

# TANDRIDGE DISTRICT COUNCIL

## INVESTMENT SUB 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 4<sup>th</sup> November 2022 at 10:00am.

**PRESENT:** Councillors Langton (Chair), Booth, Botten, Cooper, C.Farr, Hammond and Jones

**ALSO PRESENT:** Councillor Sayer

### 1. MINUTES OF THE MEETING HELD ON THE 17TH JUNE 2022

These minutes were approved and signed as a correct record.

### 2. SUMMARY INVESTMENT AND BORROWING POSITION AT 30TH SEPTEMBER 2022

The Sub-Committee was presented with a summary of the Council's investment and borrowing position as per [Appendix A](#) and [Appendix B](#), together with updates on the following three matters:

#### **Statutory override update**

This referred to the 'override' of usual accounting practice, which meant that gains and losses in the capital value of investments did not impact on the revenue budget. The Government had still not decided whether to extend, amend or remove the override beyond 31<sup>st</sup> March 2023.

Officers had responded to a Government consultation in August, advocating that the override should be made permanent as it represented the lowest risk to the revenue budget and enabled options to change the mix of investment portfolios if deemed appropriate. The previous analysis of TDC's investment options in light of whether or not the override continued (submitted to the 17<sup>th</sup> June meeting) was re-presented.

#### **Cash flow strategy and Funding Circle loans**

Members were advised that the use of redeemed proceeds from Funding Circle had been under continual refinement since the adoption of a more robust, software-based approach to cash flow forecasting. In this respect, the Council had updated its cash flow projections to 30th September 2023 and a detailed 12-month cash flow analysis had been circulated to members of the Sub-Committee separately. In accordance with advice from Arlingclose (the Council's treasury advisors) cash balances, including redeemed Funding Circle proceeds, were being used to both:

- avoid or delay the need to borrow to fund the capital programme; and
- invest in money market funds.

This would remain the case whilst PWLB loan rates were in the region of 5%, as it represented a positive yield on the cash balances whilst avoiding undue risk.

## Prudential Indicators

Performance data against the Council's prudential indicators (PIs) was presented.

The Chief Finance Officer confirmed that the internal auditors had recently upgraded their assurance opinion on the Council's arrangements for treasury management from 'limited' to 'reasonable'. Outstanding actions were to comply with key recommendations, namely training for Members; the provision of performance information to the Sub-Committee regarding PIs; and more regular reconciliation of investment balances to the finance system.

In response to Members' questions, the Chief Finance Officer advised that:

- Officers were endeavouring to obtain current information from Funding Circle about redemption proceeds arising from the repayment of its peer-to-peer loans.
- Information would be provided to members of the Sub-Committee to inform them about how Council's £3M investment holding with UBS was being applied.
- Arlingclose had recommended that TDC should consider whether surplus returns from money market funds (generated via rising interest rates) should be allocated to a financial reserve to mitigate against other potential budgetary deficits. The Sub-Committee supported this approach which would ultimately be discussed by the Strategy & Resources Committee, pending confirmation of the surplus position at outturn.
- Arlingclose had confirmed that the method of calculating revenue yields from money market funds (i.e. forecast return ÷ Net Asset Value) reflected the industry standard.

### **RESOLVED** – that:

- A. the Council's investment and borrowing position at 30<sup>th</sup> September 2022, as set out in Annexes A and B, be noted;
- B. the update on the future of the statutory override be noted;
- C. the update on the Council's cash flow position and review of the use of redeemed proceeds from Funding Circle loans be noted; and
- D. the update on the Council's performance against its prudential indicators, as set in the Capital, Investment and Treasury Management Strategy for 2022/23, be noted.

### **ACTIONS:**

	<b>Action</b>	<b>Responsible Person</b>	<b>Deadline</b>
1.	Current information to be circulated to the Sub-Committee about loan redemption proceeds from Funding Circle	Mark Hak-Sanders	TBA
2.	Details of the Council's £3M investment holding with UBS to be circulated to the Sub-Committee	Mark Hak-Sanders	TBA

### 3. INVESTMENT PROPERTY 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 report was presented to update the Sub-Committee about the commercial investment properties owned by the Council and its subsidiary company, Gryllus properties. The properties concerned and the issues discussed were:

#### **TDC properties:**

##### **Linden House, Caterham on the Hill**

The renewal of the lease completed on 26th August 2022.

##### **Quadrant House, Caterham Valley**

The refurbishment scheme had reached practical completion at the end of September 2022 with an official re-opening event held on 6th October. Efforts were ongoing to secure tenants for unlet suites. Members were advised that, due to contract variations and inflationary pressures, the cost of works could exceed budget by a significant margin. The exact adverse variance wasn't yet clear as the final account was still being negotiated, although greater clarification would be provided for the Strategy & Resources Committee meeting on 1st December.

While Members welcomed the many positive aspects of the project and acknowledged the complexed challenges associated with bringing it to fruition, the potential level of overspend was an issue of great concern. The Chair requested that a detailed report be submitted to the next meeting and cascaded throughout the Council to raise awareness of the lessons learned for future project management purposes. These included the need for:

- financial risks to be shared by third parties commissioned to provide professional advice to the Council, upon which the financial viability of projects relies; and
- a more realistic contingency fund in future to protect against unforeseen circumstances.

##### **Village Health Club, Caterham on the Hill**

The implications of the financial challenges facing Freedom Leisure (the Council's tenant) were discussed.

**Gryllus properties:****30-32 Week Street, Maidstone**

The lease to Marks & Spencer had expired on 28<sup>th</sup> September, although they had not traded from the property since March 2020. A temporary letting had been secured for up to one year. Details about a further offer to rent the property were discussed as part of a future options analysis.

**Castlefield House, Reigate****80-84 Station Road East, Oxted**

The report also confirmed that the sale of Redstone House, South Nutfield completed at a price of £1,400,000 on 16<sup>th</sup> August 2022.

***RESOLVED*** - that

- A. the content of the report be noted; and
- B. the options analysis for 30-32 Week Street, Maidstone be noted and concerns be raised with the Gryllus board about the actions to be taken.

Rising 11.10 am