LICENSING AUDIT & GENERAL PURPOSES COMMITTEE
29 JULY 2019

EXECUTIVE HEAD OF FINANCE
REPORT NO: FIN1922

TREASURY MANAGEMENT OPERATIONS 2018/19

SUMMARY:
Treasury management operations for 2018/19 are presented in accordance with strategic requirements. All treasury management activity during 2018/19 was carried out in accordance with the Annual Treasury Management Strategy and complied with the treasury and prudential indicators set out in that report, and with the Treasury Management Code of Practice.

RECOMMENDATIONS:
Members are requested to:

(i) Note the contents of this report in relation to the treasury management operations carried out during 2018/19

1 INTRODUCTION

1.1 The Council's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the forthcoming financial year. The Code also recommends that members be informed of Treasury Management activities at least twice a year. This report therefore ensures this authority is embracing best practice in accordance with CIPFA's recommendations.

1.2 The Council 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. Full Council originally approved the Annual Treasury Management Strategy for 2018/19 on 22 February 2018.

1.3 **Appendix A** shows the actual prudential indicators relating to treasury activities and capital financing for 2018/19 and compares these to the indicators set in the Annual Treasury Management Strategy for the year 2018/19.

2 Treasury Management Advice

2.1 The Council continued to engage the services of Arlingclose for independent treasury advice during the year 2018/19. Arlingclose provide specialist treasury support to 25% of UK local authorities. They provide a range of treasury management services including technical advice on debt and investment management and long-term capital financing. They advise on investment trends, developments and opportunities consistent with the Council's Treasury Management Strategy.

2.2 With the exception of pooled funds all investment activity is carried out by the Council's own treasury team with advice from Arlingclose, and having due regard to information from other sources such as the financial press and credit-rating agencies.

2.3 Pooled funds are managed at the discretion of the external fund managers associated with each fund. It should however be noted that whilst the funds are externally managed, the decision as to whether to invest lies solely with the Council in accordance with its Treasury Management Strategy.

2.4 The needs of the Council's treasury management staff for training in investment management are assessed on an ongoing basis and as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change. During 2018/19, staff attended relevant workshops provided by Arlingclose and other service providers.

3 EXTERNAL CONTEXT

3.1 The Council's treasury management advisors have provided commentary on the economic background that prevailed during the year 2018/19. This commentary is provided at **Appendix B**.

4 LOCAL CONTEXT

4.1 On 31st March 2019, the Council had net borrowing of £37m arising from its 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 factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.3.19 Actual £m
General Fund CFR	58.3
MRP	-0.3
Adjustment of IFRIC 4 lease accounting	2.8
Total CFR	**60.8**
Total borrowing	**61.2**
Total Investments	**24.2**

4.2 The treasury management position at 31st March 2019 and the change during the year is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.18 Balance £m	Movement £m	31.3.19 Balance £m	31.3.19 Rate %
Long-term borrowing	1.7	(0.4)	1.3	0
Short-term borrowing	12.4	47.5	59.9	0.96
Total borrowing	**14.1**	**47.1**	**61.2**	
Long-term investments	(19.9)	(2)	(21.9)	4.7
Short-term investments	(4.5)	4.5	0	0
Cash and cash equivalents	(3.2)	(0.9)	(2.3)	0.48
Total investments	**(27.6)**	**(3.4)**	**24.2**	
Net borrowing/(investments)	**(13.5)**	**43.7**	**37**	

Borrowing Activity in 2018/19

4.3 At 31st March 2019 the Council held £61.2m of loans, an increase of £47.1m since 31st March 2018, as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 31st March 2019 are summarised in Table 3 below.

Table 3: Borrowing Position

	31/03/18 Balance £m	Net Movement £m	31/03/19 Balance £m	31/03/19 Rate %
LEP (long-term)	**1.7**	**-0.4**	**1.3**	**0**
LEP (short-term)	**0.4**	**0**	**0.4**	**0**
Local authorities (short-term)	**12**	**47.5**	**59.5**	**0.96**
Total borrowing	**14.1**	**47.1**	**61.2**	**0.96**

4.4 The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective.

4.5 With short-term interest rates remaining much lower than long-term rates, the Council considered it to be more cost effective in the near term to use short-term loans.

Investment Activity in 2018/19

4.6 The Council holds significant invested funds. During the year, the Council's investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	Balance at 31/03/18 £m	Movement in year	Balance at 31/03/19 £m	Average Rate %	
Managed in-house:					
Money Market Funds	3.2	-0.9	2.3	0.48	**
Covered Bonds	4.5	-4.5	0	Yields…Libor +1.18% - 1.47%	
Managed externally:					
Pooled Funds:					
CCLA LAMIT Property Fund	3.9	0	3.9	5.27	**
M&G Investments Strategic Corporate Bond Fund	4	0	4	4.37	**
Payden	5	-5	0	0.4	*
UBS Multi Asset Fund	5	0	5	3.95	**
Kamas	0	2	2	5.17	
Threadneedle Investments	2	0	2	3.06	**
Schroder Income Maximiser Fund	0	5	5	6.4	*
Total Investments	27.6	-3.4	24.2		

*Annualised return as purchased during 2018/19

**Based on 12 month average April 2018 to March 2019

4.7 The following chart illustrates the spread of investment by type of investment (figure 1) along with maturity analysis (figure 2).

Figure 1: Type of Counterparty

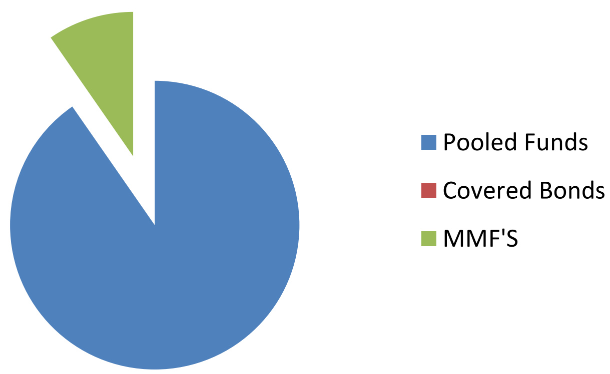


Figure 2: Maturity analysis

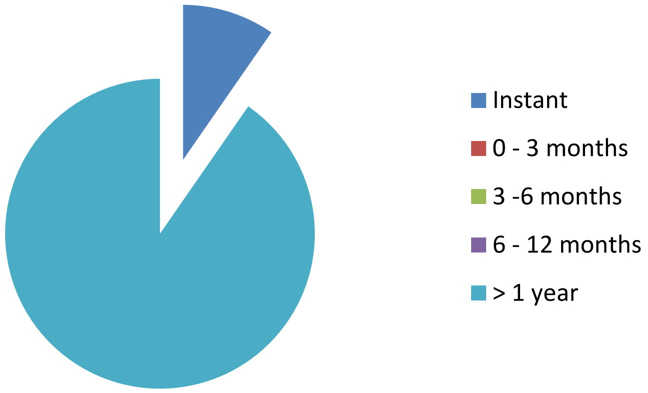


Table 5: Maturity analysis

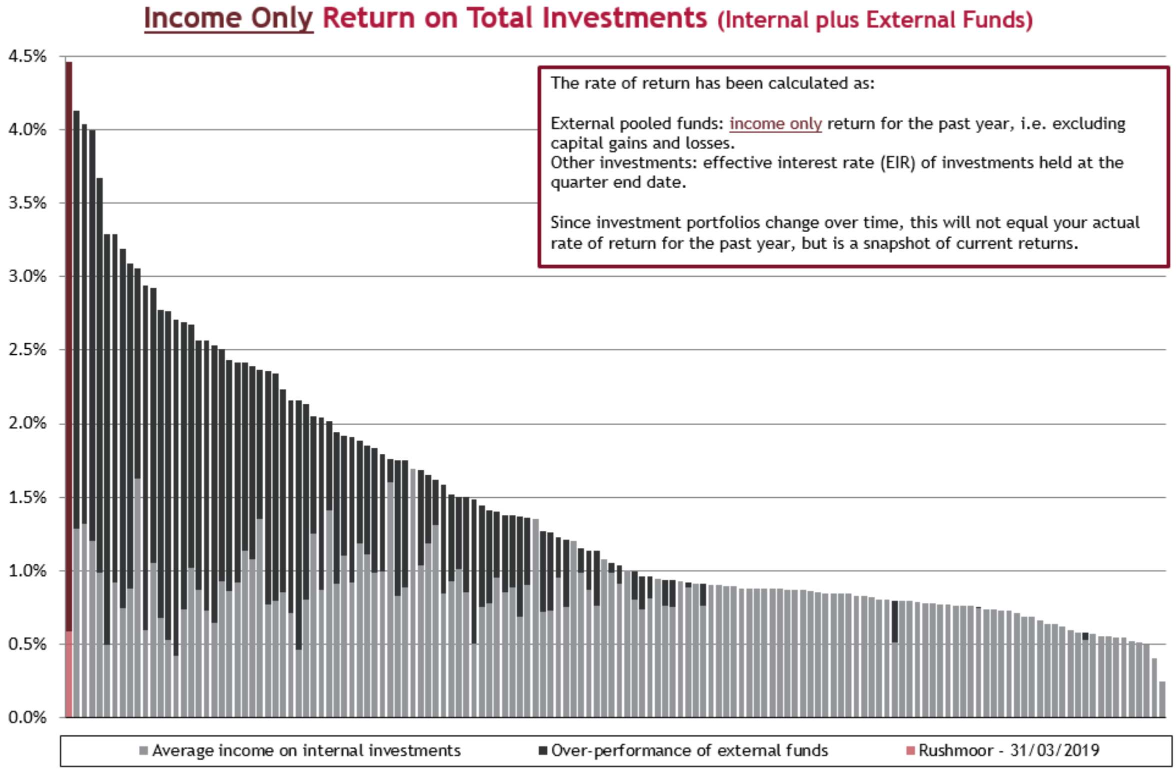
Maturity Analysis for ALL INVESTMENTS	**Amount invested £**	**% of total investments**
Instant	2,340,000	10%
0 - 3 months	0	0%
3 -6 months	0	0%
6 - 12 months	0	0%
> 1 year	21,900,000	90%
Total for all duration periods	**24,240,000**	**100**

4.8 Both the CIPFA Code and government guidance require the Council 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 Council'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.

4.9 Given the increasing risk and low returns from short-term unsecured bank investments, the Council has diversified into more secure and higher yielding asset classes as shown in table 4 above. £2m was moved from covered bonds into pooled multi-asset funds. The Council has also restructured its pooled fund holding by moving £5m from an absolute return fund (Payden) to an equity income pooled fund (Schroder Income Maximiser). As a result, investment risk was diversified spreading risk and the average income return was 4.46% as compared with 1.05% in 2017-18.

4.10 The graph below has been produce by Arlingclose and demonstrates that the Council income only returns on total investment portfolio was 4.46%, the highest return of all Arlingclose's Council clients

Figure 3: Total income return on investment portfolio



4.11 The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 6 below.

Table 6: Investment Benchmarking – Treasury investments managed in-house

	Credit Score	**Credit Rating**	**Bail-in Exposure**
31.03.2018 31.03.2019	1.05 3.73	AAA AA-	70% 100%
Similar LAs **All LAs**	**4.03**	**AA-**	**53%**

External Strategic Pooled Funds

4.12 £21.9m of the Council's investments are held in externally managed strategic pooled equity, multi-asset, bond and property funds where short-term security and liquidity are lesser considerations, and objectives are regular revenue income and long-term price stability. During 2018/19 the funds were re-structured to reduce risk through diversification and to increase capital and income returns over the long-term. Capital and income returns have increased in 2018/19 compared with 20178 by 0.9%. The pooled fund portfolio generated an average total return in 2018/19 of 5%. A summary of returns and diversification is set out below.

Figure 4: Pooled fund diversification

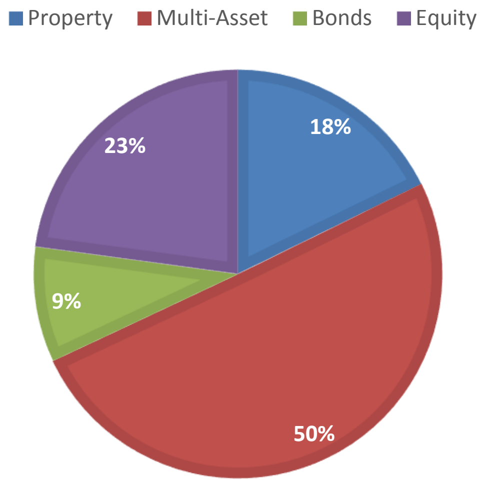


Table 7: Pooled fund diversification

Type of Pooled Fund	**Amount invested £**	**% of total investments**
Property	3,882,128	18%
Multi-Asset	11,000,000	50%
Bonds	2,000,000	9%
Equity	5,000,000	23%
	21,882,128	**100%**

Figure 5: Total returns year-on-year comparison

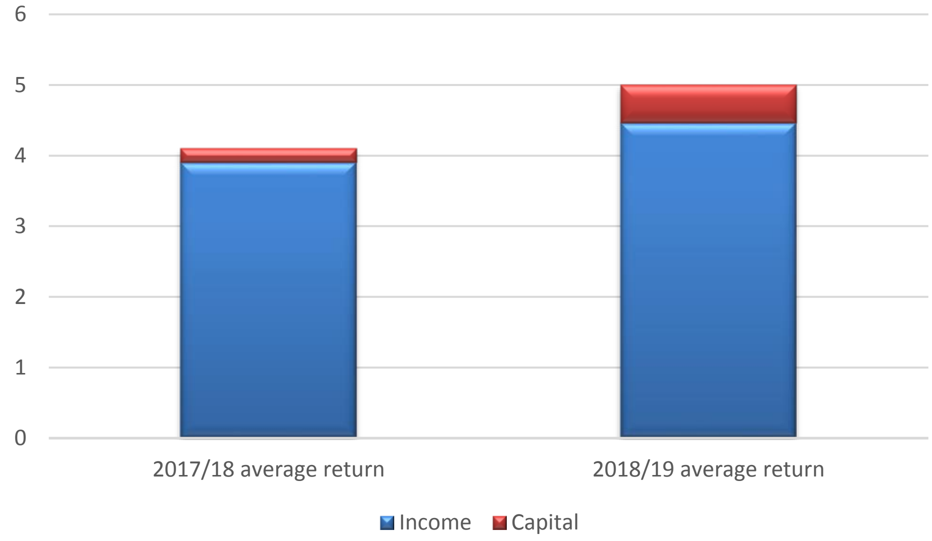


Table 8: Total return breakdown

Type of return	2017/18 average return %	2018/19 average return %
Income	3.9	4.46
Capital	0.2	0.54
Total Returns	**4.1**	**5**

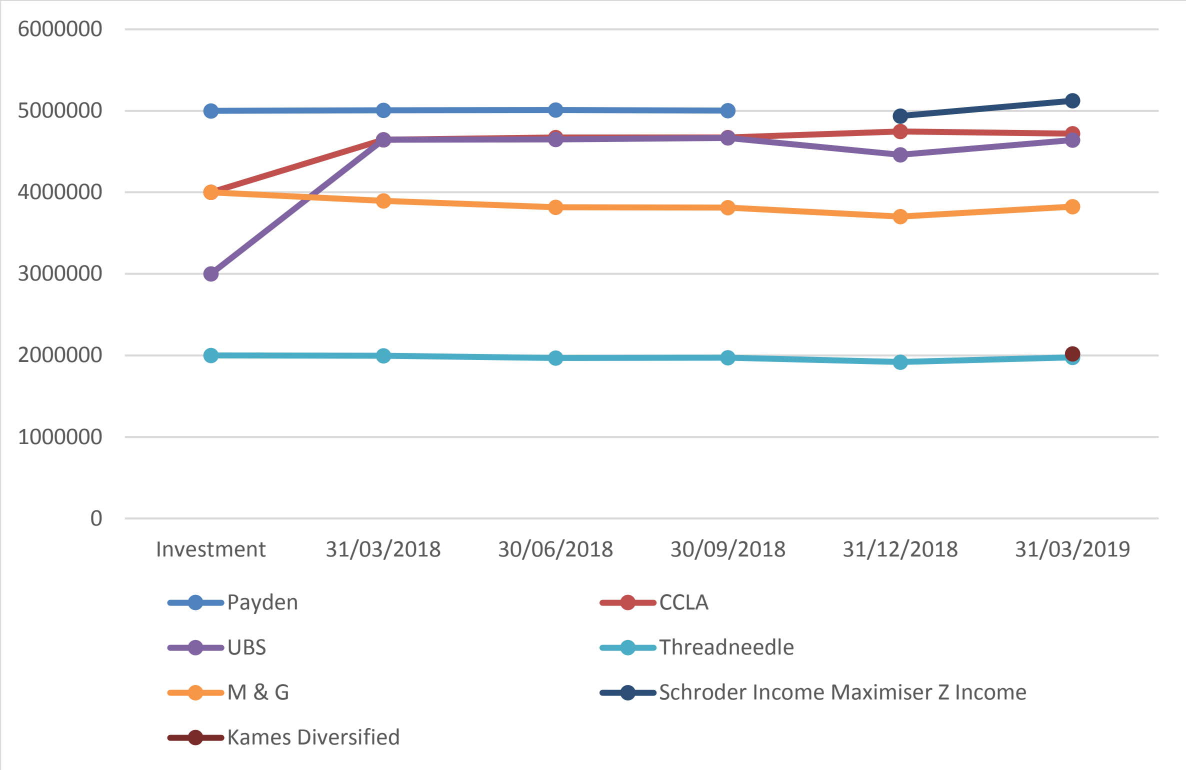
4.13 Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives is regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three to five-year period total returns will exceed cash interest rates. In light of their performance over the medium-/long-term and the Council's latest cash flow forecasts, investment in these funds has been increased.

4.14 Details of the Council's investment activity together with returns generated during 2018/19 are outlined as follows:

4.15 **Capital returns** – the Council's pooled funds have continued to experience some variations in performance during the year 2018/19. Aggregation of the Council's pooled funds resulted in an overall net increase in fair value for the year 2018/19 of around £118,000(an aggregate increase of 0.54% of overall pooled funds invested).

4.16 There is variation in performance across the portfolio as shown in figure 6 below.

Figure 6: Movement in capital value of pooled funds during 2018/19



4.17 **Income Returns** – The income returned by fund for the period to 31st March 2019 is analysed below:

- Payden & Rygel's Sterling Reserve Fund - £5 million investment at the commencement of the year. Total holding sold in November 2018. The Fund seeks to provide capital security, liquidity and income through investment in Sterling denominated investment-grade debt securities. The fund's performance for 2018/19 was 0.4% annualised income return.

- CCLA's Local Authorities' Mutual Investment Trust - £3.9 million investment at commencement of the year. The Property Fund is designed to achieve long-term capital growth and income from investments in the commercial property sector. The fund has returned 5.27% income during 2018/19.

- UBS Multi-Asset Income Fund - £5 million investment. This fund follows a strategy of reducing volatility exposure levels by spreading investments across a diversified range of asset classes. This fund has returned 3.95% income during 2018/19.

- Threadneedle Strategic Bond Fund - £2 million investment. The fund aims to provide income and capital appreciation through investment grade and high yield bonds. This fund has returned 3.06% income during 2018/19

- <u>M & G Corporate Bond Fund</u> - £4m investment. This fund aims for a target total return of 3-5% from a combination of investment income or capital appreciation. This fund has returned 4.37% income during 2018/199.

- <u>Schroder Income Maximiser Fund</u> - £5m investment made in December 2018. The fund aims to provide both income and capital growth, delivering a target income of 7% per annum. The fund has returned 6.4% annualised during 2018/19.

- <u>Kames Diversified Monthly Income Fund</u> - £2m investment made in February 2019. The fund aims is to provide income with the potential for capital growth over the medium term. The fund has returned 5.17% annualised during 2018/19.

<u>Internally Managed Investments</u>

4.18 **Bonds** - debt instruments in which an investor lends money for a specified period of time at a fixed rate of interest. **Covered bonds** are conventional bonds that are backed by a separate group of loans (usually prime residential mortgages). When the covered bond is issued, it is over collateralised, with the pool of assets being greater than the value of the bond. During the year, one covered bond was redeemed. The Council has redeemed all covered bonds during 2018/19.

5 TREASURY PERFORMANCE

5.1 The Council measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates.

5.2 **Compliance -** The Chief Finance Officer reports that all treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy with the exception of current account balance limits*. As set out in* the Council's 2018/19 Treasury Management Strategy *there is a £2m limit on the main current account*. During the 2018/19 financial year there were two periods (total of 8 working days) where the Council held balances in its main current account above the £2m. The excess balances were due to timing differences between raising funds and purchasing property. The finance section manages treasury activity rigorously and is exploring options to mitigate such timing differences in the future.

5.3 Compliance with specific investment limits is demonstrated in table 9 below.

Table 9: Debt Limits

	31.3.19 Actual	2018/19 Operational Boundary	2018/19 Authorised Limit	Complied?
Borrowing	61.2	71	76	Yes
Total debt	**61.2**	**71**	**76**	

5.4 Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 10 below.

Table 10: Investment Limits

	31.3.19 Actual	2018/19 Limit	Complied?
Any group of pooled funds under the same management	**21.9m**	**25m**	Yes
Money Market Funds	**2.3m**	**20m**	Yes

5.5 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.

6 TREASURY MANAGEMENT INDICATORS

6.1 The Council measures and manages its exposures to treasury management risks using the following indicators.

6.2 **Security:** The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	31.3.19 Actual	2018/19 Target	Complied?
Portfolio average credit rating	AA-	A-	YES

6.3 **Interest Rate Exposures**: This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

	31.3.19 Actual	**2018/19 Limit**	**Complied?**
Upper limit on one-year impact of a 1% **rise** in interest rates.	-£166,000	£500,000	Yes
Upper limit on one-year impact of a 1% **fall** in interest rates.	£220,000	£500,000	Yes

6.4 The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates.

6.4 **Maturity Structure of Borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	31.3.18 Actual	**Upper Limit**	**Lower Limit**	**Complied?**
Under 12 months	99%	100%	0%	YES
12 months and within 24 months	1%	100%	0%	YES
24 months and within 5 years	0%	100%	0%	YES
5 years and within 10 years	0%	100%	0%	YES
10 years and above	0%	100%	0%	YES

6.5 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

6.6 **Principal Sums Invested for Periods Longer than 365 days:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

	2018/19	**2019/20**	**2019/21**
Actual principal invested beyond year end	£21.9m	£21.9m	£21.9m
Limit on principal invested beyond year end	£40m	£40m	£40m
Complied?	YES	YES	YES

6.7 **Investment yield:** The Council's revised estimates regarding investment yields and costs compared to the actual outturn for 2018/19 is shown in the table below.

Budgeted income and outturn	Revised Estimate 2018/19 £000	Actual 2018/19 £000	Variance £000
Interest receivable	(977)	(1035)	(58)
Interest Payable	176	181	5
Net Amount	(801)	(854)	(53)

7 CONCLUSIONS ON THE TREASURY MANAGEMENT OPERATIONS 2018/19

7.1 The Council's treasury team continued to concentrate on the security of investments taking due regard for the returns available. The investment portfolio has been re-structured during 2018/19, improving diversification of funds and increase the yield on investments by £189,000 from original 2018/19 budget.

7.2 With increased levels of borrowing the treasury team continually reviews the borrowing strategy, weighing up interest rate levels and risk of refinancing. During the 2018/19 financial year short-term interest rates have remained low and are forecast to remain low. Therefore, all borrowing deals in 2018/19 have been made with short-term maturities. As the level of borrowing continues to increase the risk of holding the whole portfolio in short-term arrangements increases refinancing risk and consideration is being taken to restructure the debt portfolio to spread the risk between short-term and longer-term arrangements.

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PRUDENTIAL INDICATORS **APPENDIX A**

1.1 Prudential Indicators

Estimates of Capital Expenditure: The Council's planned capital expenditure and financing may be summarised as follows.

Capital Expenditure and Financing	2018/19 Revised £m	2018/19 Actual £m
General Fund	45.7	48.0
Total Expenditure	**45.7**	**48.0**
External sources	3.1	2.0
Own Resources	0.4	0.4
Borrowing	42.3	45.6
Total Financing	**45.7**	**48.0**

Estimates of Capital Financing Requirement:
The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose.

Capital Financing Requirement	31.03.19 Revised £m	31.03.19 Actual £m
General Fund	57.9	58.3
MRP	-0.4	-0.3
IFRIC 4 Finance Lease Adjustment	2.8	2.8
Total CFR	**60.3**	**60.8**

Gross Debt and the Capital Financing Requirement: In order to ensure that over the medium term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Debt	31.03.19 Revised £m	31.03.19 Actual £m
Borrowing	60.7	61.2
Total Debt	**60.7**	**61.2**

The information above refers to the use of a revolving infrastructure fund from the Local Enterprise Partnership (EM3 LEP).

Operational Boundary for External Debt: The operational boundary is based on the Council's estimate of most likely, i.e. prudent, but not worst case scenario for external debt. It links directly to the Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Council's debt.

Operational Boundary	2018/19 Revised £m	2018/19 Actual £m
Borrowing	71.0	61.2
Total Debt	**71.0**	**61.2**

Authorised Limit for External Debt: The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	2018/19 Revised £m	2018/19 Actual £m
Borrowing	76.0	61.2
Total Debt	**76.0**	**61.2**

Ratio of Financing Costs to Net Revenue Stream: This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	**2018/19 Revised %**	**2018/19 Actual %**
General Fund	-4.2	-5

Incremental Impact of Capital Investment Decisions: This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the capital programme proposed.

Incremental Impact of Capital Investment Decisions	**2018/19 Revised £**	**2018/19 Actual £**
General Fund - increase in annual band D Council Tax	**-14.22**	**-12.8**

APPENDIX B

Market commentary regarding the year 2017/18 from the Council's treasury management advisors Arlingclose

External Context

Economic commentary

After spiking at over $85/barrel in October 2018, oil prices fell back sharply by the end of the year, declining to just over $50 in late December before steadily climbing toward $70 in April 2019. UK Consumer Price Inflation (CPI) for February 2019 was up 1.9% year/year, just above the consensus forecast but broadly in line with the Bank of England's February Inflation Report. The most recent labour market data for the three months to January 2019 showed the unemployment rate fell to a new low 3.9% while the employment rate of 76.1% was the highest on record. The 3-month average annual growth rate for pay excluding bonuses was 3.4% as wages continue to rise steadily and provide some upward pressure on general inflation. Once adjusted for inflation, real wages were up 1.4%.

After rising to 0.6% in the third calendar quarter from 0.4% in the second, fourth quarter economic growth slowed to 0.2% as weaker expansion in production, construction and services dragged on overall activity. Annual GDP growth at 1.4% continues to remain below trend. Following the Bank of England's decision to increase Bank Rate to 0.75% in August, no changes to monetary policy have been made since.

The US Federal Reserve continued its tightening bias throughout 2018, pushing rates to the 2.25%-2.50% range in December. However, a recent softening in US data caused the Fed to signal a pause in hiking interest rates at the last Federal Open Market Committee (FOMC) meeting in March.

With the 29th March 2019, the original EU 'exit day' now been and gone, having failed to pass a number of meaningful votes in Parliament, including shooting down Theresa May's deal for the third time, MPs voted by a majority of one (313 to 312) to force the prime minister to ask for an extension to the Brexit process beyond 12th April in order to avoid a no-deal scenario. Recent talks between the Conservative and Labour parties to try to reach common ground on a deal which may pass a vote by MPs have yet to yield any positive results. The EU must grant any extension and its leaders have been clear that the terms of the deal are not up for further negotiation. The ongoing uncertainty continues to weigh on sterling and UK markets.

While the domestic focus has been on Brexit's potential impact on the UK economy, globally the first quarter of 2019 has been overshadowed by a gathering level of broader based economic uncertainty. The US continues to be set on a path of protectionist trade policies and tensions with China in particular, but with the potential for this to spill over into wider trade relationships, most notably with EU. The EU itself appeared to be show signs of a rapid slowdown in economic growth with the major engines of its economy, Germany and France, both suffering misfires from downturns in manufacturing alongside continued domestic/populist unrest in France. The

International Monetary Fund downgraded its forecasts for global economic growth in 2019 and beyond as a consequence.

Financial markets:
December was a month to forget in terms of performance of riskier asset classes, most notably equities. The FTSE 100 (a good indicator of global corporate sentiment) returned -8.8% assuming dividends were reinvested; in pure price terms it fell around 13%. However, since the beginning of 2019 markets have rallied, and the FTSE 100 and FTSE All share indices were both around 10% higher than at the end of 2018.

Gilt yields continued to display significant volatility over the period on the back of ongoing economic and political uncertainty in the UK and Europe. After rising in October, gilts regained their safe-haven status throughout December and into the new year - the 5-year benchmark gilt yield fell as low as 0.80% and there were similar falls in the 10-year and 20-year gilts over the same period dropping from 1.73% to 1.08% and from 1.90% to 1.55%. The increase in Bank Rate pushed up money markets rates over the year and 1-month, 3-month and 12-month LIBID (London Interbank Bid) rates averaged 0.53%, 0.67% and 0.94% respectively over the period.

Recent activity in the bond markets and PWLB interest rates highlight that weaker economic growth is not just a UK phenomenon but a global risk. During March the US yield curve inverted (10-year Treasury yields were lower than US 3 month money market rates) and German 10-year Bund yields turned negative. The drivers are a significant shift in global economic growth prospects and subsequent official interest rate expectations given its impact on inflation expectations. Further to this is world trade growth which collapsed at the end of 2018 falling by 1.8% year-on-year. A large proportion of this downturn in trade can be ascribed to the ongoing trade tensions between the US and China which despite some moderation in January does suggest that the International Monetary Fund's (IMF) and Organisation for Economic Co-Operation & Development's (OECD) forecasts for global growth in 2019 of 3.5% might need to be revised downwards.

Credit background:
Credit Default Swap (CDS) spreads drifted up towards the end of 2018 on the back of Brexit uncertainty before declining again in 2019 and continuing to remain low in historical terms. After hitting around 129 basis points in December 2018, the spread on non-ringfenced bank NatWest Markets plc fell back to around 96bps at the end of March, while for the ringfenced entity, National Westminster Bank plc, the CDS spread held relatively steady around 40bps. The other main UK banks, as yet not separated into ringfenced and non-ringfenced from a CDS perspective, traded between 33 and 79bps at the end of the period.

The ringfencing of the big four UK banks (Barclays, Bank of Scotland/Lloyds, HSBC and RBS/Natwest Bank plc) transferred their business lines into retail (ringfenced) and investment banking (non-ringfenced) entities.

In February, Fitch put the UK AA sovereign long-term rating on Rating Watch Negative as a result of Brexit uncertainty, following this move with the same treatment for UK banks and a number of government-related entities.

There were minimal other credit rating changes during the period. Moody's revised the outlook on Santander UK to positive from stable to reflect the bank's expected issuance plans which will provide additional protection for the its senior unsecured debt and deposits.

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The ringfencing of the big four UK banks (Barclays, Bank of Scotland/Lloyds, HSBC and RBS/Natwest Bank plc) transferred their business lines into retail (ringfenced) and investment banking (non-ringfenced) entities.

In February, Fitch put the UK AA sovereign long-term rating on Rating Watch Negative as a result of Brexit uncertainty, following this move with the same treatment for UK banks and a number of government-related entities.

There were minimal other credit rating changes during the period. Moody's revised the outlook on Santander UK to positive from stable to reflect the bank's expected issuance plans which will provide additional protection for the its senior unsecured debt and deposits.