

## TANDRIDGE DISTRICT COUNCIL

### STRATEGY & RESOURCES COMMITTEE

Minutes and report to Council of the meeting of the Committee held in the Council Chamber, Council Offices, Station Road East, Oxted on the 30<sup>th</sup> June 2022 at 7:30pm.

**PRESENT:** Councillors Langton (Chair), Crane (Vice-Chair), Caulcott, Cooper, Gillman, S.Farr, Gray (Substitute) (In place of Botten), Hammond, Jones, Pursehouse and Sayer (Substitute) (In place of B.Black)

**ALSO PRESENT:** Councillors Allen, Lockwood and N.White

**ALSO PRESENT (Virtually):** Councillors C.Farr, Gaffney and Moore

**APOLOGIES FOR ABSENCE:** Councillors B.Black, Bloore and Botten

#### 55. MINUTES OF THE MEETING HELD ON THE 7TH APRIL 2022

These were confirmed and signed as a correct record.

#### 56. MINUTES OF THE MEETING HELD ON THE 26TH MAY 2022

These were confirmed and signed as a correct record.

#### 57. QUESTIONS SUBMITTED UNDER STANDING ORDER 30

Questions had been submitted by Councillors Cooper and Allen. The questions and responses are attached at Appendix A.

#### 58. INVESTMENT SUB-COMMITTEE - 17TH JUNE 2022

It was confirmed that the schedule of 'Market Value of Long Term Investments', as appended to the minutes within the agenda pack, should have been titled 'as at 31/03/22' and not '31/12/21'.

**RESOLVED** – that the minutes of the Investment Sub-Committee meeting on the 17<sup>th</sup> June 2022, attached at Appendix B (and amended with the correct title for Annex B, i.e. 'Market Value of Long Term Investments as at 31.03.22') be received.

#### 59. 2021/22 BUDGET OUTTURN

The Committee considered a report regarding the Council's 2021/22 outturn position in respect of its revenue budget and capital programme.

The delivery of the 2021/22 budget had been interrupted early in the financial year by the identification of a c.£920k (8%) deficit arising from the accounting treatment for pensions, as subsequently reported to Members and investigated by Grant Thornton. The budget was then rebalanced without the £800K transfer to reserves as originally intended. As well as delivering the budget, the Council had been undertaking the Finance Transformation Programme which included the findings of the Grant Thornton review. Despite these challenges, the outturn report

had been produced six months earlier than for 2020/21 and with a significantly lower variance to budget, i.e.:

- a surplus of £458k against the revenue budget comprising:
  - a net underspend of £239k relating to one-off events
  - a net underspend of £573k relating to staffing costs; offset by
  - net overspends totalling £355k (already factored into the 2022/23 budget)
- an underspend of £10.5m against the £24.1m capital programme comprising:
  - slippage of £10.4m, proposed to be carried forward (38%);
  - slippage not proposed to be carried forward of £0.3m (1%);
  - a new project of £0.5m; and
  - an underspend of £0.2m.

The report recommended that the revenue surplus be transferred to reserves. Approval of the proposed £10.4m capital programme slippage was also sought.

In response to Members' questions, the Committee was advised that:

- as well as being legally compliant, reserves had to be sustainable over the medium term to mitigate against risks - the previous trajectory of diminishing reserves could have increased the prospects of having to issue a 'Section 114' notice
- the Council was awaiting a response to its application to Government for permission to use capital receipts to bolster reserves
- the most significant risk regarding the capital programme was whether the schemes could be delivered in 2022/23 as opposed to the budgets being exceeded as a result of inflation – the intended outputs from capital schemes would be reviewed and projects may need to be rescoped to manage inflation within scheme budgets
- the quality of services remained a priority
- there was no recruitment freeze, i.e. the £200,000 vacancy factor in the 2022/23 budget represented savings arising from the time lag between staff leaving the Council and their replacements taking up post
- not all of the Housing Benefits budget could be reclaimed from Government
- there was unlikely to be any further funding to offset outstanding Covid related deficits.

**RESOLVED** – that:

- A. the Council's revenue and capital outturn positions for the year be noted;
- B. the following transfers to reserves from the revenue outturn position be approved:
  - £117k unused contingency and £200k additional contingency to mitigate against financial uncertainties/risks in the medium-term and to support budget resilience, especially due to the impact of inflation
  - £75k to support the Future Tandridge Programme, subject to further approval by this Committee

- £50k to support Phase 1 of the Debt Management Review
- £16k residual underspend to the General Fund

C. capital carry forwards of £10.4m from 2021/22 to future years be approved, subject a full review of the extent to which the capital programme is deliverable, including these carry forwards.

## **60. 2022/23 BUDGET – TRANCHE 3 SAVINGS AND FUTURE TANDRIDGE PROGRAMME UPDATE**

A report was presented which updated the Committee about the current status and next steps for the Future Tandrige Programme (FTP). This included the results of the initial cycle of service reviews and proposed savings of £450,000 (the third and final tranche of savings associated with the 2022/23 budget) i.e.:

- £325,000 in respect of services delivered by this Committee; and
- £125,000 to be achieved through a management restructure.

The actions required to deliver the £325,000 savings in 2022/23 were detailed in Appendix A to the report.

The report provided an overview of the FTP and details about the service review process to date, including Key Lines of Enquiry and initial observations about the scope for improving the delivery of services. The emerging 'direction of travel' was for Tandrige to become a 'commissioning Council', details of which would be presented as part of a future business case.

The report reiterated that, while the FTP should be led and owned by Tandrige, expert support and external challenge was still required to design and deliver changes. The estimated investment required to deliver Phase 1 (mobilisation and design, from February to July) had been approved by the Committee on 1st February. The funding for Phase 1 would allow the completion of the service reviews by the end of July within the approved budget. However, while the budget for Phase 2 (delivery of identified savings) was due to be submitted to the Committee's next meeting on 30th September, initial work on that phase would have to commence beforehand to maintain momentum and develop detailed delivery plans. £50,000 was therefore required to bridge the FTP during August and September, pending consideration of the full Phase 2 business case at the next meeting.

The debate focused on the desire to maintain the delivery of priority services and the need for key staff to be capable of operating a new 'commissioning model'. It was acknowledged that the £450,000 Tranche 3 savings target was a tactical means of achieving a balanced budget for 2022/23 but that more radical, strategic measures would be required to ensure sustainability in the years ahead. The Chief Executive considered that the key principle of the FTP was to design and target resources according to established needs and to monitor progress within a robust performance management regime. Other aspects of the debate included:

- the need to assess the impact on the 'front line' before considering the any reductions to support services
- the future approach to funding IT services and the rationale for transferring development costs from revenue to capital

- the view that the provision of services to meet residents' needs was more important than preserving the Council in its present form
- Councillors had an important role to play in the change process.

**RESOLVED** – that:

- A. the £450,000 savings allocated to the Committee from corporate items, set out in paragraph 2.1, Table 1 and Appendix A to the report, be approved and authority be delegated to the Chief Executive to proceed with actions required to deliver them;
- B. the £50,000 bridge funding investment, required by the Future Tandridge Programme to progress the delivery of the £450,000 savings identified in the report and to develop full business cases in September, be approved;
- C. the new redundancy policy, set out in Section 9 and Appendix D to the report, necessary to give clarity on the arrangements for redundancies resulting from the service reviews and a constrained financial position, be noted;
- D. authority be delegated to the Chief Executive, in consultation with the Chair and Vice Chair of the Committee, to agree the final redundancy policy wording, following engagement and feedback from the workforce through the Staff Conference; and
- E. the progress to date in delivering the Future Tandridge Programme and direction of travel for the service reviews be noted.

## 61. 2023/24 BUDGET SETTING PROCESS

A suggested process for setting the 2023/24 budget, including indicative timescales, was presented. This was in the context of the continued uncertainty and expected constraints upon Local Government funding, along with risks and opportunities that need to be explored. The accompanying report also referred to the interdependency between the budget setting process and the Future Tandridge Programme (FTP) (Minute 60 refers).

The Medium Term Financial Strategy (MTFS), as presented to Full Council on the 10th February 2022, anticipated a funding gap of £874k for 2023/24. The report provided early illustrations of updated scenarios of savings requirements for 2023/24, namely 'pessimistic' (£1,494k); 'optimistic' (£314k) and 'neutral' (£887k). All three scenarios reflected the escalating rate of inflation and made alternative assumptions about the delivery of the budgeted £713k savings target. The optimistic scenario assumed that the Department for Levelling Up, Housing and Communities (DLUHC) will approve the use of capital receipts to bolster General Fund reserves, in which case the full £433k of reserves growth in the MTFS would not be necessary.

Each scenario would be refined as the budget process developed. Government funding was unlikely to be confirmed before the Local Government Finance Settlement in December 2022 and, in the meantime, the Local Government sector (including Tandridge) would lobby DLUHC for additional funding to meet the impact of high inflation on the cost of delivering services. The additional savings required, to be delivered through the Future Tandridge programme, was likely to range between £0.3m and £1.5m, with a neutral estimate of £0.9m.

The report proposed the following suggested timeline for setting the 2023/24 budget:

<b>Time Period / Date</b>	<b>Activity / Milestone</b>
July – Sept 2022	Initial estimates of pressures and savings developed, alongside Future Tandrige Programme business cases Review of fees and charges Review of staff allocations and charges to Housing Revenue Account
August – Sept 2022	Engagement with Members on 2023/24 initial pressures, savings and fees & charges
Sept 2022	Committee Cycle – Future Tandrige Programme business cases and initial pressures and savings
Oct – Nov 2022	Engagement with Members on 2023/24 draft budget
1 <sup>st</sup> Dec 2022	2023/24 draft budget and capital programme, including tax base to S&R
Dec 2022	Expected publication of Local Government Finance Settlement – finalisation of funding estimates
Dec 2022 to Jan 2023	Engagement with Members on 2023/24 final budget  Engagement with residents and business rate payers on 2023/24 budget
Jan 2023	Committee Cycle – 2023/24 final budget, capital programme and Medium Term Financial Strategy
31 <sup>st</sup> Jan 2023	2023/24 final budget, capital programme and Medium Term Financial Strategy to S&R Committee
9 <sup>th</sup> Feb 2023	2023/24 final budget, capital programme and Medium Term Financial Strategy to Council

The merits of modelling the impact of more severe budgetary constraints than the 'pessimistic scenario' within the report were discussed.

The Chair reflected that the service review process within the FTP programme had established good practices in terms of challenging the status quo and proving catalysts for change.

**RESOLVED** – that the proposed process and timescale for setting the 2023/24 budget and Medium Term Financial Strategy, and the financial context in which it will be prepared, be noted.

## **62. DEBT MANAGEMENT REVIEW**

A report was presented which provided a position statement for the following four debt categories as at 31<sup>st</sup> March 2022:

- sundry debt
- Housing Benefits overpayments
- Housing Revenue Account
- Collection Fund (Council Tax and Business Rates).

The report demonstrated that:

- all except sundry debt is increasing
- all four debt streams have increasing, or stagnated debts aged over 1 year
- collectability is reducing.

On the 6th July 2021, the Committee had approved a £50K budget to transform the exchequer function in respect of debt management. The report provided an update about the progress of that project and recommended that a Debt Improvement Plan be implemented in two phases.

A further £50k expenditure in Phase 1 of the Debt Improvement Plan would involve the temporary recruitment of a legal and an accounts receivable officer. These two posts would, initially, be funded from the revenue budget surplus from 2021/22 (Recommendation B of Minute 59 refers) but this outlay was expected to be recouped 'in-year' via debt repayments.

Arising from the debate, Members were informed that very few debts had been written off as part of the review process. The way in which debt is accounted for was explained, together with the prospect of increasing the rate of ongoing debt recovery which would have a permanent, positive revenue impact.

Clarification was sought regarding the existence of a formal write off policy.

**RESOLVED** – that:

- A. the current debt position (paragraph 1 and Appendix A to the report) be noted;
- B. Phase 1 of the proposed Debt Improvement Plan be approved to tackle the debt position, providing an initial resource (up to £50k) to:
  - prioritise outstanding sundry debt recovery and straightforward recovery in other areas
  - provide assurance that further recovery action across all debt types is likely to be self-funded
  - address the immediate capacity to review outstanding debt and continue the implementation of more robust debt collection processes across the services;
- C. it be noted that a decision to proceed with Phase 2 (if required and subject to the outcome of Phase 1) will be reported to a subsequent meeting of the Committee to:
  - provide a further time-limited resource to tackle the outstanding debt across the other debt streams, focussing on recovery where appropriate and to constrain any write-offs; and
  - engage in an opportunity under consideration to increase collection of Council Tax and Business Rates, with the possibility of a mechanism to share the gain equitably with the County Council

- D. the proposed Debt Improvement Plan, performance indicators, project risks, and critical success factors (performance metrics in Appendix B to the report) be noted.

**ACTION:**

		Officer responsible for ensuring completion	Deadline
1	The existence (or otherwise) of a formal debt write-off policy be confirmed to members of the Committee	Mark Hak-Sanders (Chief Finance Officer)	15.07.22

### 63. HOUSEHOLD SUPPORT FUND - CONFIRMATION OF DECISION TAKEN UNDER URGENCY POWERS (STANDING ORDER 35)

The report before the Committee explained that the Government (DWP) had relaunched the Household Support Fund to provide financial support to vulnerable households during the summer. The distribution criteria had changed since the last scheme and at least one-third of the allocation was required to reach those of pensionable age.

Initial allocations were to Unitary and County Councils. Surrey County Council had, in turn, distributed £2.45m to Boroughs and Districts, including £219,188 to Tandridge, i.e.:

- £156,335 to support those aged over 65; and
- £62,853 for other age groups.

The scheme allowed for reasonable administration costs to be deducted from the amount available for grant allocations. It was confirmed that:

- the administration costs for Tandridge were anticipated to be £5,662; and
- the new scheme would be publicised on the Council's website in the next few days and a fresh application process would begin.

The Chief Executive had exercised the urgency provisions of Standing Order 35 to approve criteria for the scheme, namely to reuse the previous Tandridge Household Support Scheme Local Eligibility Framework.

**RESOLVED** – that the decision taken under urgency powers in accordance with Standing Order 35 to approve the Tandridge Household Support Scheme Local Eligibility Framework be ratified.

### 64. STRATEGY AND RESOURCES QUARTER 4 2021/22 PERFORMANCE REPORT

The Committee was presented with an analysis of progress against its key performance indicators, together with updated risk registers, for the fourth quarter of 2021/22. The report highlighted the three most critical KPIs in terms of impact on income and performance, namely:

- SR1: percentage of council tax collected (below target due to limited recovery processes being run during the installation of Northgate, although collection rates were still competitive compared to neighbouring councils).
- SR2: percentage of business rates due for the financial year which were received by the Council (commentary as per SR1 above)
- SR6: staff turnover (this had increased slightly in the last three months, although fairly stable over the last six months - reasons given by staff for leaving included new opportunities, personal reasons and work/life balance).

Members reiterated previous concerns that actions to mitigate risk were not being refreshed on a regular basis.

**RESOLVED** – that the Committee’s most critical performance and risk indicators be noted.

## 65. COUNTY DEAL INITIATIVE - MEMBER WORKING GROUP

The establishment of a Working Group was suggested as a mechanism for engaging Members (from all four political groups) in the Council’s dialogue with Surrey County Council regarding the preparation of a County Deal proposal to the Government. This followed a briefing from Councillor Tim Oliver (Leader of Surrey County Council) to TDC Members on 25<sup>th</sup> May 2022.

Councillor Sayer provided additional context from her perspective as Leader. She explained that, originally, SCC had sought suggestions by 27<sup>th</sup> June regarding powers which should be devolved to Districts and Boroughs. SCC had since lifted that deadline, but was still seeking ideas, as soon as possible, about what powers they would like as part of County Deal.

Clarification was sought that the Group’s deliberations would be reported back to the Committee. This was confirmed, and an additional resolution (to Recommendations A to D of the report) was agreed.

**RESOLVED** – that:

A. a County Deal Working Group be established to consider:

- (i) how this Council’s views should be reflected in the submission to Government (by Surrey County Council) of a proposed ‘County Deal for Surrey’
- (ii) in more general terms, the scope for more effective District / County working relationships aimed at improving the quality of services

B. the Group comprise eight Councillors with the following political representation:

- Independents and OLRG Alliance x 3
- Liberal Democrat x 2
- Conservative x 2
- Independent Group x 1



- C. Group Leaders to advise the Democratic Services team of their nominees at the earliest opportunity with a view to the Group meeting before the end of July 2022;
- D. authority be delegated to the Chief Executive, in consultation with the Chair of the Working Group, to make representations to Surrey County Council in connection with its (SCC's) process for developing a 'Surrey Deal' proposal to government; and
- E. the Group's deliberations be reported back to the Committee.

## 66. RESULTS OF THE CONSULTATION ON THE COUNCIL'S ELECTION CYCLE

Following previous consideration of this matter at the Committee's meeting on 7<sup>th</sup> April 2022, a public consultation had taken place about whether to:

- (i) change the election cycle to whole Council elections every four years from 2024; or
- (ii) retain the current scheme of elections by thirds.

The consultation ran from 9<sup>th</sup> May until 17<sup>th</sup> June and prompted 214 responses, with 106 (51.21%) in favour of a move to an all-out electoral system and 101 (48.79%) against. A report was submitted with further details about the consultation feedback and other information, including financial implications and suggested arguments in support of the respective options.

The Committee was invited to recommend which of the two options should be pursued. The report confirmed that Authorities could only change their electoral cycles at an extraordinary meeting of Full Council, and where at least two-thirds of those present vote in favour (Local Government & Public Involvement in Health Act 2007 - Sections 31 to 54).

Councillor Caulcott, seconded by Councillor Jones, proposed that the matter be referred to Full Council to decide, without further discussion. Upon being put to the vote, the motion was lost.

Councillor Pursehouse, seconded by the Chair, proposed that:

*"It be recommended to Full Council that a scheme of whole Council elections every 4 years from 2024 be adopted, with a strong recommendation to the Boundary Commission that our smaller settlements retain their Councillors, and this matter be considered at an extraordinary meeting of Full Council on 21<sup>st</sup> July 2022 to commence immediately after the ordinary Council meeting on the same day"*

Upon being put to the vote, the motion was lost.

Councillor Crane, seconded by Councillor Cooper, proposed that the current scheme of elections by thirds be retained. Upon being put to the vote, the motion was carried.

**COUNCIL DECISION**  
(subject to ratification by Council)

**RECOMMENDED** – that the current scheme of elections by thirds be retained.

Rising 10.20 pm

## Strategy &amp; Resources Committee 30.06.22 – Standing Order 30 Questions

## Questions from Councillor Cooper

1. TDC have been employing Surrey County Council staff to overhaul the finance area at Tandridge Council during the financial year 2021/2022, continuing into the financial year 2022/2023. Therefore, please could you tell me:
- a) How much money was paid to SCC, by TDC, to cover the services provided in the year 2021/2022 and what items in the TDC budget (stating the amount agreed at S&R) covered these payments.

Response from the Chief Finance Officer:

*In 2021/22, the payments to Surrey County Council for the Tandridge Finance Transformation Programme were as follows:*

- *For the transformation programme itself and the improvement plan, which includes 'exchequer improvement', payments totalled £37k. This was funded from the one-off £80k approved by the Committee on 6<sup>th</sup> July 2021.*
  - *£159k under the Joint Working Agreement for the provision of a Section 151 officer, a Senior Finance Business Partner and other officers. This was part of the finance budget for 2021/22 of £906k, which was £9k underspent at outturn – that budget was confirmed by the Committee on 1<sup>st</sup> February 2022.*
- b) **How much money has so far been paid to SCC, by TDC, to cover the services provided so far this year, 2022/2023, and, again, what items in the TDC budget (stating the amount agreed at S&R) covered these payments. Also, what further payments TDC are expecting to make to cover further work, carried out this financial year, by SCC.**

Response from the Chief Finance Officer:

*So far in 2022/23, no payments have been made in respect of the Tandridge Finance Transformation programme but expected costs are:*

- *Up to £10k for the continued investment in Exchequer Services prior to the recruitment of the permanent Exchequer Services manager who started on 23rd May. This will be funded from the balance of the £80k approved on 6th July 2021.*
- *The Tandridge Finance Transformation Programme closes at the end of June (to be reported to the Audit & Scrutiny Committee on 5th July). However, a continuous improvement plan for Finance across the Council will continue beyond the life of the Programme and may require further use of the £80k approved investment.*
- *£190,000 to cover the Joint Working Agreement as approved by the Committee on 1st February 2022. This will be funded from the [£1,019k] budget for Finance as approved by Committee on 7th April.*

- Finance are consulting Group Leaders to increase the JWA amount by £70k for 2022/23 to allow SCC to help Tandridge fill a vacant post in the TDC structure on a fixed-term basis. This would be offset by a reduction in directly employed staff costs.

Regarding the 2022/23 budget, the report for item 8 on this evening's agenda (Tranche 3 Savings and Future Tandridge Programme Update) proposes a £16k saving for Finance.

**Supplementary question from Councillor Cooper:**

**How do these figures relate to the table on page 60 of the agenda pack? [Agenda Item 8 – 2022/23 budget – Tranche 3 Savings and Future Tandridge Programme Update – Section 6 , “FTP – Delivery and Resources”]**

**Response from the Chief Finance Officer:**

The analysis on page 60 is for the wider Future Tandridge Programme. My response [to the original question] was in respect of the Finance Transformation Programme. There are additional costs regarding the Council-wide Future Tandridge Programme, but I understood they were beyond the scope of the question. I can provide that additional information separately. [The Chief Executive added that the costings for the Future Tandridge Programme had been submitted to the Committee at previous meetings, but they can be shared again].

- 2. The total cost of the TDC Legal Services Department, including salaries (including support staff), office accommodation, equipment etc. for the last financial year 2021/2022, and the projected cost for the current financial year, 2022/2023.**

**Response from the Chief Finance Officer:**

- By way of an explanatory note, the Council only budgets for the direct cost of each service and does not apportion the cost of office accommodation on a service-by-service basis. The following response reconciles to budgets approved by this Committee for Legal Services.

- **Budget 21/22:**

On 2nd February 2021, the Committee recommended the 2021/22 Revenue Budget to Council. That was subsequently amended by the Committee on 1st February 2022 to reflect a line-by-line budget review including the re-distribution of the Case Officers team budget to service areas. The final 2021/22 budget for Legal Services (including procurement) was £531,000.

- **Outturn 21/22:**

The outturn for Legal Services (including Procurement) was £493,000.

- Variance to Budget 21/22

*There was a £37,000 surplus in the Legal budget, of which staffing accounted for £23,000.*

- *The 2022/23 budget was approved at Full Council in February, with a subsequent amendment to reflect the distribution of pressures and savings held corporately.*

- Tranche 2 Budget 22/23

*On the 7th of April 2022, the Committee approved a budget of £575,000 for Legal Services' Tranche 2 Budget (including Procurement).*

- Tranche 3 Budget 22/23

*This evening (30th June 2022) S&R are asked to approve a Legal Services budget (including Procurement) of £532,000.*

- Forecast 22/23

*The current Legal Services forecast is that it will be the same as the Tranche 3 budget (i.e. £532,000)*

**Supplementary question from Councillor Cooper:**

**So these costs are something like 5% to 6% of the total budget?**

***Response from the Chief Finance Officer:***

*In net terms, yes*

- 3. There has been some concern about excessive use of external legal consultants, to supply legal advice/support, by the TDC Legal Department. Please could you tell me:**
- a) How much money was paid to external legal consultants, by TDC, to pay for their services in the year 2021/2022 and what items in the TDC budget (stating the amount agreed by full Council) covered these payments.**

**Response from the Chief Finance Officer:**

- Outturn 2021/22

*In descending order of cost, expenditure on external legal consultants in 21/22 was incurred by the following services:*

		<b>Total Actuals £'s</b>	<b>Budget £'s</b>	<b>Variance £'s</b>
1	<i>Planning</i>	50k		
2	<i>HR Standards Investigation</i>	17k		
3	<i>Legal Department</i>	13k		
4	<i>Estates Management</i>	12k		
5	<i>Other Services</i>	9k		
6	<i>Local Plan</i>	6k		
7	<i>Rent Collection &amp; Accounting</i>	6k		
8	<i>Democratic Services</i>	3k		
9	<i>HR employment matter</i>	2k		
	<b>Total Expenditure</b>	<b>118k</b>	<b>92k</b>	<b>26k</b>

- Budget 21/22

*The Council wide 2021/22 budget for external Legal expenditure was £92k.*

- Variance to Budget 21/22

*Council wide external Legal expenditure in 2021/22 exceeded budget by £26k.*

- *Commensurate underspends were identified in advance of expenditure incurred, where necessary, to ensure the Council's net expenditure remained within the approved budget envelope.*
- *The types of expenditure included in the above includes:*
  - *Legal Counsel expenditure*
  - *Planning Appeals and Planning Counsel advice (e.g. Crematoria advice)*
  - *HR standards investigation*
  - *HR employment matters*
  - *Local Plan inspection fees*
  - *HM Land Registry*
  - *HM Court Fees*
  - *Advertising Planning Applications in local media*

**Supplementary question from Councillor Cooper:**

**So we could be spending in the region of £700,000 on legal costs if we add expenditure on external advice to the in-house budget?**

Response from the Chief Finance Officer:

The external fees quoted above include £13k already quoted within the legal services budget. The total cost of Legal Service across the Council would be c.£650,000 based on 2021/22 actuals.

- b) How much money has been paid to external legal consultants, by TDC, to pay for their services so far this year, 2022/2023, and, again, what items in the TDC budget (stating the amount agreed by full Council) covered these payments. Also, what further payments TDC are expecting to make to cover further work, carried out by external legal consultants, this financial year.

Response from the Chief Finance Officer:

The response is based on month 1 and month 2 (22/23) actuals. In descending order of cost, external legal related expenditure in April and May 2022/23 was incurred by the following services:

		<b>M1 and M2 22/23 Actuals £'s</b>	<b>Full Year Budget £'s</b>	<b>Variance £'s</b>
1	HR Employment Matter	6k		
2	Planning	4k		
3	Other Services	3k		
4	Rent Collection & Accounting	1k		
5	Legal Department	1k		
	<b>Total Expenditure</b>	<b>17k</b>	<b>95k</b>	<b>(79k)</b>

- Budget 22/23

The Council wide full year 2022/23 budget for external Legal expenditure is £95,080.

- Variance to Budget 22/23

External Council-wide Legal expenditure to the end of May 2022 leaves headroom of £78,576.

**Supplementary question from Councillor Cooper:**

**Will the budget be sufficient?**

Response from the Chief Finance Officer:

The legal budget is partly reactive in nature, so outturn is difficult to predict with certainty.

4. When TDC looks to employ agencies to carry out works/supply services, it is usual to enter a tender process to ensure that TDC do not pay over the odds for such work. Therefore, please could you tell me:

a) Which legal firms were used, by TDC, in the year 2021/22 and the areas they dealt and why it was necessary in each case.

Response from the Chief Finance Officer:

- *In 21/22 the Council used firms of solicitors and chambers of the Surrey Panel, where the Council has secured discounted rates. The Surrey Panel is an appointed panel which undertook a procurement exercise to secure best value rates for the Council in advance of Legal Services being employed through them.*

*The following legal suppliers were associated with the most significant spend in 21/22:*

- *The Planning Inspectorate (supply of Local Plan Inspector Fees)*
- *HM Courts and Tribunals Service (supply of HM court fees)*
- *Bevan Brittan (HR employment related matters)*
- *HM Land Registry (HM Land Registry fees)*
- *Wilkin Chapman LLP (Standards Investigation)*

*The Council used these external suppliers as it is standard practice to instruct Counsel for judicial reviews and planning appeals and enquiries. With regards to matters that have an employment element, there is no internal legal specialist who can deal with such matters and therefore, they are outsourced.*

b) Which legal firms have been used, by TDC, so far this year, 2022/2023, and, again, the areas they dealt with and, again, why it was necessary in each case.

Response from the Chief Finance Officer:

*The following legal suppliers are associated with the most significant spend to date in 22/23, for the same reasons:*

- *HM Courts and Tribunals Service (supply of HM court fees),*
- *Bevan Brittan (HR employment related matters),*
- *HM Land Registry (HM Land Registry fees).*

**Supplementary question from Councillor Cooper:**

**Should we be addressing the fact that there are no internal legal specialists for certain areas – should we be looking at that?**

Response from the Chief Executive

*There is an inevitable reactionary element to having to seek external specialist legal advice. However, more generally, as picked up by the Future Tandridge Programme's review of legal services, we need to do what we can to manage down demand and address the root causes for having to seek such advice, and therefore reduce costs.*



## Questions from Councillor Allen

1. **At the Council Meeting on Thursday 10<sup>th</sup> February 2022, I asked a question about paragraph 14.2 of the Debt Management policy which states that:**

**“Aged debt profiles for review by the Executive Leadership Team will be provided monthly. Similar debt profiling reports will be provided to Council Members on no less than a quarterly basis. Monthly, or if necessary, more frequent reports will be provided to the Finance Business Partners.”**

**My question was:**

**Could I please be advised when, over the last 12 months, a “similar debt profiling report was provided to council members on (no less than) a quarterly basis”?**

**Can it be confirmed that this is now being done?**

*Response from the Chief Finance Officer:*

*The debt management review paper on this evening’s agenda sets out a comprehensive position at the end of the 21/22 financial year across all types of debt. We will use that position as a baseline for quarterly reporting to this committee thereafter. The paper also sets out KPIs that we will use as the basis of that reporting. So, the 21/22 report outturn position and Quarter 1 for 22/23 will come back to this committee in September.*

2. **At the Council Meeting on Thursday 10<sup>th</sup> February 2022, I also asked when, over the last 24 months, a discretionary payment to Chief Officers on their ceasing to hold office or to be employed by this authority was authorised by the Strategy and Resources Committee. It came to light that this procedure had not been adhered to and the decision was being wrongly made at the Chief Officer Sub-Committee meetings.**

**I have noted that, at Annual Council on 26<sup>th</sup> May, this Council has changed the format for the future and that COSC will authorise such payments. However, as yet, I have not seen the matter of the discretionary payments coming before this committee to authorise those back payments so as to meet our own rules and obligations and to prove full governance has been retrospectively been put in place.**

**Can I be advised when this will be done?**

*Response from the Chief Executive:*

*Decisions and payments have been made. Some of these agreements were subject to confidentiality clauses so I am taking advice about what we can present and, procedurally, how we deal with that to tidy up governance issues. If we need to bring something back to this Committee we will bring it back to the next meeting.*

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**TANDRIDGE DISTRICT COUNCIL****INVESTMENT SUB COMMITTEE**

Minutes of the meeting of the Sub-Committee held in the Council Chamber, Council Offices, Station Road East, Oxted on the 17<sup>th</sup> June 2022 at 10.00am.

**PRESENT:** Councillors Booth, Cooper, C.Farr (substitute in place of Crane), Hammond, Jones and Langton

**PRESENT (Virtually):** Councillor Caulcott (substitute in place of Botten)

**IN ATTENDANCE (Virtually):** David Green (Arlingclose Limited)

**APOLOGIES FOR ABSENCE:** Councillors Botten and Crane

**1. ELECTION OF CHAIR FOR THE REMAINDER OF 2022/23**

Councillor Langton was elected Chair of the Sub-Committee for the remainder of 2022/23.

**2. MINUTES OF THE MEETING HELD ON THE 5TH NOVEMBER 2021**

These minutes were approved and signed as a correct record.

**3. MINUTES OF THE MEETING HELD ON THE 21ST JANUARY 2022**

These minutes were approved and signed as a correct record.

**4. SUMMARY INVESTMENT AND BORROWING POSITION AT 31ST MARCH 2022**

The Sub-Committee was presented with a summary of the Council's investment and borrowing position as per Annex A. The report set out the final position for financial year 2021/22, together with an update and accompanying scenario planning on the future of the Council's long-term investments. This reflected the recommendation from the previous meeting to retain investments in the following four funds until the Government decides whether to extend the current 'statutory override' (of usual accounting practice) which prevents gains and losses in capital values from impacting on the revenue budget:

- (i) CCLA (diversification fund)
- (ii) CCLA (property fund)
- (iii) Schrodgers bond fund
- (iv) UBS multi-asset fund

The accompanying report advised that the Council's contract for expert Treasury Management advice with Link Group had terminated on 30<sup>th</sup> April 2022 and a new contract had been entered into with Arlingclose.

In response to Members' questions, it was confirmed that:

- the rate of interest charged on loans from the Public Works Loan Board was fixed until maturity
- a debt profile of the various loans taken out by the Council, together with associated maturity dates, could be provided
- the swings in the value of short term investments held in money market funds over the course of the year, and since the last report, reflected a fluctuating cash position, e.g. due to Government funded grant schemes which the Council was required to administer
- quoted yield rates are based on current asset values, a presentation that should be reviewed.

The report also confirmed that the current statutory override would remain until 31<sup>st</sup> March 2023 and that the Government is expected to consult shortly before deciding whether to renew it. It was hoped that a decision would be made in time to inform the 2023/24 budget setting process. In the meantime, the Council's investment options, according to whether the override would continue, had been scoped in accordance with Annex C.

In the event of the override being removed, Arlingclose had advised that disinvesting from funds (i), (iii) and (iv) should not present difficulties. While this was not necessarily the case for the CCLA property fund, there did not appear to be any appetite among other authorities to withdraw and the Council was advised to maintain its investment.

A discussion took place regarding the redemption proceeds from Funding Circle loans. This related to the meeting on 24<sup>th</sup> January 2020 when the Sub-Committee agreed to disinvest from Funding Circle, with the redemption proceeds being invested elsewhere within the Council's treasury portfolio, namely 25% to each of the funds at (i) to (iv) above. However, in light of the challenges imposed by the pandemic, redeemed Funding Circle proceeds had, instead, been used ever since to support the Council's cashflow. Following a suggestion from Councillor Jones, it was agreed that this matter be reviewed at the Sub-Committee's next meeting.

**RESOLVED** – that:

- A. the Council's investment and borrowing position at 31<sup>st</sup> March 2022, as set out in Annexes A and B, be noted;
- B. the scenario planning work underway to prepare for decisions expected from Government on the future of the statutory override be noted; and
- C. the use of the redeemed proceeds from Funding Circle be reviewed at the Sub-Committee's next scheduled meeting on 4<sup>th</sup> November 2022, including an analysis of the potential sum available in light of the Council's cash flow requirements and debt profiles.

## 5. PROPERTY INVESTMENT UPDATE

The Sub-Committee resolved to move into 'Part 2' for this item in accordance with Paragraph 3 (information relating to financial or business affairs) of Part 1 of Schedule 12A of the Local Government Act 1972.

A verbal update was given about the following commercial investment properties owned by the Council and its subsidiary company, Gryllus properties:

TDC properties:

- Linden House, Caterham on the Hill (the existing tenant was in the process of renewing their lease, the terms of which were discussed)
- Redstone House, South Nutfield (the property was being marketed for sale – Members were informed of progress)
- Quadrant House, Caterham Valley (the refurbishment scheme was now scheduled for completion by the end of September - the marketing process for letting the vacant units was underway - issues regarding rent arrears were discussed).

Gryllus properties:

- Castlefield House, Reigate
- 80-84 Station Road East, Oxted
- 30-32 Week Street, Maidstone (Members were informed about expressions of interest from prospective new tenants. It was agreed that options regarding this asset should be presented to the next scheduled meeting on 4th November 2022).

**RESOLVED** - that an options analysis regarding the future of 30-32 Week Street, Maidstone be presented to the Sub-Committee on 4<sup>th</sup> November 2022 to enable Members to assess the relative financial merits of selling, letting or leaving the building unoccupied for a limited period.

Rising 11.04 am

Investment	Investment Amount 31/03/21 £	Net Asset Value 31/03/22 £	Yield Rate Note 1 %	Actual Return 2021/22 £
<b><u>Non - Specified (Financial Investments)- Long Term (over 12 mths)</u></b>				
CCLA Property Fund	4,000,000	4,888,056	3.25	158,867
Schroders Bond Fund	3,000,000	2,775,151	4.63	128,455
UBS Multi Asset Fund	3,000,000	2,639,592	4.57	120,654
CCLA Diversification Fund	2,000,000	2,046,513	2.39	48,871
Funding Circle	863,160	391,191	-	87,136
<b>Sub Total Non-specified (Financial Investments)</b>	<b>12,863,160</b>	<b>12,740,503</b>		<b>543,983</b>
<b><u>Non - Specified (Non-Financial Investments)- Long Term (over 12 mths)</u></b>				
Gryllus Property Company Loan - Maidstone	2,394,000	2,394,000	5.81	139,023
Freedom Leisure- Loan (TLP)	674,857	481,140	5.50	42,631
Freedom Leisure- Loan (de Stafford)	496,571	372,431	7.58	37,600
Gryllus Property Company Loan - 80-84 Station Rd East	1,012,500	1,012,500	5.43	54,979
Gryllus Property Company Loan - Castlefield	11,664,000	11,664,000	6.10	711,504
Gryllus Property Company Share Capital Note 2	5,251,500	5,251,500	-	-
<b>Sub Total Non-specified (Non-Financial Investments)</b>	<b>21,493,429</b>	<b>21,175,572</b>		<b>985,737</b>
<b>Total Non-Specified Investments</b>	<b>34,356,589</b>	<b>33,916,075</b>		<b>1,529,720</b>
<b><u>Specified Investments-Short Term (less than 12 mths)</u></b>				
Notice Accounts	4,000,000	1,995,487	0.19	3,826
Money Market Funds	3,250,000	13,260,000	0.05	7,775
<b>Total Specified Investments</b>	<b>7,250,000</b>	<b>15,255,487</b>		<b>11,601</b>
<b>Total Non- Specified and Specified Investments</b>	<b>41,606,589</b>	<b>49,171,562</b>		<b>1,541,321</b>
<b>Total Investment Income Budget 2021/22</b>				<b>1,515,700</b>
<b>Over/(under) budget</b>				<b>25,621</b>

<b>Borrowing</b>	<b>Loan Amount</b>	<b>Interest</b>	<b>Actual Cost 2021/22</b>
	<b>£</b>	<b>%</b>	<b>£</b>
<b>General Fund Borrowing</b>			
Gryllus Loan	3,420,000	2.46	84,132
Freedom Leisure Loan	2,225,000	2.45	54,513
Village Health Club	938,678	2.38	22,341
Linden House	4,175,000	2.69	112,308
Linden House	254,000	2.42	6,147
Quadrant House	15,340,000	2.41	369,694
Quadrant House	800,000	2.28	18,240
Gryllus - 80-84 Station Road	724,400	2.28	16,516
Gryllus - Castlefield	15,549,000	2.91	452,476
<b>Sub Total General Fund Borrowing</b>	<b>43,426,078</b>		<b>1,136,366</b>
<b>Total GF PWLB Budget 2021/22</b>			<b>1,137,000</b>
<b>Over/(under) budget</b>			<b>(634)</b>
<b>HRA Borrowing</b>			
Public Works Loan Board	58,839,000	2.70	1,632,098
<b>Sub Total HRA Borrowing</b>	<b>58,839,000</b>		<b>1,632,098</b>
<b>Total HRA PWLB Budget 2021/22</b>			<b>1,662,500</b>
<b>Over/(under) budget</b>			<b>(30,402)</b>
<b>Total Borrowing</b>	<b>102,265,078</b>		<b>2,768,464</b>
<b>Total Budget 2021/22</b>			<b>2,799,500</b>
<b>Total Over/(under) budget</b>			<b>(31,036)</b>

**Notes:**

1. Yield Rate - forecast return divided by net asset value.
2. Gryllus share capital comprises of equity shares arising from loans granted - no dividend will be paid in the current year

# Market Value of Long Term Investments at 31/03/2022

# Annex B

	2016/17	2017/18	2018/19	2019/20	2020/21
Carrying Value	Carrying Value 31.3.2017	Carrying Value 31.3.2018	Carrying Value 31.3.2019	Carrying Value 31.03.2020	Carrying Value 31.03.2021
	£	£	£	£	£
CCLA Property Fund	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Schroders Bond Fund	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
UBS Multi Asset Fund	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
CCLA Diversification Fund	n/a	2,000,000	2,000,000	2,000,000	2,000,000
<b>Total</b>	<b>10,000,000</b>	<b>12,000,000</b>	<b>12,000,000</b>	<b>12,000,000</b>	<b>12,000,000</b>

2021/22
Carrying Value 31.03.2022
£
4,000,000
3,000,000
3,000,000
2,000,000
<b>12,000,000</b>

	2016/17	2017/18	2018/19	2019/20	2020/21
Market Value	Market Value 31.3.2017	Market Value 31.3.2018	Market Value 31.3.2019	Market Value 31.03.2020	Market Value 31.03.2021
	£	£	£	£	£
CCLA Property Fund(mid-market value)	4,082,986	4,276,854	4,276,005	4,188,063	4,158,183
Schroders Bond Fund	2,963,563	2,912,837	2,865,130	2,539,938	2,908,911
UBS Multi Asset Fund	3,018,705	2,918,160	2,868,479	2,520,713	2,777,398
CCLA Diversification Fund(indicative market value)	n/a	1,921,257	1,982,167	1,804,193	1,955,874
<b>Total</b>	<b>10,065,254</b>	<b>12,029,108</b>	<b>11,991,781</b>	<b>11,052,907</b>	<b>11,800,366</b>

2021/22
Market Value 31.03.2022
£
4,888,056
2,775,151
2,639,592
2,046,513
<b>12,349,313</b>

	2016/17	2017/18	2018/19	2019/20	2020/21
Surplus/(Deficit)	Surplus/ (Deficit) 31.3.2017	Surplus/ (Deficit) 31.3.2018	Surplus/ (Deficit) 31.3.2019	Surplus/ (Deficit) 31.03.2020	Surplus/ (Deficit) 31.03.2021
	£	£	£	£	
CCLA Property Fund	82,986	276,854	276,005	188,063	158,183
Schroders Bond Fund	(36,437)	(87,163)	(134,870)	(460,062)	(91,089)
UBS Multi Asset Fund	18,705	(81,840)	(131,521)	(479,287)	(222,602)
CCLA Diversification Fund	n/a	(78,743)	(17,833)	(195,807)	(44,126)
<b>Total</b>	<b>65,254</b>	<b>29,108</b>	<b>(8,219)</b>	<b>(947,093)</b>	<b>(199,634)</b>

2021/22
Surplus/ (Deficit) 31.03.2022
888,056
(224,849)
(360,408)
46,513
<b>349,313</b>



Gross Revenue Yield	Yield	Yield	Yield	Yield	Yield	Yield	Yield	Yield	Yield	Yield	Yield
	2016/17	2016/17	2017/18	2017/18	2018/19	2018/19	2019/20	2019/20	2020/21	2020/21	2020/21
	£	%	£	%	£	%	£	%	£	%	£
CCLA Property Fund	164,434	4.03%	193,758	4.53%	183,989	4.30%	185,240	4.42%	179,910	4.33%	
Schroders Bond Fund	127,340	4.30%	105,413	3.62%	120,508	4.21%	124,418	4.90%	125,529	4.32%	
UBS Multi Asset Fund	100,600	3.33%	146,788	5.03%	116,513	4.06%	137,531	5.46%	140,171	5.05%	
CCLA Diversification Fund	n/a	n/a	62,732	3.27%	67,030	3.38%	66,284	3.67%	62,069	3.17%	
<b>Total</b>	<b>392,375</b>		<b>508,691</b>		<b>488,040</b>		<b>513,473</b>		<b>507,679</b>		

Full Year outturn at 31.03.2022	
Yield 2021/22	Yield 2021/22
£	%
158,867	3.25%
128,455	4.63%
120,654	4.57%
48,871	2.39%
<b>456,847</b>	

Surplus/(Deficit)- Capital Value	Surplus/ (Deficit)	Surplus/ (Deficit)	Surplus/ (Deficit)	Surplus/ (Deficit)	Surplus/ (Deficit)	Surplus/ (Deficit)	Surplus/ (Deficit)	Surplus/ (Deficit)	Surplus/ (Deficit)	Surplus/ (Deficit)
	2016/17	2016/17	2017/18	2017/18	2018/19	2018/19	2019/20	2019/20	2020/21	2020/21
	£	%	£	%	£	%	£	%	£	%
CCLA Property Fund	(92,996)	-2.28%	193,868	4.53%	(849)	-0.02%	(87,942)	-2.10%	(29,880)	-0.72%
Schroders Bond Fund	16,634	0.56%	(50,726)	-1.74%	(47,707)	-1.67%	(325,192)	-12.80%	368,973	12.68%
UBS Multi Asset Fund	36,559	1.21%	(100,545)	-3.45%	(49,681)	-1.73%	(347,766)	-13.80%	256,685	9.24%
CCLA Diversification Fund	n/a	n/a	(78,743)	-4.10%	60,910	3.07%	(177,974)	-9.86%	151,682	7.76%
<b>Total</b>	<b>(39,803)</b>		<b>(36,146)</b>		<b>(37,327)</b>		<b>(938,874)</b>		<b>747,460</b>	

Full Year outturn at 31.03.2022	
Surplus/ (Deficit) 2021/22	Surplus/ (Deficit) 2021/22
£	%
729,873	14.93%
(133,760)	-4.82%
(137,805)	-5.22%
90,639	4.43%
<b>548,946</b>	

Net Yield	Net Yield	Net Yield	Net Yield	Net Yield	Net Yield	Net Yield	Net Yield	Net Yield	Net Yield	Net Yield
	2016/17	2016/17	2017/18	2017/18	2018/19	2018/19	2019/20	2019/20	2020/21	2020/21
	£	%	£	%	£	%	£	%	£	%
CCLA Property Fund	71,438	1.75%	387,626	9.06%	183,140	4.28%	97,298	2.32%	150,030	3.61%
Schroders Bond Fund	143,974	4.86%	54,687	1.88%	72,801	2.54%	(200,774)	-7.90%	494,503	17.00%
UBS Multi Asset Fund	137,159	4.54%	46,243	1.58%	66,832	2.33%	(210,235)	-8.34%	396,856	14.29%
CCLA Diversification Fund	n/a	n/a	(16,011)	-0.83%	127,940	6.45%	(111,690)	-6.19%	213,751	10.93%
<b>Total</b>	<b>352,572</b>		<b>472,545</b>		<b>450,713</b>		<b>(425,401)</b>		<b>1,255,139</b>	

Full Year outturn at 31.03.2022	
Net Yield 2021/22	Net Yield 2021/22
£	%
888,740	18.18%
(5,305)	-0.19%
(17,152)	-0.65%
139,510	6.82%
<b>1,005,794</b>	

Peer to Peer Investment Funding Circle	2016/17	2016/17	2017/18	2017/18	2018/19	2018/19	2019/20	2019/20	2020/21	2020/21
	£	%	£	%	£	%	£	%	£	%
<b>Carrying Value</b>	<b>2,003,355</b>		<b>2,075,341</b>		<b>2,056,664</b>		<b>1,831,028</b>		<b>863,160</b>	
Interest Paid by Borrowers	181,892		181,014		184,654		193,170		127,982	
Less FC Service fee	(19,121)		(19,668)		(19,729)		(19,611)		(12,462)	
Promotions/Transfer payment							470		0	
Bad Debts	(58,163)		(61,288)		(111,152)		(127,649)		(80,881)	
Recoveries	8,219		14,780		27,428		30,253		42,431	
<b>Net Yield</b>	<b>112,827</b>	<b>5.63%</b>	<b>114,838</b>	<b>5.53%</b>	<b>81,201</b>	<b>3.95%</b>	<b>76,634</b>	<b>4.19%</b>	<b>77,070</b>	<b>8.93%*</b>
<b>Provisions for future losses</b>	<b>0</b>		<b>0</b>		<b>(10,000)</b>					

31.03.22	
2021/22	2021/22
£	%
391,191	
66,749	
(6,279)	
0	
(36,103)	
62,769	
<b>87,136</b>	<b>13.89%</b>

\*Funding Circle Net yield December 2021 - as principal has been withdrawn throughout the year this has been calculated as net earnings against the average of the opening and closing value. Note there was a large recovery received in June 2021 (£38,494) which has inflated this yield. Excluding this recovery the yield would be 6.4%

**Scoping of investment options, according to whether or not  
the 'statutory override' will continue**

Scenario	Override continued	Override removed
Outline	General Fund continues to be insulated from gains and losses in fair value. The gain / loss on the asset would have a General Fund impact if the investment was withdrawn at greater than or lower than the initial investment.	General Fund is no longer insulated from gains and losses in fair value. The change in value at 31 <sup>st</sup> March each year would be part of the Council's General Fund outturn against budget.
Potential responses	<ul style="list-style-type: none"> <li>• Maintain the current portfolio of investments if they still demonstrate strong in-year yield; or</li> <li>• Disinvest in current funds and then re-invest in funds that offer the strongest in-year yield but set aside surpluses into a reserve to manage volatility in funds that would be felt if the Council needed to disinvest from the asset; or</li> <li>• Reduce the investment portfolio in overall size.</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain investment in the funds, and manage the year-to-year volatility through reserves; or</li> <li>• Disinvest in current funds and reinvest in funds that offer the best combination of asset value security and in-year yield; i.e. total return; or</li> <li>• Sell the investments and move into lower yielding deposits, causing a budget pressure; or</li> <li>• Sell the investments and move into higher risk alternatives where the override is not required; or</li> <li>• Reduce the investment portfolio in overall size</li> </ul>
Preferred response	<ul style="list-style-type: none"> <li>• <b>The portfolio of funds should be kept under review to maximise in-year yield whilst providing adequate long-term security of Council investments;</b></li> <li>• An element of in-year yield could be credited to a reserve to guard against falls in value upon disinvestment – a target level of reserve for this purpose would be developed in consultation with Arlingclose</li> </ul>	<ul style="list-style-type: none"> <li>• When a decision is made by Government, funds currently below their market value should be withdrawn when their capital value recovers to at least the amount invested, or if it becomes clear that their value will not be recovered further;</li> <li>• Losses in these funds would currently be covered by the gain in CCLA Property;</li> </ul>

Scenario	Override continued	Override removed
	<ul style="list-style-type: none"> <li>The appropriate overall value of investments will continued to be gauged against cash requirements and the differential in interest rates on new borrowing and investment return</li> </ul>	<ul style="list-style-type: none"> <li><b>Cash should then be reinvested in funds that offer the best total return (i.e. the combination of in-year yield and capital value)</b></li> <li>An element of in-year surpluses should be held in reserves to cover future volatility of funds – a target level of reserve for this purpose would be developed in consultation with Arlingclose</li> <li>The appropriate overall value of investments will continued to be gauged against cash requirements and the differential in interest rates on new borrowing and investment return</li> </ul>
Risks	The continuation of the override may be time-limited, or the prevailing financial position of the Council may require disinvestment from funds, potentially at a loss. The statutory override does not protect the General Fund in the event of disinvestment.	In-year volatility in the market value of investments may impact the delivery of the General Fund Budget.
Mitigations	<p>Although the risks differ in timing, ultimately the General Fund would bear the risk of falls in the value of investments. The potential mitigations are the same in both scenarios.</p> <p>An element of surpluses should be credited to a specific reserve in order to manage the risk that losses in investment values will ultimately be a General Fund impact (either each year if the override is discontinued or on disinvestment if it is not).</p> <p>The reserve may require a level of up-front funding. It is proposed that this is achieved through either a) from in-year surpluses in investment income (if achievable) or; b) a contribution from the General Fund at a level to be determined through the 2023/24 budget process and in consultation with Arlingclose.</p> <p>Any losses could also be mitigated by recognising the gain from a stronger-performing investment.</p>	

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