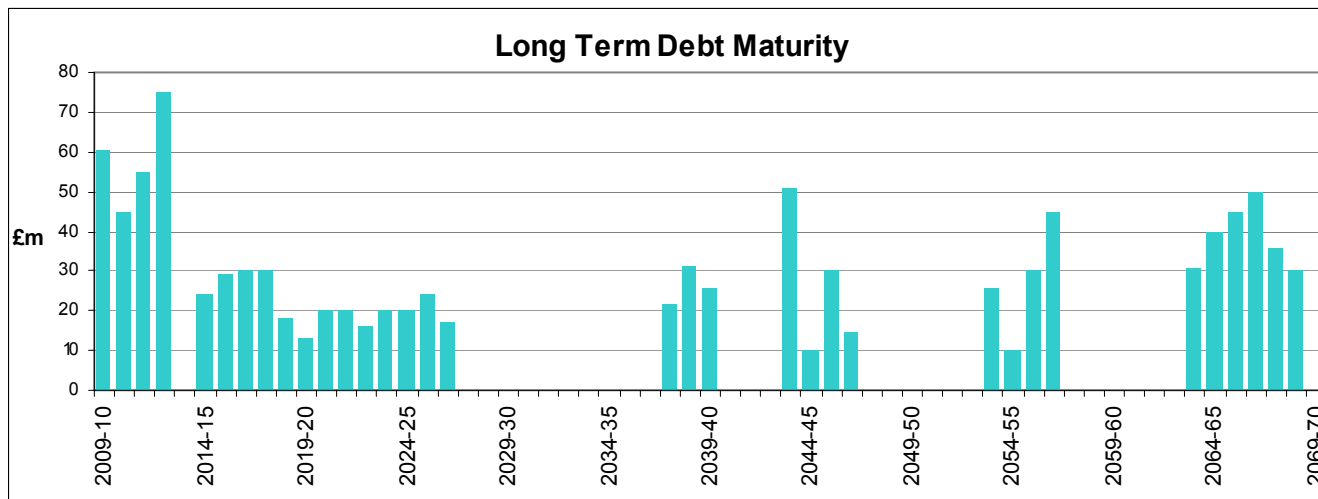


Treasury Management Report for the month of September 2009

1. Long Term Borrowing

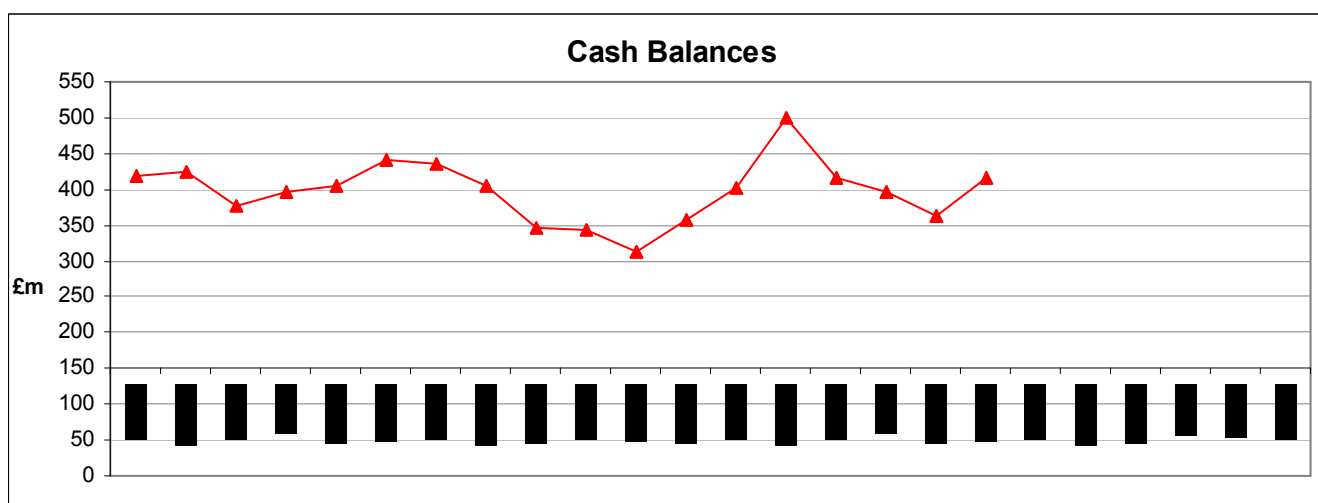
During September there was no borrowing activity so total borrowings remain at £1,042.4m with the maturity profile being as follows.



This includes £50.3m 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 council continues to fund all new borrowing requirements by using available cash balances (i.e. internalising the debt).

2. Investments

The total value of cash under management at the end of September was £415.41. The following graph shows the movement in cash balances over the period April 2008 – September 2009.



This includes principal amounts currently at risk in Icelandic bank deposits (£47.4m), Pensions Fund cash (£103.4m), Kent Fire and Rescue balances (£16.8m), balances of schools in the corporate scheme (£75.9m), other reserves and funds held in trust.

2.1 Deposit Portfolio

A schedule of deposits as at 9 October 2009 is attached.

2.2 Counterparty List

All new deposits placed in September were timed deposits with the DMO (Debt Management Account Deposit Facility). The total that could be invested at any time is £450million and the maximum duration is 6 months. The total amount with the DMO at the end of September was £328.85million.

2.3 Average return and comparison

The average return on new deposits in September was 0.25% vs 7 day LIBID 0.38%

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

Cash Limit			Variance		
G	I	N	G	I	N
£000	£000	£000	£000	£000	£000
117,921	-12,769	105,152	-3,209	-422	-3,631

The net variance is due to the write down of the discount saving from 2008-9 debt restructuring, no new borrowing and increased interest on balances.

4 Risk management

Credit Score matrix shows that over the period October 2008 through to September 2009 the risk rating of the deposits has improved reflecting the large proportion of short term deposits in the DMO.

	October 2008		September 2009	
	Credit Rating	Credit Risk Score	Credit Rating	Credit Risk Score
Value Weighted Average	A+	5.3	AA	3.0
Time Weighted Average	AA-	4.0	AA-	4.2

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 Forecasts

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

Alison Mings
9 October 2009