Report to Accounts, Audit and Governance Committee

13th September 2016
By the Director of Corporate Resources
INFORMATION REPORT & DECISION REQUIRED

Not exempt

Horsham District Council

Treasury Management Activity and Prudential Indicators 2015/16 and request for revision of the 2016/17 Treasury Management Strategy

Executive Summary

This report covers treasury activity and prudential indicators for 2015/16. At 31 March 2016, the Council's external debt was £4m (£4m at 31/March/2015) and its investments totalled £31.8m (£24.6m at 31/March/2015) including call accounts and Money Market Funds.

During 2015/16 the Council's cash balances were invested in accordance with the Council's treasury management strategy. Interest of £0.288m (£0.161m in 2014/15) was earned on investments, an average return of 0.8% (0.5% in 2014/15). There was an instance when the single institution limit of £2.5m was breached; otherwise all limits and indicators were within estimates.

Due to the reduction in interest rates and growth in funds needing to be invested an increase in the limit on long term investments from £8m to £12m and an increase in the limit on pooled funds from £5m to £10m is being requested.

Recommendations

The Committee is recommended to:

i) Note the Treasury Management stewardship report for 2015/16.
ii) Note the actual prudential indicators for 2015/16.
iii) Recommend that the Council agree that the 2016/17 Treasury Management Strategy be amended with an increase in the limit on long term investments from £8m to £12m and an increase in the limit on pooled funds other than Money Market Funds from £5m to £10m.

Reasons for recommendations

i) The annual treasury report is a requirement of the Council's reporting procedures.
ii) This report also covers the actual Prudential Indicators for 2015/16 in accordance with the requirements of the relevant CIPFA Codes of Practice.
iii) External economic developments together with increase in the monies needing to be invested necessitate a revision to the current strategy.

Background Papers

"Treasury Management Strategy 2015/16" - AAG Committee 7th January 2015
"Budget 2015/16 and MTFS to 2018/19" - Council 25th February 2015
"Budget 2016/17 and MTFS to 2019/20" - Council 24th February 2016
"Outturn report for 2015/16" - AAG Committee 8th June 2016

Consultation: ArlingClose Ltd – the Council's Treasury Management advisers

Wards affected: All

Contact: Julian Olszowka, Technical group accountant, extension 5310

Background Information

1 Introduction

1.1 This report covers treasury management activity and prudential indicators for 2015/16. It meets the requirements of the 2011 editions of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council is required to comply with both Codes through Regulations issued under the Local Government Act 2003.

1.2 In line with the CIPFA Prudential Code for Capital Finance in Local Authorities the Council adopts prudential indicators for each financial year and reports on performance relative to those indicators. This requirement is designed to demonstrate that capital spending is prudent, affordable and sustainable and that treasury practices are low risk. The original indicators for 2015/16 together with Treasury Management Strategy 2015/16 were agreed by Council on 25th February 2015 having been approved by this Committee on 7th January 2015.

2 The Council's Capital Expenditure and Financing 2015/16

2.1 This is one of the required prudential indicators and shows total capital expenditure for the year and how this was financed. The estimates include revisions to the original indicators approved by the Council on 24th February 2016 as a part of budget report.

2015/16	Actual £000	Estimate £000
Total capital expenditure	7,426	8,515
Resourced by:		
Capital receipts and third party contributions	(4,858)	(6,301)
Capital grants	(512)	(442)
Revenue reserves	0	(72)
Unfinanced capital expenditure (additional need to borrow)	**2,056**	**1,700**

2.2 The capital spend in 2015/16 was under the budget as revised in the 2016/17 budget report and well below the original programme which was just under £30m. The major variances have been reported to the last meeting of this Committee on 28th June 2016. The underspend resulted in a reduced need for financing when compared with estimates. However the unfinanced spend was higher than estimated as a capital programme item (Myrtle Lane Car Park) that was expected to slip into 2016/17 was completed in March 2016.

3 The Council's Overall Borrowing Need

3.1 The Council's underlying need to borrow is termed the Capital Financing Requirement (CFR). It represents the accumulated net capital expenditure which has not been financed by revenue or other resources. Part of the Council's treasury activities is to address this borrowing need, either through borrowing from external bodies, or utilising temporary cash resources.

3.2 The Council is required to make an annual revenue charge, the Minimum Revenue Provision (MRP), to reduce the CFR – effectively a repayment of the borrowing need. The Council's 2015/16 MRP Policy (as required by DCLG Guidance) was approved by Council on 25th February 2015 as a part of the 2015/16 Budget report.

3.3 The Council's CFR for the year is shown below, and represents a key prudential indicator because it is a measure of the Council's underlying indebtedness. The movement in the CFR is close to the estimate; the difference being the capital programme item expected to be slipped to 2016/17 mentioned above.

Capital Financing Requirement	Actual £000	Estimate £000
Opening balance 1 April 2015	11,986	11,986
plus unfinanced capital expenditure	2,056	1,700
less Minimum Revenue Provision	(787)	(786)
Closing balance 31 March 2016	**13,255**	**12,900**

4 Treasury position at 31 March 2016

4.1 Whilst the Council's gauge of its underlying need to borrow is the CFR, the Director of Corporate Resources can manage the Council's actual borrowing position by either borrowing to the level of the CFR or choosing to utilise other available funds instead, sometimes termed under-borrowing. The Council is under-borrowed as its only external debt amounts to only £4m.

4.2 Although the Council is under-borrowed relative to its CFR, it also holds investments and the summary treasury position on the 31 March 2016 compared with the previous year is shown below. This is a snapshot of investments on the date and will not necessarily be equal to the whole year average figures reported below.

Treasury position	31 March 2016		31 March 2015	
	Principal £m	Average Rate	Principal £m	Average Rate
Fixed Interest Rate Debt	4.0	3.4%	4.0	3.4%
Investments	(31.8)	0.9%	(24.6)	0.8%
Net borrowing position	**(27.8)**		**(20.6)**	

4.3 Returns continued at historically low levels during 2015/16 reflecting the continuing low interest rates being offered by counterparties who are a good credit risk. The current outlook points to further falls in rates with any increase further off than expected at the end of 2015/16.

5 Prudential Indicators

5.1 **Gross Debt and the CFR** - In order to ensure that borrowing levels are prudent over the medium term the Council's external debt must only be for a capital purpose. Gross debt should not therefore, except in the short term, exceed the CFR for 2015/16 plus the expected CFR movement over 2016/17 and 2017/18. As external debt was £4m and the CFR remains around £13m and is not planned to decrease over the relevant future period the Council has complied with this prudential indicator.

5.2 The **Authorised Limit** is the "Affordable Borrowing Limit" required by section 3 of the Local Government Act 2003. The Council set the Authorised Limit at £15m for 2015/16. The table below demonstrates that during 2015/16 the Council has maintained gross borrowing within its Authorised Limit.

5.3 The **Operational Boundary** is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the Boundary are acceptable subject to the Authorised Limit not being breached. This indicator was set at £4m and gross borrowing was at £4m for the whole year.

5.4 **Actual financing costs as a proportion of net revenue stream** - This indicator shows the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream. This is a gauge of the affordability of capital spend. As shown in the table below, the actual indicator was within the estimate.

	2015/16
Authorised Limit	£15.0m
Operational Boundary	£9.0m
Maximum gross borrowing position in the year	£4.0m
Minimum gross borrowing position in the year	£4.0m
Financing costs as a proportion of net revenue stream	Actual 4% Estimate 5%

5.5 **Upper limits on variable and fixed rate exposure** – These indicators identify maximum limits for variable and fixed interest rate exposures. The table below shows the actual maximums in 2015/16. Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate. The variable exposure is exclusively investments and thus appears as a negative figure as the indicator shows the net debt position.

	Limit	**Actual**	**Met?**
Upper limit on fixed rate exposure	£15m	£4m	✓
Upper limit on variable rate exposure	£0m	-£11m	✓

5.6 **Maturity structures of borrowing -** These gross limits are set to reduce the Council's exposure to large fixed rate loans falling due for refinancing. As the Council only has one debt and has set the percentage range to allow it freedom to refinance the debt there is no danger of not meeting this indicator. The table below shows the 2015/16 estimates and end of year position.

Maximum percentage of borrowing in each age category	**Original Indicator**	**Actual Position**
Maturity Structure of fixed borrowing		
Under 12 months	100%	0%
12 months to 2 years	100%	0%
2 years to 5 years	100%	100%
5 years to 10 years	100%	0%
10 years and above	100%	0%

5.7 **Total Principal Funds Invested over 364 days** – This limit ensures liquid funds are maintained. The actual position was within the indicator.

2015/16	Original Indicator	Actual Position
Maximum principal sums invested > 364 days	£8m	£6.5m

Economic and Treasury Management context for 2015/16

5.8 The Council's Treasury Management activities are critically affected by what is happening in the general economy which is subject to continuing uncertainty. The Council has engaged ArlingClose Ltd to advise on various aspects of Treasury Management and a part of that advice, a commentary on the economic background and the finance sector during 2015/16, is included as the appendix to this report.

Debt management activity during 2015/16

5.9 No new borrowing was undertaken so the Council's only debt was £4.0m from Public Works Loan Board borrowed on 23rd April 2009 for 10 years at 3.38%.

5.10 As the CFR shown above is over £13m the Council is using its internal resources in lieu of borrowing. This lowers overall treasury risk by reducing both external debt and temporary investments and was judged to be the best way of funding capital expenditure. Current borrowing costs are historically low (e.g. PWLB 50 year loan under 2%) and may decrease further.

6 Investment activity in 2015/16

6.1 The Council's objectives are to give priority to the security and liquidity of its funds before seeking the best rate of return. The majority of its surplus cash is therefore held as short-term investments with the UK Government, local authorities, and highly credit-rated banks, building societies and pooled funds. The Council's Treasury Management activity fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Treasury Management Code of Practice and the DCLG Investment guidance. These require the Council to approve an investment strategy before the start of each financial year and all investment activity during the year conformed to this strategy apart from breach of single institution limit detailed below.

6.2 The Council's longer term cash balances comprise revenue and capital reserves and its core cash resources are shown in the table below. The Council is borrowing internally to cover its CFR which reduces the funds to be invested by almost £10m.

Balance Sheet Resources	31 March 2016 £000	31 March 2015 £000
Revenue reserves	17,333	16,178
Other reserves and provisions	3,548	2,364
Usable capital receipts	5,756	0
Unapplied capital contributions	8,557	9,420
Working capital	5,734	4,775
Total	**40,928**	**32,737**

6.3 **Yield** - The investment income budget for the year 2015/16 was £0.249m (2014/15 £0.167m). The actual interest received was £0.288m (2014/15 £0.161m). It should be noted that the 2014/15 income figure was reduced as the Council invested just under £5m in a non-distributing variable value Money Market Fund which did not contribute to interest income in 2014/15. Although during the year cash balances were considerably above budget, the returns available from ‘good’ quality counterparties remained very low for much longer than expected. An overall return of 0.8% (0.5% in 2014/15) was achieved; the benchmark, which is the average LIBID 7 day rate, was 0.45% (0.44% in 2014/15).

6.4 **Security** – A benchmark is used as a way of expressing the credit risk of the whole portfolio of counterparties that the Council invests with. The Council has adopted a benchmark of an equivalent credit rating of A- against which the portfolio was assessed at the end of each month. The portfolio average credit rating was one notch above the benchmark for five months (A) and two above it for seven months (A+).

6.5 **Liquidity benchmark** – The Council needs to ensure it has a sufficient level of liquidity so it has funds available when necessary. To ensure liquidity the Council maintained a bank overdraft facility of £0.5m and set a the benchmark of the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing. For 2015/16 the benchmark amount was £3m. The actual funds available were far in excess of the benchmark for the whole year; the lowest amount available overnight was £4.3m with another £9.5m available within a week.

6.6 **Compliance with strategy** – There was an instance when the limits on single institution investments were breached. The circumstances are detailed below.

6.7 At the start of 2015/16, when under the terms of the new Treasury Management Strategy 2015/16, the Council’s investment in unsecured banks was reduced from £5m to £2.5 million per institution. This was a change in the criteria and although it was applied to new investments initially it was not realised that an existing investment in a Svenska Handelsbanken call account was £3m and that it should have been reduced in April 2015 to £2.5m. The balance was reduced on 6th May 2015 and no loss was incurred by the Council. The breach of the limit was reported to the Director of Corporate Resources at the Treasury Management meeting on 14th May 2015 but was unfortunately not included in the mid-year report to this committee in January 2016.

7 Revision of Treasury Management Strategy 2016/17

7.1 In August 2016, the MPC reduced interest rates and increased QE in response to the perceived threat to the economy from Brexit. Further falls in rates and the injection of further liquidity into the finance sector have not been ruled out. The effect of this is to reduce the financial institutions taking investments and the rates being offered. As the Council traditionally invested a significant proportion of its funds (currently £42m) in deposits with maturity under a year the interest yield on a large portion of the Council’s investments could be pushed under 0.5% by the end of this financial year. Indeed an early sign was seen on 19th August when Svenska Handelsbanken reduced its call account rate from 0.4% to 0.05% effectively prompting us to move our £1m balance.

7.2 Compounding the above is the growth of money that the Council has to invest. The actual funds at the moment are just over £50m which is £15m more than was projected nine months ago. This is due to delays in capital spend, revenue underspends, and large receipts of affordable housing section 106 contributions.

Although the larger capital spends are re-profiled into the future, the overall funds that the Council will have in the next two to five years are expected to be in the range £20m to £40m. Reserves are expected to remain in the order of £20m and continuing housing development is likely to lead to flows inwards of section 106 and CIL monies. These will flow outward in time but these timescales are determined by slow moving events which will give the Council time to plan its response.

7.3 The 2016/17 limit for long term investments is £8m and the current long term investments are just below £6m. Longer term investments bring greater yields. To give the Council better investment options, it is requested that the long term investment limit is increased to £12m. Counterparty criteria for longer term investments are higher so counterparty risk is still the primary concern.

7.4 The 2016/17 limit for pooled investments excluding Money Market Funds is £5m. The use of this type of investment was approved for the first time in the current 2016/17 year's strategy. They are longer term investments as their capital values are more volatile in the short term and in order to preserve the capital invested, it is advisable to hold the investments in the region of five years or more. At the moment the Council holds £5m of these investments which are yielding on average 4%. It is proposed to increase the limit on all pooled funds to £10m.

7.5 The added risks associated with the above two requests is that they exceed the cash available for longer term investments. Although all predictions of our cash position rest on assumptions that can be challenged; based on experience and current projections it is believed the level of reserves and other balances such as affordable housing section 106 balances will be of the order of £30m in the medium term.

7.6 The cash held by the Council does fluctuate over the year and if assumptions as to monies required meant there was a temporary shortfall, the cost of short term cash is very low and external advice is that it is expected to remain so for a number of years. For example there is currently short term cash on offer from other local authorities at about 0.2% and the Council's advisers expect the cash balances in the local authority sector to remain as many Councils are holding reserves with restricted investment options. The Council has traditionally held a large proportion of liquid and short term investment perhaps overestimating the risk of needing cash. This has not been a disadvantage as long as short term rates held up reasonably but the position now is swiftly changing and a re-examination of the level of liquidity is required for the prudent management of investments.

7.7 The strategy for 2017/18, effective April 2017, will be presented at the next meeting of this committee in January 2017 but the experience over the past few weeks has shown that the economic position can move swiftly and consequently treasury staff need to be prepared to alter investments as the economic picture changes in the remainder of 2016/17.

8 Next steps

8.1 If agreed by AAG, the amendments to the 2016/17 Treasury Management Strategy will be recommended to Council for approval on 19 October 2016.

9 View of the Policy Development Advisory Group and outcome of consultations

9.1 The Finance and Assets PDAG has not been consulted. The views of the Council's treasury management consultants, ArlingClose Ltd, have been incorporated in all aspects of the above.

10 Other Courses of Action Considered but Rejected

10.1 If no action is taken, the result would be a diminishing yield from the shorter term investments. Not doing anything has therefore been rejected in order to maximise our income.

11 Resources consequences

11.1 There are no staffing or financial resource implications as a result of this report.

12 Legal consequences

12.1 There are no legal consequences as a result of this report.

13 Risk assessment

13.1 There is an increase in risk when investing in pooled funds (equity and property based) as the capital values are more volatile and can go down as well as up. However, this risk is mitigated by holding these funds as longer term investments.

14 Other considerations

14.1 This proposal does not impact on Crime & Disorder; Human Rights; Equality & Diversity and Sustainability matters.

Appendix

Economic Background in 2015/16 Growth, Inflation and Employment: The UK economy slowed in 2015 with GDP growth falling to 2.3% from a robust 3.0% the year before. CPI inflation hovered around 0.0% through 2015 with deflationary spells in April, September and October. The prolonged spell of low inflation was attributed to the continued collapse in the price of oil from $67 a barrel in May 2015 to just under $28 a barrel in January 2016, the appreciation of sterling since 2013 pushing down import prices and weaker than anticipated wage growth resulting in subdued unit labour costs. CPI picked up to 0.3% year/year in February, but this was still well below the Bank of England's 2% inflation target.

The labour market continued to improve through 2015 and in Q1 2016, the latest figures (Jan 2016) showing the employment rate at 74.1% (the highest rate since comparable records began in 1971) and the unemployment rate at a 12 year low of 5.1%. Wage growth has however remained modest at around 2.2% excluding bonuses, but after a long period of negative real wage growth (i.e. after inflation) real earnings were positive and growing at their fastest rate in eight years, boosting consumers' spending power.

Global Influences: The slowdown in the Chinese economy became the largest threat to the South East Asian region, particularly on economies with a large trade dependency on China and also to prospects for global growth as a whole. The effect of the Chinese authorities' intervention in their currency and equity markets was temporary and led to high market volatility as a consequence. There were falls in prices of equities and risky assets and a widening in corporate credit spreads. As the global economy entered 2016 there was high uncertainty about growth, the outcome of the US presidential election and the consequences of June's referendum on whether the UK is to remain in the EU. Between February and March 2016 sterling had depreciated by around 3%, a significant proportion of the decline reflecting the uncertainty surrounding the referendum result.

UK Monetary Policy: The Bank of England's MPC (Monetary Policy Committee) made no change to policy, maintaining the Bank Rate at 0.5% (in March it entered its eighth year at 0.5%) and asset purchases (Quantitative Easing) at £375bn. In its Inflation Reports and monthly monetary policy meeting minutes, the Bank was at pains to stress and reiterate that when interest rates do begin to rise they were expected to do so more gradually and to a lower level than in recent cycles.

Improvement in household spending, business fixed investment, a strong housing sector and solid employment gains in the US allowed the Federal Reserve to raise rates in December 2015 for the first time in nine years to take the new Federal funds range to 0.25%-0.50%. Despite signalling four further rate hikes in 2016, the Fed chose not to increase rates further in Q1 and markets pared back expectations to no more than two further hikes this year.

However central bankers in the Eurozone, Switzerland, Sweden and Japan were forced to take policy rates into negative territory. The European Central Bank also announced a range of measures to inject sustained economic recovery and boost domestic inflation which included an increase in asset purchases (Quantitative Easing).

Market reaction: From June 2015 gilt yields were driven lower by the a weakening in Chinese growth, the knock-on effects of the fall in its stock market, the continuing fall in the price of oil and commodities and acceptance of diminishing effectiveness of central bankers' unconventional policy actions. Added to this was the heightened uncertainty surrounding the outcome of the UK referendum on its continued membership of the EU as well as the US presidential elections which culminated in a significant volatility and in equities and corporate bond yields.

10-year gilt yields moved from 1.58% on 31/03/2015 to a high of 2.19% in June before falling back and ending the financial year at 1.42%. The pattern for 20-year gilts was similar, the yield rose from 2.15% in March 2015 to a high of 2.71% in June before falling back to 2.14% in March 2016. The FTSE All Share Index fell 7.3% from 3664 to 3395 and the MSCI World Index fell 5.3% from 1741 to 1648 over the 12 months to 31 March 2016.

Current Economic Position: The above commentary covers 2015/16 prior to the British vote to leave the EU which sent shockwaves through the domestic, European and global economy. The long term effect of the vote is unclear; however the Bank of England sought to reassure markets and investors. In August the MPC reduced rates and increased QE judging the downside risks to growth greater than the upside risks to inflation from fall in the value of sterling. At the time of writing further falls in rates have not been ruled out and uncertainty around the economy is expected for a number of years as a British exit from the EU is negotiated and implemented.

Counterparty Update: The transposition of two European Union directives into UK legislation placed the burden of rescuing failing EU banks disproportionately onto unsecured institutional investors which include local authorities and pension funds. During the year, all three credit ratings agencies reviewed their ratings to reflect the loss of government support for most financial institutions and the potential for loss given default as a result of new bail-in regimes in many countries. Despite reductions in government support many institutions saw upgrades due to an improvement in their underlying strength and an assessment that that the level of loss given default is low.

Fitch reviewed the credit ratings of multiple institutions in May. Most UK banks had their support rating revised from 1 (denoting an extremely high probability of support) to 5 (denoting external support cannot be relied upon). This resulted in the downgrade of the long-term ratings of Royal Bank of Scotland (RBS), Deutsche Bank, Bank Nederlandse Gemeeten and ING. JP Morgan Chase and the Lloyds Banking Group however both received one notch upgrades.

Moody’s concluded its review in June and upgraded the long-term ratings of Close Brothers, Standard Chartered Bank, ING Bank, Goldman Sachs International, HSBC, RBS, Coventry Building Society, Leeds Building Society, Nationwide Building Society, Svenska Handelsbanken and Landesbank Hessen-Thuringen.

S&P reviewed UK and German banks in June, downgrading the long-term ratings of Barclays, RBS and Deutsche Bank. As a result of this the Authority made the decision to suspend Deutsche Bank as a counterparty for new unsecured investments. S&P also revised the outlook of the UK as a whole to negative from stable, citing concerns around the referendum on EU membership and its effect on the economy. National Australia Bank (NAB) announced its plans to divest Clydesdale Bank, its UK subsidiary. NAB listed Clydesdale on the London Stock Exchange and transferred ownership to NAB’s shareholders. Following the demerger, Fitch and Moody’s downgraded the long and short-term ratings of the bank.

At the end of July 2015, Arlingclose advised an extension of recommended durations for unsecured investments in certain UK and European institutions following improvements in the global economic situation and the receding threat of another Eurozone crisis. A similar extension was advised for some non-European banks in September, with the Danish

Danske Bank being added as a new recommended counterparty and certain non-rated UK building societies also being extended.

In September, Volkswagen was found to have been cheating emissions tests over several years in many of their diesel vehicles. The council's treasury advisor, Arlingclose Ltd, recommended suspending VW (as a non-financial corporate bond counterparty) for new investments. As issues surrounding the scandal continued, there were credit rating downgrades across the Volkswagen group by all of the ratings agencies. Volkswagen AG is now (as at 11/04/16) rated A3, BBB+ and BBB+ by Moody's, Fitch and S&P respectively. Volkswagen International Finance N.V is rated A3 and BBB+ by Moody's and Fitch respectively and Volkswagen Financial Services N.V. is now rated A1 by Moody's. Arlingclose continues to monitor the situation.

In December the Bank of England released the results of its latest stress tests on the seven largest UK banks and building societies which showed that the Royal Bank of Scotland and Standard Chartered Bank were the weakest performers. However, the regulator did not require either bank to submit revised capital plans, since both firms had already improved their ratios over the year.

In January 2016, Arlingclose supplemented its existing investment advice with a counterparty list of high quality bond issuers, including recommended cash and duration limits. As part of this, Bank Nederlandse Gemeeten was moved to the list of bond issuers from the unsecured bank lending list and assigned an increased recommended duration limit of 5 years. Interest rates are likely to stay low for longer and cash balances are increasing, making long-term bonds an increasingly attractive option. The Council did not make use of these long-term investment options during 2015/16 but they remain an option.

The first quarter of 2016 was characterised by financial market volatility and a weakening outlook for global economic growth. In March 2016, following the publication of many banks' 2015 full-year results, Arlingclose advised the suspension of Deutsche Bank and Standard Chartered Bank from the counterparty list for unsecured investments. Both banks recorded large losses and despite improving capital adequacy this will call 2016 performance into question, especially if market volatility continues. Standard Chartered had seen various rating actions taken against it by the rating agencies and a rising CDS level throughout the year. Arlingclose will continue to monitor both banks.