

UPDATE ON ACTIONS / RESOLUTIONS



AUDIT AND GOVERNANCE COMMITTEE **MONDAY 16 SEPTEMBER 2019**

The following provides an update against the actions / resolutions agreed at the Audit and Governance Committee held on 22nd July 2019.

Minute 17 – Annual Treasury Management Report 2018/19

Resolution iii) That Members noted further information would be circulated to them in relation to credit ratings.

Information was sent to Members by email on 12 August 2019, but is included below for completeness:

To answer Chris' question credit ratings are a view on the credit standing of an organisation (i.e. an opinion based on research), and are more of a spectrum rather than a definitive measure.

They're based on a range of factors including the group structure (i.e. parent support), diversification (i.e. a wide or narrow base of activity), financial flexibility and risk management arrangements.

A small building society for instance is likely to have less parent support, and a narrower base of activity than a large international bank, therefore may be viewed as higher risk and have a lower credit rating.

The long term ratings range from AAA to D, with AAA being the strongest and D being where default has occurred (there's a useful summary on the following page): https://en.wikipedia.org/wiki/Credit_rating#Corporate_credit_ratings

Anything above BBB is considered investment grade, but as an Authority we've set a minimum rating of A-.

Please also see the attached slides from the Authority's advisors (Appendix A) and an extract from S&P's global rating definitions (Appendix B).

I hope this helps but I'm happy to provide more details if needed. Our advisors have also offered to chat through with members if it helps.

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