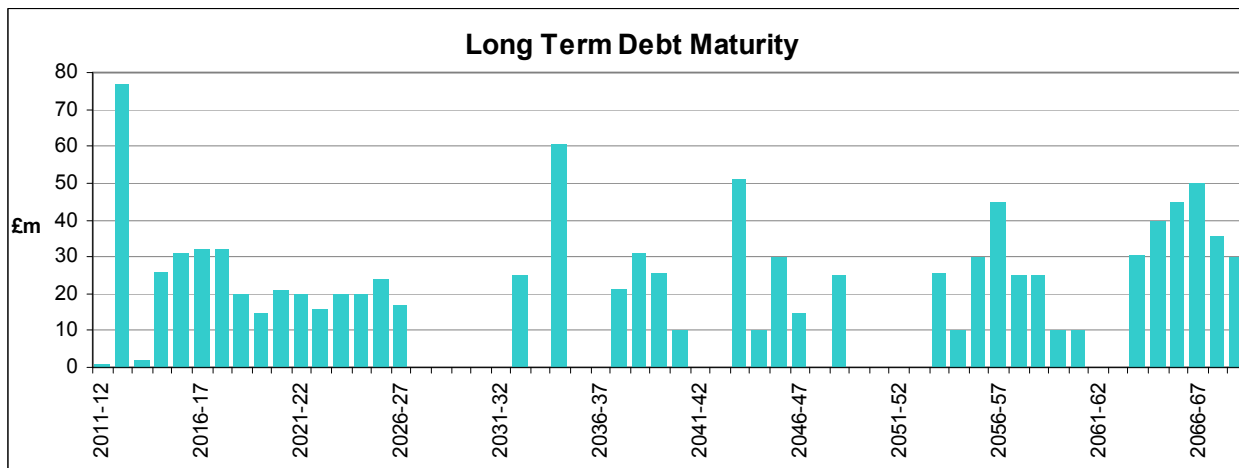


# Treasury Management Report for the month of February 2012

## 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. The total amount of debt outstanding at the end of the month was £1,090million, with the maturity profile being as follows.



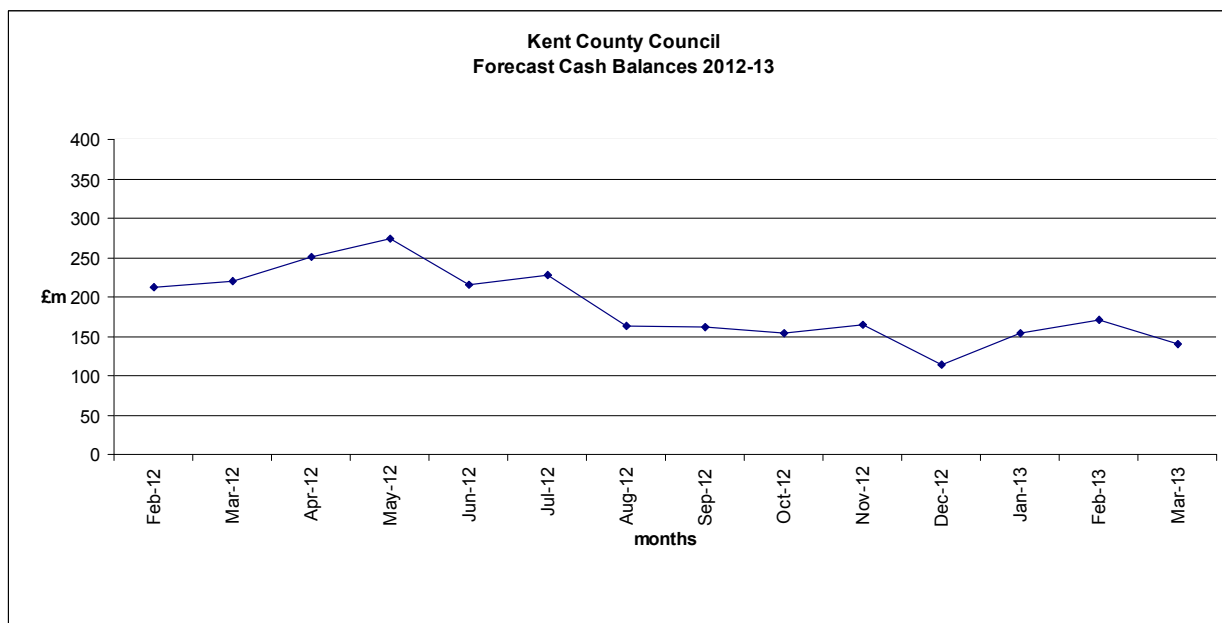
Total external debt managed by KCC includes £45.36m pre-LGR debt managed by KCC on behalf of Medway Council, pre-1990 debt managed on behalf of Further Education Funding Council (£2.6m), Magistrates Courts (£1.4m) and the Probation Service (£0.24m).

## 2. Investments

### 2.1 Cash Balances

During February the total value of cash under management fell by £17.08m to £245.32m, £212.34m excluding £32.98m of Iceland monies. The available balance at the end of February of £212.34m included schools balances (£52.2m), KCC working capital (£60m), and other reserves and funds held in trust.

The following graph shows the forecast cash balances over the period February 2012 – March 2013. This assumes lower income, maturing loans being financed from cash and lower school reserves.



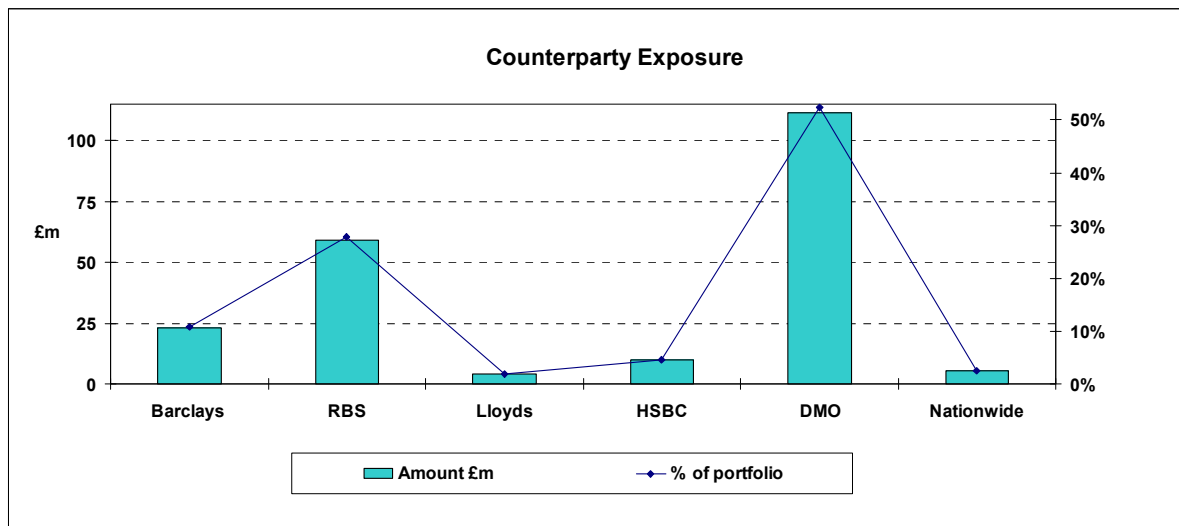
## 2.2 Average return on new deposits

The average return on new deposits in February was 0.3051% vs 7 day LIBID 0.4835%. Until 23rd February all cash was being invested with the DMO at 0.25%. Following agreement of the revised counterparty list surplus cash has been invested in call accounts with NatWest and RBS earning 1.15% and 1.25% respectively.

## 2.3 Credit maturity profile and counterparty exposure

At the end of February £190.14m, 90% of the portfolio was held in call accounts and short term deposits with the DMO.

The following chart shows the counterparty exposure as at the month end.



## 2.4 Credit Score matrix

	January 2012		February 2012	
	Credit Rating	Credit Risk Score	Credit Rating	Credit Risk Score
<b>Value Weighted Average</b>	<b>AA+</b>	<b>1.19</b>	<b>AA</b>	<b>3.13</b>
<b>Time Weighted Average</b>	<b>A+</b>	<b>4.67</b>	<b>A+</b>	<b>4.97</b>

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

The switch from term deposits with the DMO to monies in call accounts with RBS / NatWest is reflected in the portfolio's higher risk scores.

## 3. Interest on Cash Balances / Debt Charges for 2011-12

The forecast underspend has increased by £0.143m this month. This is mainly due to £0.205m further interest on cash balances as a result of receiving the second dividend from Landsbanki.

## 4. Interest Rate Forecast

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

**Alison Mings, 9 March 2012**