

AGENDA ITEM: 6

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Meeting	Cabinet Resources Committee
Date	29 June 2011
Subject	Treasury Management Outturn for the year ended 31 March 2011
Report of	Cabinet Member for Resources and Performance
Summary	To report on Treasury Management activity in the year to 31 March 2011.

Officer Contributors	John Hooton - Assistant Director of Strategic Finance Karen Bannister – Head of Treasury and Pensions
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix A – Money Market and PWLB Rates Appendix B – Deposits as at 31 March 2011 with Credit Ratings Appendix C – Compliance with Prudential Indicators Appendix D – List of School Banking Institutions (To Follow) Appendix E – Barnet Credit Profile
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Karen Bannister, Head of Treasury and Pensions, 020 8359 7119.

1. RECOMMENDATIONS

1.1 That the Treasury Management activity and outturn for 2010/2011 be noted.

1.2 That the Committee consider any areas on which it would like to receive further information.

2. RELEVANT PREVIOUS DECISIONS

2.1 The Leader of the Council and Cabinet Member for Resources approved under delegated powers (DPR 712) on 5 December 2008 the Treasury Management Strategy 2008/09 – Deposit Counterparty Limits.

2.2 Cabinet Resources Committee, 16 March 2010 (Decision item 9) – Treasury Management Strategy 2010/11.

2.3 Special Committee (Constitution Review), 25 March 2010 (Decision item 8) – Amending the Council's Financial Regulations.

2.4 Cabinet Resources Committee, 30 November 2010 (Decision item 6) Amending the Treasury Management Strategy 2010/11.

2.5 Council, 1 March 2011 (Decision item 10 – Treasury Management Strategy 2011/12.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 The Treasury Management Strategy (TMS) ensures effective treasury management supports the achievement of the Council's corporate priority for 2010-2013, 'Better services with less money', through the strategic objective "manage resources and assets effectively and sustainably across the public sector in Barnet". The TMS is committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

4. RISK MANAGEMENT ISSUES

4.1 Borrowing and deposit rates are determined by the market and can be volatile at times. Officers mitigate this volatility by monitoring the interest rate market in conjunction with treasury advisors and brokers, and by actively managing the debt and deposit portfolios.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 The management of the Council's cash flow ensures the availability of adequate monies to pay for the delivery of the authority's public duties.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance and Value for Money, Staffing, IT, Property, Sustainability)

6.1 The Council budgeted for a net interest benefit of £1.29m in 2010/2011, it exceeded the budget to achieve £1.49m (£1.65m in 2009/2010 financial year).

6.2 The wider financial implications for the Council are dealt with in section 9 of this report.

7. LEGAL ISSUES

7.1 None other than those mentioned in the body of this report.

8. CONSTITUTIONAL POWERS

- 8.1 Financial Regulations (Part 1, Section 7) within the Council Constitution state:
- (1) This organisation adopts the key recommendations of CIPFA's Treasury Management in the Public Services Code of Practice (the Code), as described in Section 4 of that Code.
 - (2) Cabinet Resources Committee will create and maintain a Treasury Management Policy Statement, stating the policies and objectives of its treasury management activities.
 - (3) The Chief Finance Officer will create and maintain suitable Treasury Management Practices (TMPs) setting out the manner in which the Authority will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
 - (4) The content of the policy statement and TMPs will predominantly follow the recommendations contained in Section 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of the organisation. Such amendments will not result in the authority materially deviating from the Code's key recommendations.
 - (5) Cabinet Resources Committee will receive reports on its treasury management policies, practices and activities, including an annual strategy and plan in advance of the year, and an annual report after its close in the form prescribed in the TMPs. These reports will incorporate the prudential borrowing limits and performance indicators.
- 8.2 Responsibilities for Function, Section 3.6 states that a function of the Cabinet Resources Committee is to "consider reports on Treasury Management Strategy and activity, including creating and maintaining a Treasury Management Policy Statement."

9. BACKGROUND INFORMATION

9.1 Treasury Management Strategy

- 9.1.1 The Council's amended Treasury Management Strategy 2010/11 was approved at Cabinet Resources Committee on 30 November 2010. The TMS 2010/11 reflects the Council Budget 2010-2011 Financial Forward Plan and Capital Programme. They set out the timeframes and credit criteria for placing cash deposits and the parameters for undertaking any further borrowing.
- 9.1.2 The key changes introduced by the amended Treasury Management Strategy 2010/2011 were:
- (i) The extension of the maximum permissible duration of investments from 92 days to 364 days to bring the strategy in line with that of other local authorities and to enable a higher rate of return on investments.
 - (ii) The adoption of Arlingclose's (the Council's treasury advisors) counterparty list which includes the Debt Management Account Deposit Facility, T-Bills, UK local authorities, UK and non-UK banks and AAA-rated Money Market Funds.
- 9.1.3 The Treasury Management Strategy 2011/12 was approved by Council on the 1st of March 2011.

9.1.4 The TMS is under constant review to reflect market conditions and the financing requirements of the Council.

9.2 Icelandic Bank Deposits

9.2.1 The outcome of Icelandic Bank litigation remains the single most important financial risk facing the Council. Our current balance sheet assumes that the Council retains priority status as a creditor of the two banks through the wind-up process. On the 1st of April, the Icelandic District Court ruled that deposits placed by UK wholesale depositors (including Local Authorities) would have priority in the winding up of Glitnir and Landsbanki banks. Whilst this is a positive outcome, the judgement is almost certain to be appealed, so there is likely to be a continued period of uncertainty. The most significant risk for the Council is that ultimately priority status will not be maintained leading to a much lower level of eventual recovery of funds.

9.2.2 The decision has now been appealed. The Council's external legal advisers on this matter, Bevan Brittan Solicitors, are of the view that the appeal will be heard in September appeal date.

9.2.3 The additional potential cost is estimated at £14.1m, and this could crystallise in accordance with events in the judicial process. The Council applied for a capitalisation direction in 2010/11 to provide additional flexibility in dealing with the potential additional cost, but this was declined by government. A key aim of Financial Strategy is therefore to set aside sufficient revenue funding in the risk reserve. Should this risk crystallise prior to sufficient funds being identified in the risk reserve, other reserves would need to be utilised and then replenished as a priority within the Financial Strategy.

9.3 Economic Background for the Year to 31 March 2011

9.3.1 At the time of setting the 2010/11 strategy, interest rates were expected to remain low in response to the fragile state of the UK economy. Spending cuts and tax increase seemed inevitable post the General Election if the government has a clear majority. The markets had, at the time, viewed a hung parliament as potentially disruptive particularly if combined with a failure to articulate a plan to reduce government borrowing. The outlook for growth was uncertain.

9.3.2 The economy grew by just 1.3% in the 2010 calendar year and the forecast for 2011 was revised down to 1.7% by the Office of Budget Responsibility in March. Higher commodity, energy and food prices and the increase in VAT to 20% pushed the February 2011 annual inflation figure to 4.4%. The Bank Rate held steady at 0.5% as the economy grappled with uneven growth and austerity measures set out in the coalition government's Comprehensive Spending Review. Significant cuts were made to public expenditure and, in particular, local government funding.

9.3.3 The US Federal Reserve (the Fed) kept rates on hold at 0.25% following a slowdown in American growth. The European Central Bank maintained rates at 1%, with markets expecting a rate rise in early Spring.

9.3.4 The credit crisis migrated from banks to European sovereigns. The ratings of Ireland and Portugal were downgraded to the "triple-B" category whilst the rating of Greece was downgraded sub-investment (or "junk") grade. The sovereign rating of Spain was also downgraded but remained in the "double-A" category. The results from the EU Bank Stress Tests, co-ordinated by the Committee of European Banking Supervisors,

highlighted that only 7 out of the 91 institutions failed the “adverse scenario” tests. The tests were a helpful step forward, but there were doubts if they were far-reaching or demanding enough. The main UK banks’ (Barclays, HSBC, Lloyds, and RBS) Tier 1 ratios all remained above 9% under both the “benchmark scenario” and the “adverse scenario” stress tests.

- 9.3.5 Gilts benefited from the decisive Comprehensive Spending Review (CSR) plans as well as from their relative “safe havens” status in the face of European sovereign weakness. Five-year and 10-year gilt yields fell to lows of 1.44% and 2.83% respectively. However yields rose in the final quarter across all gilt maturities on concern that higher inflation would become embedded and greatly diminish the real rate of return for fixed income investors.
- 9.3.6 The TMS will be kept under review specifically in terms of market conditions, benchmarks and yield.

9.4 Borrowing Performance

- 9.4.1 A borrowing requirement of £31.7m (£10.4m related to the Housing Revenue Account) was forecast for 2010/11 and a borrowing requirement of £21.83 (£0 HRA) has been forecast for 2011/12. The capital programme is kept under constant review and any changes that impact on the external borrowing will be reported to this committee.
- 9.4.2 The total value of long term loans dropped from £214.5m at 31 March 2010 to £202.5 at 31 March 2011. The average cost of borrowing increased slightly from 4.09% to 4.10%.
- 9.4.3 Given the significant cuts to local government funding putting pressure on Council finances, the decision was taken to minimise debt interest payments with compromising the longer-term stability of the portfolio. The differential between the cost of new longer-term debt and the return generated on the Council’s temporary investment returns was significant (just over 3%). The use of internal resources in lieu of borrowing was judged to be the most cost effective means of funding capital expenditure. This has, for the time being, lowered overall treasury risk by reducing both external debt and temporary investments. This position will be reviewed following a full 2010/11 balance sheet review that will be undertaken by Arlingclose.

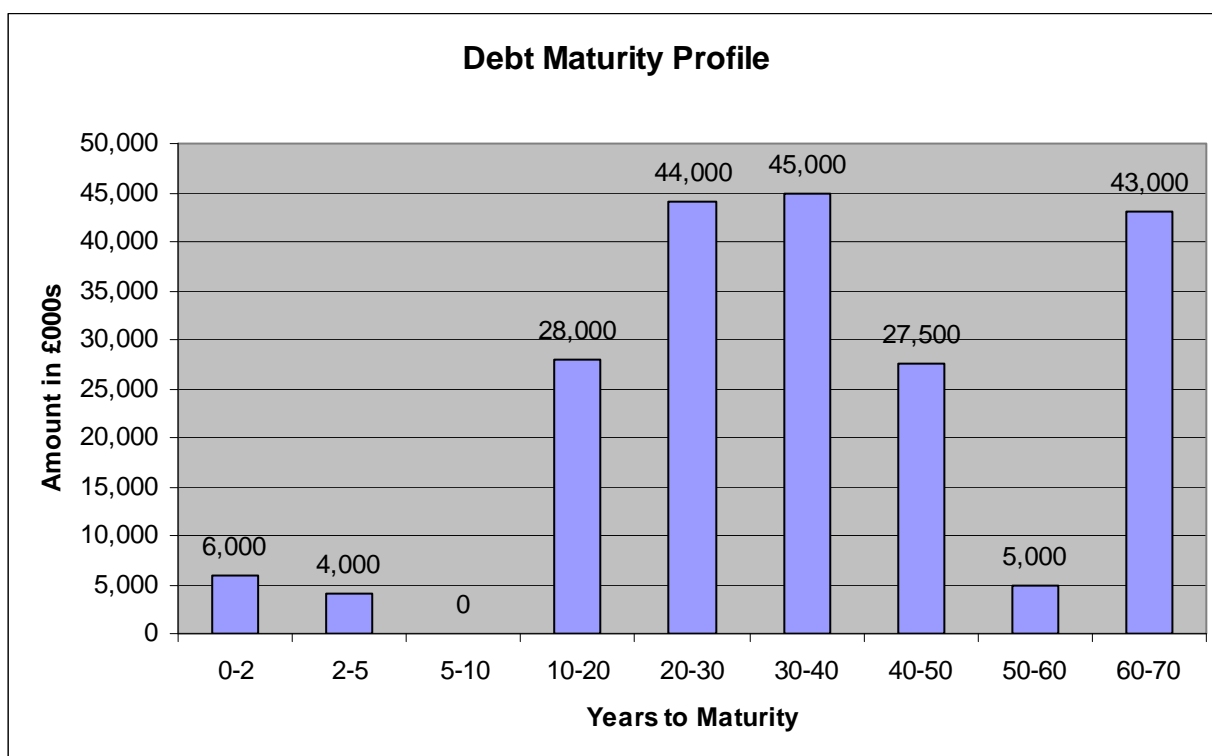
9.5 Current Portfolio

- 9.5.1 The Council’s long term debt position at the beginning and end of the part year was as follows:

	31 March 2011		31 March 2010	
	Principal	Average Rate	Principal	Average Rate
PWLB	£140.00m	4.19%	£147.00m	4.21%
Market	£57.50m	3.82%	£62.50m	3.82%
Temporary	£5.00m	4.50%	£5.00m	4.50%
	£202.50m	4.10%	£214.50m	4.09%

- 9.5.2 The Council’s long-term debt portfolio is a mixture of PWLB and market loans in the form of LOBOs (Lender’s Option Borrower’s Option), loans that are at a fixed interest rate for an initial period, following which the lender can change the interest rate but the borrower has the option to repay the loan if the rate is changed and not considered value for money.

The Council's current debt maturity profile is outlined in the graph below.



9.5.3 In order to comply with accounting standards for financial instruments, some of the market loans in the debt portfolio have been recalculated on an effective interest rate basis as opposed to being calculated on an amortised cost basis. The total value of loans in question before re-measurement was £9.5m; and additional charge of 0.36m has now been added to the carrying value of these loans.

9.5.4 Money Market data and PWLB rates are attached at Appendix A.

9.6 Investment Performance

9.6.1 The CLG's revised Investment Guidance came into effect on 1 April 2010 and reiterated the need to focus on security and liquidity, rather than yield. Security of capital remained the Authority's main investment objective. This was maintained by following and complying with the counterparty policy as out in the Treasury Management Strategy 2010/11.

9.6.2 Counterparty credit quality was assessed and monitored with reference to credit ratings (Council's minimum long-term counterparty rating of A+ across all three rating agencies, Fitch, S&P and Moody's); 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 credit score analysis is attached at Appendix E.

9.6.3 Deposits are managed internally. At 31 March 2011, deposits outstanding amounted to £135.35m (including £5.97m of Icelandic impairments), achieving an average rate of return of 0.94% (adjusted for Icelandic deposits) against a benchmark of 0.43%.

9.6.4 The benchmark is the average 7-day LIBID rate is provided by the authority's treasury advisors Arlingclose. The LIBID rate or London Interbank Bid Rate is the rate that a Euromarket bank is willing to pay to attract a deposit from another Euromarket bank in London.

9.6.5 The Council outperformed the benchmark return by 0.28%, which based on the average balance invested for the year produced some £385,560 additional interest.

9.7 Prudential Indicators

9.7.1 The Local Government Act 2003 requires the Council to set and Affordable Borrowing Limit, irrespective of it's indebted status. This is a statutory limit which should not be breached. The Council's Authorised Limit (also known as the Affordable Borrowing Limit) was set at £334.15m for 2010/11.

9.7.3 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 with the Authorised Limit. The Council's Operational Boundary for 2010/11 was set at £319.15m.

9.7.4 During the year to 31 March 2011 there were no breaches of the Authorised Limit and the Operational Boundary.

9.7.5 Further details of compliance with prudential indicators are contained in Appendix C.

9.8 Compliance

9.8.1 The current 2010/2011 TMS was approved by this Committee on 17 March 2010 and subsequently amended on 30 November 2010. The TMS demands regular compliance reporting to this Committee to include an analysis of deposits made during the review period. This also reflects good practice and will serve to reassure this Committee that all current deposits for investment are in line with agreed principles as contained within the corporate TMS.

9.8.2 As at 31 March 2011, the Council had deposits outstanding with a total value of £135.35 (£5.96m of which is Icelandic impairments) of which four Icelandic deposits totalling £27.4m fell outside the TMS as approved on 30 November 2010. A list of deposits outstanding and counterparty credit ratings at 31 March 2011 is attached as Appendix B.

9.8.3 All Deposits placed during the year ended 31 March 2011 were compliant with the TMS as approved on 30 November 2010.

9.8.4 Treasury management procedures are monitored and reviewed in light of CIFPA guidance and current market conditions.

9.8.5 The Department of Education have recently changed their guidance on schools banking arrangements. The new guidance requires schools to bank with institutions that meet the requirements of approved counterparties as identified in the Treasury Management Strategy. Appendix D contains a list of schools who currently bank with institutions that fall outside the Treasury Management Strategy.

9.9 Reform the Council Housing Finance

- 9.9.1 In the publication Implementing Self-Financing for Council Housing issued in February 2011 the CLG set out the rationale, methodology and financial parameters for the initiative. Subject to the Localism Bill receiving Royal Assent and a commencement order being passed, the proposed transfer date is Wednesday 28th March 2012 (in line with PWLB timetables on the payment/receipt of funds to clear by the 31st of March 2012).
- 9.9.2 The self-financing model provides an indicative sustainable level of opening housing debt. As the Council's debt level generated by the model is higher than the Subsidy Capital Financing Requirement (SCFR), the Council will be required to pay the CLG the difference between the two, which is approximately £110m. This will require the Council to fund this amount in the medium term through internal resources and/or external borrowing. The Council has the option of borrowing from the PWLB or the market.
- 9.9.3 The treasury management implications of HRA reform and an appropriate strategy to manage the process are being actively reviewed with the Council's Treasury Advisor including the issues surrounding any early pre-funding of the significant settlement payment (primarily the powers to borrow and the cost of carry).

10. LIST OF BACKGROUND PAPERS

- 10.1 None.

Legal – PD
CFO – MC

Appendix A

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
01/04/2010	0.50	0.35	0.35	0.42	0.51	0.81	1.26	1.54	2.07	2.82
30/04/2010	0.50	0.30	0.30	0.43	0.53	0.83	1.29	1.70	2.23	2.95
31/05/2010	0.50	0.45	0.50	0.61	0.60	0.85	1.35	1.46	1.89	2.58
30/06/2010	0.50	0.35	0.35	0.45	0.61	0.94	1.38	1.40	1.79	2.42
31/07/2010	0.50	0.40	0.40	0.50	0.71	1.01	1.46	1.36	1.75	2.39
31/08/2010	0.50	0.40	0.55	0.50	0.71	1.00	1.45	1.20	1.47	2.02
30/09/2010	0.50	0.30	0.25	0.51	0.72	1.01	1.46	1.24	1.51	2.05
31/10/2010	0.50	0.48	0.40	0.51	0.72	1.01	1.46	1.26	1.53	2.08
30/11/2010	0.50	0.40	0.51	0.51	0.72	0.88	1.46	1.32	1.66	2.30
31/12/2010	0.50	0.40	0.40	0.51	0.72	1.01	1.47	1.49	1.94	2.61
31/01/2011	0.50	0.40	0.55	0.52	0.64	1.04	1.52	1.74	2.21	2.90
28/02/2011	0.50	0.40	0.54	0.53	0.68	1.09	1.56	1.85	2.29	2.95
31/03/2011	0.50	0.30	0.50	0.54	0.80	1.11	1.58	1.85	2.31	2.96
Minimum	0.50	0.30	0.25	0.42	0.51	0.75	1.00	1.13	1.37	1.92
Average	0.50	0.39	0.43	0.50	0.67	0.98	1.44	1.50	1.90	2.54
Maximum	0.50	0.55	0.55	0.80	0.80	1.11	1.58	1.97	2.49	3.19
Spread		0.25	0.30	0.38	0.29	0.36	0.58	0.84	1.12	1.26

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
01/04/2010	064/10	0.81	2.84	4.14	4.21	4.60	4.61	4.63
30/04/2010	089/10	0.85	2.86	4.13	4.20	4.61	4.61	4.60
28/05/2010	127/10	0.73	2.46	3.76	3.83	4.36	4.38	4.38
30/06/2010	171/10	0.67	2.27	3.54	3.62	4.22	4.28	4.27
30/07/2010	217/10	0.70	2.29	3.55	3.62	4.32	4.41	4.40
31/08/2010	259/10	0.63	1.84	3.05	3.13	3.82	3.93	3.93
30/09/2010	303/10	0.64	1.88	3.14	3.86	4.00	4.03	4.02
29/10/2010	346/10	1.58	2.90	4.23	5.06	5.2	5.22	5.2
30/11/2010	390/10	1.56	3.05	4.40	5.18	5.26	5.25	5.23
31/12/2010	430/10	1.65	3.33	4.58	5.18	5.23	5.20	5.16
31/01/2011	040/11	1.79	3.57	4.80	5.40	5.46	5.44	5.40
28/02/2011	080/11	1.87	3.61	4.75	5.33	5.38	5.35	5.31
31/03/2011	126/11	1.89	3.57	4.71	5.27	5.30	5.27	5.24
	Low	0.60	1.81	3.05	3.82	3.93	3.93	3.92
	Average	1.19	2.79	4.05	4.72	4.79	4.78	4.76
	High	1.99	3.84	5.00	5.50	5.55	5.53	5.48

Table 3: PWLB Repayment 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
01/04/2010	064/10	0.56	2.38	3.82	4.35	4.36	4.26	4.19
30/04/2010	089/10	0.62	2.43	3.83	4.37	4.38	4.33	4.30
28/05/2010	127/10	0.50	2.04	3.44	4.12	4.15	4.11	4.10
30/06/2010	171/10	0.44	1.86	3.23	3.98	4.05	4.00	3.97
30/07/2010	217/10	0.47	1.88	3.23	4.08	4.18	4.13	4.10
31/08/2010	259/10	0.40	1.45	2.73	3.57	3.70	3.66	3.62
30/09/2010	303/10	0.41	1.48	2.82	3.62	3.77	3.76	3.73
29/10/2010	346/10	0.47	1.61	3.03	3.93	4.09	4.07	4.03
30/11/2010	390/10	0.45	1.75	3.20	4.06	4.15	4.10	4.06
31/12/2010	430/10	0.54	2.04	3.39	4.07	4.12	4.05	3.99
31/01/2011	040/11	0.68	2.27	3.62	4.28	4.35	4.29	4.22
28/02/2011	080/11	0.76	2.32	3.57	4.21	4.26	4.20	4.13
31/03/2011	126/11	0.78	2.29	3.53	4.15	4.19	4.12	4.07
	Low	0.37	1.40	2.73	3.57	3.70	3.66	3.62
	Average	0.55	1.97	3.33	4.07	4.15	4.10	4.06
	High	0.88	2.54	3.94	4.47	4.46	4.38	4.35

Table 4: PWLB Borrowing Rates - Fixed Rate, EIP 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
01/04/2010	064/10	--	1.78	2.94	4.18	4.53	4.60	4.62
30/04/2010	089/10	--	1.82	2.96	4.16	4.53	4.61	4.62
28/05/2010	127/10	--	1.52	2.55	3.79	4.24	4.36	4.39
30/06/2010	171/10	--	1.38	2.36	3.58	4.06	4.23	4.27
30/07/2010	217/10	--	1.42	2.38	3.58	4.11	4.33	4.40
31/08/2010	259/10	--	1.12	1.92	3.09	3.61	3.82	3.91
30/09/2010	303/10	--	1.14	1.96	3.18	3.67	3.87	3.96
29/10/2010	346/10	--	2.11	2.98	4.27	4.84	5.07	5.16
30/11/2010	390/10	--	2.19	3.14	4.44	4.99	5.19	5.25
31/12/2010	430/10	--	2.43	3.42	4.62	5.05	5.19	5.23
31/01/2011	040/11	--	2.62	3.66	4.84	5.25	5.40	5.45
28/02/2011	080/11	--	2.71	3.69	4.79	5.18	5.33	5.38
31/03/2011	126/11	--	2.69	3.65	4.74	5.14	5.28	5.31
	Low		1.10	1.89	3.09	3.61	3.82	3.91
	Average		1.91	2.87	4.08	4.55	4.72	4.77
	High		2.88	3.93	5.03	5.38	5.51	5.55

Table 5: PWLB Repayment Rates - Fixed Rate, EIP 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
01/04/2010	064/10	--	1.40	2.59	3.89	4.27	4.35	4.37
30/04/2010	089/10	--	1.46	2.63	3.90	4.29	4.38	4.39
28/05/2010	127/10	--	1.18	2.23	3.53	4.00	4.13	4.16
30/06/2010	171/10	--	1.05	2.04	3.31	3.82	3.99	4.04
30/07/2010	217/10	--	1.08	2.06	3.32	3.87	4.09	4.17
31/08/2010	259/10	--	0.82	1.61	2.82	3.36	3.59	3.68
30/09/2010	303/10	--	0.83	1.65	2.91	3.43	3.63	3.73
29/10/2010	346/10	--	0.92	1.79	3.12	3.71	3.95	4.05
30/11/2010	390/10	--	0.99	1.94	3.29	3.86	4.07	4.14
31/12/2010	430/10	--	1.21	2.22	3.47	3.93	4.07	4.12
31/01/2011	040/11	--	1.40	2.46	3.69	4.13	4.29	4.34
28/02/2011	080/11	--	1.49	2.50	3.64	4.06	4.22	4.27
31/03/2011	126/11	--	1.47	2.46	3.60	4.02	4.16	4.20
	Low		0.75	1.57	2.82	3.36	3.59	3.68
	Average		1.17	2.15	3.41	3.90	4.08	4.14
	High		1.65	2.74	4.02	4.40	4.47	4.47

Table 6: PWLB Variable Rates

	1-M Rate	3-M Rate	6-M Rate	1-M Rate	3-M Rate	6-M Rate
	Pre-CSR	Pre-CSR	Pre-CSR	Post-CSR	Post-CSR	Post-CSR
01/04/2010	0.65	0.65	0.70			
30/06/2010	0.65	0.70	0.70			
30/09/2010	0.65	0.70	0.70			
31/12/2010	0.70	0.70	0.75	1.60	1.60	1.65
31/03/2011	0.67	0.76	0.88	1.57	1.66	1.78
Low	0.65	0.65	0.68	1.55	1.56	1.58
Average	0.66	0.68	0.73	1.57	1.61	1.68
High	0.70	0.79	0.90	1.60	1.69	1.80

Table 7: 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 aims to achieve a score of 5 or lower, to reflect the Council's overriding priority of security of monies invested and the minimum credit rating of threshold of A+ for investment counterparties.

DEPOSITS OUTSTANDING AS AT 31 MARCH 2011

APPENDIX B

Deal Number	Counter Party	Deposit Date	Maturity Date	Rate of Interest	Amount Outstanding	Max Limit	Actual Limit	Fitch Rating				Moody's Rating			S&P Ratings		
								L Term	S Term	Indiv	Support	L Term	S Term	Fin Stgth	L Term	S Term	
Debt Management Agency Deposit Facility																	
Local Authorities																	
2000011089	BIRMINGHAM CITY COUNCIL	04-Mar-11	11-Apr-11	0.52	3,500,000	No Limit		2.59%									
2000011100	LANCASHIRE COUNTY COUNCIL	15-Mar-11	06-Apr-11	0.6	8,000,000	No Limit		5.91%									
2000011098	SOUTHAMPTON CITY COUNCIL	15-Mar-11	15-Apr-11	0.6	4,100,000	No Limit		3.03%									
2000011018	THURROCK BOROUGH COUNCIL	04-Jan-11	04-Apr-11	0.65	5,000,000	No Limit		3.69%									
2000011083	WEST YORKSHIRE F & R AUTH	01-Mar-11	01-Jun-11	0.7	1,000,000	No Limit		0.74%									
UK Banks & Building Societies																	
2000011027	BANK OF SCOTLAND	11-Jan-11	10-Jan-12	2	4,000,000	15%	14.78%	AA-	F1+	C	1	Aa3	P-1	D+	A+	A-1	
2000011028	BANK OF SCOTLAND	11-Jan-11	11-Oct-11	1.6	5,000,000			AA-	F1+	C	1	Aa3	P-1	D+	A+	A-1	
2000011070	BANK OF SCOTLAND	17-Feb-11	17-Feb-12	2.1	4,500,000			AA-	F1+	C	1	Aa3	P-1	D+	A+	A-1	
2000010341	BANK OF SCOTLAND CORPORA	09-Sep-09	Call Account	0.75	6,500,000			AA-	F1+	C	1	Aa3	P-1	D+	A+	A-1	
2000010527	BARCLAYS COMMERCIAL BANK	11-Feb-10	Call Account	0.45	12,350,000	15%	9.12%	AA-	F1+	B	1	Aa3	P-1	C	AA-	A-1+	
2000011023	NATIONWIDE BUILD. SOC.	05-Jan-11	05-Apr-11	0.65	10,000,000	15%	14.78%	AA-	F1+	B	1	Aa3	P-1	C-	A+	A-1	
2000011036	NATIONWIDE BUILD. SOC.	17-Jan-11	31-Oct-11	1.24	10,000,000			AA-	F1+	B	1	Aa3	P-1	C-	A+	A-1	
2000011000	ROYAL BANK OF SCOTLAND	08-Dec-10	07-Dec-11	1.43	4,000,000	15%	10.34%	AA-	F1+	C/D	1	Aa3	P-1	C-	A+	A-1	
2000011006	ROYAL BANK OF SCOTLAND	15-Dec-10	15-Sep-11	1.22	10,000,000			AA-	F1+	C/D	1	Aa3	P-1	C-	A+	A-1	
2000011001	SANTANDER CORP BANKING	08-Dec-10	Call Account	0.8	20,000,000	15%	14.78%	AA-	F1+	B	1	Aa3	P-1	C-	AA	A-1+	
Non UK Banks & Building Societies																	
Investments outside TMS																	
Icelandic Banks																	
2000005163	GLITNER BANK (ICELAND)	07-Nov-06	frozen		7,000,000												9.16%
2000005218	GLITNER BANK (ICELAND)	24-Jan-07	frozen		3,000,000												
2000005226	GLITNER BANK (ICELAND)	07-Feb-07	frozen		2,400,000												
2000005511	LANDISBANKI ISLANDS H.F.	28-Sep-07	frozen		15,000,000												11.08%
TOTAL VALUE OF INVESTMENTS					135,350,000			100.00%									
LESS ICELANDIC IMPAIRMENT					-5,969,000												
					129,381,000												

Appendix C: Prudential Indicator Compliance

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 2010/11 %
Upper Limit for Fixed Rate Exposure	100
Compliance with Limits:	Yes
Upper Limit for Variable Rate Exposure	40
Compliance with Limits:	Yes

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 Fixed Rate Borrowing as at 28/03/11	% Fixed Rate Borrowing as at 28/03/11	Compliance with Set Limits?
Under 12 months	0	50	5,000,000	2.47%	Yes
12 months and within 24 months	0	50	0	0	Yes
24 months and within 5 years	0	75	4,000,000	1.98%	Yes
5 years and within 10 years	0	75	0	0%	Yes
10 years and above	0	100	193,500,000	95.55%	Yes

Appendix D: List of Schools Banking Institutions

School	Banking
Bishop Douglass	Allied Irish
Finchley Catholic High	Allied Irish
St James' Catholic High	Allied Irish
St Michaels Cath Gram	Allied Irish
Osidge JMI	Barclays
Mill Hill High	Barclays
Akiva	Barclays
All Saints NW2	Co-Operative
All Saints N20	Co-Operative
Annunciation Inf	Co-Operative
Annunciation Jun	Co-Operative
Barnfield	Co-Operative
Beis Yaakov	Co-Operative
Bell Lane	Co-Operative
Blessed Dominic	Co-Operative
Broadfields Primary	Co-Operative
Brookland Inf	Co-Operative
Brookland Jun	Co-Operative
Brunswick Park	Co-Operative
Chalgrove	Co-Operative
Childs Hill	Co-Operative
Christchurch JMI	Co-Operative
Church Hill	Co-Operative
Claremont Primary	Co-Operative
Colindale	Co-Operative
Coppetts Wood	Co-Operative
Courtland	Co-Operative
Cromer Road	Co-Operative
Deansbrook Inf	Co-Operative
Deansbrook Jun	Co-Operative
Dollis Inf	Co-Operative
Edgware Inf	Co-Operative
Edgware Jewish Primary	Co-Operative
Edgware Jun	Co-Operative
Fairway	Co-Operative
Foulds	Co-Operative
Frith Manor	Co-Operative
Garden Suburb Inf	Co-Operative
Garden Suburb Jnr	Co-Operative
Goldbeaters	Co-Operative
Grasvenor Avenue Inf	Co-Operative
Hasmonean Primary	Co-Operative
Hollickwood	Co-Operative
Holly Park	Co-Operative
Holy Trinity	Co-Operative

Hyde	Co-Operative
Independent Jewish	Co-Operative
Livingstone	Co-Operative
Manorside	Co-Operative
Martin Primary School	Co-Operative
Menorah Primary	Co-Operative
Monken Hadley CE	Co-Operative
Monkfrith	Co-Operative
Moss Hall Inf	Co-Operative
Moss Hall Jun	Co-Operative
Northside	Co-Operative
Orion	Co-Operative
Our Lady of Lourdes	Co-Operative
Pardes House	Co-Operative
Parkfield	Co-Operative
Queenswell Inf	Co-Operative
Queenswell Jun	Co-Operative
Rosh Pinah	Co-Operative
Sacred Heart	Co-Operative
St Agnes RC	Co-Operative
St Andrews CE	Co-Operative
St Catherines RC	Co-Operative
St Johns CE N11	Co-Operative
St Johns CE N20	Co-Operative
St Josephs RC Inf	Co-Operative
St Josephs RC Jun	Co-Operative
St Mary's & St Johns Primary	Co-Operative
St Marys CE N3	Co-Operative
St Marys CE EB	Co-Operative
St Pauls CE N11	Co-Operative
St Therasas RC	Co-Operative
St Vincents RC	Co-Operative
Summerside	Co-Operative
Sunnyfields	Co-Operative
Trent	Co-Operative
Tudor	Co-Operative
Underhill Inf	Co-Operative
Underhill Jun	Co-Operative
Wessex Gardens	Co-Operative
Whitings Hill	Co-Operative
Woodcroft Primary	Co-Operative
Woodridge	Co-Operative
Christs College Finchley	Co-Operative
Copthall	Co-Operative
Friern Barnet	Co-Operative
Hasmonean High	Co-Operative
Henrietta Barnett	Co-Operative
JCoSS	Co-Operative

Ravenscroft	Co-Operative
Whitefield	Co-Operative
Mapledown	Co-Operative
Northway	Co-Operative
Oak Lodge	Co-Operative
Oakleigh	Co-Operative
BrookHill Nursery	Co-Operative
Hampden Way Nursery	Co-Operative
Moss Hall Nursery	Co-Operative
St Margaret's Nursery	Co-Operative
Menorah Foundation	HSBC
Danegrove	Lloyds TSB
Dollis Junior	Lloyds TSB
Mathilda Marks Kennedy	Lloyds TSB
St Pauls CE NW7	Lloyds TSB
Hendon	Nat West
Queen Elizabeth's Girls'	Nat West
St Mary's C E High	Nat West

Internal Investments at:		31/03/2011											
London Borough Of Barnet	Type of Investment	Principal	Start Date	Effective Maturity	Rate	Days to Maturity	Moody's Credit Rating (source Bloomberg)	Fitch Credit Rating (source Bloomberg)	S&P Credit Rating (source Bloomberg)	Lowest Credit Rating (equivalent rating, source Bloomberg)	Average Credit Risk Score	Country	
BANK OF SCOTLAND CORPORAT	CALL ACCOUNT	£6,500,000	09/09/2009	01/04/2011	0.75%	1	Aa3	AA-	A+	A+	4.33	UK	
BARCLAYS COMMERCIAL BANK	CALL ACCOUNT	£12,350,000	11/02/2010	01/04/2011	0.45%	1	Aa3	AA-	AA-	AA-	4.00	UK	
ROYAL BANK OF SCOTLAND	FIXED DEPOSIT	£4,000,000	08/12/2010	07/12/2011	1.43%	251	Aa3	AA-	A+	A+	4.33	UK	
SANTANDER CORP BANKING	CALL ACCOUNT	£20,000,000	08/12/2010	01/04/2011	0.80%	1	Aa3	AA-	AA	AA-	3.67	UK	
ROYAL BANK OF SCOTLAND	FIXED DEPOSIT	£10,000,000	15/12/2010	15/09/2011	1.22%	168	Aa3	AA-	A+	A+	4.33	UK	
THURROCK BOROUGH COUNCIL	FIXED DEPOSIT	£5,000,000	04/01/2011	04/04/2011	0.65%	4	Aaa	AAA	AAA	AAA	1.00	UK	
NATIONWIDE BUILD. SOC.	FIXED DEPOSIT	£10,000,000	05/01/2011	05/04/2011	0.65%	5	Aa3	AA-	A+	A+	4.33	UK	
BANK OF SCOTLAND	FIXED DEPOSIT	£4,000,000	11/01/2011	10/01/2012	2.00%	285	Aa3	AA-	A+	A+	4.33	UK	
BANK OF SCOTLAND	FIXED DEPOSIT	£5,000,000	11/01/2011	11/10/2011	1.60%	194	Aa3	AA-	A+	A+	4.33	UK	
NATIONWIDE BUILD. SOC.	FIXED DEPOSIT	£10,000,000	17/01/2011	31/10/2011	1.24%	214	Aa3	AA-	A+	A+	4.33	UK	
BANK OF SCOTLAND	FIXED DEPOSIT	£4,500,000	17/02/2011	17/02/2012	2.10%	323	Aa3	AA-	A+	A+	4.33	UK	
WEST YORKSHIRE F & R AUTH	FIXED DEPOSIT	£1,000,000	01/03/2011	01/06/2011	0.70%	62	Aaa	AAA	AAA	AAA	1.00	UK	
BIRMINGHAM CITY COUNCIL	FIXED DEPOSIT	£3,500,000	04/03/2011	11/04/2011	0.52%	11	Aaa	AAA	AAA	AAA	1.00	UK	
SOUTHAMPTON CITY COUNCIL	FIXED DEPOSIT	£4,100,000	15/03/2011	15/04/2011	0.60%	15	Aaa	AAA	AAA	AAA	1.00	UK	
LANCASHIRE COUNTY COUNCIL	FIXED DEPOSIT	£8,000,000	15/03/2011	06/04/2011	0.60%	6	Aaa	AAA	AAA	AAA	1.00	UK	
Total - Internal Investments		£ 107,950,000			0.94%	19/06/2011				AA-	3.50	Value Weighted Average	
Number of Investments		15				81				AA-	4.12	Time Weighted Average	
Average Investment Size		£ 7,196,667											

4	4	5
4	4	4
4	4	5
4	4	3
4	4	5
1	1	1
4	4	5
4	4	5
4	4	5
4	4	5
1	1	1
1	1	1
1	1	1
1	1	1

Authority	Type of Authority	External Fund Managers (Not included in credit score)	Internal Investments	Total Investments	Number of deposits	Average Date of Maturity	Average Number of Days to Maturity	Average Rate of Investments	Lowest Credit Rating (equivalent rating)		Average Credit Risk Score		Total Invested with DMO	% of Portfolio Invested with DMO	Total Invested with EIB	% of Portfolio Invested with EIB
									Value Weighted Average	Time Weighted Average	Value Weighted Average	Time Weighted Average				
London Borough Of Barnet	ENGLISH NON-MET DISTRICT	£ -	£ 107,950,000	£ 107,950,000	15	19/06/2011	81	0.94%	AA-	AA-	3.50	4.12	£ -	0%	£ -	0%

Credit risk scored 1 - 10 : 1 = strongest rating lowest risk, i.e. AAA, through to 15 = lowest credit rating, highest risk, i.e. D
 Non-rated, non-guaranteed institutions score 11

PLEASE NOTE

Heritable & Landsbanki do not have credit ratings as they have been withdrawn. We have kept the scoring as C for consistency with the Icelandic

Where an Icelandic bank has repaid investments, can you please total the investments and repayments and place in the main body of the investments - Please see below.

Any o/n call accounts/MMFs are given tomorrow's date (use 'today's date' +1) as the Effective Maturity dates.

