Performance and Resources Scrutiny Programme 2019/2020

Report to: the Office of the Police, Fire and Crime Commissioner for Essex

Title of Report:	**Treasury Management Outturn 2019/20**
Chief Officer	**Elizabeth Helm, Acting Section 151 Officer to the PFCC for Essex**
Report from:	**Essex Police: Corporate Finance**
Date of Meeting:	**21st May 2020**
Author on behalf of Chief Officer:	**Matthew Tokley, Corporate Accounting Manager**
Date of Approval:	**TBC**

1.0 Purpose of Report

1.1 To present the annual treasury review/outturn report for 2019/20. The Chartered Institute of Public Finance and Accountancy (CIPFA) definition of treasury management is:

'The management of the organisation's 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'.

2.0 Recommendations

2.1 The PFCC is recommended to:-

i) Note the contents of the annual treasury review/outturn report for 2019/20.

3.0 Executive Summary

3.1 This report provides an overview for how the PFCC's cash balances have been managed during 2019/20, and what investments and borrowings (where applicable) were undertaken during the year.

4.0 Introduction/Background

4.1 During 2019/20 the OPFCC has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 (the CIPFA Code) which requires the PFCC to approve a treasury management strategy before the start of each financial year as well as produce a half-year and annual treasury management outturn report. This report fulfils the OPFCC's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

4.2 The OPFCC's treasury management strategy for 2019/20 was approved at the Strategic Board on the 14th March 2019. The 2017 Prudential Code also includes a requirement for the PFCC to provide a Capital Strategy, a summary document covering capital expenditure and financing, treasury management and non-treasury investments. The OPFCC's Capital Strategy, complying with CIPFA's requirement, was approved by the Strategic Board on the 14th March 2019.

4.3 The OPFCC has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the OPFCC's treasury management strategy. The approach to dealing with this risk is covered within the main body of the report.

5.0 External Context / Economic Background

5.1 The UK's exit from the European Union and future trading arrangements, had remained one of major influences on the UK economy and sentiment during 2019/20. The 29th March 2019 Brexit deadline was extended to the 12th April, then to 31st October and finally to 31st January 2020. Politics played a major role in financial markets over the period as the UK's tenuous progress negotiating its exit from the European Union together with its future trading arrangements drove volatility, particularly in foreign exchange markets. The outcome of December's General Election removed a lot of the uncertainty and looked set to provide a 'bounce' to confidence and activity.

5.2 However, the outbreak of the coronavirus swiftly changed everything. COVID-19, which had first appeared in China in December 2019, started spreading across the globe causing plummeting sentiment and falls in financial markets not seen since the Global Financial Crisis as part of a flight to quality into sovereign debt and other perceived 'safe' assets.

5.3 In a relatively short period the global economic fallout was sharp and large. Market reaction was extreme with large falls in equities, corporate bond markets and, to some extent, real estate echoing lockdown-induced paralysis and unchartered challenges for governments, business and individuals. Gilt yields fell but credit spreads widened markedly reflecting the sharp deterioration in economic and credit conditions associated with a sudden stagnation in economies.

5.4 In response to the spread of the virus and sharp increase in those infected, the government enforced lockdowns, central banks and governments around the world cut interest rates and introduced massive stimulus packages in an attempt to reduce some of the negative economic impact to domestic and global growth.

5.5 The Bank of England, which had held policy rates steady at 0.75% through most of 2019/20, moved in March to cut rates to 0.25% from 0.75% and then swiftly thereafter brought them down further to the record low of 0.1%. In conjunction with these cuts, the UK government introduced a number of measures to help businesses and households impacted by a series of ever-tightening social restrictions, culminating in pretty much the entire lockdown of the UK.

6.0 Current Work and Performance

6.1 On 31st March 2020, the OPFCC had net investments of £13.79m (£16.42m, 31st March 2019) arising from revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These elements are presented in table 1 below.

Table 1: Balance Sheet Summary

	31st March 2020 Actual £m
Capital financing requirement	6.07
Less: usable reserves	(19.84)
Less: working capital deficit	(0.01)
Net (borrowing)/investments	**13.79**

6.2 The treasury management cashbook position as at the 31st March 2020 and the change over the period is shown in table 2 below.

Table 2: Treasury Management Summary

	31/3/19 Actual £m	**Movement £m**	**31/3/20 Actual £m**
Long/short-term borrowing	0.00	0.00	0.00
Total borrowing	**0.00**	**0.00**	**0.00**
Long-term investments	0.00	0.00	0.00
Short-term investments	8.52	(3.02)	5.50
Cash and cash equivalents	7.90	0.39	8.29
Total investments	**16.42**	**(2.63)**	**13.79**
Total net investments	**16.42**	**(2.63)**	**13.79**

Investments

6.3 The OPFCC holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year to date the OPFCC's investment balances have ranged between £1.5m and £54m due to timing differences between income and expenditure.

6.4 Both the CIPFA Code and government guidance require the OPFCC to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The OPFCC's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

6.5 The table below summarises the actual investments held at the 31st March 2020 and the comparable figures for 31st March 2019 (excluding accrued interest and other adjustments). Please refer to Appendix A for full details of these investments.

Table 3: Investments

Investments held	**31/3/19 £m**	**31/3/20 £m**
Call accounts & money market funds	10.62	10.76
Fixed term deposits	8.50	5.50
Lloyds current account	0.71	0.44
Total	**19.83**	**16.70**

6.6 The table below provides a reconciliation for the actual investments held at the 31st March 2020 (as per Table 3) compared those in the Treasury Management Summary (as per Table 2 e.g. the PFCC Group Balance Sheet position as at the 31st March).

Table 4: Reconciliation of Investments to year-end Balance Sheet position

Reconciliation of investments	**31/3/19 £m**	**31/3/20 £m**
Total actual investments held	19.83	16.70
Less: monies held on behalf of third parties (seizures under POCA, PACE & the Misuse of Drugs Act)	(2.15)	(2.16)
Add: petty cash advances	0.19	0.05
Less: operational bank accounts	(1.45)	(0.80)
Total net investments per balance sheet	**16.42**	**13.79**

6.7 Overall, as shown in Table 4, the cashflow position declined during 2019/20, with the growth in payments commitments outnumbering the comparative growth in receipts. Nevertheless, with initial estimates within the capital resources strategy indicating potential borrowing during 2019/20, the position ended up significantly more solvent for the Force, with capital expenditure slippage being one of the main reasons.

6.8 Generally levels of both payments and receipts increased over the twelve-month period when compared to the preceding year, 2018/19. In respect of payments, supplier commitments increased by £19.6m to £128.5m in 2019/20 (£108.9m 2018/19). The other main increase was payments in respect of employees, pensions and payroll, which equated to £283.5m (£266.1m 2018/19), an increase of £17.4m. The latter figure included the impact of additional Police Officers being recruited into the Force and the related establishment growing, as well as pay inflation and pension fund commitments.

6.9 For receipts, the council tax rise contributed to revenue income of £124.0m (£107.3m 2018/19), an increase of £16.7m. Whilst other grants and receipts increased by circa £20m year-on year, this was offset by a reduction in the Home Office Pensions Top Up Grant with £34.6m received in 2019/20 (£46.7m 2018/19), a reduction of £12.1m mainly due to increased employer contributions into the fund. Property sales during the period equated to £4.1m (£12.2m 2018/19), a reduction of £8.1m, mainly due to the large sum of money received for the Brentwood Police Station sale in 2018/19.

6.10 The average level of investments over the twelve-month period was £26.134m (£26.285m restated 2018/19). Interest earnings for the period were £0.191m (£0.167m 2018/19), representing an average return of 0.73% (0.64% 2018/19). The increase in the average rate of return was generally down to less reliance on the Debt Management Office, and more use of money market funds. In addition, there were a handful of fixed term deposits with local authorities and other UK banks and building societies, which exceeded the average rate of return for the period.

6.11 2019/20 continued to see an increased use of money market funds (MMF's) by the OPFCC. Three accounts were set up with Aberdeen (previously Standard Life), Insight and Blackrock, although funds were only placed with the first two during this period. MMF's are pooled funds that invest in short-term debt instruments. They provide the benefit of pooled investment, as investors can participate in a more diverse and high-quality portfolio than they otherwise could individually. The principal benefits of MMF's are preservation of capital, very high liquidity and competitive returns, and the OPFCC had an average of 40% of their monies invested in these funds during 2019/20, with an optimum maximum balance of £10m in these funds at any time. The use of MMF's contributed to the increased interest yield achieved during 2019/20 and it is the intention of the OPFCC to set up accounts with at least two more UK-domiciled funds in 2020/21, as set out in the Treasury Management Strategy.

6.12 The risk of funds being tied up in fixed-term deposits continued to be balanced out by the use of 'liquid' accounts which provided same-day access to funds if and when the OPFCC's cashflow position fell into deficit. Whilst yield continued to be a key element of the OPFCC's treasury strategy the emphasis was again increasingly focused on liquidity during 2019/20, particularly in respect of concerns with Brexit and the emerging issues with COVID-19 which significantly increased cashflow risk towards the end of 2019/20 (see also related notes in appendix C). There is also an ongoing risk relating to the uncertain timing of a significant amount of high value capital receipts arising from the Estates rationalisation programme. The OPFCC will therefore continue to place a high importance on having access to monies in call accounts and money market funds to cover any delays in the timings of large value receipts.

Borrowing

6.13 As at 31st March 2020, the OPFCC held £0.0m of external loans, a position consistent with the previous year. Whilst there had been an anticipation that external borrowing would be required in 2019/20 slippage and timings in respect of the Capital Programme meant that this is not now anticipated until 2020/21 at the earliest.

6.14 There was also no further internal borrowing required in the year. Internal borrowing relates to the accounting mechanism whereby the OPFCC can choose to defer financing it's capital expenditure in the year and use its cash resources instead. This produces an increase in the Capital Financing Requirement (CFR) which is then reduced by Minimum Revenue Provision (MRP) being applied in subsequent years. Therefore, with no new internal borrowing and MRP of £0.5m being applied, the CFR decreased in 2019/20 and continued to solely relate to pre-2008 historic debt. This will be reduced on an annual basis going forward, in accordance with the OPFCC's Capital Strategy.

6.15 Whilst the CFR decreased during 2019/20 it is expected that this will increase in the medium term due to the demands of the capital programme and the lack of ongoing resources available to meet this expenditure. The related borrowing requirement as determined by the Liability Benchmark, also takes into account usable reserves and working capital, and is set out in more detail within the 2020/21 Treasury Management Strategy.

6.16 The backdrop to the future borrowing requirement will need to account of the wider context within the sector. On 9th October 2019 the Public Works Loan Board (PWLB), the government entity for issuing debt across the public sector, raised the cost of certainty rate by 1%, from 0.8% to 1.8% above UK gilt yields. The reasoning was that HM Treasury were concerned about the overall level of local authority debt. Whilst PWLB borrowing remains an option, particularly as interest rates have subsequently declined in 2020/21, alternatives in the market and new products will need to be considered as realistic options by the OPFCC going forward.

6.17 Whilst no long-term/structured external borrowing was required during the period there was one instance of short-term external borrowing during 2019/20, as previously set out in the Half Year Outturn Report approved by the OPFCC. The detail of this borrowing is shown in table 5 below.

Table 5: Short-Term External Borrowing 2019/20

Counterparty	**£m**	**Duration**	**Interest rate**
Northern Ireland Housing Executive	5.00	7 days	0.75%

6.18 The above borrowing was necessary to fund temporary deficits in the force cashflow and occurred within the first quarter of 2019/20 prior to the Police Officer Pension Top-Up grant being received from the Home Office.

6.19 The chief objective when undertaking short-term borrowing was to cover cashflow deficits, with the related interest rate paid dependent on the available market opportunities on the day concerned. The main factors considered were striking an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds were required. Due to the short-term nature of the loans taken out during the year the financial impact was immaterial with total annual interest payable of £0.001m.

6.20 For the majority of the 2019/20 year, with short-term interest rates remaining much lower than long-term rates, the OPFCC considered it to be more cost effective to use internal resources to cover the daily cashflow position where a deficit occurred (such as the bank overdraft).

7.0 Recommendations from Half-Year Outturn Report

7.1 The half year report, as previously approved by the OPFCC, set out revised recommendations in respect of the exposure to Money Market Funds (MMF's), in accordance with updated guidance from the OPFCC's advisers, Arlingclose. This recommendation was approved with the revised criteria enacted with immediate effect by the Corporate Accounting team. This is set out as follows:-

- Investment exposure of no more than 0.5% of the total MMF (if a government MMF then this can be 2%).
- Assuming the above condition is met, investments in each MMF are limited to 10% of total investments held at any time.
- Overall exposure to MMF's as a whole is limited to 50% of total investments held at any one time
- Investment exposure is diversified, as far as practicable, over multiple MMF's, with broadly equal exposure to each fund.

8.0 Compliance with Treasury Management Strategy

8.1 The Interim Head of Finance for the OPFCC is pleased to report that all treasury management activities undertaken during 2019/20 complied fully with the CIPFA Code of Practice and the OPFCC's approved Treasury Management Strategy.

8.2 Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 6 below.

Table 6: Debt Limits

	2019/20 Maximum	**31/3/20 Actual**	**2019/20 Operational Boundary**	**2019/20 Authorised Limit**	**Complied? Yes/No**
Borrowing	£5m	£0m	£10m	£20m	Yes

8.3 It should be noted that since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure. However, for 2019/20 there were no instances when total debt was in excess of the operational boundary value.

8.4 Compliance with the approved investment counterparties list is demonstrated in table 7 below.

Table 7: Investment Counterparties

	2019/20 Maximum	**31/3/20 Actual**	**2019/20 Guideline Limit**	**Complied?**
Lloyds bank account	£4.0m	£0.4m	£5.0m	Yes
Other UK financial institutions – Barclays call account / notice account	£1.5m / 33%	£1.5m / 9%	Higher of 5%* or £1.0m	Yes**
Other UK financial institutions – Santander call account	£1.7m / 16%	£0.3m / 2%	Higher of 5%* or £1.0m	Yes**
Other UK financial institutions – Nationwide BS	£1.5m / 7%	£0.0m / 0%	Higher of 5%* or £1.0m	Yes***
Other UK financial institutions – Coventry BS	£1.5m / 8%	£0.0m / 0%	Higher of 5%* or £1.0m	Yes***
Other UK financial institutions – Goldman Sachs	£1.5m / 7%	£0.0m / 0%	Higher of 5%* or £1.0m	Yes***
UK central government (including DMO & Treasury Bills)	£43.0m	£5.5m	Unlimited	Yes
UK local authorities	£5.0m (per individual LA)	£0.0m	£5.0m (per individual LA)	Yes
Money market funds - Aberdeen	£5.0m	£5.0m	£5.0m	Yes
Money market funds - Insight	£5.0m	£4.0m	£5.0m	Yes

8.5 *The 5% limit is based upon the total exposure to the counterparty concerned, as a proportion of the total investments held on that day.

8.6 **Limits with call accounts (e.g. Barclays and Santander) are calculated at the point that monies are invested or withdrawn. Whilst there were some instances when the balances for both of these counterparties subsequently exceeded the recommended counterparty limit of 5% (e.g. not within the guidelines of the 19/20 strategy) it was nevertheless viewed as low-risk as the monies were accessible on a same-day basis, and the materiality of these balances compared to other investments held were comparatively low. In respect of Barclays, the highest figure of 33% related to a short period of the year where total monies held were very low and thus a larger element of the investments were in the OPFCC's call accounts and MMF's. Steps will be taken to reduce these % balances held during 2020/21.

8.7 ***Limits for counterparties with fixed term deposits are calculated only at the point that monies are invested e.g. by their nature the OPFCC cannot call back these investments during the term specified and therefore the OPFCC cannot legislate against the counterparty's % increasing during this period.

9.0 Treasury Management Indicators

9.1 The OPFCC measured and managed its exposure to treasury management risks during 2019/20 using the following indicators.

9.2 **Interest rate exposure:** This indicator is set to control the OPFCC's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates was:-

Table 8: Interest rate exposure

	31/3/20 Impact	2019/20 Maximum limit	Complied?
Upper limit on one-year revenue impact of a 1% rise in interest rates	£0*	£300,000	Yes
Upper limit on one-year revenue impact of a 1% fall in interest rates	£0**	(£80,000)	Yes

9.3 *The indicator for interest rate rises is based upon the potential exposure to additional interest payable. There were no base rate rises during 2019/20.

9.4 **The indicator for interest rate reductions is based upon the potential exposure to reduced levels of investment income. Because the two base rate drops were not until March 2020 (from rates falling from 0.75% to 0.25%, and 0.25% to 0.10% respectively) it has been determined that these had no material impact on investment income within the 2019/20 period.

9.5 **Security:** The OPFCC has adopted a voluntary measure of its exposure to credit risk by monitoring the average credit rating criteria for the portfolio of counterparties it invests money with. These credit ratings are provided by the three main credit agencies in the UK (Standard & Poors, Fitch and Moody's) and are used in addition to counterparty information received from the OPFCC's treasury management advisors Arlingclose.

Table 9: Average credit ratings for counterparties

	2019/20 actual	2019/20 target	Complied?
Portfolio average credit rating	A	A	Yes

9.6 **Liquidity:** The OPFCC has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments on a daily basis, without the need for additional borrowing.

Table 10: OPFCC bank overdraft facility

	2019/20 maximum usage	2019/20 maximum available	2019/20 target availability / maximum usage	Complied?
OPFCC bank account overdraft facility available	£0.7m	£1.0m	£1.0m	Yes

9.7 The OPFCC were overdrawn on their current account five times during the year, although on four of these occasions the value of the overdrawn position was less than £0.1m. The other occasion, as shown in Table 10, was at the end of 2019/20 when it was judged to be more cost-effective to use this facility rather than bring back investments , and thus lose investment income on these monies.

9.8 **Principal sums invested beyond 365 days:** The purpose of this indicator is to control the OPFCC's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities longer than one year are shown in table 11 below:

Table 11: Investments longer than one year

	2019/20 Actual £m	2019/20 Target £m	Complied?
Principal invested beyond one year in duration	0	0	Yes

10.0 Equality and/or Human Rights Implications

10.1 There is no impact on equality, diversity or human rights.

11.0 Health and Safety Implications

11.1 There are no health and safety implications for this report.

12.0 Consultation/Engagement

12.1 This paper has been prepared in consultation with Arlingclose, the OPFCC's treasury management advisers.

13.0 Actions for Improvement

13.1 Where applicable, these are set out within the body of the report.

14.0 Future Work/Development

14.1 Work to expand the current use of money market funds is currently underway, as set out in the recommendations within the Treasury Management Strategy 2020/21.

15.0 Decisions Required by the Police, Fire and Crime Commissioner

15.1 Please see recommendations section in paragraph 2.0.

Appendix A

Investment position at 31st March 2019 and 31st March 2020

	31/3/19 £000	Start date	Maturity date	Year-end rate %
Call/notice accounts				
Santander UK PLC	1,120			0.85%
Barclays Bank PLC	1,500			0.75%
	2,620			
Money market funds				
Aberdeen	5,000			0.79%
Insight	3,000			0.75%
	8,000			
Fixed term deposits				
Bank of England - DMO	3,500	29/03/19	01/04/19	0.50%
Rotherham Council	5,000	24/10/18	23/04/19	0.90%
	8,500			
Other				
Lloyds current account	711			0.40%
	711			
Total treasury investments	**19,811**			

	31/3/20 £000	Start date	Maturity date	Year-end rate %
Call/notice accounts				
Santander UK PLC	260			0.20%
Barclays Bank PLC	1,500			0.25%
	1,760			
Money market funds				
Aberdeen	5,000			0.48%
Insight	4,000			0.31%
	9,000			
Fixed term deposits				
Bank of England - DMO	5,500	31/03/20	01/04/20	0.05%
	5,500			
Other				
Lloyds current account	435			0.10%
	435			
Total treasury investments	**16,695**			

Appendix B

Investments during 2019/20 listed by counterparty

	Number of deals	Average daily balance £000	Highest rate achieved	Lowest rate achieved
Aberdeen MMF	n/a – MMF	4,830	0.78%	0.47%
Bank of England – DMO	99	8,464	0.63%	0.05%
Bank of England - Treasury Bills	6	4,068	0.72%	0.64%
Barclays Call	n/a – call	713	0.50%	0.20%
Barclays Notice	n/a - notice	507	0.62%	0.25%
Cheshire LA	1	423	0.77%	n/a
Coventry BS	2	1,033	0.86%	0.63%
Coventry LA	1	396	1.00%	n/a
Derbyshire LA	3	1,210	0.85%	0.60%
Goldman Sachs	1	754	0.85%	n/a
Insight MMF	n/a – MMF	4,067	0.76%	0.31%
Nationwide BS	1	754	0.81%	n/a
Rotherham LA	1	301	0.90%	n/a
Santander	n/a – call	798	0.85%	0.20%

LA = Local Authority
BS = Building Society
MMF = Money Market Fund
Call = Call or Notice account

Appendix C

Economic & financial markets overview

The headline rate of UK Consumer Price Inflation fell to 1.7% year on year in February, below the Bank of England's target of 2%. Labour market data remained positive during this period. The ILO unemployment rate was 3.9% in the three months to January 2020 while the employment rate hit a record high of 76.5%. The average annual growth rate for pay excluding bonuses was 3.1% in January 2020 and the same when bonuses were included, providing some evidence that a shortage of labour had been supporting wages.

GDP growth in Q4 2019 was reported as flat by the Office for National Statistics and service sector growth slowed and production and construction activity contracted on the back of what at the time were concerns over the impact of global trade tensions on economic activity. The annual rate of GDP growth remained below-trend at 1.1%.

Financial markets sold off sharply as the impact from the coronavirus worsened. After starting positively in 2020, the FTSE 100 fell over 30% at its worst point with stock markets in other countries seeing similar huge falls. In March sterling touched its lowest level against the dollar since 1985. The measures implemented by central banks and governments helped restore some confidence and financial markets have rebounded in recent weeks but remain extremely volatile. The flight to quality caused gilts yields to fall substantially. The 5-year benchmark falling from 0.75% in April 2019 to 0.26% on 31st March. The 10-year benchmark yield fell from 1% to 0.4%, the 20-year benchmark yield from 1.47% to 0.76% over the same period. 1-month, 3-month and 12-month bid rates averaged 0.61%, 0.72% and 0.88% respectively over the period.

In Q4 2019 Fitch affirmed the UK's AA sovereign rating, removed it from Rating Watch Negative (RWN) and assigned a negative outlook. Fitch then affirmed UK banks' long-term ratings, removed the RWN and assigned a stable outlook. Standard & Poor's also affirmed the UK sovereign AA rating and revised the outlook to stable from negative. The Bank of England announced its latest stress tests results for the main seven UK banking groups. All seven passed on both a common equity Tier 1 (CET1) ratio and a leverage ratio basis.

After remaining flat in January and February, Credit Default Swap spreads rose sharply in March as the potential impact of the coronavirus on bank balance sheets gave cause for concern. Spreads declined in late March and through to mid-April but remain above their initial 2020 levels. NatWest Markets Plc (non-ringfenced) remains the highest at 128bps and NatWest Bank Plc (ringfenced) still the lowest at 56bps. The other main UK banks are between 65bps and 123bps, with the latter being the thinly traded and volatile Santander UK CDS. While the UK and Non-UK banks on the Arlingclose counterparty list remain in a strong and well-capitalised position, the duration advice on all these banks was cut to 35 days in mid-March.

Fitch downgraded the UK sovereign rating to AA- in March which was followed by a number of actions on UK and Non-UK banks. This included revising the outlook on all banks on the counterparty list to negative, with the exception of Barclays Bank, Rabobank, Handelsbanken and Nordea Bank which were placed on Rating Watch Negative, as well as cutting Close Brothers long-term rating to A-. HSBC Bank and HSBC UK Bank, however, had their long-term ratings increased by Fitch to AA-.