

By: John Simmonds, Deputy Leader and Cabinet Member for Finance & Business Support
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To: Governance & Audit Committee – 30 April 2014

Subject: **TREASURY MANAGEMENT QUARTERLY REPORT**

Clarification: Unrestricted

Summary: To report an update on treasury management issues.

FOR ASSURANCE

INTRODUCTION

1. This Committee is charged with responsibility for oversight of the Council's treasury management arrangements and receives a quarterly report.

STATEMENT OF DEPOSITS AND INVESTMENTS

2. A statement of deposits and investments as at 31 March is attached in Appendix 1. This report is circulated to members of Treasury Management Advisory Group every Friday.

MONTHLY PERFORMANCE REPORT

3. A performance report is produced monthly for the Treasury Management Advisory Group. The February report is attached in Appendix 2.

SUMMARY OF DEVELOPMENTS

4. Following Cabinet's approval for an investment portfolio £5million has been invested in the Pyrford absolute return fund, £5million investment in the CCLA Local Authorities Property Fund and £4.593m in Kent PFI Holding Company 1 Ltd shares / loan notes.
5. The Treasury Management Advisory Group met on 13 November where the focus was the Treasury Strategy. The 2014-15 Strategy was approved by Council on 13 February 2014 and implemented shortly thereafter.
6. The Council's borrowing strategy is to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Given the

low interest rates presently available for deposits and the resilience of the Council's cash flow we are continuing to hold off from borrowing and use internal cash resources to fund expenditure.

7. The Council's investment strategy recognises the need to diversify further and reduce the size of the investment it makes in any one financial institution. It therefore additionally includes a number of new counterparties for fixed and variable deposits with the maximum investment in any one counterparty reduced to £40m. The strategy also allows for the purchase of Supranational and Covered bonds. In addition it is anticipated that we will continue to set up an investment portfolio.
8. Duration limits for bank deposits have remained unchanged for existing counterparties with those for new counterparty banks being set after taking into account advice from Arlingclose.
9. During March the Council's deposits have been aligned with the new strategy including new deposits with Handelsbanken (£20m), Commonwealth Bank of Australia (£20m), Leeds Building Society (£5m) and purchases of Bank of Scotland Covered Bonds (£5.3m). The RBS Group was suspended from the Council's approved counterparty list following the downgrading of its credit rating to below the minimum threshold of A-.

RECOMMENDATION

10. Members are asked to note this report for assurance.

Alison Mings
Treasury and Investments Manager

Appendix 1

KCC Deposits and Investments as at 31 March 2014

Instrument Type	Counterparty	Principal Amount	End Date	Interest Rate %	Territory
Fixed Deposit	Bank of Scotland	£5,000,000	08/05/2014	0.75	UK Bank
Fixed Deposit	Bank of Scotland	£5,000,000	22/07/2014	0.75	UK Bank
Same Day Call Deposit	Barclays Bank	£10,000,000	n/a	0.3	UK Bank
Same Day Call Deposit	Barclays FIBCA	£30,000,000	n/a	0.6	UK Bank
Fixed Deposit	HSBC	£5,000,000	03/04/2014	0.3	UK Bank
Fixed Deposit	HSBC	£6,000,000	04/04/2014	0.3	UK Bank
Fixed Deposit	HSBC	£19,400,000	25/04/2014	0.35	UK Bank
Fixed Deposit	HSBC	£4,000,000	07/04/2014	0.3	UK Bank
Fixed Deposit	HSBC	£5,600,000	08/04/2014	0.3	UK Bank
Fixed Deposit	Lloyds Bank	£5,000,000	06/05/2014	0.75	UK Bank
Fixed Deposit	Lloyds Bank	£5,000,000	19/05/2014	0.75	UK Bank
Fixed Deposit	Lloyds Bank	£5,000,000	19/08/2014	0.7	UK Bank
Fixed Deposit	Lloyds Bank	£5,000,000	21/08/2014	0.7	UK Bank
Fixed Deposit	Lloyds Bank	£5,000,000	22/04/2014	0.75	UK Bank
Same Day Call Deposit	Santander UK	£40,000,000	n/a	0.4	UK Bank
Certificate of Deposit	Standard Chartered	£10,000,000	07/07/2014	0.55	UK Bank
Certificate of Deposit	Standard Chartered	£10,000,000	05/08/2014	0.49	UK Bank
Certificate of Deposit	Standard Chartered	£10,000,000	02/04/2014	0.54	UK Bank
Certificate of Deposit	Standard Chartered	£2,000,000	22/07/2014	0.52	UK Bank
Certificate of Deposit	Standard Chartered	£8,000,000	08/09/2014	0.59	UK Bank
	Total UK Bank Deposits	£195,000,000			
Fixed Deposit	Nationwide Building Society	£35,300,000	25/04/2014	0.38	UK Building Society
Fixed Deposit	Nationwide Building Society	£800,000	07/04/2014	0.35	UK Building Society
Fixed Deposit	Nationwide Building Society	£3,900,000	07/04/2014	0.4	UK Building Society
Fixed Deposit	Leeds Building Society	£5,000,000	30/06/2014	0.42	UK Building Society
	Total UK Building Society Deposits	£45,000,000			
Fixed Deposit	Debt Management Account Deposit Facility	£700,000	16/04/2014	0.25	UK Govt
	Total UK Government Deposits	£700,000			
Fixed Deposit	Commonwealth Bank of Australia	£7,000,000	28/04/2014	0.47	Australian Bank
Fixed Deposit	Commonwealth Bank of Australia	£6,000,000	30/04/2014	0.43	Australian Bank
Fixed Deposit	Commonwealth Bank of Australia	£7,000,000	30/05/2014	0.44	Australian Bank

	Total Australian Bank Deposits	£20,000,000			
Same Day Call Deposit	Handelsbanken	£20,000,000	n/a	0.6	Swedish Bank
	Total Swedish Bank Deposits	£20,000,000			
Fixed Rate Covered Bond	Bank of Scotland	£2,184,840	08/11/2016	1.293	UK Bank
Fixed Rate Covered Bond	Bank of Scotland	£3,142,737	08/11/2016	1.309	UK Bank
	Total Covered Bonds	£5,327,577			
Loan	Rouse Kent (Residential) Ltd	£3,664,605	31/03/2019	5.5	Joint Venture Loan (Kings Hill)
Equity and Loan Notes	Kent PFI (Holdings) Ltd	£4,592,956	n/a		UK Private Equity
	Total Equity and Loans	£8,257,561			
	Total Icelandic Bank Deposits	£12,416,710			
	Total Icelandic Deposits held in ESCROW (est GBP)	-£3,146,603			
	Net Icelandic Deposits Claims Outstanding	£9,270,107			
	Total Internally managed cash	£303,555,245			
Investment Fund	CCLA LAMIT Property Fund	£5,000,000	30/11/2018	0.51	UK Fund
Investment Fund	Pyrford Global Total Return (Sterling) Fund	£5,000,000	18/12/2018	0.34	UK Fund
	Total Externally Managed Investments	£10,000,000			
Total Deposits and Investments		£313,555,245			