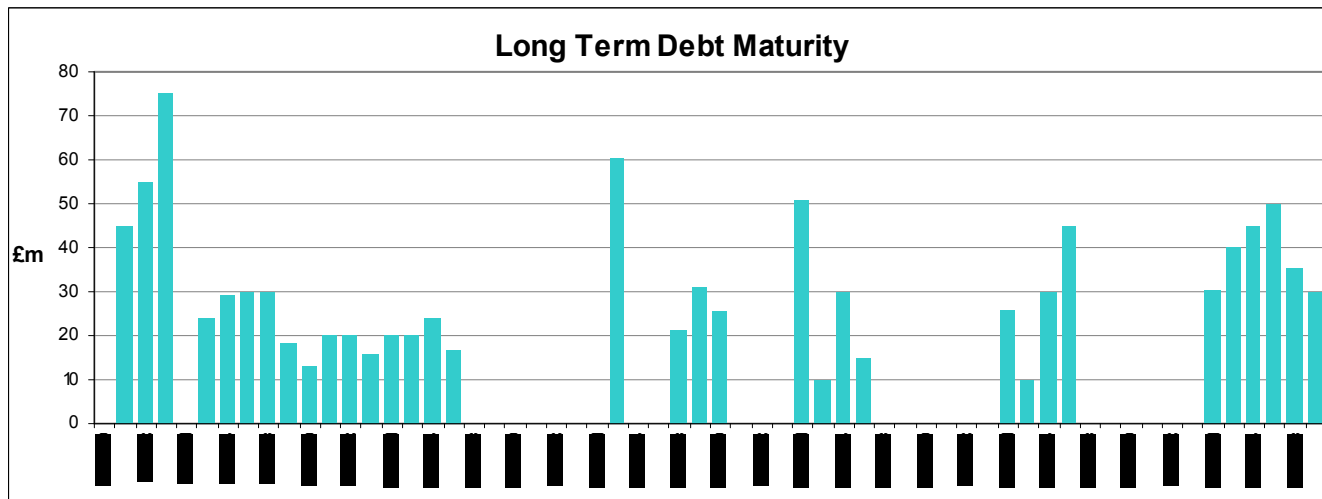


Treasury Management Report for the month of March 2010

1. Long Term Borrowing

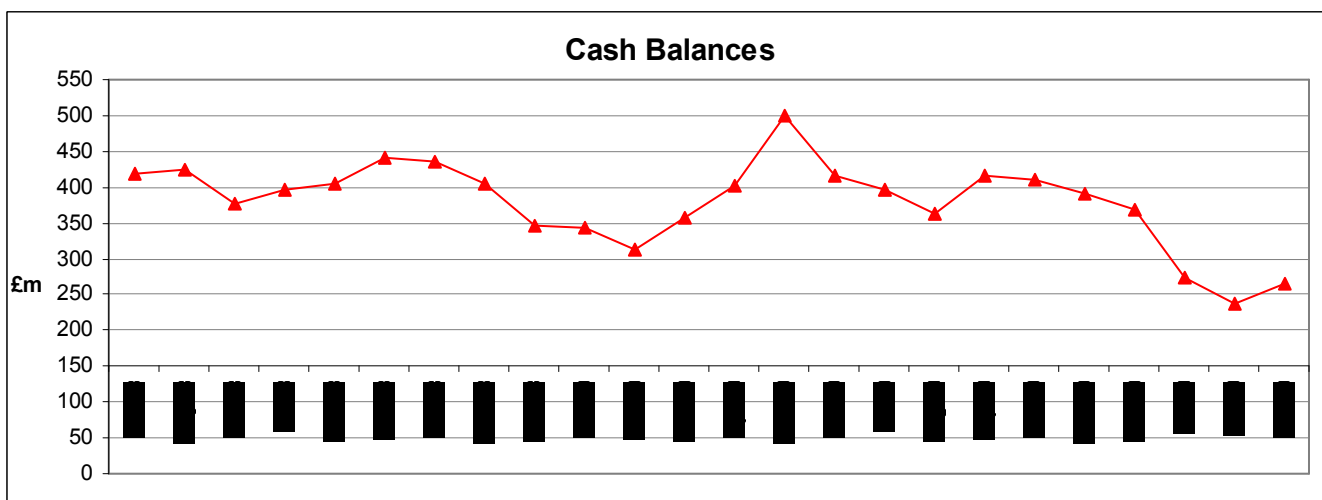
No new borrowings were arranged during March and the total outstanding is £1,042.4million with the maturity profile being as follows. The council continues to fund all new borrowing requirements by using available cash balances (i.e. internalising the debt).



Total external debt managed by KCC includes £49.2m pre-LGR debt managed by KCC on behalf of Medway Council. Also included is pre-1990 debt managed on behalf of Further Education Funding Council (£2.6m), Magistrates Courts (£1.4m) and the Probation Service (£0.24m). These bodies make regular payments of principal and interest to KCC to service this debt. The total debt fall out for 2009-10 was £60.51m, £60.47m being the maturity of a loan from the PWLB and £0.035m relating to small annuity and equal instalments of principal loans.

2. Investments

During March the total value of cash under management increased by £32m to £268m as the result of the receipt of grants which offset the impact of the de - segregation of Fire Monies - £14.9m on 30 March and investments of £13m into Pooled property funds by the Pension Fund. The 3rd dividend of £1.14m was received from Heritable Bank on 30 March. The following graph shows the movement in cash balances over the period April 2008 – March 2010.



Total cash balances under internal management by KCC include principal amounts currently at risk in Icelandic bank deposits (£43.9m), Pensions Fund cash (£56.1m), balances of schools in the corporate scheme (£52.2m), other reserves and funds held in trust. The reducing cash balance since September 2009 reflects the Council's policy of deferring borrowing and using available cash balances to fund new capital expenditure.

2.1 Deposit Portfolio

The schedule of deposits as at 16 April 2010 is attached.

2.2 Counterparty List

At the end of March some £165m was invested with financial institutions on the approved list. Also at this date KCC had a long term deposit of £5m with Chelsea Building Society due to mature in August 2010. This deposit was transferred to Yorkshire Building Society on 7 April following the merger of the 2 building societies.

2.3 Average return and comparison

The average return on new deposits in March was 0.7396% vs. 7 day LIBID 0.4080%

3 Interest on Cash Balances / Debt Charges for the year 2009-10

The underspend has increased by £0.200m this month from £8.949m to £9.149m. This reflects:

- lower debt charges as new borrowing has been deferred,
- higher than anticipated cash balances due to higher grant receipts than assumed and re-phasing of the capital programme,
- the write-down in 2009-10 of the discount saving on debt restructuring undertaken at the end of 2008-09 which was transferred to the Economic Downturn reserve,
- full utilisation of the approved banking institutions

4 Risk management

Credit Score matrix. The marginally lower credit rating ie higher credit risk of the deposit portfolio in March 2010 is due to the majority of the deposits being held with financial institutions rated AA- or lower with some £135m (51%) in overnight call accounts.

	October 2008		March 2010	
	Credit Rating	Credit Risk Score	Credit Rating	Credit Risk Score
Value Weighted Average	A+	5.3	A+	5.5
Time Weighted Average	AA-	4.0	A+	4.8

Credit risk scored 1 – 10; 1 = strongest rating lowest risk, i.e. AAA, through to 15 = lowest credit rating, highest risk, i.e. D

Operational Controls - no failures

5 Interest Rate Forecast

The March commentary on the economy and outlook for interest rates provided by Arlingclose was circulated to members at the meeting on 26 March 2010.

Alison Mings
14 March 2010