

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO POLICY & FINANCE COMMITTEE

INFORMATION

Agenda Item No 18

meeting date: 7 AUGUST 2012
title: TREASURY MANAGEMENT MONITORING 2012/13
submitted by: DIRECTOR OF RESOURCES
principal author: TRUDY HOLDERNESS

1 PURPOSE

1.1 To provide you with a monitoring report on our treasury management activities for period 1 April 2012 to 30 June 2012

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 You have previously approved a treasury management policy in accordance with CIPFA's code of practice on treasury management for Local Authorities.

1.4 In accordance with this policy committee should receive a quarterly monitoring report on the Council's treasury management operations.

2 BACKGROUND

2.1 Events in recent years have raised the profile of the treasury management function and highlighted the potential serious risks involved.

2.2 The Council borrows any money it requires to fund its capital spending plans from the Public Works Loan Board. They make funds available for long loan periods at interest rates just below market rates and lend to Government and Public bodies. The Council rarely borrows to fund its revenue activities and is much more likely at any point in time to have surplus funds to invest.

2.3 On a daily basis we assess our cash flow position. To do this we estimate the funds we expect to receive e.g. council tax payments, grants, fees and shares, and deduct any known payments we expect to make e.g. precepts, creditors and salaries.

On most days the Council is in a position where it has surplus funds available to invest.

2.4 How we invest these surplus funds is governed by the Council's Treasury Management policies and practices agreed and reported to Policy and Finance Committee and ultimately Full Council.

The main points being:

- (i) The Council maintains a list of organisations it will lend its surplus funds to that is regularly reviewed. The current list is shown in section 7 of this report.
- (ii) The Council has maximum limits for each institution of £1.5m with the exception of the Debt Management Office (DMO), where the Government guarantees investments. Our limit with the DMO is currently £5m.

- (iii) The safety of our investments are paramount and not the requirement to maximise returns.
- (iv) Our policy has been to only lend to major British Banks and Building Societies relying on the assumption that the Government would be unlikely to allow a major bank/building society to fail.

3 INFORMATION

- 3.1 Nationally, bank base interest rates have remained static at 0.5% in the period.
- 3.2 This low interest rate has had no immediate effect on the interest payable on the Council's long-term loan debt from Public Works Loan Board (PWLB), which is all at fixed interest rates. However, it has resulted in a continued low level of income from our temporary investments.
- 3.3 As part of the Comprehensive Spending Review on 20 October 2010, the interest rate on PWLB loans was raised from 0.2 percent to 1 percent above UK Government gilts.
- 3.4 In the Chancellor's Budget on March 21 a reduction in the PWLB interest rate was revealed. The reduction was to be applicable for those councils that provide 'improved information and transparency' on 'borrowing and associated capital spending plans'. The rate would then be reduced by 20 basis points from the current rate of 1% above central government's own borrowing to 0.8% above gilts from 2012/13. The government has also raised the prospect of those council's deemed to be the most efficient being given access to even lower borrowing rates, however the details of these proposals are not yet known.
- 3.5 There is no immediate effect on this council from the above announcements, as all of our PWLB loans re on a fixed rate. However, this will impact on future decisions that the Council may make to borrow from the PWLB

4 BORROWING REQUIREMENTS

- 4.1 The movement on the Council's external can be summarised as follows.

	PWLB £000	Other £000	Total £000
External Debt at 1 April 2012	436	7	443
Transactions - New Loans	0	1,100	1,100
- Repayments	0	-1,100	-1,100
External debt at 30 June 2012	436	7	443

- 4.2 Early in this financial year the following temporary loan was taken out. This was due to a shortfall in cash balances between paying precepts to Lancashire County Council, Police and Fire Authorities and receiving council tax and NNDR direct debit income. No further temporary loans have been required since, although cash balances remain low.

Date Loan Taken	Investor	Amount £'000	Rate %	Date Repaid
23 April 2012	Basildon Council	1,100	0.30	30 April 2012

4.3 The total interest paid on the Council's external debt during the period in respect of the above temporary loan was £63.

5 INVESTMENTS

5.1 In accordance with the treasury management policy, surplus funds are temporarily invested via the money market at the best rate of interest available with the minimisation of risk to the capital sum.

5.2 The average interest we received on all external investments for the period 1 April 2012 to 30 June 2012 was 0.38%, which was slightly above the average local authority seven-day notice deposit rate of 0.30%.

5.3 The movement in the Council's external investments are shown in Annex 1 and can be summarised as follows:

	Banks/ Building Societies £000	Other Local Authorities £000	Total £000
Monies Invested at 1 April 2012	1,900	0	1,900
Transactions - New Investments	17,800	0	17,800
- Repayment of Investments	-16,130	-0	-16,130
Monies Invested as at 30 June 2012	3,570	0	3,570

5.4 The following investments were held as at 30 June 2012.

Date Invested	Nos	Borrower	Notice	Rate %	£'000	£'000
31 May 2012	53	Bank of Scotland	Fixed 05/07	0.590	1,000	
15 June 2012	64	Bank of Scotland	Fixed 05/07	0.340	450	
						1,450
6 June 2012	57	Barclays Bank Plc	Fixed 05/07	0.511	300	
25 June 2012	60	Barclays Bank Plc	Fixed 04/07	0.418	250	
15 June 2012	63	Barclays Bank Plc	Fixed 05/07	0.448	400	
27 June 2012	71	Barclays Bank Plc	Fixed 05/07	0.414	550	
						1,500
19 June 2012	66	HSBC	Fixed 04/07	0.310	150	
25 June 2012	69	HSBC	Fixed 05/07	0.310	150	
27 June 2012	72	HSBC	Fixed 05/07	0.310	250	
28 June 2012	73	HSBC	Fixed 02/07	0.310	70	
						620
Total Investments as at 30 June 2012						3,570

5.5 The total interest received on the Council's external investments during the period was £2,785 compared with £1,355 in the previous year.

6 PRUDENTIAL INDICATORS

6.1 The Prudential Code for Capital Finance in Local Authorities (the Code) initially came into effect from 1 April 2004. It regulates the Council's ability to undertake new capital investment.

6.2 It was fully revised in 2009 to take account of the implications of the implementation of the International Financial Reporting Standard (IFRS) and has since been updated following regulatory changes resulting from the Localism Bill (2011).

6.3 In accordance with this Code the Council agreed to monitor four prudential indicators as follows. This committee approved these in March 2012.

- ❖ Upper limits on variable rate exposure. This indicator identifies a maximum limit for variable interest rates based upon the debt provision net of investments.
- ❖ Upper limits on fixed rate exposure. Similar to the previous indicators, this covers a maximum limit on fixed interest rates
- ❖ Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing.
- ❖ Total principal funds invested for a period longer than 364 days. These limits are set to reduce the need for early sale of an investment and are based on the availability of investments after each year-end

6.4 The limits set on interest rate exposures for 2012/13 were as follows:

	Upper Limit £000	Current Actual £000
Maximum Principal Sums Borrowed >364 days	5,900	443
Limits on Fixed Interest Rates	5,900	1,543
Limits on Variable Interest Rates	1,180	0

6.5 The upper and lower limits for the maturity structure of its borrowings for 2012/13 were as follows:

	Upper Limit %	Lower Limit %	Current Actual %
Under 12 months	20	0	16.04
12 Months and Within 24 Months	20	0	16.04
24 Months and Within 5 Years	40	0	27.97
5 Years and Within 10 Years	30	0	14.54
10 Years and Above	90	0	25.42

6.6 The total principal funds invested for a period longer than 364 days was set at nil. No investments have been made in the period for longer than 364 days.

7 APPROVED ORGANISATIONS

7.1 Principally, Fitch credit ratings are used as an indication of the probability of organisations defaulting on our investments, are defined in Annex 2. They only show an indication of the current credit position. They are being monitored on a regular basis and any significant changes will be reported to this committee.

7.2 In addition, we monitor and consider the ratings given by rating agents Standard and Poor, and Moody's together with the Fitch ratings prior to investing any monies on a day-to-day basis. The full list of ratings for our approved institutions are shown at Annex 3, and is a snapshot as at 24 July 2012.

7.3 It has previously been approved that investments with Building Societies be limited to the top 8 building societies based on their total assets, excluding West Bromwich Building Society, these are:

Name	Current Ranking Jul'12	Previous Ranking Nov'11	Fitch Rating			
			Long Term	Full Transaction Review Date	Short Term	Full Transaction Review Date
Nationwide	1	1	A +	03.11.11	F1	03.11.11
Yorkshire*	2	2	BBB +	03.11.11	F2	03.11.11
Coventry	3	3	A	03.11.11	F1	03.11.11
Skipton	4	4	BBB	03.11.11	F3	03.11.11
Leeds	5	5	A -	03.11.11	F2	03.11.11
West Bromwich *	6	6	Withdrawn from rating process			
Principality	7	7	BBB +	03.11.11	F2	03.11.11
Newcastle	8	8	BB +	02.11.11	B	02.11.11

* Norwich & Peterborough Building Society merged with Yorkshire Building Society on 1 November 2011

* West Bromwich has chosen to stop participating in Fitch rating process

7.4 The banks we use were reviewed annually as part of the Treasury Management Practices to take into account of their Fitch IBCA long-term and short-term credit rating. The current ratings are as follows:

Name	Fitch Rating			
	Long Term	Full Transaction Review Date	Short Term	Full Transaction Review Date
Santander UK PLC *	A	11.06.12	F1	11.06.12
Barclays Bank PLC	A	15.12.11	F1	15.12.11
Bank of Scotland PLC	A	13.12.11	F1	13.12.11
Bradford & Bingley Bank PLC	A	08.12.11	F1	08.12.11
Co-operative Bank (The)	A -	16.12.11	F2	16.12.11
HSBC Bank PLC	AA	01.03.12	F1+	01.03.12
Lloyds TSB Bank PLC	A	19.03.12	F1	19.03.12

Name	Fitch Rating			
	Long Term	Full Transaction Review Date	Short Term	Full Transaction Review Date
National Westminster Bank PLC	A	19.03.12	F1	19.03.12
Northern Rock (Asset Management) PLC	A	08.12.11	F1	08.12.11
Royal Bank of Scotland PLC (The) *	A	19.03.12	F1	19.03.12

* Downgraded since last reported

7.5 In addition to the building societies and banks we use for investments, also approved for use is the United Kingdom Debt Management Office, where the Government guarantees investments.

8 RECENT EVENTS

8.1 The past few months have seen Moody's downgrade a number of UK banks, namely Royal Bank of Scotland, Barclays, HSBC and Lloyds due to significant exposure to the volatility in the world's financial markets. However, this has been widely expected since Moody's first announced the start of its review in February.

8.2 Banking activities have also continued to be reported in the press, together with rating agency downgrades and therefore it has been imperative that we continue to protect the council's principal sums invested in order to minimize its exposure to risk.

8.3 To ensure our exposure is limited as far as possible, we have continued with the following measures:

- (i) Daily early morning meetings to discuss 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
- (ii) Authorisation prior to investments with either the Director of Resources or the Head of Financial Services
- (iii) Keep Leader/Chief Executive informed
- (iv) Look to arrange new secure options for investments

9 CONCLUSION

9.1 It is essential to minimise the risk to the principal sums that are invested. Through the careful investment of sums in line with the council's strategy the level of risk in our investments has been kept to a minimum.

- 9.2 With interest rates remaining at low levels, the amount of income received from investing surplus cash balances continues to be low, although marginally higher than those attained for the same period in the 2011/12 financial year.
- 9.3 Due to the continued movement in judgements made by rating agents, and the continued uncertainty in the eurozone, a prudent approach continues to be followed in the investment of any surplus cash balances on a day to day basis.

SENIOR ACCOUNTANT

DIRECTOR OF RESOURCES

PF41-12/TH/AC
25 July 2012

BACKGROUND WORKING PAPERS:

Loans Fund Working Papers
Treasury Management Strategy 2012-2013
Treasury Management Policies & Practices 2012
Fitch, Moody's and Standard & Poor Ratings
Building Societies Association – sector information

For further information please ask for Trudy Holderness, extension 4436

POLICY AND FINANCE COMMITTEE
TEMPORARY INVESTMENT ACTIVITY - 2012/13

Date Invested	Temp Investment Number	Borrower	Amount Invested £	Interest Rate %	Date Repaid	Principal Repaid £	Interest Received / Due £	Fitch Ratings at Time of Investment	
								Long-Term	Short-Term
INVESTMENTS BROUGHT FORWARD @ 1 APRIL 2012									
15-Mar-12	276	Debt Management Office	500,000	0.250	12-Apr-12	-500,000	-95.89	AAA	-
					Debtor		58.22		
19-Mar-12	280	HSBC	100,000	0.310	02-Apr-12	-100,000	-11.89	AA	F1+
					Debtor		11.04		
26-Mar-12	283	Debt Management Office	350,000	0.250	13-Apr-12	-350,000	-43.15	AAA	-
					Debtor		14.38		
26-Mar-12	285	HSBC	50,000	0.310	05-Apr-12	-50,000	-4.25	AA	F1+
					Debtor		2.55		
26-Mar-12	286	HSBC	100,000	0.310	10-Apr-12	-100,000	-12.74	AA	F1+
					Debtor		5.10		
30-Mar-12	290	Debt Management Office	550,000	0.250	19-Apr-12	-550,000	-75.34	AAA	-
					Debtor		7.53		
30-Mar-12	291	HSBC	250,000	0.310	04-Apr-12	-250,000	-10.62	AA	F1+
					Debtor		4.25		
Monies invested at 1 April 2012			1,900,000			-1,900,000	-150.81		

Date Invested	Temp Investment Number	Borrower	Amount Invested £	Interest Rate %	Date Repaid	Principal Repaid £	Interest Received / Due £	Fitch Ratings at Time of Investment	
								Long-Term	Short-Term
NEW INVESTMENTS - 2012/13									
Apr									
02-Apr-12	1	HSBC	150,000	0.310	4-Apr-12	-150,000	-2.55	AA	F1+
03-Apr-12	2	HSBC	175,000	0.310	4-Apr-12	-175,000	-1.49	AA	F1+
04-Apr-12	3	Barclays Bank	450,000	0.447	23-Apr-12	-450,000	-104.71	A	F1
04-Apr-12	4	HSBC	50,000	0.310	10-Apr-12	-50,000	-2.55	AA	F1+
05-Apr-12	5	HSBC	350,000	0.310	10-Apr-12	-350,000	-14.86	AA	F1+
10-Apr-12	6	Santander UK Plc	500,000	0.600	23-Apr-12	-500,000	-105.48	A+	F1
11-Apr-12	7	HSBC	60,000	0.310	12-Apr-12	-60,000	-0.51	AA	F1+
12-Apr-12	8	DMO	345,000	0.250	23-Apr-12	-345,000	-25.99	AAA	-
13-Apr-12	9	HSBC	120,000	0.310	16-Apr-12	-120,000	-3.06	AA	F1+
16-Apr-12	10	Barclays Bank	550,000	0.447	23-Apr-12	-550,000	-40.09	A	F1
16-Apr-12	11	HSBC	150,000	0.310	17-Apr-12	-150,000	-1.27	AA	F1+
17-Apr-12	12	HSBC	50,000	0.310	18-Apr-12	-50,000	-0.42	AA	F1+
17-Apr-12	13	HSBC	200,000	0.310	23-Apr-12	-200,000	-10.19	AA	F1+
18-Apr-12	14	HSBC	100,000	0.310	19-Apr-12	-100,000	-0.85	AA	F1+
19-Apr-12	15	HSBC	200,000	0.310	20-Apr-12	-200,000	-1.70	AA	F1+
19-Apr-12	16	HSBC	200,000	0.310	23-Apr-12	-200,000	-6.79	AA	F1+
20-Apr-12	17	HSBC	300,000	0.310	23-Apr-12	-300,000	-7.64	AA	F1+
23-Apr-12	18	HSBC	80,000	0.310	24-Apr-12	-80,000	-0.68	AA	F1+
24-Apr-12	19	HSBC	145,000	0.310	25-Apr-12	-145,000	-1.23	AA	F1+
25-Apr-12	20	HSBC	50,000	0.310	26-Apr-12	-50,000	-0.42	AA	F1+
25-Apr-12	21	HSBC	130,000	0.310	30-Apr-12	-130,000	-5.52	AA	F1+
26-Apr-12	22	HSBC	50,000	0.310	27-Apr-12	-50,000	-0.42	AA	F1+
26-Apr-12	23	HSBC	70,000	0.310	30-Apr-12	-70,000	-2.38	AA	F1+
30-Apr-12	24	Barclays Bank Plc	600,000	0.379	22-May-12	-600,000	-137.06	A	F1
30-Apr-12	25	Nationwide	1,000,000	0.510	29-May-12	-1,000,000	-405.21	A+	F1
30-Apr-12	26	HSBC	500,000	0.310	3-May-12	-500,000	-12.74	AA	F1+
30-Apr-12	27	Santander UK Plc	600,000	0.650	21-May-12	-600,000	-224.38	A+	F1
			7,175,000			-7,175,000	-1,120.19		

Date Invested	Temp Investment Number	Borrower	Amount Invested £	Interest Rate %	Date Repaid	Principal Repaid £	Interest Received / Due £	Fitch Ratings at Time of Investment	
								Long-Term	Short-Term
May									
01-May-12	28	HSBC	125,000	0.310	02-May-12	-125,000	-1.06	AA	F1+
02-May-12	29	HSBC	140,000	0.310	03-May-12	-140,000	-1.19	AA	F1+
03-May-12	30	HSBC	270,000	0.310	08-May-12	-270,000	-11.47	AA	F1+
04-May-12	31	HSBC	70,000	0.310	08-May-12	-70,000	-2.38	AA	F1+
08-May-12	32	HSBC	250,000	0.310	14-May-12	-250,000	-12.74	AA	F1+
08-May-12	33	HSBC	60,000	0.310	09-May-12	-60,000	-0.51	AA	F1+
09-May-12	34	HSBC	125,000	0.310	14-May-12	-125,000	-5.31	AA	F1+
10-May-12	35	HSBC	50,000	0.310	11-May-12	-50,000	-0.42	AA	F1+
11-May-12	36	HSBC	300,000	0.310	29-May-12	-300,000	-45.86	AA	F1+
14-May-12	37	HSBC	200,000	0.310	21-May-12	-200,000	-11.89	AA	F1+
14-May-12	38	Barclays Bank Plc	200,000	0.441	29-May-12	-200,000	-36.25	A	F1
15-May-12	39	Co-Operative Bank	600,000	0.400	29-May-12	-600,000	-92.05	A-	F2
15-May-12	40	HSBC	150,000	0.310	18-May-12	-150,000	-3.82	AA	F1+
16-May-12	41	HSBC	80,000	0.310	21-May-12	-80,000	-3.40	AA	F1+
17-May-12	42	HSBC	150,000	0.310	21-May-12	-150,000	-5.10	AA	F1+
18-May-12	43	Co-Operative Bank	300,000	0.450	29-May-12	-300,000	-40.68	A-	F2
21-May-12	44	HSBC	200,000	0.310	25-May-12	-200,000	-6.79	AA	F1+
21-May-12	45	HSBC	250,000	0.310	29-May-12	-250,000	-16.99	AA	F1+
22-May-12	46	HSBC	80,000	0.310	23-May-12	-80,000	-0.68	AA	F1+
23-May-12	47	HSBC	125,000	0.310	29-May-12	-125,000	-6.37	AA	F1+
25-May-12	48	HSBC	250,000	0.310	29-May-12	-250,000	-8.49	AA	F1+
28-May-12	49	Barclays Bank Plc	500,000	0.416	07-Jun-12	-500,000	-56.99	A	F1
29-May-12	50	HSBC	135,000	0.310	06-Jun-12	-135,000	-9.17	AA	F1+
30-May-12	51	HSBC	80,000	0.310	06-Jun-12	-80,000	-4.76	AA	F1+
31-May-12	52	Barclays Bank Plc	550,000	0.447	19-Jun-12	-550,000	-127.98	A	F1
31-May-12	53	Bank Of Scotland	1,000,000	0.590	Still Outstanding		-501.10	A	F1
31-May-12	54	HSBC	200,000	0.310	11-Jun-12	-200,000	-18.68	AA	F1+
31-May-12	55	Lloydstsb	700,000	0.240	18-Jun-12	-700,000	-82.85	A	F1
			7,140,000			-6,140,000	-1,114.98		

Date Invested	Temp Investment Number	Borrower	Amount Invested £	Interest Rate %	Date Repaid	Principal Repaid £	Interest Received / Due £	Fitch Ratings at Time of Investment	
								Long-Term	Short-Term
Jun									
01-Jun-12	56	HSBC	90,000	0.310	06-Jun-12	-90,000	-3.82	AA	F1+
06-Jun-12	57	Barclays Bank Plc	300,000	0.511	Still Outstanding		-105.00	A	F1
07-Jun-12	58	HSBC	100,000	0.310	11-Jun-12	-100,000	-3.40	AA	F1+
08-Jun-12	59	HSBC	60,000	0.310	11-Jun-12	-60,000	-1.53	AA	F1+
11-Jun-12	60	Barclays Bank Plc	Rolled Over	0.440	25-Jun-12		-42.94	A	F1
25-Jun-12	60	Barclays Bank Plc	250,000	0.418	Still Outstanding		-17.18	A	F1
12-Jun-12	61	HSBC	90,000	0.310	13-Jun-12	-90,000	-0.76	AA	F1+
13-Jun-12	62	HSBC	150,000	0.310	22-Jun-12	-150,000	-11.47	AA	F1+
15-Jun-12	63	Barclays Bank Plc	400,000	0.448	Still Outstanding		-78.55	A	F1
15-Jun-12	64	Bank Of Scotland	450,000	0.340	Still Outstanding		-67.07	A	F1
18-Jun-12	65	HSBC	150,000	0.310	19-Jun-12	-150,000	-1.27	AA	F1+
19-Jun-12	66	HSBC	150,000	0.310	Still Outstanding		-15.29	AA	F1+
20-Jun-12	67	HSBC	85,000	0.310	25-Jun-12	-85,000	-3.61	AA	F1+
22-Jun-12	68	HSBC	130,000	0.310	25-Jun-12	-130,000	-3.31	AA	F1+
25-Jun-12	69	HSBC	150,000	0.310	Still Outstanding		-7.64	AA	F1+
26-Jun-12	70	HSBC	60,000	0.310	27-Jun-12	-60,000	-0.51	AA	F1+
27-Jun-12	71	Barclays Bank Plc	550,000	0.414	Still Outstanding		-24.95	A	F1
27-Jun-12	72	HSBC	250,000	0.310	Still Outstanding		-8.49	AA	F1+
28-Jun-12	73	HSBC	70,000	0.310	Still Outstanding		-1.78	AA	F1+
			3,485,000			-915,000	-398.57		
Total Investments made April 2012 to June 2012			17,800,000			-14,230,000	-2,633.74		
Total Investment 2012/13			19,700,000			-16,130,000	-2,784.55		

POLICY AND FINANCE COMMITTEE

Fitch Rating Definitions	
International Long-Term Credit Ratings	
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	Moderate default risk. 'BBB' National Ratings denote a moderate default risk relative to other issuers or obligations in the same country. However, changes in circumstances or economic conditions are more likely to affect the capacity for timely repayment than is the case for financial commitments denoted by a higher rated category
International Short-Term Credit ratings	
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	Indicates an uncertain capacity for timely payment of financial commitments relative to other issuers or obligations in the same country. Such capacity is highly susceptible to near-term adverse changes in financial and economic conditions.

POLICY AND FINANCE COMMITTEE

FULL RATING LIST OF APPROVED INSTITUTIONS

Institution	Standard & Poor			Moody's			Fitch				
	Long Term	Short Term	Outlook	Long Term	Short Term	Outlook	Latest Rating Date	Full Review Date	Long Term	Short Term	Outlook
Building Societies											
Nationwide	A+	A-1	Stable	A2	P-1	Stable	29/03	03/11	A+	F1	Negative
Yorkshire	A-	A-2	Stable	Baa2	P-2	Stable	20/04	03/11	BBB+	F2	Stable
Coventry	-	-	-	A3	P-2	Stable	08/03	03/11	A	F1	Stable
Skipton	-	-	-	Ba1	NP	Negative	08/03	03/11	BBB	F3	Negative
Leeds	-	-	-	A3	P-2	Stable	27/03	03/11	A-	F2	Stable
Principality	-	-	-	Ba1	NP	Stable	08/03	03/11	BBB+	F2	Stable
Newcastle	-	-	-	Rating withdrawn			23/02	02/11	BB+	B	Stable
Banks											
Santander UK PLC	A	A-1	Stable	A2	P-1	Under Review	11/06	11/06	A	F1	Stable
Barclays Bank PLC	A+	A-1	Negative	A2	P-1	Negative	09/07	15/12	A	F1	Stable
Bank of Scotland PLC	A	A-1	Stable	A2	P-1	Negative	16/05	13/12	A	F1	Stable
Bradford & Bingley Bank PLC	-	A-1	-	Aa3	P-1	Negative	10/07	08/12	A	F1	Negative
Co-operative Bank (The)	BBB-	A-3	Stable	A3	P-2	Stable	13/06	16/12	A-	F2	On Watch
HSBC Bank PLC	AA-	A-1+	Stable	Aa3	P-1	Negative	09/07	01/03	AA	F1+	Negative
Lloyds TSB Bank PLC	A	A-1	Stable	A2	P-1	Negative	27/06	19/03	A	F1	Stable
National Westminster Bank PLC	A	A-1	Stable	A3	P-2	Negative	19/03	19/03	A	F1	Stable
Northern Rock (Asset Management) PLC	A	A-1	Stable	Aa3	P-1	Negative	08/12	08/12	A	F1	Negative
Royal Bank of Scotland	A-	A-1	Stable	A3	P-2	Negative	17/05	19/03	A	F1	Stable