Epping Forest District Council Treasury Outturn Report 2011/12

1. Background

The Council's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires local authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that members are informed of treasury management activities at least twice a year. The Council reports twice a year to the Finance & Performance Management Cabinet Committee and scrutiny of treasury policy, strategy and activity is delegated to the Audit & Governance Committee.

Treasury management is defined as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

Overall responsibility for treasury management remains with the Council. No treasury management activity is without risk; the effective identification and management of risk are integral to the Council's treasury management objectives.

2. Economic Background

At the time of determining the 2011/12 strategy in February 2011, there were tentative signs that the UK was emerging from recession with the worst of the financial crisis behind it. Recovery in growth was expected to be slow and uneven as the austerity measures announced in the 2010 Comprehensive Spending Review were implemented in order to bring down the budget deficit and government borrowing and rebalance the economy and public sector finances. Inflation measured by the Consumer Price Index (CPI) had remained stubbornly above 3%. Unemployment was at a 16-year high at 2.5 million and was expected to rise further as the public and private sector contracted. There was a also high degree of uncertainty surrounding Eurozone sovereign debt sustainability.

Inflation : During 2011-12 inflation remained high with CPI (the official measure) and RPI rising in September to 5.2% and 5.6% respectively primarily due to escalating utility prices and the January 2011 increase in VAT to 20%. Inflation eased slowly as reductions in transport costs, food prices, intensifying competition amongst retailers and supermarkets and the VAT effect falling out in 2012, pushed February 2012's CPI down to 3.4% and RPI to 3.7%. This, however, was not enough to offset low wage growth and, as a result, Britons suffered the biggest drop in disposable income in more than three decades.

Growth, Employment, House Prices : Growth, on the other hand, remained elusive. The Bank's Quarterly Inflation Reports painted a bleak picture as the outlook was downgraded to around 1% in 2011 and 2012 alongside. The unresolved problems in the Eurozone weighed negatively on global economic prospects. UK GDP was positive in only the first and third calendar quarters of 2011; annual GDP to December 2011 registered just 0.5%. Unemployment rose to 2.68 million and, worryingly, youth unemployment broke through the 1 million barrier. House prices struggled to show sustained growth and consumer confidence remained fragile.

Monetary Policy : It was not surprising that the Bank of England's Monetary Policy Committee maintained the status quo on the Bank Rate which has now been held at 0.5% since March 2009, but increased asset purchases by £75bn in October 2011 and another £50bn in February 2012 taking the Quantitative Easing (QE) total to £325bn.

The policy measures announced in the March 2012 Budget statement were judged to be neutral. The government stuck broadly to its austerity plans as the economy was rebalancing slowly. The opinion of the independent Office for Budget Responsibility (OBR) was that the government was on track to meet its fiscal targets; the OBR identified oil price shocks and a further deterioration in Europe as the main risks to the outlook for growth and in meeting the fiscal target.

US
The US economy continued to show tentative, positive signs of growth alongside a gradual decline in the unemployment rate. The US Federal Reserve (the Fed) committed to keeping policy rates low until 2014, although a modest shift in the Fed's language in March, alongside an improvement in economic activity, cast doubts about the permanence of the Fed's policy commitment.

Europe
In Europe, sovereign debt problems for some peripheral countries became critical. Several policy initiatives were largely ineffectual; two bailout packages were required for Greece and one for Portugal, and the contagion spread to Spain and Italy whose sovereign bonds came under increased stress in November. Standard & Poor's downgraded nine European sovereigns and the EFSF bailout fund. The successful Greek sovereign bond swap in March 2012 shortly after its second bailout package allowed it to avoid bankruptcy later that month, but it was not a long-term solution. The ECB's €1.3 trillion Long-Term refinancing Operations (LTROs) flooded the financial markets with ultra-cheap 3-year liquidity and relieved much of the immediate funding pressure facing European banks in 2012, but markets ultimately took the view the LTROs simply served to delay a resolution of, rather than addressed, the fundamental issues underpinning Euroland's problems.

Markets sentiment oscillated between 'risk on'/'risk off' modes, this swing becoming the norm for much of 2011/12 as investors shifted between riskier assets and the relative safety of higher quality government bonds. Gilts, however, were a principal beneficiary of the 'risk-off' theme which helped push yields lower. There was little market reaction to or impact on gilts by the decision by Fitch and Moody's to change the outlook on the UK's triple-A rating from stable to negative. Over the 12-month period from April 2011 to March 2012, 5-year gilt yields more than halved from 2.40% to 1.06%; 10-year gilt yields fell from 3.67% to 2.25%; 20-year yields fell from 4.30% to 3.20% and 50-year yields from 4.20% to 3.35%. PWLB borrowing rates fell commensurately (see table 2 in appendix 2), but the cost of carry associated with borrowing longer-term loans whilst investing the monies temporarily until required for capital financing remained high, in excess of 4.1 % for 20-year PWLB Maturity borrowing.

Credit
Europe's banking sector was inextricably linked with the sovereign sector. Sharp moves in sovereign CDS and bond yields were fairly correlated with the countries' banking sector performance. The deterioration in the prospects for real growth had implications for earnings and profit growth and banks' creditworthiness. The European Banking Authority's banking stress tests of 70 EU banks undertaken in October 2011 identified a collective €106 billion shortfall to banks' Core Tier 1 ratio of 9%. The slowdown in debt and equity capital market activity also had implications for banks' funding and liquidity. These principal factors, as well as a reassessment by the rating agencies of future sovereign support for banks, resulted in downgrades to the long-term ratings of several UK and non-UK financial institutions in autumn 2011.

3. Reform of Council Housing Finance

The Localism Act passed into law in November 2011 which enabled the reform of council housing finance. The Housing Revenue Account subsidy system has now been abolished and replaced with self-financing whereby authorities support their own housing stock from their own income. This reform required a readjustment of each authority's housing-related debt based on a valuation of its council housing stock. The CLG issued the final Settlement Payment Determination in February 2012. Settlement date for the Self Financing transaction was Wednesday 28th March 2012.

As the Council's debt level generated by the housing reform model was higher than the Subsidy Capital Financing Requirement (SCFR), the Council was required to pay the CLG the difference between the two, which was £185.456m.

This required the Council to fund the settlement through borrowing. A preferential set of PWLB rates at 13bps above the equivalent gilt yield were available for this transaction on 26th March only, for settlement on 28th March. Given the one-off nature of the PWLB funding window and the advantages offered in terms of rate, loan structure and administration, the Council took the decision to fund the whole payment through new borrowing from the PWLB.

Loan structures and maturities were discussed and analysed with the Council's Treasury Advisors to fit in with the Council's HRA business plan and strategy, funding costs, as well as the Council's existing treasury management position and risk profile. Details of the loans borrowed are in *section 4*, below. The Council will continue to work with its Treasury Advisors and Housing Consultants to manage the HRA Business Plan and accounting implications going forward.

The Council will henceforth adopt a two-pool approach in relation to the allocation of debt between the General Fund and HRA.

4. The Borrowing Requirement and Debt Management

	Balance on 01/04/2011 £m	Debt Maturing £m	Debt Prematurely Repaid £m	New Borrowing £m	Balance on 31/03/2012 £m	Avg Rate %/ Avg Life (yrs)
CFR	-0.784				184.672	
Short Term Borrowing[1]	0	0	0	0	0	
Long Term Borrowing	0	0	0	185.456	185.456	3% - 25 yrs
TOTAL BORROWING	**0**	**0**	**0**	**185.456**	**185.456**	
Other Long Term Liabilities	0	0	0	0	0	
TOTAL EXTERNAL DEBT	**0**	**0**	**0**	**185.456**	**185.456**	

The Council's underlying need to borrow as measured by the Capital Financing Requirement (CFR) as at 31/3/2012 was estimated at £184.672m. The Council borrowed £185.456m to pay the Government as part of the HRA self-financing payment.

The Council funded all of its capital expenditure (excluding the self-financing payment) through internal resources.

Loans Borrowed during 2011-12	Principal £m	Average Rate %	Average Maturity (years)
PWLB Fixed Rate Maturity Loans	153.656	3.48	28
PWLB Variable Rate Maturity Loans	31.800	0.62	10
Total	**185.456**	**3.00**	**25**

Loans at Variable Rates
Any upward move in interest rates and interest paid on variable rate debt would be 'hedged' by a corresponding increase in interest earned on the Council's variable rate investments. The interest

[1] Loans with maturities less than 1 year.

rate risk associated with the Council's strategic exposure is regularly reviewed with our treasury advisor against clear reference points, this being a narrowing in the gap between short and longer term interest rates by 0.5%. When appropriate this exposure will be reduced by replacing the variable rate loans with fixed rate loans.

5. Investment Activity

The CLG's Investment Guidance requires local authorities to focus on security and liquidity, rather than yield.

Investments	Balance on 01/04/2011 £m	Investments Made £m	Maturities/ Investments Sold £m	Balance on 31/03/2012 £m	Avg Rate % / Avg Life (yrs)
Short Term Investments	47.520	117.300	122.471	42.349	1.27% 150 days
Long Term Investments	0.316	0	0.179	0.137	
TOTAL INVESTMENTS	**47.836**	**117.300**	**122.650**	**42.486**	

Security of capital remained the Council's main investment objective. This was maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2011/12. Investments during the year included:

- Investments in AAA-rated Stable Net Asset Value Money Market Funds
- Call accounts and deposits with Banks and Building Societies systemically important to UK banking system

Credit Risk
Counterparty credit quality was assessed and monitored with reference to credit ratings; credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP; any potential support mechanisms and share price. The minimum long-term counterparty credit rating determined for the 2011/12 treasury strategy was A+/A1 across rating agencies Fitch, S&P and Moody's.

Downgrades in the autumn 2011 to the long-term ratings of several counterparties resulted in their ratings falling below the Authority's minimum threshold of A+/A3. The downgrades were driven principally by the agencies' view the extent of future government support (flowing from the recommendations to the government from the Independent Commission on Banking) rather than a deterioration in the institutions' creditworthiness. Further use of these counterparties was suspended until a revised criteria was approved for use from 1st April 2012.

Counterparty credit quality has been maintained as demonstrated by the Credit Score Analysis summarised below where it can be seen that the target of remaining below an average credit risk score of 6 was achieved throughout the year. Table 3 in the Appendix explains the credit score.

Date	Value Weighted Average Credit Risk Score	Value Weighted Average Credit Rating	Time Weighted Average Credit Risk Score	Time Weighted Average Credit Rating	Average Life (days)
31/03/2011	3.83	AA-	3.93	AA-	96
30/06/2011	3.83	AA-	4.13	AA-	127
30/09/2011	3.88	AA-	4.03	AA-	108
31/12/2011	4.50	AA-	5.11	A+	74
31/03/2012	4.35	AA-	5.36	A+	42

Liquidity
In keeping with the CLG's Guidance on Investments, the Council maintained a sufficient level of liquidity through the use of Money Market Funds and the use of call accounts.

Yield
The Council sought to optimise returns commensurate with its objectives of security and liquidity. The UK Bank Rate was maintained at 0.5% through the year.

The Council considered an appropriate risk management response to uncertain and deteriorating credit conditions in Europe was to shorten maturities for new investments. Short term money market rates also remained at very low levels (as shown in table 1 in the Appendix) which had a significant impact on investment income.

The Council's budgeted investment income for the year had been estimated at £0.667m. The average cash balances representing the Council's reserves, were £52.5m during the period and interest earned was £0.693m.

Update on Investments with Icelandic Banks
Following guidance from CIPFA, issued May 2012, it is expected that 86p-90p/£ will be recovered overall for Heritable investment. Repayments in 2011/12 were 6.24% in April, 4.06% in July, 4.18% in October, and 3.32% in January. In total, 67.91% has been repaid to 31 March 2012. The Council have since received two further dividends during 2012/13 for 3.79% in April and 2.85% in July.

6. Compliance with Prudential Indicators

The Council can confirm that it has complied with its Prudential Indicators for 2011/12, which were approved on 22 February 2011 as part of the Council's Treasury Management Strategy Statement.

In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during 2011/12. None of the Prudential Indicators have been breached and a prudent approach has been taking in relation to investment activity with priority being given to security and liquidity over yield.

7. Other Items

Potential for reduced PWLB borrowing rates

A brief paragraph in the 2012 Budget Report (March 2012) contained HM Treasury's intention to offer a 20 basis points discount on loans from the PWLB "for those principal local authorities providing improved information and transparency on their locally-determined long-term borrowing and associated capital spending plans" and a the potential of an independent body to facilitate the provision of "a further reduced rate for authorities demonstrating best quality and value for money". More detail is awaited and, given that discussion with relevant bodies will be required, it could be some months before either of these measures is implemented.

The Budget also contained the following announcement:

"The Government is also implementing reform of the Housing Revenue Account subsidy system to give local authorities responsibility for managing their own council housing business. The OBR currently forecasts that this reform will increase public borrowing more than originally estimated. These estimates are very uncertain but if they do not change then the Government will take action to address the increase in public debt".

This announcement in the Budget needs to be taken in the context of the Coalition Government's primary objective to reduce the structural deficit. A deterioration in the economic outlook and/or public finances would require a policy response and the above statement suggests that the reform of housing finance is one of a range of potential measures that could be considered.

Appendix 1

Capital Financing Requirement (CFR)
Estimates of the Council's cumulative maximum external borrowing requirement for 2011/12 to 2013/14 are shown in the table below:

	31/3/2012 Estimate £m	31/3/2012 Actual £m	31/3/2013 Estimate £m	31/3/2014 Estimate £m
Non-HRA CFR	37.519	30.281	30.281	30.281
HRA CFR	141.697	154.391	154.391	154.391
Capital Financing Requirement	**179.216**	**184.672**	**184.672**	**184.672**
Less: Other Long Term Liabilities	0	0	0	0
Less: Existing Profile of Borrowing	0	0	0	0
Cumulative Maximum External Borrowing Requirement	**179.216**	**184.672**	**184.672**	**184.672**

Usable Reserves
Estimates of the Council's level of Balances and Reserves for 2011/12 to 2013/14 are as follows:

	31/3/2012 Estimate £m	31/3/2012 Actual £m	31/3/2013 Estimate £m	31/3/2014 Estimate £m
Usable Reserves	47.0	47.1	47.0	47.0

Prudential Indicator Compliance

(a) Authorised Limit and Operational Boundary for External Debt

- The Local Government Act 2003 requires the Council to set an Affordable Borrowing Limit, irrespective of their indebted status. This is a statutory limit which should not be breached.
- The Council's Affordable Borrowing Limit was set at £200m for 2011/12.
- The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit.
- The Operational Boundary for 2011/12 was set at £186m.
- The Director of Finance & ICT confirms that there were no breaches to the Authorised Limit and the Operational Boundary during the year; borrowing at its peak was £185.5m.

(b) Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

- These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.
- The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

	Limits for 2011/12 %	Maximum during 2011/12 %
Upper Limit for Fixed Rate Exposure on		
Debt	100	83
Investment	(100)	(74)
Upper Limit for Variable Rate Exposure on		
Debt	25	17
Investment	(75)	(26)

(c) Maturity Structure of Fixed Rate Borrowing

- This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

Maturity Structure of Fixed Rate Borrowing	Upper Limit %	Lower Limit %	Actual Borrowing as at 31/03/2012	% Fixed Rate Borrowing as at 31/03/2012	Compliance with Set Limits?
under 12 months	100	0	£0m	0	Yes
12 months and within 24 months	100	0	£0m	0	Yes
24 months and within 5 years	100	0	£0m	0	Yes
5 years and within 10 years	100	0	£31.8m	0	Yes
10 years and within 20 years	100	0	£0m	0	Yes
20 years and within 30 years	100	0	£153.656m	100	Yes
30 years and above	100	0	£0m	0	Yes

(d) **Actual External Debt**

- This indicator is obtained directly from the Authority's balance sheet. It is the closing balance for actual gross borrowing (short and long-term) plus other deferred liabilities.
- The indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

Actual External Debt as at 31/03/2012	**£m**
Borrowing	185.456
Other Long-term Liabilities	0
Total	**185.456**

(e) **Total principal sums invested for periods longer than 364 days**

- This indicator allows the Council to manage the risk inherent in investments longer than 364 days.
- The limit for 2011/12 was set at £30m.
- The Council made one investment for a period greater than 364 days during this period for amount of £5m.

(f) **Capital Expenditure**

- This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits, and, in particular, to consider the impact on Council tax and in the case of the HRA, housing rent levels.

Capital Expenditure	2011/12 Estimate £m	2011/12 Actual £m	2012/13 Estimate £m	2013/14 Estimate £m
Non-HRA	6.431	3.943	7.048	1.199
HRA	6.973	5.620	14.189	15.067
Total	**13.404**	**9.563**	**21.237**	**16.266**

Capital expenditure has been and will be financed as follows:

Capital Financing	2011/12 Estimate £m	2011/12 Actual £m	2012/13 Estimate £m	2013/14 Estimate £m
Capital receipts	5.801	3.206	6.304	0.890
Government Grants	0.658	0.974	0.781	0.449
Major Repairs Allowance	4.873	3.277	8.939	9.027
Revenue contributions	2.072	2.106	5.213	5.900
Total Financing	**13.404**	**9.563**	**21.237**	**16.266**

The table shows that the capital expenditure plans of the Authority could be funded entirely from sources other than external borrowing.

(g) **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.
- The ratio is based on costs net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2011/12 Estimate %	2011/12 Actual %	2012/13 Estimate %	2013/14 Estimate %
Non-HRA	0.73	-0.36	-0.03	-3.28
HRA	-2.86	-2.09	16.57	16.97

(h) **Incremental Impact of Capital Investment Decisions**

- This is an indicator of affordability that shows impact if funded through Council Tax / Rents, not what actual impact will be of capital investment decisions on Council Tax and Housing Rent levels. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme.

Incremental Impact of Capital Investment Decisions	2011/12 Approved £	2012/13 Estimate £	2013/14 Estimate £
Increase in Band D Council Tax	0.71	-0.03	0.40
Increase in Average Weekly Housing Rents	1.81	9.31	11.61

(i) **Adoption of the CIPFA Treasury Management Code**

- This indicator demonstrates that the Authority adopted the principles of best practice.

Adoption of the CIPFA Code of Practice in Treasury Management
The Council approved the adoption of the CIPFA Treasury Management Code on 22 April 2002.

(j) **Gross and Net Debt**

- The purpose of this treasury indicator is to highlight a situation where the Authority is planning to borrow in advance of need.

Upper Limit on Net Debt compared to Gross Debt	**2011/12 Actual £m**	**2012/13 Estimate £m**	**2013/14 Estimate £m**
Outstanding Borrowing (at nominal value)	185.456	185.456	185.456
Other Long-term Liabilities (at nominal value)	0	0	0
Gross Debt	**185.456**	**185.456**	**185.456**
Less: Investments	-47.100	-47.000	-47.000
Net Debt	**138.356**	**138.456**	**138.456**

N.B. CIPFA has acknowledged that the upper limit does not work as was intended and is working on a revised indicator. This indicator will be amended once revised guidance has been received from CIPFA.

(k) **Upper Limit for Total Principal Sums Invested Over 364 Days**

- The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Authority having to seek early repayment of the sums invested.

Upper Limit for total principal sums invested over 364 days	**2011/12 Approved £m**	**2011/12 Revised £m**	**2012/13 Estimate £m**	**2013/14 Estimate £m**	**2014/15 Estimate £m**
	30.0	30.0	30.0	30.0	30.0

(l) **HRA Limit on Indebtedness**

	2011/12 Approved £m	**2011/12 Revised £m**	**2012/13 Estimate £m**	**2013/14 Estimate £m**	**2014/15 Estimate £m**
HRA CFR	141.697	154.391	154.391	154.391	154.391
HRA Debt Cap (as prescribed by CLG)	203.774	185.457	185.457	185.457	185.457
Difference	**62.077**	**31.066**	**31.066**	**31.066**	**31.066**

Appendix 2

The average, low and high rates correspond to the rates during the financial year and rather than those in the tables below

Table 1: Bank Rate, Money Market Rates

Date	Bank Rate	O/N LIBID	7-day LIBID	1-month LIBID	3-month LIBID	6-month LIBID	12-month LIBID	2-yr SWAP Bid	3-yr SWAP Bid	5-yr SWAP Bid
01/04/2011	0.50	0.40	0.54	0.54	0.69	1.12	1.59	1.89	2.36	3.00
30/04/2011	0.50	0.50	0.40	0.49	0.69	1.05	1.52	1.62	2.07	2.74
31/05/2011	0.50	0.40	0.40	0.52	0.69	1.08	1.56	1.53	1.89	2.54
30/06/2011	0.50	0.50	0.40	0.50	0.77	1.06	1.54	1.44	1.82	1.50
31/07/2011	0.50	0.40	0.40	0.50	0.78	1.07	1.55	1.29	1.53	2.09
31/08/2011	0.50	0.40	0.40	0.56	0.86	1.15	1.63	1.27	1.43	1.92
30/09/2011	0.50	0.60	0.60	0.54	0.92	1.21	1.69	1.25	1.38	1.75
31/10/2011	0.50	0.63	0.55	0.56	0.96	1.25	1.74	1.30	1.42	1.81
30/11/2011	0.50	0.65	0.58	0.64	1.01	1.31	1.80	1.41	1.49	1.76
31/12/2011	0.50	0.50	0.65	0.67	1.05	1.35	1.84	1.31	1.34	1.54
31/01/2012	0.50	0.50	0.70	0.68	1.06	1.38	1.87	1.20	1.23	1.46
29/02/2012	0.50	0.50	0.75	0.67	1.05	1.37	1.87	1.22	1.29	1.54
31/03/2012	0.50	0.55	0.55	0.61	1.00	1.33	1.84	1.22	1.30	1.59
Minimum	0.50	0.10	0.35	0.49	0.68	1.01	1.40	1.08	1.23	1.46
Average	**0.50**	0.47	0.52	0.58	0.89	1.21	1.69	1.36	1.55	1.98
Maximum	0.50	0.65	0.95	0.68	1.06	1.38	1.87	1.95	2.42	3.07
Spread	--	0.55	0.60	0.19	0.38	0.37	0.47	0.87	1.19	1.60

Table 2 : PWLB Borrowing Rates - Fixed Rate, Maturity Loans

Change Date	Notice No	1 year	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2011	128/11	1.93	3.66	4.81	5.33	5.35	5.31	5.28
30/04/2011	162/11	1.73	3.45	4.61	5.18	5.21	5.17	5.14
28/05/2011	202/11	1.64	3.21	4.43	5.08	5.12	5.09	5.07
30/06/2011	246/11	1.61	3.09	4.42	5.17	5.21	5.20	5.18
30/07/2011	288/11	1.52	2.75	4.06	4.97	5.07	5.06	5.04
31/08/2011	332/11	1.48	2.50	3.71	4.66	4.84	4.87	4.85
30/09/2011	376/11	1.51	2.41	3.47	4.35	4.61	4.69	4.69
29/10/2011	418/11	1.45	2.42	3.56	4.29	4.46	4.47	4.44
30/11/2011	462/11	1.32	2.14	3.21	3.84	4.02	4.03	3.98
31/12/2011	501/11	1.21	1.99	3.04	3.86	4.09	4.12	4.08
31/01/2012	042/12	1.29	1.99	3.08	3.89	4.11	4.15	4.12
29/02/2012	084/12	1.31	1.96	3.11	4.04	4.25	4.26	4.21
30/03/2012	128/12	1.28	2.05	3.21	4.17	4.38	4.41	4.36
	Low	1.19	1.93	2.98	3.77	3.98	4.02	3.98
	Average	1.47	2.53	3.70	4.50	4.65	4.67	4.64
	High	1.97	3.73	4.89	5.41	5.42	5.39	5.35

Table 3: Credit Score Analysis

Scoring:

Long-Term Credit Rating	Score
AAA	1
AA+	2
AA	3
AA-	4
A+	5
A	6
A-	7
BBB+	8
BBB	9
BBB-	10
Not rated	11
BB	12
CCC	13
C	14
D	15

The value weighted average reflects the credit quality of investments according to the size of the deposit. The time weighted average reflects the credit quality of investments according to the maturity of the deposit

The Council aimed to achieve a score of below 6, to reflect the Council's overriding priority of security of monies invested and the minimum credit rating of threshold of A+ for investment counterparties.