Bath & North East Somerset Council		
MEETING	**Cabinet**	
MEETING DATE:	**20th July 2021**	EXECUTIVE FORWARD PLAN REFERENCE: E 3297
TITLE:	**Treasury Management Performance Report to 30th June 2021**	
WARD:	All	
AN OPEN PUBLIC ITEM		

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Appendix 1 – Performance Against Prudential Indicators
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1 THE ISSUE

1.1 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code), which requires the Council to approve a Treasury Management Strategy before the start of each financial year, review performance during the year, and approve an annual report after the end of each financial year.

1.2 This report gives details of performance against the Council's Treasury Management Strategy for 2021/22 for the first three months of 2021/22.

2 RECOMMENDATION

The Cabinet agrees that;

2.1 The Treasury Management Report to 30th June 2021, prepared in accordance with the CIPFA Treasury Code of Practice, is noted.

2.2 The Treasury Management Indicators to 30th June 2021 are noted.

3 THE REPORT

Summary

3.1 The average rate of investment return for the first three months of 2021/22 is 0.30%, which is 0.33% above the benchmark rate which is currently -0.03%.

3.2 The Council's Prudential Indicators for 2021/22 were agreed by Council in February 2021 and performance against the key indicators is shown in **Appendix 1**. All indicators are within target levels.

Summary of Returns

3.3 The Council's investment position as at 30th June 2021 is given in **Appendix 2**. The balance of deposits as at 30th June 2021, compared to those as at 31st March 2021, are also set out in the pie charts in this appendix.

3.4 Gross interest earned on investments totalled £56k. **Appendix 3** details the investment performance, showing the average rate of interest earned over this period was 0.30%, which was 0.33% above the benchmark rate of average 7 day LIBID +0.05% (-0.03%). This excess is mainly due to the £5m investment held in the CCLA Local Authority Property Fund, which is a long term strategic investment earning a higher rate of interest (estimated 3.7% for 2021/22 Q1).

Summary of Borrowings

3.5 The Council's external borrowing as at 30th June 2021 totalled £227.4 million and is detailed in **Appendix 4**. On 1st April 2021, the Council repaid £15.0 million of short term borrowing from a local authority, which had been borrowed last year for general cashflow requirements and to lower liquidity risks arising from uncertainties surrounding the Covid-19 pandemic.

3.6 The Council's Capital Financing Requirement (CFR) as at 31st March 2021 was £326.9 million. This represents the Council's underlying need to borrow to finance capital expenditure, and demonstrates that the borrowing taken to date relates to funding historical capital spend.

3.7 The CFR represents the underlying need to borrow, and the difference between that and the current borrowing of £227.4 million represents re-investment of the internal balances including reserves, reducing the in-year borrowing costs in excess of the potential investment returns.

3.8 Following Local Government Reorganisation in 1996, Avon County Council's residual debt is administered by Bristol City Council. All successor Unitary Authorities make an annual contribution to principal and interest repayment, for which there is a provision in the Council's revenue budget. The amount of residual debt outstanding as at 31st March 2021 apportioned to Bath & North East Somerset Council is £10.9m. Since this borrowing is managed by an external body and treated in the Council's Statement of Accounts as a deferred liability, it is not included in the borrowing figures referred to in paragraph 3.5.

3.9 The borrowing portfolio as at 30th June 2021 is shown in **Appendix 4**.

Strategic & Tactical Decisions

3.10 As shown in the charts in **Appendix 2**, the investment portfolio of £71.9 million as at 30th June 2021 is diversified across Money Market Funds, Local Authorities, the Government's Debt Mgt Account Deposit Facility, the CCLA Property Fund and in highly rated UK Banks. The Council uses AAA rated Money Market funds to maintain very short term liquidity.

3.11 The Council does not hold any direct investments with banks in countries within the Eurozone reflecting both on the underlying debt issues in some Eurozone countries and the low levels of interest rates.

3.12 The Council's investment portfolio as at 30th June 2021 includes a total of £5m invested longer term in the CCLA Local Authorities Property Fund.

3.13 The Council has reviewed its current investment holdings with its Treasury Management advisors to assess whether any of the investments placed are directly related to companies involved in fossil fuel activities. It was confirmed that the Council does not currently invest directly in equities or certificates of deposits that were not issued by banks or building societies and does not have any direct investments in fossil fuel companies.

3.14 The Council commissioned Arlingclose to undertake a review of possible ESG (Environmental, Social and Corporate Governance) funds into which the Council could invest surplus treasury assets. The report has been received and due diligence is being undertaken into specific funds for potential investment during 2021/22. The potential for making future ESG focussed investments is included in the 2021/22 Treasury Management Strategy, approved by Council in February 2021.

3.15 The Council's average investment return for short-term investments is currently 0.06%, slightly above the budgeted level of 0.05%. The return on the £5m long-term strategic investment in the CCLA Local Authority Property Fund is estimated to be 3.7%, which is also slightly above the budgeted rate of 3.5%. This gives an average combined return of 0.30% for all investments.

Future Strategic & Tactical Issues

3.16 The Council's Treasury Management advisor's economic and market review for the first quarter of 2021/22 is included in **Appendix 5**.

3.17 The benefits of the Council's current policy of internal borrowing are monitored regularly against the likelihood that long term borrowing rates are forecast to rise in future years. The focus remains on the rate of increase and the medium-term peak.

3.18 Any additional borrowing to take place in 2021/22 will therefore be balanced between a need to maintain an appropriate working cash balance and taking advantage of favourable movements in long term borrowing rates.

Borrowing update

3.19 Due to the high cash balances held by the Council at the end of 2020/21, a decision was made to repay the £15m one-year loan taken at the start of 2020/21 from the London Borough of Bromley upon its 1st April 2021 maturity date. No further borrowing has been taken during the first quarter.

3.20 The Council is seeking advice from its treasury advisors on the potential option to make an early repayment of a £10m LOBO loan during 2021/22 as part of a debt rescheduling approach. This provides potential to make revenue savings and reduce risk by replacing the LOBO debt with a PWLB loan at a lower interest rate with the replacement loan duration more aligned to the Council's future borrowing profile. A financial appraisal is being undertaken into the restructuring options and the decision whether to proceed will be taken by the S151 Officer in line with the approved Treasury Management Strategy.

Budget Implications

3.21 A breakdown of the revenue budget showing interest and capital financing and the forecast year end position based on the period April to June 2021 is included in **Appendix 6**. At this early stage of the financial year, this is currently forecast to be on budget.

4 STATUTORY CONSIDERATIONS

4.1 This report is for information only.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

5.1 The financial implications are contained within the body of the report.

6 RISK MANAGEMENT

6.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

6.2 The Council's lending & borrowing list is regularly reviewed during the financial year and credit ratings are monitored throughout the year. All lending/borrowing transactions are within approved limits and with approved institutions. Investment and borrowing advice is provided by our Treasury Management consultants, Arlingclose.

6.3 The CIPFA Treasury Management in the Public Services: Code of Practice requires the Council nominate a committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies. The Corporate Audit Committee carries out this scrutiny.

6.4 In addition, the Council maintain a risk register for Treasury Management activities, which is regularly reviewed and updated where applicable during the year.

7 CLIMATE CHANGE

7.1 The Council will continue to avoid any direct treasury management investments in fossil fuel related companies and will engage with its advisors to explore and assess the potential for any future investment opportunities in funds with a Renewable Energy & Sustainability focus as these products continue to be developed by the market in response to the Climate & Nature Emergency agenda.

7.2 An ESG section has been added to the Treasury Management Strategy document for the 2021/22 period and the treasury team will actively consider investment options permitted under the new guidelines.

7.3 The Council commissioned Arlingclose to undertake a review of possible ESG (Environmental, Social and Corporate Governance) funds the Council could invest in. The report has been received and due diligence is being undertaken into specific funds for potential investment during 2021/22.

8 OTHER OPTIONS CONSIDERED

8.1 None

9 CONSULTATION

9.1 Consultation has been carried out with the Cabinet Member for Economic Development & Resources, Section 151 Finance Officer and Monitoring Officer.

Contact person	*Gary Adams - 01225 477107; Gary_Adams@BATHNES.GOV.UK* *Jamie Whittard - 01225 477213; Jamie_Whittard@BATHNES.GOV.UK*
Background papers	*2021/22 Treasury Management & Investment Strategy*
Please contact the report author if you need to access this report in an alternative format	

APPENDIX 1
Performance against Treasury Management Indicators agreed in Treasury Management Strategy Statement

1. Treasury Borrowing limits

These limits include current commitments and proposals in the budget report for capital expenditure, plus additional headroom over & above the operational limit for unusual cash movements.

The Authorised limits for external debt include current commitments and proposals in the budget report for capital expenditure, plus additional headroom over and above the operational limit for unusual cash movements.

The Operational boundary for external debt is based on the same estimates as the authorised limit but without the additional headroom for unusual cash movements. This level also factors in the proposed approach to use internal cash-flow and future capital receipts as the preferred financing method for the capital programme.

	2021/22 Prudential Indicator	Actual as at 30th June 2021
Operational boundary – borrowing	£408m	£227.4m
Operational boundary – other long-term liabilities	£4m	£0m
Operational boundary – TOTAL	**£412m**	**£227.4m**
Authorised limit – borrowing	£438m	£227.4m
Authorised limit – other long-term liabilities	£4m	£0m
Authorised limit – TOTAL	**£442m**	**£227.4m**

2. Average Credit Rating*

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the weighted average credit rating of its investment portfolio. A summary guide to credit ratings is set out at **Appendix 7**.

	2021/22 Prudential Indicator	Actual as at 30th June 2021
	Rating	Rating
Minimum Portfolio Average Credit Rating	A-	AAA-

* *The calculation excludes the strategic investment in the CCLA Local Authority's Property Fund which is unrated.*

3. Liquidity

The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

Liquidity risk indicator	2021/22 Prudential Indicator	Minimum During Quarter	Date of minimum
Minimum liquid cash balance in period	£15m	£36.8m	30th April

4. Interest rate exposures

This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as an amount of net principal borrowed.

	2021/22 Prudential Indicator	Actual as at 30th June 2021
Upper limit on fixed interest rate exposures	£408m	£207.4m
Upper limit on variable interest rate exposures	£184m	£20m

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

The Fixed rate limit is the total borrowing which can be at fixed interest rate, less any investments for a period greater than 12 months which has a fixed interest rate.

The Variable rate limit is the maximum amount of total borrowing which can be at variable interest rates.

5. Maturity Structure of borrowing

This indicator is set to control the Council's exposure to refinancing risk.

<table>
<tr><th></th><th>Upper Limit</th><th>Lower Limit</th><th>Actual as at 30th June 2021</th></tr>
<tr><td></td><td>%</td><td>%</td><td>%</td></tr>
<tr><td>Under 12 months</td><td>50</td><td>Nil</td><td>11.0</td></tr>
<tr><td>12 months and within 24 months</td><td>50</td><td>Nil</td><td>2.2</td></tr>
<tr><td>24 months and within 5 years</td><td>75</td><td>Nil</td><td>0</td></tr>
<tr><td>5 years and within 10 years</td><td>75</td><td>Nil</td><td>6.6</td></tr>
<tr><td>10 years and within 25 years</td><td>100</td><td rowspan="2">25</td><td>49.3</td></tr>
<tr><td>Over 25 years</td><td>100</td><td>30.9</td></tr>
</table>

* The CIPFA Treasury management Code now requires the prudential indicator relating to Maturity of Fixed Rate Borrowing to reference the maturity of LOBO loans to the earliest date on which the lender can require payment, i.e. the next call date (which are at 6 monthly intervals for the £20m of LOBO's). However, the Council would only consider repaying these loans if the Lenders exercised their options to alter the interest rate.

6. Upper limit for total principal sums invested for over 364 days

The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	2021/22 Prudential Indicator	Actual as at 30th June 2021
Limit on principal invested beyond 31st March 2022	£50m	£5m*
Limit on principal invested beyond 31st March 2023	£20m	£5m*
Limit on principal invested beyond 31st March 2024	£10m	£5m*

*****The Council includes the CCLA LA Property Fund against this indicator as it is held as a Long Term Strategic Investment.

APPENDIX 2

The Council's Investment position at 30th June 2021

The term of investments is as follows:

Term Remaining	Balance at 30th June 2021
	£m
Notice (instant access funds)	36.9
Up to 1 month	10.0
1 month to 3 months	5.0
3 months to 6 months	15.0
CCLA Property Fund (Strategic)	5.0
Total	**71.9**

The investment figure is made up as follows:

	Balance at 30th June 2021
	£m
B&NES Council	69.2
Schools	2.7
Total	**71.9**

The Council had a total average net positive balance of £76m during the period April 2021 to June 2021.

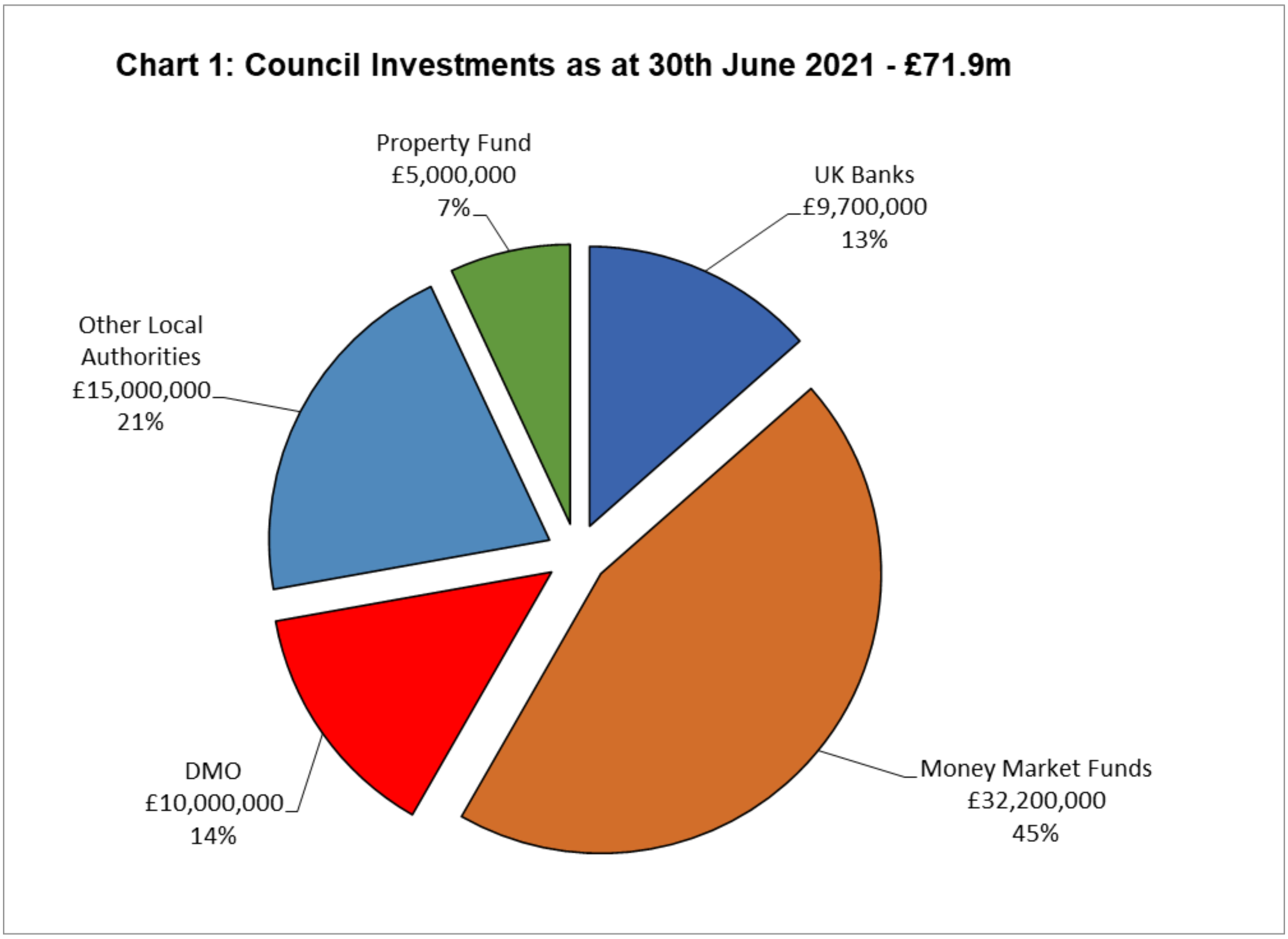


Chart 1: Council Investments as at 30th June 2021 - £71.9m
Property Fund
£5,000,000
7%
UK Banks
£9,700,000
13%
Other Local
Authorities
£15,000,000
21%
DMO
£10,000,000
14%
Money Market Funds
£32,200,000
45%

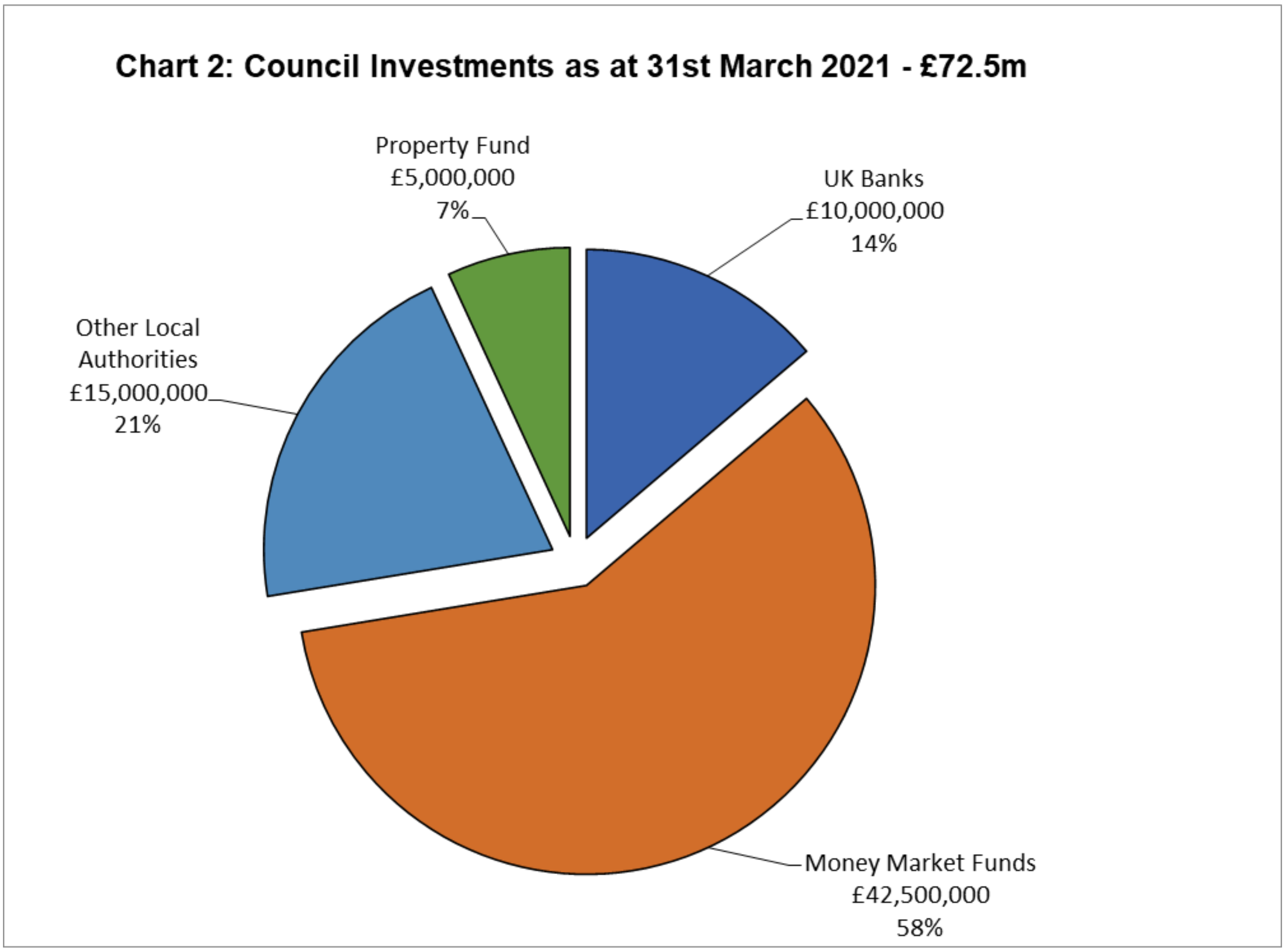


Chart 2: Council Investments as at 31st March 2021 - £72.5m
Property Fund
£5,000,000
7%
UK Banks
£10,000,000
14%
Other Local
Authorities
£15,000,000
21%
Money Market Funds
£42,500,000
58%

Chart 3: Council Investments Per Lowest Equivalent Long Term Credit Rating as at 30th June 2021 - £71.9m

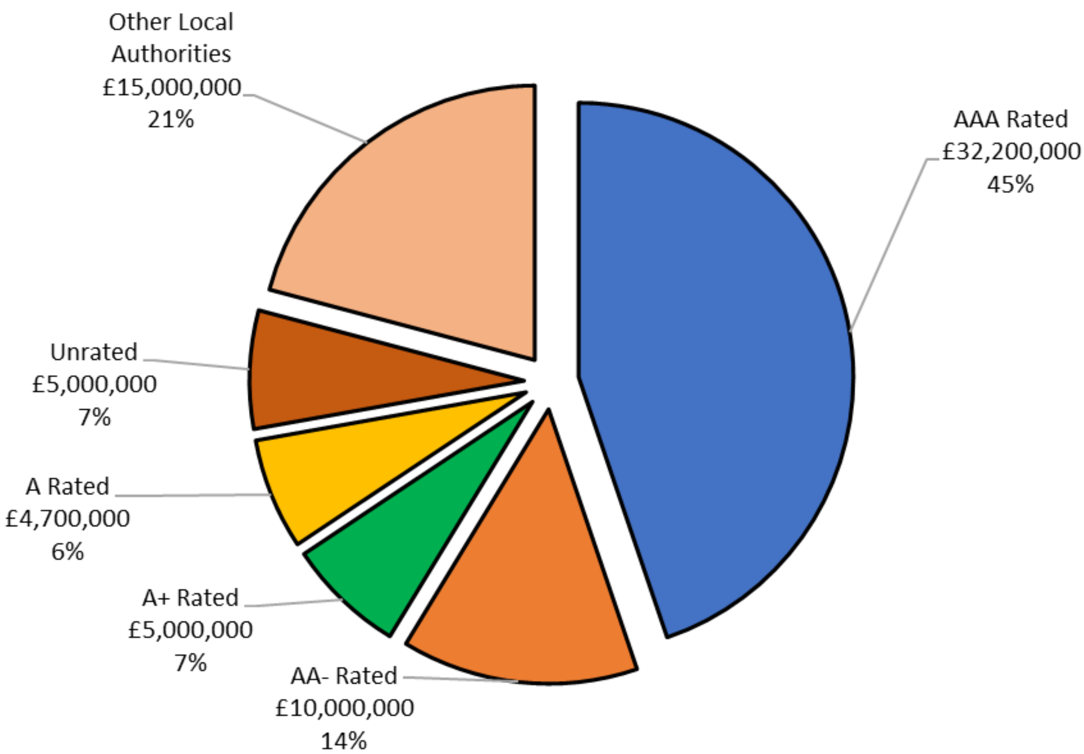
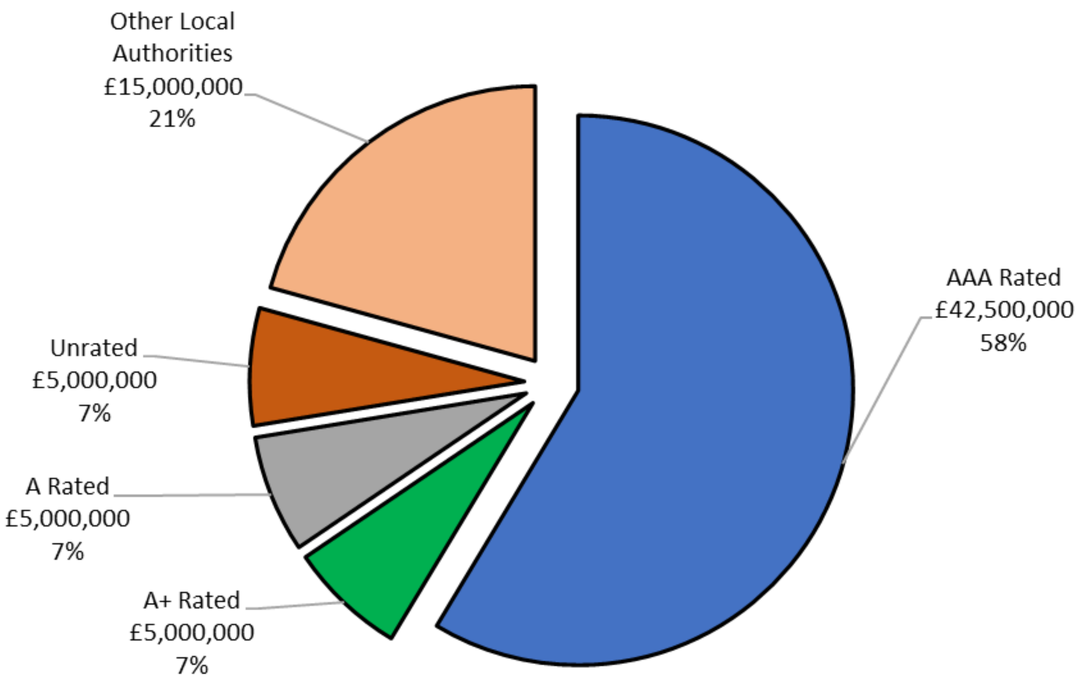


Chart 4: Council Investments Per Lowest Equivalent Long Term Credit Rating as at 31st March 2021 - £72.5m



APPENDIX 3
Average rate of return on investments for 2021/22

	Apr. %	May %	Jun. %	Average
Average rate of interest earned	0.30%	0.32%	0.28%	0.30%
Benchmark = Average 7 Day LIBID rate +0.05% (source: Arlingclose)	-0.03%	-0.03%	-0.03%	-0.03%
Performance against Benchmark %	+0.33%	+0.35%	+0.31%	+0.33%

APPENDIX 4

Council's External Borrowing at 30th June 2021

Lender	Amount outstanding	Start date	End date	Interest rate
Long term				
PWLB489142	10,000,000	15/10/2004	15/10/2034	4.75%
PWLB497233	5,000,000	12/05/2010	15/08/2035	4.55%
PWLB497234	5,000,000	12/05/2010	15/02/2060	4.53%
PWLB498834	5,000,000	05/08/2011	15/02/2031	4.86%
PWLB498835	10,000,000	05/08/2011	15/08/2029	4.80%
PWLB498836	15,000,000	05/08/2011	15/02/2061	4.96%
PWLB503684	5,300,000	29/01/2015	08/04/2034	2.62%
PWLB503685	5,000,000	29/01/2015	08/10/2064	2.92%
PWLB505122	16,879,619	20/06/2016	20/06/2041	2.36%
PWLB508126	9,088,130	06/12/2018	20/06/2043	2.38%
PWLB508202	9,693,756	12/12/2018	20/06/2068	2.59%
PWLB508224	4,536,875	13/12/2018	20/06/2043	2.25%
PWLB505744	8,573,560	24/02/2017	15/08/2039	2.28%
PWLB505966	8,752,361	04/04/2017	15/02/2042	2.26%
PWLB506052	7,438,286	08/05/2017	15/02/2042	2.25%
PWLB506255	6,714,422	10/08/2017	10/04/2067	2.64%
PWLB506729	8,925,963	13/12/2017	10/10/2042	2.35%
PWLB506995	8,947,355	06/03/2018	10/10/2042	2.52%
PWLB506996	9,194,007	06/03/2018	10/10/2047	2.62%
PWLB507749	9,248,353	10/09/2018	20/07/2043	2.42%
PWLB508485	19,581,457	11/02/2019	20/07/2068	2.52%
PWLB509840	9,493,281	04/09/2019	20/07/2044	1.40%
KBC Bank N.V *	5,000,000	08/10/2004	08/10/2054	4.50%
KBC Bank N.V *	5,000,000	08/10/2004	08/10/2054	4.50%
Commerzbank AG Frankfurt*	10,000,000	27/04/2005	27/04/2055	4.50%
Medium term				
Portsmouth C.C.	5,000,000	19/12/2019	19/12/2022	1.65%
Short term				
Gloucestershire C.C.	5,000,000	25/11/2019	25/11/2021	1.50%
Total Borrowing	**227,367,425**			

*All LOBO's (Lender Option / Borrower Option) have reached the end of their fixed interest period and have reverted to the variable rate of 4.50%. The lender has the option to change the interest rate at 6 monthly intervals. Should the lender use the option to change the rate, then at this point the borrower has the option to repay the loan without penalty.

APPENDIX 5

Economic and market review for April 2021 to June 2021

Economic background: Economic resurgence from coronavirus pandemic continued to dominate the first quarter of the financial year. In the biggest inoculation programme the country has ever undertaken, over 44 million people in the UK had received their first dose of a COVID-19 vaccine with 32 million also having a second dose.

The Bank of England (BoE) held Bank Rate at 0.1% throughout the period and maintained its Quantitative Easing programme at £895 billion, unchanged since the November 2020 meeting. In its June 2021 policy announcement, the BoE expected the economy to experience a temporary period of strong GDP growth and above-target CPI inflation, after which growth and inflation is expected to fall back. There were, however, two-sided risks around this central path, and it is possible that near-term upward pressure on prices could prove somewhat larger than expected. The Bank's Monetary Policy Committee does not intend to tighten monetary policy at least until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% inflation target sustainably.

Government initiatives continued to support the economy over the quarter, following the range of measures announced by the Chancellor in the 2021 Budget, which included extending the furlough (Coronavirus Job Retention) scheme until September 2021.

The latest labour market data showed that in the three months to April 2021 the unemployment rate fell to 4.7%, although it is likely that labour market slack has remained higher than implied by this measure. Some individuals stopped looking for work during the pandemic and were therefore recorded as inactive. There is uncertainty around how many of these individuals will resume their search for a job, and when. Latest data showed growth in average total pay (including bonuses) and regular pay (excluding bonuses) among employees was 5.6% for the three months February to April 2021. The seemingly high growth partly reflected a base effect from a decline in average pay in the spring of last year, associated with the reduced pay of employees on the furlough scheme.

Annual CPI inflation rose to 2.1% in May on the back of base effects in spring 2020 and partly due to higher energy and commodity prices and supply-side bottlenecks. The BoE expects inflation to exceed 3% for a temporary period. The ONS' preferred measure of CPIH which includes owner-occupied housing was also 2.1% year/year, marginally higher than expectations.

The reimposition of restrictions on activity in the first quarter of calendar 2021 year resulted in GDP falling 1.5% in Q1. GDP growth was strong in April at 2.3% with the partial easing of restrictions on non-essential retail and outdoor hospitality. Housing market activity remained strong, aided by the extension of the stamp duty threshold and an increase in mortgage approvals for house purchases.

The US economy rebounded by 4.3% in Q4 2020 (Oct-Dec) and then an even stronger 6.4% in Q1 as the recovery continued to be fuelled by $5 trillion worth of pandemic stimulus packages. The Federal Reserve maintained its main interest rate at between 0% and 0.25% over the period.

The European Central Bank maintained its base rate at 0%, deposit rate at -0.5%, and asset purchase scheme at €1.85 trillion.

Financial markets: Ongoing monetary and fiscal stimulus together with improving economic growth prospects and successful vaccine rollout programmes continued to boost equity markets over the period. The Dow Jones reached a record high during the period while the FTSE 100 index had almost recouped 2020 losses and the more UK-focused FTSE 250 was back above pre-pandemic levels.

Inflation worries continued during the period but declines in bond yields between April and June suggest bond markets may be expecting any general price increases to be less severe, or more transitory, than was previously thought.

The 5-year UK benchmark gilt yield began the financial year at 0.36% before declining to 0.29% by mid-June 2021 and then rising to 0.34%. Over the same period the 10-year gilt yield fell from 0.79% to 0.71% before rising to 0.84% and is currently 0.73%. The 20-year yield declined from 1.31% to 1.21%. [yields at 28/6/21]

1-month, 3-month and 12-month SONIA bid rates averaged 0.03%, 0.01% and 0.15% respectively over the period.

Credit review: Credit default swap spreads were relatively flat over the period and remain only slightly above their pre-pandemic levels. The gap in spreads between UK ringfenced and non-ringfenced entities remained, and Santander UK remains an outlier compared to the other ringfenced/retail banks. At mid-June, Santander UK was trading the highest at 56bps and Standard Chartered the lowest at 32bps. The other ringfenced banks were trading between 34 and 36bps while Nationwide Building Society was 40bps.

There were only a small number of credit rating actions over the period. Fitch revised a number of Singaporean and Australian banks as well as Close Brothers to stable, and also upgraded Coventry Building Society to ‘A’ (from ‘A-‘). S&P followed closely behind revising some Australian banks to stable, as well as Transport for London, which a week or so later received a £1.08 billion bailout from the UK government. S&P also downgraded the long- and short-term ratings of DZ Bank (Germany) to A+ and A-1 from AA- and A-1+ respectively.

The successful vaccine rollout programme is both credit positive for the financial services sector in general, but there remains much uncertainty around the extent of the losses banks and building societies will suffer due to the economic slowdown which has resulted due to pandemic-related lockdowns and restrictions. The institutions and durations on the Authority’s counterparty list recommended by treasury management advisors Arlingclose remain under constant review, but at the end of the period no changes had been made to the names on the list or the recommended maximum duration of 35 days.

Outlook for the remainder of 2021/22

The medium-term global economic outlook has continued to improve with the rollout of vaccination programmes. The UK has continued to benefit from its initial rapid vaccine rollout and has shifted focus onto second vaccinations to increase protection to counter a third wave of Covid variant.

The opening up of the UK economy in Q2/Q3 will continue to prompt a sharp increase in GDP.

While downside risks seem to have fallen somewhat after recent trends in GDP and labour, the upside risks remain relatively balanced with the MPC reiterating its commitment not to tighten policy until there is clear evidence that the recovery is eliminating spare capacity in the economy.

Inflation has moved above the Bank of England's 2% target. Alongside the increase in commodity prices, the MPC has acknowledged the prospect of a sharper upturn in inflation, with the potential CPI could rise above 3% in the coming months. However, the nature of the commodity price rise and the base effect easing, this is likely a more transitory effect.

Upward pressure on gilt yields could continue in the short term due to the preponderance of strong data, but this is likely to ease once inflation fears recede as the effect of weak base effects subsides and growth figures return to more normal levels.

Arlingclose expects Bank Rate to remain at the current 0.10% level. The risk of movement in Bank Rate in the short term is low.

Gilt yields could continue to increase in the short term but will begin to plateau and reduce once the market's expectation of rises in Bank Rate and inflation fears subside. Longer term yields may face upward pressure towards the end of Arlingclose's forecast period as the economy moves back to a sustained footing and policy expectations start to strengthen.

Downside risks remain – the damage from the pandemic will have lasting effects and there is the risk of further virus mutations due to the uneven global rollout of vaccines. Downside risks also arise from potential future vaccine shortages as the global demand for vaccines increases.

APPENDIX 6

Interest & Capital Financing Costs – Budget Monitoring 2021/22

April 2021 to June 2021	YEAR END POSITION			ADV/FAV
	Budgeted Spend or (Income) £'000	Forecast Spend or (Income) £'000	Forecast over or (under) spend £'000	
Interest & Capital Financing				
- Debt Costs	8,049	8,049	0	
- Internal Repayment of Loan Charges	(10,338)	(10,338)	0	
- Ex Avon Debt Costs	1,020	1,020	0	
- Minimum Revenue Provision (MRP)	8,307	8,307	0	
- Interest on Balances	(208)	(208)	0	
Total	**6,830**	**6,830**	**0**	

APPENDIX 7

Summary Guide to Credit Ratings

Rating	Details
AAA	Highest credit quality – lowest expectation of default, which is unlikely to be adversely affected by foreseeable events.
AA	Very high credit quality - expectation of very low default risk, which is not likely to be significantly vulnerable to foreseeable events.
A	High credit quality - expectations of low default risk which may be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
BBB	Good credit quality - expectations of default risk are currently low but adverse business or economic conditions are more likely to impair this capacity.
BB	Speculative - indicates an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time.
B	Highly speculative - indicates that material default risk is present, but a limited margin of safety remains. Capacity for continued payment is vulnerable to deterioration in the business and economic environment.
CCC	Substantial credit risk - default is a real possibility.
CC	Very high levels of credit risk - default of some kind appears probable.
C	Exceptionally high levels of credit risk - default is imminent or inevitable.
RD	Restricted default - indicates an issuer that has experienced payment default on a bond, loan or other material financial obligation but which has not entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure, and which has not otherwise ceased operating.
D	Default - indicates an issuer that has entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure, or which has otherwise ceased business.