



# RIBBLE VALLEY BOROUGH COUNCIL REPORT TO POLICY & FINANCE COMMITTEE

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Meeting date: 9 NOVEMBER 2021  
title: TREASURY MANAGEMENT MONITORING 2021/22  
submitted by: DIRECTOR OF RESOURCES  
principal author: VALERIE TAYLOR

## 1 PURPOSE

1.1 To provide you with a monitoring report on our treasury management activities for the period 1 April 2021 to 30 September 2021.

1.2 Relevance to the Council's ambitions and priorities:

- In accordance with the corporate strategy priority -“to ensure a well-managed Council, by maintaining critical financial management and controls.” This report provides members with information regarding the treasury management activities for the period.

1.3 In accordance with our treasury management policy, committee receive regular monitoring reports on treasury management activities throughout the financial year.

## 2 BACKGROUND

2.1 Treasury management within an organisation is the *'management of the organisation's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks'*

2.2 The council's approach to treasury management is set out in its 'Treasury Management Policies and Practices' document which governs the way that investments and cashflows are managed. It is reviewed annually to ensure continued compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice.

2.3 Treasury Management Policies and Practices were reviewed in advance of the 2021/22 financial year, and were approved by this committee in March 2021 prior to full council in April 2021.

## 3 TEMPORARY INVESTMENTS

3.1 In accordance with the approved treasury management policies and practices, surplus funds are temporarily invested via the money market at the best rate of interest available and with the minimisation of risk to the capital sum. Investment decisions continue to be primarily concerned with the security of the funds invested and ongoing liquidity to meet financial commitments.

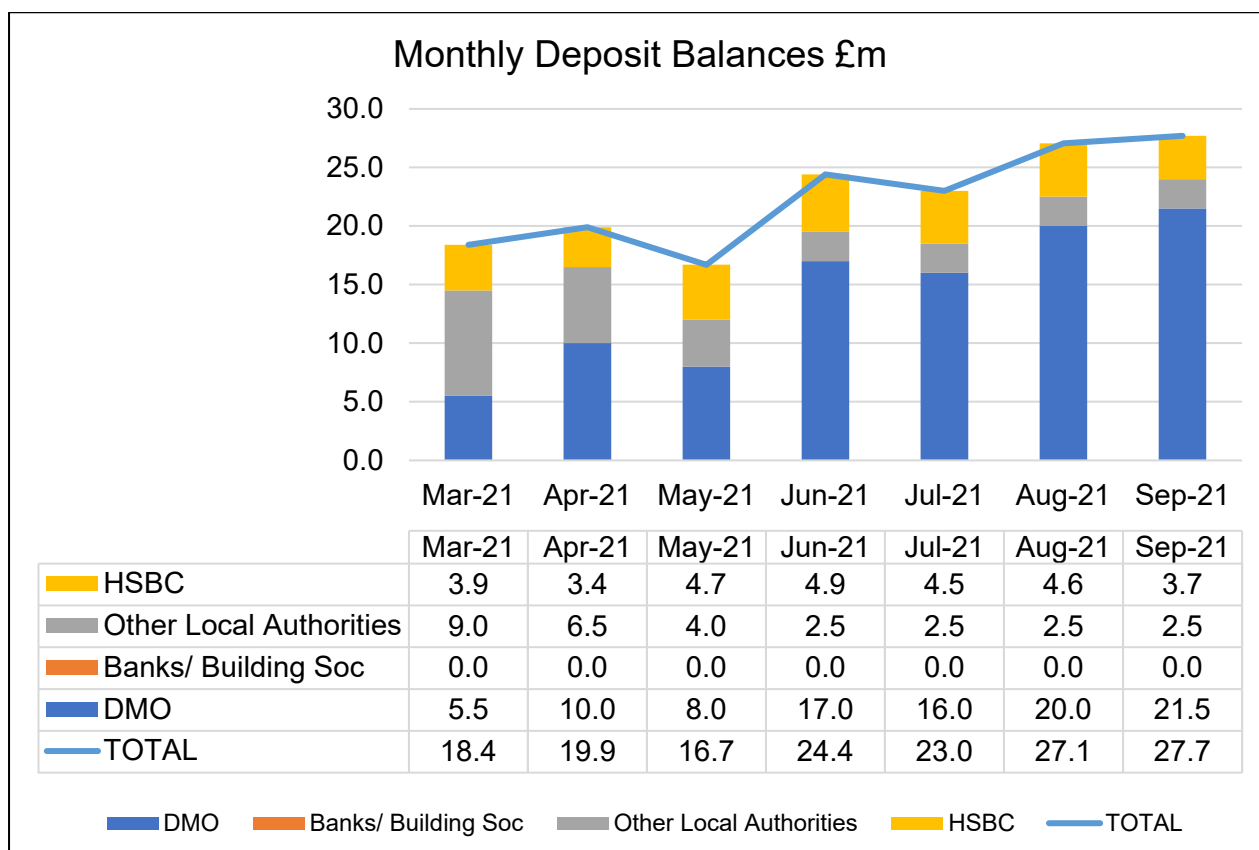
3.2 The movement in the Council's external investments during the reporting period are summarised below:

	Banks/ Building Societies £000	DMO £000	Other Local Authorities £000	Total £000
Monies Invested at 1 April 2021	0	5,500	9,000	14,500
Net Movement	0	16,000	-6,500	9,500
<b>Fixed term deposits at 30 September 2021</b>	<b>0</b>	<b>21,500</b>	<b>2,500</b>	<b>24,000</b>
<b>Add funds held with HSBC</b>	<b>3,700</b>	<b>0</b>	<b>0</b>	<b>3,700</b>
<b>Sum of all funds invested</b>				<b>27,700</b>
<b>Interest earned April – September 2021</b>				<b>2</b>

3.3 Funds invested at 30<sup>th</sup> September were held with the following organisations:

Borrower	Date Invested	Date of Repayment	Rate %	£'000
Aberdeen City Council	22/06/2021	22/12/2021	0.04%	2,500
Debt Management Office (DMO)	30/09/2021	11/10/2021	0.01%	21,500
<b>SUM of fixed term deposits</b>				<b>24,000</b>
<b>Add funds held with HSBC</b>				<b>3,700</b>
<b>SUM of all investments at 30<sup>th</sup> September 2021</b>				<b>27,700</b>

3.4 A detailed listing of investments placed and repaid during the reporting period is available in Annex 1. A summary of end of month balances is shown below:



#### 4 INTEREST ON INVESTMENTS

- 4.1 The Bank of England base rate reduced to 0.10% in March 2020 where it remained throughout the reporting period:

Official Bank Rate	
Date of change	%
02 August 2018	0.75
11 March 2020	0.25
19 March 2020	0.10

- 4.2 The total interest earned on investments between April and September 2021 was £1,993 compared to £27,079 for the same period in 2020.
- 4.3 The council did not earn any interest on balances held at bank in either financial year as the rate payable tracks at 0.10% below the base rate.
- 4.4 Short term funds are regularly placed with the Debt Management Office (DMO). The DMO is an Executive Agency of Her Majesty's Treasury, responsible for debt and cash management for the UK Government, lending to local authorities and managing certain public sector funds.
- 4.5 As an Executive Agency the DMO is a highly secure counterparty for investment transactions and as such continues to be the preferred organisation for the depositing of short-term funds. The council has a counterparty limit of £25m with the DMO compared to £1.75m with other banks and building societies. This allows the council to place single investments with the DMO that would need to be placed with several other institutions if the decision was made to place funds elsewhere. The higher chaps fees incurred would largely offset any additional interest earned.
- 4.6 We continue to place funds with the DMO over very short terms to maintain high liquidity. This allowed the prompt processing of grant payments to local residents and businesses through the coronavirus pandemic. This liquidity will also allow us to take advantage of favourable rates within the local authority lending market should the opportunity arise.

#### 5 LOCAL GOVERNMENT BONDS AGENCY

- 5.1 The Council has one longer-term investment of £10,000 which was placed with the Local Government Bonds Agency in 2014. The agency is a freestanding independent body that is owned by the local government sector with the purpose of raising money efficiently on the capital markets at regular intervals to on-lend to participating bodies.
- 5.2 The contribution that we have invested will be returned to us after 10 years of successful operations of the agency, together with interest which will be earned at commercial rates.

#### 6 BORROWING

- 6.1 The reduction in the Bank of England base rate only impacts on the amount of interest received on our temporary investments as all interest payable on the Council's long-term loan debt from the Public Works Loan Board (PWLB) is at fixed interest rates.

- 6.2 Principal local authorities previously could qualify for a discounted rate by submitting a Certainty Rate return. Since 26 November 2020, principal local authorities have been required to submit a Certainty Rate return, that includes a high level description of their capital spending and financing plans for the following three years, as a condition of accessing the PWLB.
- 6.3 As a result, the Certainty Rate is now the default rate that principal local authorities borrow at. The council has submitted the required information and retains access to the PWLB.

## 7 BORROWING REQUIREMENTS

- 7.1 There has been a reduction in the Council's level of external borrowing during the period following payment of the half yearly instalment to the PWLB in September:

	Total £000
External Debt at 1 April 2021	115
Transactions - New Loans	0
- Repayments	-5
<b>External debt at 30<sup>th</sup> September 2021</b>	<b>110</b>

- 7.2 No temporary loans were taken out in the current financial period up to 30<sup>th</sup> September 2021, or in the same period in 2020.

## 8 PRUDENTIAL INDICATORS

- 8.1 Local authorities in England and Wales are required by the Local Government Act 2003 to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities.

- 8.2 In March 2021 this Committee approved a combined Capital and Treasury Management Strategy for 2021/ 2022 which includes a number of prudential indicators.

- 8.3 These prudential indicators are designed to deliver accountability in taking capital financing, borrowing and treasury management decisions.

- 8.4 The treasury management specific indicators which form part of the prudential code are the following:

- **Authorised limit for external debt**

This sets a limit on the amount of external borrowing that reflects a level of borrowing, which while not desired, could be afforded but may not be sustainable. It is the upper limit on the level of gross external indebtedness, which must not be breached without council approval. It is the **worse-case scenario**.

- **Operational boundary for external debt**

This indicator focuses on the day-to-day treasury management activity within the Council and reflects the most likely prudent but not worse-case scenario. Any sustained breaches to this boundary would give an indication that the Council may be in danger of stepping beyond the prudential boundaries it has set itself.

- 8.5 The Council's actual long-term debt at 30<sup>th</sup> September 2021 compared to the approved authorised limit and operational boundary indicators is as follows:

<b>Prudential Indicator</b>	<b>Authorised Limit £000's</b>	<b>Operational Boundary £000's</b>	<b>Actual as at 30<sup>th</sup> September 2021 £000's</b>
Borrowing	15,992	2,817	110
Other Long-Term liabilities	0	0	0

8.6 The Treasury Management code requires that where an authority invests, or plans to invest, for periods of longer than one year that an upper limit for investments maturing in excess of this timeframe is set. This council currently has a policy of not investing for periods of longer than one year and so no upper limits have been set and no investments have been made in the reporting period for longer than 365 days.

## 9 APPROVED ORGANISATIONS

9.1 Principally, Fitch credit ratings are used as an indication of the probability of organisations defaulting on our investments. Definitions for the ratings are provided at Annex 2.

9.2 The ratings show an indication of the current credit position and are monitored on a regular basis with any significant changes to be reported to this committee. Prior to investing any monies on a day to day basis the ratings given by rating agents S&P Global Ratings and Moody's are also monitored and considered alongside the Fitch ratings. The full list of ratings for our approved institutions at 30<sup>th</sup> September 2021 is shown at Annex 3.

9.3 Investments with Building Societies are limited to the top eight building societies based on their total assets (provided they are included in Fitch ratings). Two of the top building societies do not currently have a Fitch rating, leaving the top six building societies based on their total assets:

<b>Name</b>	<b>Fitch Rating</b>		
	<b>Full Transaction Review Date</b>	<b>Long Term</b>	<b>Short Term</b>
Nationwide	05/07/2021	A	F1
Coventry	13/08/2021	A-	F1
Yorkshire	13/08/2021	A-	F1
Skipton	13/08/2021	A-	F1
Leeds	13/08/2021	A-	F1
Principality	13/08/2021	BBB+	F2

9.4 The banks we use are reviewed annually as part of the Treasury Management Practices to take into account their Fitch IBCA long-term and short-term credit rating. The Council has a policy to only use institutions with a short-term Fitch rating of F2 or above. The banks on the Council's approved list meeting this requirement at 30<sup>th</sup> September 2021 are as follows:

<b>Name</b>	<b>Fitch's Full Transaction Review Date</b>	<b>Long Term</b>	<b>Short Term</b>
Santander UK Plc	05/07/2021	A+	F1
Barclays Bank Plc	21/07/2021	A+	F1

Name	Fitch's Full Transaction Review Date	Long Term	Short Term
Bank of Scotland Plc	05/07/2021	A+	F1
HSBC Bank Plc	23/10/2020	AA-	F1+
Lloyds Bank Plc	05/07/2021	A+	F1
National Westminster Bank Plc	05/07/2021	A+	F1
Royal Bank of Scotland Plc (The)	05/07/2021	A+	F1

9.5 In addition to the building societies and banks we use for investments, also approved for use are other Local Authorities and the United Kingdom Debt Management Office, where the Government guarantees investments.

## 10 RECENT EVENTS

10.1 At its meeting in September 2021 the Bank of England's Monetary Policy Committee (MPC) judged that its existing stance of monetary policy remained appropriate and voted unanimously to maintain the Base Rate at 0.10%. In response to rising inflation it is likely in the short term that interest rates will rise. By how much and for how long is unknown.

10.2 We continue to maintain liquid funds in our cash management activities to enable the timely distribution of grant payments as applications for local support are received.

10.3 The inter authority cash market remains sedentary, meaning that we have not had any recent opportunities to invest with other local authorities. By maintaining liquid funds the council retains the ability to take advantage of future secure investment opportunities at potentially beneficial rates with other local authorities as they arise.

## 11 EXPOSURE TO RISK

11.1 With the risks surrounding the impact of COVID-19 on the economy and the council's cashflows, it is imperative that we continue to protect the Council's principal sums invested and closely monitor liquidity in order to minimise exposure to risks in an uncertain environment.

11.2 To ensure our exposure is limited as far as possible, we continue with the following measures:

- Daily early morning discussions concerning the latest position:
- Lending arrangements
- A review of the Markets
- A review of our current investments and whether we consider they are still safe
- Institution Ratings
- Close monitoring of our cash flow position and estimates
- Authorisation prior to investments with either the Director of Resources or the Head of Financial Services
- Keep Leader/Chief Executive informed of any developments when necessary
- Look to arrange new secure options for investments as necessary.

## 12 CONCLUSION

- 12.1 Through the careful investment of sums in line with the Council's strategy the level of risk to our investments has been kept to a minimum.
- 12.2 Due to the continued uncertainty in the global economy, a prudent approach continues to be followed in the investment of any surplus cash balances on a day to day basis, ensuring continue liquidity and security of the council's investments.

SENIOR ACCOUNTANT

DIRECTOR OF RESOURCES

PF66-21/LO/AC  
28 October 2021

For further information please ask for Valerie Taylor

**POLICY AND FINANCE COMMITTEE  
TEMPORARY INVESTMENT ACTIVITY – 2021/22**

**ANNEX 1**

Reference	Organisation	Invested £	Date invested	Interest rate	Date of maturity	Interest £	Principal Repaid £	Long Term Rating	Short Term Rating
<b>Investments brought forward into 2021/22</b>									
11/3	Ashford Borough Council	2,500,000	19/01/2021	0.03%	19/04/2021	-184.93	-2,500,000	n/a	n/a
<i>Less interest accrued during 2020/21</i>						147.95			
51	Telford & Wrekin Council	2,500,000	11/02/2021	0.03%	11/05/2021	-182.88	-2,500,000	n/a	n/a
<i>Less interest accrued during 2020/21</i>						100.68			
56	Uttlesford District Council	1,500,000	05/03/2021	0.10%	07/06/2021	-386.30	-1,500,000	n/a	n/a
<i>Less interest accrued during 2020/21</i>						110.96			
18/4	Aberdeen City Council	2,500,000	22/03/2021	0.10%	22/06/2021	-630.14	Rolled over to 18/5	n/a	n/a
<i>Less interest accrued during 2020/21</i>						68.49			
62	Debt Management Office	5,500,000	29/03/2021	-0.01%	06/04/2021	12.05	-5,500,000	n/a	n/a
<i>Less interest accrued during 2020/21</i>						-4.52			
<b>Investments placed April - September 2021</b>									
1	Debt Management Office	11,000,000	06/04/2021	0.01%	12/04/2021	-18.08	-11,000,000	n/a	n/a
2	Debt Management Office	5,000,000	12/04/2021	0.01%	19/04/2021	-9.59	-5,000,000	n/a	n/a
3	Debt Management Office	4,500,000	12/04/2021	0.01%	16/04/2021	-4.93	-4,500,000	n/a	n/a
4	Debt Management Office	1,000,000	15/04/2021	0.01%	16/04/2021	-0.27	-1,000,000	n/a	n/a
5	Debt Management Office	5,000,000	19/04/2021	0.01%	20/04/2021	-1.37	-5,000,000	n/a	n/a
6	Debt Management Office	5,000,000	20/04/2021	0.01%	26/04/2021	-8.22	-5,000,000	n/a	n/a
7	Debt Management Office	5,000,000	26/04/2021	0.01%	04/05/2021	-10.96	-5,000,000	n/a	n/a
8	Debt Management Office	5,000,000	30/04/2021	0.01%	04/05/2021	-5.48	-5,000,000	n/a	n/a
9	Debt Management Office	9,000,000	04/05/2021	0.01%	10/05/2021	-14.79	-9,000,000	n/a	n/a
10	Debt Management Office	9,000,000	10/05/2021	0.01%	17/05/2021	-17.26	-9,000,000	n/a	n/a
11	Debt Management Office	2,500,000	11/05/2021	0.01%	17/05/2021	-4.11	-2,500,000	n/a	n/a



**POLICY AND FINANCE COMMITTEE  
TEMPORARY INVESTMENT ACTIVITY – 2021/22**

Reference	Organisation	Invested £	Date invested	Interest rate	Date of maturity	Interest £	Principal Repaid £	Long Term Rating	Short Term Rating
12	Debt Management Office	13,000,000	17/05/2021	0.01%	24/05/2021	-24.93	-13,000,000	n/a	n/a
13	Debt Management Office	8,000,000	24/05/2021	0.01%	01/06/2021	-17.53	-8,000,000	n/a	n/a
14	Debt Management Office	5,000,000	24/05/2021	0.01%	25/05/2021	-1.37	-5,000,000	n/a	n/a
15	Debt Management Office	13,000,000	01/06/2021	0.02%	07/06/2021	-42.74	-13,000,000	n/a	n/a
16	Debt Management Office	13,000,000	07/06/2021	0.02%	14/06/2021	-49.86	-13,000,000	n/a	n/a
17	Debt Management Office	13,500,000	14/06/2021	0.02%	21/06/2021	-51.78	-13,500,000	n/a	n/a
18/5	Aberdeen Council	Rolled over from 18/4	22/06/2021	0.04%	22/12/2021	-273.97	still invested	n/a	n/a
19	Debt Management Office	13,000,000	21/06/2021	0.02%	28/06/2021	-49.86	-13,000,000	n/a	n/a
20	Debt Management Office	4,000,000	28/06/2021	0.01%	01/07/2021	-3.29	-4,000,000	n/a	n/a
21	Debt Management Office	13,000,000	28/06/2021	0.01%	05/07/2021	-24.93	-13,000,000	n/a	n/a
22	Debt Management Office	1,000,000	01/07/2021	0.01%	05/07/2021	-1.10	-1,000,000	n/a	n/a
23	Debt Management Office	14,000,000	05/07/2021	0.01%	12/07/2021	-26.85	-14,000,000	n/a	n/a
24	Debt Management Office	14,000,000	12/07/2021	0.01%	19/07/2021	-26.85	-14,000,000	n/a	n/a
25	Debt Management Office	14,500,000	19/07/2021	0.01%	26/07/2021	-27.81	-14,500,000	n/a	n/a
26	Debt Management Office	16,000,000	26/07/2021	0.01%	02/08/2021	-30.68	-16,000,000	n/a	n/a
27	Debt Management Office	4,000,000	02/08/2021	0.01%	06/08/2021	-4.38	-4,000,000	n/a	n/a
28	Debt Management Office	16,000,000	02/08/2021	0.01%	09/08/2021	-30.68	-16,000,000	n/a	n/a
29	Debt Management Office	16,000,000	09/08/2021	0.01%	16/08/2021	-30.68	-16,000,000	n/a	n/a
30	Debt Management Office	16,000,000	16/08/2021	0.01%	23/08/2021	-30.68	-16,000,000	n/a	n/a
31	Debt Management Office	17,000,000	23/08/2021	0.01%	31/08/2021	-37.26	-17,000,000	n/a	n/a
32	Debt Management Office	20,000,000	31/08/2021	0.01%	06/09/2021	-32.88	-20,000,000	n/a	n/a
33	Debt Management Office	1,000,000	03/09/2021	0.01%	06/09/2021	-0.82	-1,000,000	n/a	n/a
34	Debt Management Office	21,000,000	06/09/2021	0.01%	13/09/2021	-40.27	-21,000,000	n/a	n/a
35	Debt Management Office	3,000,000	13/09/2021	0.01%	14/09/2021	-0.82	-3,000,000	n/a	n/a
36	Debt Management Office	18,000,000	13/09/2021	0.01%	20/09/2021	-34.52	-18,000,000	n/a	n/a
37	Debt Management Office	17,000,000	20/09/2021	0.01%	27/09/2021	-32.60	-17,000,000	n/a	n/a

**POLICY AND FINANCE COMMITTEE  
TEMPORARY INVESTMENT ACTIVITY – 2021/22**

**ANNEX 1**

<b>Reference</b>	<b>Organisation</b>	<b>Invested £</b>	<b>Date invested</b>	<b>Interest rate</b>	<b>Date of maturity</b>	<b>Interest £</b>	<b>Principal Repaid £</b>	<b>Long Term Rating</b>	<b>Short Term Rating</b>
38	Debt Management Office	17,000,000	27/09/2021	0.01%	30/09/2021	-13.97	-17,000,000	n/a	n/a
39	Debt Management Office	21,500,000	30/09/2021	0.01%	11/10/2021	-5.89	still invested	n/a	n/a
<b>Investments to September 2021</b>		<b>404,500,000</b>			<b>SUM</b>	<b>-1,044.06</b>	<b>-383,000,000</b>		
<b>Total Investments 2021/22 (including b/f from 2020/21)</b>		<b>419,000,000</b>			<b>SUM incl b/f</b>	<b>-1,992.70</b>	<b>-395,000,000</b>		
<b>Interest received on balances held at bank</b>						<b>0.00</b>			
<b>Total Investments 2021/22 (including b/f from 200/21)</b>		<b>419,000,000</b>			<b>SUM incl b/f</b>	<b>-1,992.70</b>	<b>-395,000,000</b>		

## Fitch Rating Definitions

<b>Fitch Rating Definitions</b>	
<b>International Long-Term Credit Ratings</b>	
Long-term credit rating can be used as a benchmark measure of probability of default.	
AAA	Highest credit quality. 'AAA' denotes the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.
AA	Very high credit quality. 'AA' ratings denote expectation of low credit risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
A	High credit quality. 'A' ratings denote expectations of low credit risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than in the case for higher ratings.
BBB	Good credit quality. 'BBB' ratings indicate that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity.
BB	Speculative. 'BB' ratings indicate an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial flexibility exists that supports the servicing of financial commitments.
B	Highly speculative. 'B' ratings indicate that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.
<b>International Short-Term Credit ratings</b>	
Short-term rating has a time horizon of less than 13 months for most obligations and thus places greater emphasis on the liquidity necessary to meet financial commitments	
F1	Highest credit quality. Indicates the strongest capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.
F2	Good credit quality. A satisfactory capacity for timely payment of financial commitments, but the margin of safety is not as great as in the case of the higher ratings.
F3	Fair credit quality. The capacity for timely payment of financial commitments is adequate; however, near term adverse changes could result in a reduction to non-investment grade.
B	Speculative quality. Minimal capacity for timely payment of financial commitments, plus heightened vulnerability to near term adverse changes in financial and economic conditions.

Full Rating List of Approved Institutions at 30<sup>th</sup> September 2021

Organisation	S&P Global Ratings			Moody's			Fitch				
	Long Term	Short Term	Outlook	Long Term	Short Term	Outlook	Full Review Date	Long Term	Short Term		Outlook
<b>Building Societies</b>											
Nationwide	A	A-1	<i>Positive</i>	A1	P-1	<i>Stable</i>	05/07/2021	A	F1	<i>Stable</i>	£1m min
Yorkshire	-	-	-	A3	P-2	<i>Stable</i>	13/08/2021	A-	F1	<i>Stable</i>	
Coventry	-	-	-	A2	P-1	<i>Stable</i>	13/08/2021	A-	F1	<i>Stable</i>	Sterling Brokers
Skipton	-	-	-	A2	P-1	<i>Stable</i>	13/08/2021	A-	F1	<i>Stable</i>	
Leeds	-	-	-	A3	P-2	<i>Stable</i>	13/08/2021	A-	F1	<i>Stable</i>	3 Mnth
Principality	-	-	-	Baa2	P-2	<i>Stable</i>	13/08/2021	BBB+	F2	<i>Stable</i>	No Contact
<b>Banks</b>											
Santander UK Plc.	A	A-1	<i>Stable</i>	A1	P-1	<i>Stable</i>	05/07/2021	A+	F1	<i>Stable</i>	
Barclays Bank Plc.	A	A-1	<i>Positive</i>	A1	P-1	<i>Stable</i>	21/07/2021	A+	F1	<i>Stable</i>	
Bank of Scotland Plc.	A+	A-1	<i>Stable</i>	A1	P-1	<i>Stable</i>	05/07/2021	A+	F1	<i>Stable</i>	
HSBC Bank Plc.	A+	A-1	<i>Stable</i>	A1	P-1	<i>Stable</i>	23/10/2020	AA-	F1+	<i>Negative</i>	
Lloyds Bank Plc.	A+	A-1	<i>Stable</i>	A1	P-1	<i>Stable</i>	05/07/2021	A+	F1	<i>Stable</i>	£250k min
National Westminster Bank Plc.	A	A-1	<i>Stable</i>	A1	P-1	<i>Stable</i>	05/07/2021	A+	F1	<i>Stable</i>	Current a/c required
Royal Bank of Scotland Plc.	A	A-1	<i>Stable</i>	A1	P-1	<i>Stable</i>	05/07/2021	A+	F1	<i>Stable</i>	Current a/c required
<b>Banks not currently meeting minimum Fitch Short Term requirement of F2 (and not currently approved for investments)</b>											
Co-operative Bank (The)				B2	NP	<i>Positive</i>	21/07/2021	B+	B	<i>Stable</i>	£1m min