BRIDGEND COUNTY BOROUGH COUNCIL

INFORMATION REPORT TO CABINET

21 JULY 2020

REPORT OF THE INTERIM CHIEF OFFICER – FINANCE, PERFORMANCE AND CHANGE

TREASURY MANAGEMENT – QUARTER 1 REPORT 2020-21

1. Purpose of report

1.1 The purpose of this report is to:-

- Comply with the requirement of the Chartered Institute of Public Finance and Accountancy's 'Treasury Management in the Public Services: Code of Practice' to produce interim Treasury Management Reports.

- Report on the projected Treasury Management Indicators for 2020-21.

2. Connection to corporate well-being objectives / other corporate priorities

2.1 This report assists in the achievement of the following corporate well-being objective/objectives under the **Well-being of Future Generations (Wales) Act 2015**:

1. Supporting a successful sustainable economy – taking steps to make the county borough a great place to do business, for people to live, work, study and visit, and to ensure that our schools are focussed on raising the skills, qualifications and ambitions for all people in the county borough.

2. Helping people and communities to be more healthy and resilient - taking steps to reduce or prevent people from becoming vulnerable or dependent on the Council and its services. Supporting individuals and communities to build resilience, and enable them to develop solutions to have active, healthy and independent lives.

3. Smarter use of resources – ensure that all resources (financial, physical, ecological, human and technological) are used as effectively and efficiently as possible and support the creation of resources throughout the community that can help to deliver the Council's well-being objectives.

2.2 The Treasury Management Report is integral to the delivery of all of the Council's well-being objectives as the allocation of resources determines the extent to which the well-being objectives can be delivered.

3. Background

3.1 Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council is 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 financial risk are therefore central to the Council's prudent financial management.

3.2 Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the Council to approve a Treasury Management Strategy (TMS) before the start of each financial year. The CIPFA Code also requires the Council to set a number of Treasury Management Indicators, which are forward looking parameters and enable the Council to measure and manage its exposure to treasury management risks, and these are included throughout this report. In addition, the Welsh Government (WG) issued revised Guidance on Local Authority Investments in November 2019 that requires the Council to approve an Investment Strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the Welsh Government Guidance.

3.3 In 2017 CIPFA also published a new version of the Prudential Code for Capital Finance in Local Authorities (the Prudential Code). The updated Prudential Code includes a requirement for Local Authorities to provide a Capital Strategy, which is a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The definition of investments in the revised 2017 CIPFA Code now covers all the financial assets of the Council as well as other non-financial assets which the authority holds primarily for financial return. The Council's Capital Strategy 2020-21, complying with CIPFA's requirement includes the Prudential Indicators which in previous years were included in the TMS, along with details regarding the Council's non-treasury investments.

3.4 The Capital Strategy and TMS should be read in conjunction with each other as they are interlinked as borrowing and investments are directly impacted upon by capital plans and were approved together by Council on 26 February 2020.

3.5 The Council's treasury management advisors are Arlingclose. The current services provided to the Council include:-

- advice and guidance on relevant policies, strategies and reports
- advice on investment decisions
- notification of credit ratings and changes
- other information on credit quality
- advice on debt management decisions
- accounting advice
- reports on treasury performance
- forecasts of interest rates

- training courses

The contract with Arlingclose as our Treasury Management Advisors is due to end at the end of August 2020. Work is currently underway to re-tender the contract.

4. Current situation / proposal

4.1 Economic Context

4.1.1 The interest rate views incorporated in the Council's TMS 2020-21 were based upon officers' views supported by a forecast from Arlingclose. When the TMS 2020-21 was prepared at the beginning of 2020, it was written on the basis of an orderly transition to a deep free trade agreement between the United Kingdom (UK) and the European Union. Consequently Arlingclose forecasted that the Bank Rate would remain at 0.75% until the end of 2022, unless Brexit uncertainty dragged on or global growth failed to recover. To date no trade deal has been agreed and the transition period will end on 31 December 2020.

4.1.2 In addition to the Brexit uncertainty, at the start of the year nobody could have predicted the widespread Covid-19 pandemic, the prolonged period of lockdown across the UK or the devastating impact on the economy in general, UK finances and the Council's own budgets. The Bank Rate was reduced from 0.75% to 0.25% on 11 March 2020 and then lowered again to 0.1% on 19 March 2020. In May 2020 the Bank of England governor suggested that there is a risk that Britain's economy will take longer to recover from the impact of the coronavirus than originally anticipated. He said that the risks were undoubtedly to the downside for the economic recovery to be "longer and harder". He added *"It is also possible that the pace at which activity recovers will be limited by continued caution among households and businesses even as official social distancing measures are relaxed".* The Bank of England has stated that it is ready to provide further support for the economy and this includes cutting interest rates below zero, but the governor stated that this would need careful consideration. Arlingclose has indicated that any further reduction in the bank rate to zero, or a negative rate, will have an impact on money market and deposit account rates, money market fund returns and borrowing costs. The impact of the pandemic on the Council's financial position will be kept under continuous review during the financial year and any necessary changes reported at the earliest opportunity.

4.1.3 Since the outbreak of the Covid-19 pandemic, the UK and Welsh Governments have announced a wide range of financial support schemes to try and mitigate the impact on the economy, businesses and individuals. These include:

- Job Retention Scheme (furlough) (UK)
- Self Employed Income Support Scheme (UK)
- Business Rates Grants (WG)
- Small Charities Business Rates Grants (WG)
- Local Government Hardship Fund, including £40m for Adult Social Care, £40 million for free school meals and £10 million for homelessness.
- Economic Resilience Fund (WG)

The local authority has administered a number of the Welsh Government Schemes which involved the payment of over 2,300 business and charity grants worth over £29 million, as well as bearing the upfront costs of additional support required throughout the pandemic in advance of receiving WG funding. This has clearly had an impact on the Council's cash flow during the first quarter of the financial year and measures have had to be put in place to manage the significant sums of money flowing into and out of the Council's bank account, including seeking earlier payments of Revenue Support Grant and interim business grant payments from Welsh Government, making short term deposits until funding is required and increasing our daily BACS limits to enable more payments to be processed quickly.

4.2 External Debt and Investment Position

4.2.1 On 30 June 2020, the Council held £96.87 million of external long-term borrowing and £70.65 million of investments. The external debt and investment position for 1 April to 30 June 2020 is shown below in Table 1. More detail is provided in section 4.3 - Borrowing Strategy and Outturn, and section 4.4 - Investment Strategy and Outturn.

Table 1: Council's external debt and investment position 1 April to 30 June 2020

	Principal 01/04/2020 £m	Average Rate 01/04/2020 %	Principal 30/06/2020 £m	Average Rate 30/60/2020 %
External Long Term Borrowing:				
Public Works Loan Board	77.62	4.70	77.62	4.70%
Lender's Option Borrower's Option	19.25	4.65	19.25	4.65%
Total External Borrowing	**96.87**	**4.69**	**96.87**	**4.69**
Other Long Term Liabilities (LTL):				
Private Finance Initiative (PFI)*	**16.30**		**16.10**	
Other LTL	**1.10**		**1.10**	
Total Other Long Term Liabilities	**17.40**		**17.20**	
Total Gross External Debt	**114.27**		**114.07**	
Treasury Investments:				
PWLB	37.00	0.06	11.15	0.02
Local Authorities	18.00	0.97	38.50	0.68
Banks	5.00	0.34	5.00	0.28
Building Societies	2.00	0.78	-	-
Money Market Fund***	-	-	16.00	0.24
Total Treasury Investments	**62**	**0.37**	**70.65**	**0.45**
Net Debt	**52.27**		**43.42**	

***** (PFI) arrangement for the provision of a Secondary School in Maesteg 14.5 years remaining term
******the fund provides instant access

4.2.2 Where a Council finances capital expenditure by debt, it must put aside revenue resources to repay that debt in later years and this amount charged to revenue is called the Minimum Revenue Provision (MRP). The Local Authority (Capital Finance and Accounting) (Amendment) (Wales) Regulations 2008 requires the Council to produce and approve an annual Minimum Revenue Provision (MRP) Statement before the start of the financial year that details the methodology for the MRP charge and this is detailed in the Council's Capital Strategy. 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. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing. This strategy is prudent as investment returns are low and counterparty risk is relatively high. Whilst the Council is forecasting the CFR to remain static over the year, it is forecasting an increased CFR due to the amount of prudential borrowing in the capital programme in future years.

4.2.2 The liability benchmark has been calculated and compares the Council's actual borrowing against an alternative strategy, showing the lowest risk level of borrowing. Table 2 below has been produced using estimates of capital spend and forecasts on usable reserves for the current financial year. The Loans CFR ignores cash balances and may be too high if the authority benefits from long term positive cash flows which this Council does benefit from. The benchmark assumes that cash and investment balances are kept to a minimum level of £10 million at each year-end to maintain sufficient liquidity but minimise credit risk. It shows a forecast liability benchmark of £114.6 million at the end of the financial year. The Council will have debt above or below this amount, which will leave it with excess cash or a borrowing need respectively. The Council feels it is prudent to maintain an under-borrowed position.

Table 2: Liability benchmark

	2019-20 Actual £m	2020-21 Estimate TMS £m	2020-21 Projection £m
Loans Capital Financing Requirement	157.0	157.4	157.0
Less: Usable reserves	(76.0)	(48.1)	(52.4)
Working capital	(7.0)	-	-
Plus: Minimum investments	10.0	10.0	10.0
Liability Benchmark	**84.0**	**119.3**	**114.6**

4.3 Borrowing Strategy and Outturn

4.3.1 At 30 June 2020, the Council held £96.87 million of long-term loans as part of its strategy for funding previous years' capital programmes. The TMS 2020-21 forecast that the Council would need to borrow £16 million in 2020-21. It is now forecast that there will be no long term borrowing requirement in 2020-21 due to anticipated slippage of capital schemes following the Covid-19 pandemic. More detail on forecast capital spend is provided in the Capital Strategy 2020-21 and the Capital Monitoring report.

4.3.2 The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans, should the Council's long-term plans change, is a secondary objective. Therefore the major **objectives** to be followed in 2020-21 are:

- to minimise the revenue costs of debt
- to manage the Council's debt maturity profile i.e. to leave no one future year with a high level of repayments that could cause problems in re-borrowing
- to effect funding in any one year at the cheapest cost commensurate with future risk
- to monitor and review the level of variable interest rate loans in order to take greater advantage of interest rate movement
- to reschedule debt if appropriate, in order to take advantage of potential savings as interest rates change
- to optimise the use of all capital resources including borrowing, both supported and unsupported, usable capital receipts, revenue contributions to capital and grants and contributions

4.3.3 Given the impact of the Covid-19 pandemic on the economy and public finances in general, as well as on local government funding in particular, and the uncertainty going forward, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. The ever increasing uncertainty over future interest rates increases the risks associated with treasury activity. As a result the Council will take a cautious approach to its treasury strategy. With short-term interest rates currently much lower than long term rates, it is likely to be more cost effective in the short term to either use internal resources or take out short term loans instead.

4.3.4 The Council's primary objective for the management of its debt is to ensure its long term affordability. The majority of its loans have therefore been taken out with the Public Works Loan Board (PWLB) at long term fixed rates of interest but we will also investigate other sources of finance, such as Welsh Government and local authority loans and bank loans that may be available at more favourable rates. Following the increase in the numbers of local authorities taking out PWLB loans to buy commercial properties for yield, the UK government is currently consulting on the PWLB future lending terms. The outcome of this consultation may impact on future borrowing opportunities for the Council.

4.3.5 The last time the Council took out long-term borrowing was £5 million from the PWLB in March 2012 and, as detailed above, the current forecast is that there will be no requirement for new long-term borrowing in 2020-21. The Council may take out short term loans (normally for up to one month) to cover unexpected cash flow shortages. Market conditions have meant that there has been no rescheduling of the Council's long term borrowing so far this year however, in conjunction with Arlingclose, the loan portfolio will continue to be reviewed for any potential savings as a result of any loan rescheduling.

4.3.6 The £19.25 million in Table 1 above relates to Lender's Option Borrower's Option (LOBO) loans which have a maturity date of 2054, however these may be re-scheduled in advance of this maturity date. The LOBO rate and term may vary in the future depending upon the prevailing market rates, with the lender exercising their option to increase rates at one of the bi-annual trigger points and therefore the Council being given the option to accept the increase or to repay the loan without incurring a penalty. The lender did not exercise their option on 22 January 2020 and the next trigger point is 22 July 2020. The lender is unlikely to exercise their option in the current low interest rate environment, however, an element of refinancing risk remains. The Council would take the option to repay these loans at no cost if it has the opportunity to do so in the future. The current average interest rate for these LOBO's is 4.65% compared to the PWLB Loans average interest rate of 4.70%.

4.3.7 The Treasury Management indicator shown in Table 3 below is for the **Maturity Structure of Borrowing** and is set for the forthcoming financial year to control the Council's exposure to refinancing risk with respect to the maturity of the Council's external borrowing, and has been set to allow for the possible restructuring of long term debt where this is expected to lead to an overall saving or reduction in risk. It is the amount of projected borrowing maturing in each period as a percentage of total projected borrowing. The upper and lower limits on the maturity structure of borrowing set out in the TMS 2020-21 and the projection for 2020-21 is:

Table 3: Treasury Management Indicator Maturity Structure of Borrowing 2020-21

Refinancing rate risk indicator Maturity structure of borrowing 2020-21	TMS 2020-21 Upper limit %	TMS 2020-21 Lower limit %	Projection 31-3-21 %
Under 12 months	50	-	19.87
12 months and within 24 months	25	-	-
24 months and within 5 years	25	-	9.59
5 years and within 10 years	40	-	16.33
10 years and within 20 years	50	-	11.48
20 years and above	60	25	42.73

The 19.87% shown in Table 3 above relates to the £19.25 million LOBO loans which may be re-scheduled in advance of their maturity date of 2054, as detailed in paragraph 4.3.6. The CIPFA Code requires the maturity of LOBO loans to be shown as the earliest date on which the lender can require payment, i.e. the option/call dates in 2020-21, so the maturity date is actually uncertain but is shown in the "Under 12 months" category as per the Code

4.4 Investment Strategy and Outturn

4.4.1 Both the CIPFA Code and the WG Guidance require the Council to invest its funds prudently and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, balancing the risk of incurring losses from defaults against receiving unsuitably low investment income.

The major objectives during 2020-21 are:-

- To maintain capital **security**
- To maintain **liquidity** so funds are available when expenditure is needed
- To achieve the **yield** on investments commensurate with the proper levels of security and liquidity

4.4.2 The Annual Investment Strategy incorporated in the Council's TMS 2020-21 includes the credit ratings defined for each category of investments and the liquidity of investments. The Council's investments have historically been placed in mainly short term bank and building society unsecured deposits and local and central government. However, investments may be made with any public or private sector organisations that meet the minimum credit criteria and investment limits specified in the Investment Strategy. The majority of the Council's surplus cash is currently invested in Money Market Funds and with other local authorities but the Council will continue to look at investment options in line with the limits detailed in the Investment Strategy. In the last 3 months Arlingclose has been constantly stress testing the financial institutions on its recommended counterparty list during the pandemic and, as a result, has removed a number from its recommended list for unsecured deposits and revised the credit rating, outlook and recommended deposit period for a number of others. This reflects the revised likely credit worthiness of the institutions from the economic and financial market implications of coronavirus. The Council takes into account updated advice from its advisors before making any investment decisions.

4.4.3 The Council holds surplus funds representing income received in advance of expenditure plus balances and reserves and as shown in Table 1 above the balance on investments at 30 June 2020 was £70.65 million. Table 4 below details these investments by counterparty type. The average investment rate in the period 1 April to 30 June 2020 was 0.35% (Table 4) and was 0.45% at 30 June 2020 (Table 1 – Total treasury investments). As a result of the pandemic and reduction in the Bank of England interest rate in March 2020, future average returns are likely to reduce.

Table 4: Investments Profile 1 April to 30 June 2020

Investment Counterparty Category	Balance 01 April 2020 (A) £m	Investments raised (B) £m	Investments Repaid (C) £m	Balance 30 June 2020 (A+B-C) £m	Investment income received** Apr-Jun 2020 £'000	Average original duration of the Investment Days	Weighted average investment balance Apr-Jun 2020 £m	Weighted average interest rate Apr-Jun 20 %
Government DMO	37.00	473.05	498.90	11.15	13.40	12	37.76	0.05
Local Authorities	18.00	22.50	2.00	38.50	31.40	332	22.03	0.90
Banks (Fixed Maturity)	2.00	-	-	2.00	8.90	138	2.00	0.73
Banks Instant Access/Notice Period Account*	3.00	-	-	3.00	-		2.95	-
Building Societies	2.00		2.00	-	-	182	0.66	0.78
Money Market Fund (Instant Access)*	-	16.00		16.00	3.76		9.32	0.29
Total/Average	**62.00**	**511.55**	**502.90**	**70.65**	**57.46**	**166**	**74.72**	**0.35**

* An average duration is not shown as there is no original duration as instant access or notice period and money is added and withdrawn to/from these accounts as required by cash-flow
** Received in the Council's bank account not interest earned

4.4.4 The Treasury Management indicator shown below in Table 5 is for **Principal Sums Invested for periods longer than a year.** Where the Council invests, or plans to invest, for periods longer than a year, an upper limit is set for each forward financial year period for the maturing of such investments. The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of long term investments. The limit on the long term principal sum invested to final maturities beyond the period end are set out in the TMS 2020-21.

Table 5: Treasury Management Indicator Principal Sums Invested for periods longer than a year

Price risk indicator	TMS 2020-21 £m	Projection 31-3-21 £m
Limit on principal invested beyond financial year end	15	Nil

All investments longer than 365 days (non-specified) will be made with a cautious approach to cash flow requirements and advice from Arlingclose will be sought as necessary.

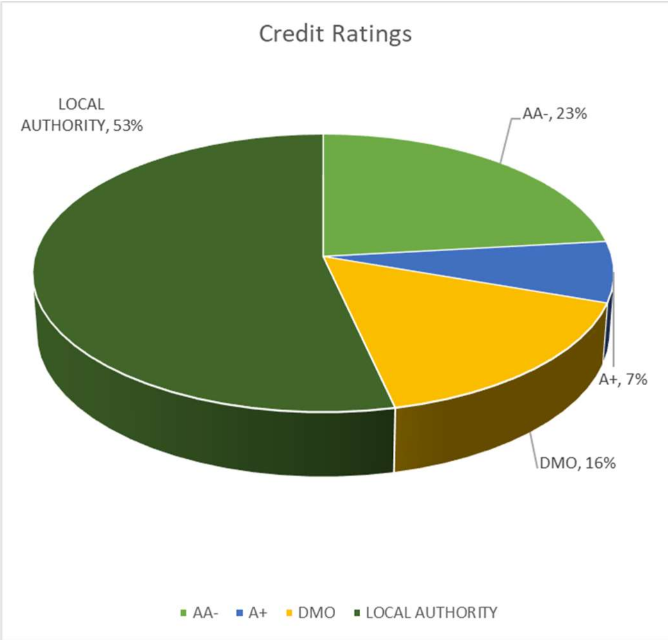
4.4.5 Two investments with Local Authorities whose original duration was 4 years are due to mature during 2020-21 and are therefore no longer classified as long-term. Therefore all investments at 30 June 2020 were short term deposits including Government Debt Management Office, Money Market Fundss, Local Authorities, instant access and notice accounts. Table 6 below details these investments by counterparty type based on the remaining maturity period as at 30 June 2020:

Table 6: Investments Outstanding Maturity Profile 30 June 2020

Counterparty Category	Instant Access £m	Deposits Maturing Within 1 Month £m	Deposits Maturing Within 2-3 Months £m	Deposits Maturing Within 4-12 Months £m	Deposits Maturing Within 1-2 Years £m	Total £m
Government DMO		11.15				11.15
Local Authorities			21.00	17.50	0.00	38.50
Banks	3.00	2.00				5.00
Building Societies						-
Money Market Fund	16.00					16.00
Total	**19.00**	**13.15**	**21.00**	**17.50**	**0.00**	**70.65**

4.4.6 Investment decisions are made by reference to the lowest published long-term credit rating from a selection of external rating agencies to ensure that this lies within the Council's agreed minimum credit rating. Where available the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account. **Appendix A** shows the equivalence table for credit ratings for three of the main rating agencies Fitch, Moody's and Standard & Poor's and explains the different investment grades. The Council defines high credit quality as organisations and securities having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher.

4.4.7 The pie chart below summarises Table 6 by credit ratings and shows the £70.65 million investments at 30 June 2020 by percentage outstanding. Most Local Authorities do not have credit ratings and the £2 million invested with an A- rated building society was an approved counterparty by Arlingclose, whilst the remainder of the investments all had a credit rating of A or above.



4.5 Interest Rate Exposures – Borrowing and Investments

4.5.1 The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council depending on how variable and fixed interest rates move across differing financial instrument periods. Short term and variable rate loans expose the Council to the risk of short term interest rate rises and are therefore subject to the Treasury Management indicator in Table 7 below to manage **Interest Rate Exposures.**

Table 7: Treasury Management Indicator Interest Rate Exposures

Interest rate risk indicator	Indicator £'000	Actual 30-06-20 £'000
One year revenue impact of a 1% rise in interest rates	(264)	(371)
One year revenue impact of a 1% fall in interest rates	181	552

4.5.2 This has been set as an indicator (not a limit) to measure the net impact over one year on the revenue account of both a 1% rise and a 1% fall in all interest rates for borrowing net of treasury investments. This is calculated at a point in time on the assumption that maturing loans and investments will be replaced at rates 1% higher or lower than they would otherwise have been on their maturity dates and that the treasury investment and borrowing portfolios remain unchanged over the coming year. Interest rates can move by more than 1% over the course of a year, although such instances are rare.

4.5.3 The figures for the 1% fall in interest rates indicator are not the same figures as the 1% rise in interest rates (but reversed) as the borrowing relates to variable LOBO loans where it is assumed that the lender would not exercise their option if there was a fall in interest rates. All other borrowing does not have a rate reset in the next year and is with the PWLB at fixed rates.

5. Effect upon policy framework and procedure rules

5.1 As required by Financial Procedure Rule 20.3 within the Council's Constitution, all investments and borrowing transactions have been undertaken in accordance with the TMS 2020-21 as approved by Council with due regard to the requirements of the CIPFA's Code of Practice on Treasury Management in the Public Services.

6. Equality Impact Assessment

6.1 There are no equality implications arising from this report.

7. Well-being of Future Generations (Wales) Act 2015 Implications

7.1 The well-being goals identified in the Act were considered in the preparation of this report. As the report is for information only and is retrospective in nature it is considered that there will be no significant or unacceptable impacts upon the achievement of well-being goals/objectives as a result of this report.

8. Financial implications

8.1 The financial implications are reflected within the report.

9. Recommendation

9.1 It is recommended that Cabinet:

- Note the Council's treasury management activities for the period 1 April 2020 to 30 June 2020;
- Note the projected Treasury Management Indicators for 2020-21 against the ones approved in the Treasury Management Strategy 2020-21.

Gill Lewis
Interim Chief Officer – Finance, Performance and Change
July 2020

Contact Officer:	Nigel Smith Group Manager – Chief Accountant
Telephone:	01656 643605
E-mail:	nigel.smith@bridgend.gov.uk
Postal Address:	Bridgend County Borough Council Chief Executives - Finance Raven's Court Brewery Lane Bridgend CF31 4AP

Background documents:
Treasury Management Strategy 2020-21

APPENDIX A

Credit Rating Equivalence Table

	Description	Fitch Long	Fitch Short	Moody's Long	Moody's Short	Standard & Poor's Long	Standard & Poor's Short
INVESTMENT GRADE	Extremely strong	AAA		Aaa		AAA	
		AA+	F1+	Aa1		AA+	A-1+
	Very strong	AA		Aa2	P-1	AA	
		AA-		Aa3		AA-	
		A+		A1		A+	A-1
	Strong	A	F1	A2		A	
		A-		A3		A-	A-2
		BBB+	F2	Baa1	P-2	BBB+	
	Adequate	BBB		Baa2		BBB	
		BBB-	F3	Baa3	P-3	BBB-	A-3
SPECULATIVE GRADE		BB+		Ba1		BB+	
	Speculative	BB		Ba2		BB	
		BB-	B	Ba3		BB-	B
		B+		B1		B+	
	Very speculative	B		B2		B	
		B-		B3	Not Prime (NP)	B-	
		CCC+		Caa1		CCC+	
		CCC		Caa2		CCC	
	Vulnerable	CCC-	C	Caa3		CCC-	C
		CC		Ca		CC	
		C				C	
	Defaulting	D	D	C		D	D

Standard & Poor's (S&P), Moody's and Fitch are the three most significant rating agencies in the world. These agencies rate the creditworthiness of countries and private enterprises.

"AAA" or "Aaa" is the highest rating across all three rating agencies and indicates the highest level of creditworthiness. A "D" rating ("C" rating from Moody's) indicates poor creditworthiness of a company or government. A difference is made between short-term and long-term ratings.