.085
PWLB	30/08/2006	01/06/2050	5.000	4.25	0.213
PWLB	17/09/1998	18/09/2050	1.000	5.125	0.051
PWLB	17/09/1998	18/09/2051	1.000	5.125	0.051
PWLB	07/03/2007	01/06/2052	2.000	4.25	0.085
PWLB	23/07/1998	03/06/2052	1.000	5.50	0.055
PWLB	07/03/2007	01/06/2053	2.000	4.25	0.085
PWLB	23/07/1998	02/06/2053	1.000	5.50	0.055
PWLB	19/06/1998	01/06/2054	1.000	5.375	0.054
PWLB	19/06/1998	01/06/2055	1.000	5.375	0.054
PWLB	21/06/2006	01/06/2055	2.000	4.30	0.086
PWLB	22/06/2006	18/09/2055	4.000	4.35	0.174
PWLB	19/06/1998	01/06/2056	1.500	5.375	0.081
PWLB	21/06/2006	01/06/2056	3.000	4.30	0.129
PWLB	22/06/2006	01/06/2056	6.000	4.35	0.261
PWLB	02/10/1997	25/09/2057	1.500	6.625	0.099
PWLB	13/03/2019	13/03/2063	10.000	2.36	0.236
PWLB	13/03/2019	13/03/2064	10.000	2.36	0.236
PWLB	13/03/2019	13/03/2065	10.000	2.36	0.236
TOTAL PWLB LOANS			274.123		10.002

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Lender	Start Date	Maturity Date	Amount £m	Rate %	Annual Interest £m
LOBO Loans					
Barclays Bank	03/12/2004	03/12/2054	10.000	4.45	0.445
FMS Wermanagement	07/12/2004	08/12/2053	10.000	4.45	0.445
PBB Deutsche Pfandbriefbank	10/12/2004	10/12/2052	10.000	4.45	0.445
Dexia Credit Local	10/12/2004	11/12/2051	10.000	4.45	0.445
Barclays Bank	31/08/2005	31/08/2055	5.000	3.99	0.199
Dexia Credit Local	20/02/2006	18/02/2066	6.000	4.45	0.267
Beyern LB	05/03/2007	07/03/2067	4.000	4.20	0.168
Barclays Bank	31/07/2007	01/08/2067	6.000	4.21	0.253
TOTAL LOBO LOANS			61.000		2.667
Salix Loans					
Loan 1	01/11/2019	01/04/2025	1.034	0.00	0.000
Loan 2	01/03/2020	01/03/2026	1.170	0.00	0.000
TOTAL SALIX LOANS			2.204		0.000
TOTAL - ALL LOANS			337.327		12.669

* an amendment has been made since the report was considered by Cabinet to add the date of the COVID-19 Response Task Group meeting

Investment Portfolio as at 30 September 2020 (compared to the counterparty list)

Borrower	Amount (£m)	Interest Rate (%)	Start Date	Maturity	Link Credit Rating (see next page for explanatory key)
First Abu Dhabi Bank	8.000	0.91	09/10/2019	07/10/2020	Orange - 12 months
Qatar National Bank	10.000	0.38	20/07/2020	20/01/2021	Orange - 12 months
Thurrock Council	15.000	0.30	15/09/2020	15/03/2021	Local Authority - 60 months
DBS Bank Ltd.	10.000	0.10	25/09/2020	23/12/2020	Orange - 12 months
Handelsbanken Call Account	14.992	0.25	*	*	AAA
Black Rock Money Market Fund	0.002	0.01	*	*	AAA
JP Morgan Money Market Fund	20.900	0.08	*	*	AAA
Federated Money Market Fund	11.305	0.06	*	*	AAA
Goldman Sachs Money Market Fund	0.001	0.01	*	*	AAA
Aberdeen Investments Liquidity Fund	29.267	0.12	*	*	AAA
Total	119.467				

* Money Market Funds/HSBC Overnight Investment Account/Call Account – cash can be invested and withdrawn on a daily basis (subject to maximum investment limits) so there is no start date or maturity date for the purposes of this report.

Link Asset Services provide a creditworthiness service, which employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- a) credit watches and credit outlooks from credit rating agencies;
- b) CDS spreads to give early warning of likely changes in credit ratings;
- c) sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:

- a) Yellow – 5 years (this category is for AAA rated Government debt or its equivalent, including an investment instrument – collateralised deposits, where the investment is secured only against local authority debt, namely LOBOs, making them effectively government exposure);
- b) Dark pink – 5 years for Enhanced money market funds (EMMFs) with a credit score of 1.25
- c) Light pink – 5 years for Enhanced money market funds (EMMFs) with a credit score of 1.5
- d) Purple – 2 years;
- e) Blue – 1 year (only applies to nationalised or semi nationalised UK Banks and their subsidiaries):
- f) Orange – 1 year;
- g) Red – 6 months;
- h) Green – 100 days; and
- i) No Colour – not to be used.

The advisor's creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

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