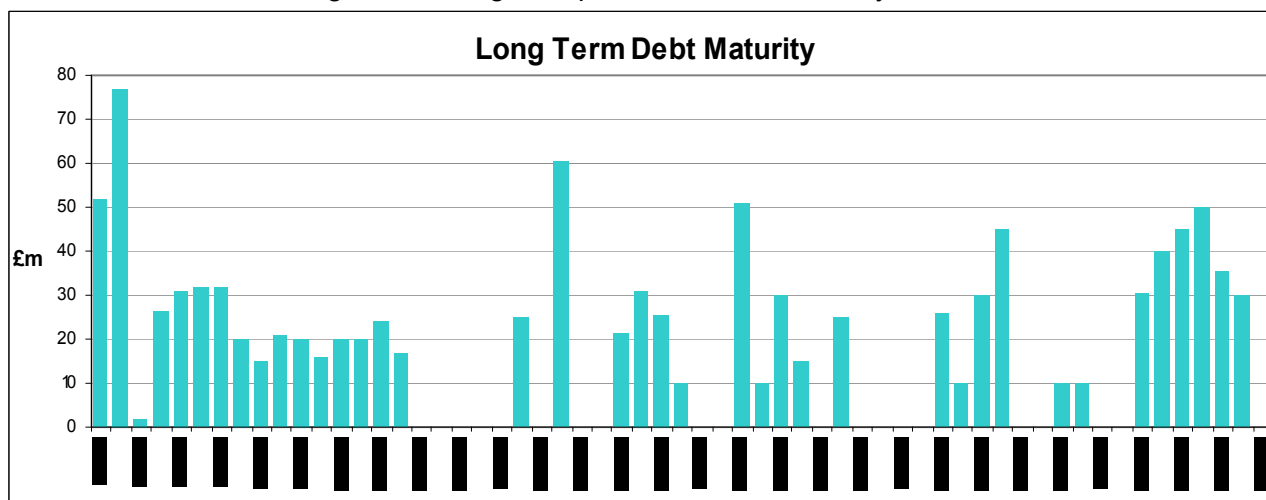


Treasury Management Report for the month of July 2011

1. Long Term Borrowing

The Council's strategy continues to be to fund its capital expenditure from internal resources as well as consider borrowing at advantageous points in interest rate cycles.

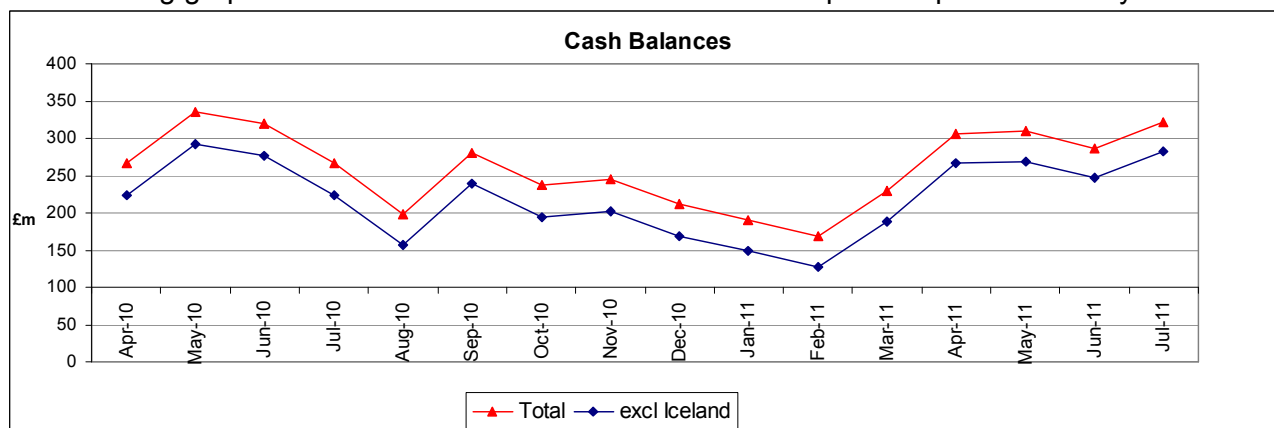


Total external debt includes £46.5m pre-LGR debt managed by KCC on behalf of Medway Council and pre -1990 debt managed on behalf of the Further Education Funding Council (£2.6m), Magistrates Courts (£1.4m) and the Probation Service (£0.24m). During 2011-12 KCC expects to repay loans totalling £57m and has arranged borrowings of £50m to be drawn in August.

2. Investments

During July the total value of cash under management rose by £33.87m to £320.87m, £281.61m excluding £39.264m of Iceland monies. The available balance at the end of July of £281.61m included schools balances (£52.1m), KCC working capital (£60m), and other reserves and funds held in trust. An 8th dividend of 4.05p/£ was received from Heritable bank on 15 July bringing our total receipts from Heritable to £11.09m, 60.42% of the amount due.

The following graph shows the trend in cash balances over the period April 2010 – July 2011.

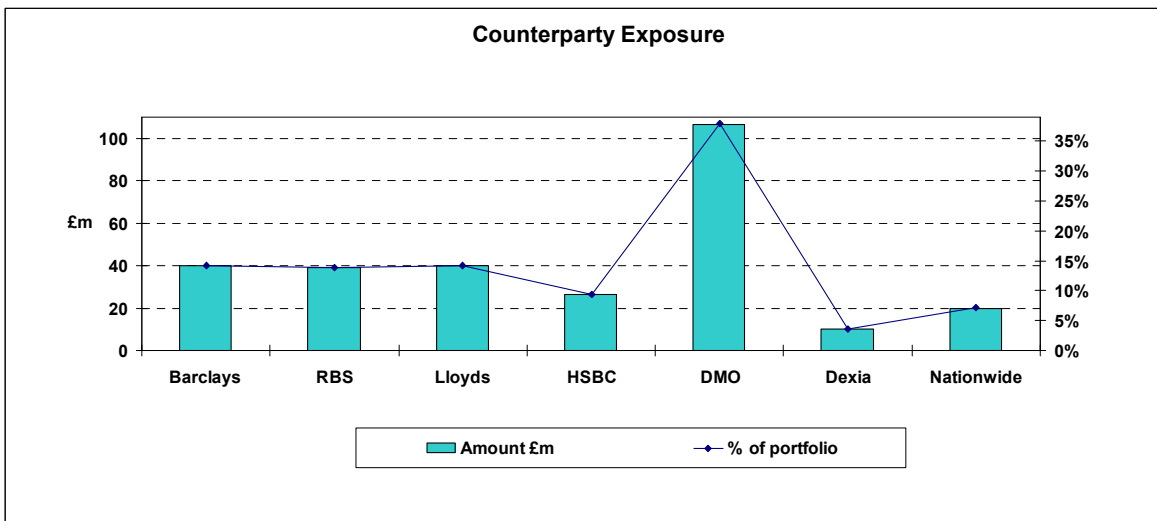
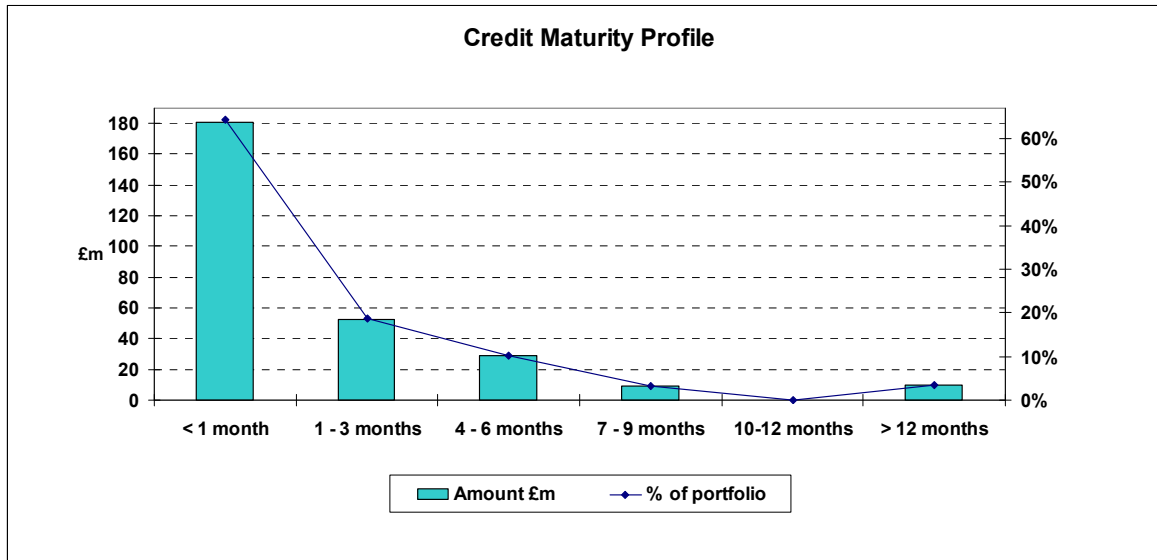


2.1 Average return on new deposits

The average return on new deposits in July was 0.6038% vs 7 day LIBID 0.4663%. This return is the result of most new deposits being placed with the DMO as facilities with other counterparties totalling £180m had already been used.

2.2 Credit maturity profile and counterparty exposure

At the end of July £181million, 64% of the portfolio, was held in call accounts and deposits with a maturity of less than 1 month including £106.56m with the DMO. The following charts show the credit maturity profile of the portfolio and counterparty exposure.



2.3 Credit Score matrix

	July 2010		July 2011	
	Credit Rating	Credit Risk Score	Credit Rating	Credit Risk Score
Value Weighted Average	AA	3.2	AA	2.94
Time Weighted Average	A+	4.6	AA-	4.01

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

3. Interest Rate Forecast

The July commentary provided by Arlingclose on the economy and outlook for interest is attached.

Alison Mings, 17 August 2011