

TREASURY MANAGEMENT UPDATE AND ANNUAL REPORT FOR 2019/20

Item AU 20/15 referred from Audit Committee of 27 July 2020

The report of the Director of Finance and Transformation provided an update on treasury management activity undertaken during April to June of the current financial year within the context of the national economic climate. The treasury management outturn position for 2019/20 was also set out.

The report provided a commentary on investments derived from cash flow surpluses, core cash balances and other long term cash balances and it was noted that long term investment at the end of June 2020 comprised £5m in property fund investment. A full list of investments held on 30 June 2020 was set out at Annex 2 to the report.

Particular reference was made to the significant financial consequences arising from the coronavirus pandemic which had resulted in a fall in UK economic growth in April of -24.5%. There remained huge uncertainties as to how quickly the economy would recover to what was formerly regarded as normality. In addition, the Government measures to support jobs and businesses would result in a substantial increase in the nation's annual budget deficit and overall level of debt.

Member's attention was drawn to the financial and value for money considerations and it was reported that investment income for the year as a whole was expected to underperform against budget by some £237,000. Dividends from property funds of £35,800 (2.87%) had been generated during the period 1 April to 30 June 2020. This return was expected to increase as rents deferred in June were collected later in the year

The Committee remained supportive of property investments in general as it was recognised that the current recession was a result of a health and not a financial crisis. Recent falls in property values were expected to be reversed as the economy recovered from the impact of Covid-19. Opportunities for additional property fund investments would be considered in the future as resources become available from asset disposals and other windfalls as these managed funds provided a stable income stream.

Investment income for the 2019/20 financial year as a whole exceeded the revised estimate by £25,158 and the original estimate by £117,158.

Finally, reference was made to the funding of £18.7m provided by Government on 1 April for redistribution to eligible businesses in the Tonbridge and Malling Area. At the end of May, 91% had been spent. It was reported that the additional cash flow had generated £4,500 of interest.

RECOMMENDED: That the following be commended to Council:

- (1) The action taken in respect of treasury management activity for April to June 2020 be endorsed; and



(2) The 2019/20 outturn position be noted.
***Referred to Council**