

TREASURY MANAGEMENT PERFORMANCE UPDATE AND MID-YEAR REVIEW FOR 2025/26

Item AU 25/42 referred from Audit Committee of 29S September

The report of the Head of Finance provided an update on treasury management activity undertaken during April to July of the current financial year. A mid-year review of the Treasury Management and Annual Investment Strategy for 2025/26 was also included in the report.

A full list of investments held on 31 July 2025 was attached at Annex 1 to the report and a copy of the lending list at Annex 2. In terms of cash flow and core cash investments, £840,200 was earned in interest to the end of July which was £116,200 higher than the original estimate for the same period. The positive variance was primarily driven by the slower-than-anticipated reduction in the Bank Rate, which had resulted in sustained higher interest yields on deposits. During the period 1 April 2025 to 30 June 2025, the £3m investment in property funds generated dividends of £28,730 which represented an annualised return of 4.04%.

The Lothbury Property Fund officially terminated on 30 May 2024 and commenced the sale of assets. To date, the Council had received six payments totalling £1,324,240 of its initial investment. The four remaining assets, valued at £65.5m were currently under offer and sales were expected to conclude by August 2025, however the timetable for completion had been extended and Members would be provided an update on performance via a briefing note. Distributions would be made as asset sales were completed.

In respect of the Hermes property fund, the Council had disinvested at the time of the completed merger with Legal and General Assurance Pensions Management Limited and received a share settlement of £908,000 on 20 August 2025, compared to an initial investment of £1m.

Attention was made to CCLA, which had announced a partnership with Juniper Fund Management Plc, subject to approval by the Financial Conduct Authority (FCA), and until such time, business would be as usual. CCLA had pursued the partnership to better serve organisations such as Tonbridge and Malling Borough Council and whilst maintaining its own identify, CCLA would benefit from Juniper Fund Management's expanded resources and project opportunities, with the company committed to preserving CCLA's investment philosophy.

Members were advised that the Council had operated within the treasury limits and prudential indicators set out in the Annual Investment Strategy and in compliance with the Council's Treasury Management Practices and the Prudential and Treasury Indicators which were attached at Annex 4 to the report.

The parameters to limit the Borough Council's exposure to investment risks were summarised in Annex 5. Following a review of the risk parameters and the Treasury Management and Annual Investment Strategy, a change to the current approved risk parameters to include Ethical Investments was proposed to broaden investment options whilst maintaining security and liquidity. Furthermore, future consideration

would be given to the inclusion of borrowing and debt rescheduling in anticipation of the future needs of the Council.

RECOMMENDED*: That the following be commended to Council:

- (1) the action taken in respect of Treasury Management activity for April to July 2025, be endorsed;
- (2) the inclusion of Ethical Investments to the existing parameters intended to limit the Council's exposure to investment risks as per paragraph 9.2 of the report, be endorsed;
- (3) the current position in respect of the Lothbury and Hermes Property Investment Funds, be noted.

***Recommended to Council**