

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 14th June 2024 at 10:00am.

PRESENT: Councillors Allen, Booth, Chris Farr, Horne, Langton and Mark

ALSO PRESENT: Councillor Sue Farr

ALSO PRESENT (Virtually): Councillors Crane and Gray

APOLOGIES FOR ABSENCE: Councillor Jones

1. ELECTION OF CHAIR FOR THE REMAINDER OF 2024/25

Councillor Langton was elected Chair of the Sub-Committee for the remainder of the 2024/25 municipal year.

2. MINUTES OF THE MEETING HELD ON THE 19TH JANUARY 2024

These minutes were approved and signed as a correct record.

3. SUMMARY INVESTMENT AND BORROWING POSITION AT 31ST MARCH 2024

The Director of Resources introduced David Green of Arlingclose (the Council's treasury consultants) and two members of the wider finance team who supported the Council via the Joint Working Agreement (with Surrey County Council) for corporate finance:

- Joe Stockwell (strategic capital accountant); and
- Haley Woollard (principal accountant – Orbis).

He explained the treasury management function and presented a report with the investment analysis at Appendices A and B. This confirmed that, at 31st March 2024:

- (i) total long term treasury investments (over 12 months) amounted to £10.9 million
- (ii) short term investments (less than 12 months) amounted to £4.1 million
- (iii) the Council also held £20.6 million in non-treasury investments, comprising capital loans to specific service providers and limited companies
- (iv) the total amount of Public Works Loan Board (PWLB) loans was £96.4 million, comprising £43.4 million General Fund loans and £52.8 million Housing Revenue Account loans (the HRA PWLB balance had reduced by £3.2m since the previous quarter due to the repayment of a loan that the Council had not yet needed to refinance).

Investment income for 2023/24 (treasury and non-treasury) totalled £2,198,765, which had exceeded the budgeted amount by £703,065.

The report also confirmed that, as the Government had extended the 'IFRS 9 statutory override' until March 2025, the General Fund would continue to be insulated from gains and losses in the capital value of the Council's long-term investments in the following four funds:

- CCLA Property Fund
- Schroders Credit/Bond Fund
- UBS Multi Asset Fund
- CCLA Diversification Fund

However, a further extension of the override was uncertain, hence the Strategy & Resources Committee's previous decision to create an Investment Performance Equalisation Reserve (IPER) of £447k comprising surplus investment income earned during 2022/23. The report recommended that the above mentioned £703,065 surplus be added to the IPER, the aggregate amount of which would then largely cover the current carrying loss (of the above four funds) of £1.2m.

David Green explained the basis of the above four investment funds, including effect of the inverse relationship between interest rates and bond prices.

The Sub-Committee discussed the balance of risk between continuing to divert surplus investment funds to the IPER (to offset the cost of losses in market values of the four funds in the absence of the override) and releasing them to support front line services. Members agreed with the recommended transfer of the £703,065 to the IPER but acknowledged the potential for an alternative future approach should circumstances change (e.g. a recovery in the market value of the four funds and/or a further extension of the override).

Arising from the debate, the Director of Resources:

- agreed to reconsider the future timetable of Investment Sub-Committee meetings (action below refers)
- explained that the payment of dividends by Gryllus Property Limited to the Council (its shareholder) was a matter for the company and that it had not been financially viable for it to do so to date
- explained that loan repayments from Freedom Leisure were classified as capital receipts which restricted the Council's discretion about how they could be utilised (i.e. to repaying debt or funding future capital spend).

Haley Woollard explained that 'Liquidity Plus' funds were used for investing short term cash for additional yield. However, returns had diminished in light of reduced cash balances which had, instead, been funding the housing development programme as a preferable alternative to taking out PWLB loans.

An update on the Prudential Indicators was being finalised at the time of publication of the Investment Sub-Committee agenda and would therefore be included as an appendix to the 2023/24 outturn report to the Strategy & Resources Committee on the 27th June.

RESOLVED – that the Council's investment and borrowing position at 31st March 2024, as set out in Appendices A and B, be noted.

COMMITTEE DECISION*(subject to ratification by the Strategy & Resources Committee)*

RECOMMENDED – that the surplus investment income of £703k, as set out in Appendix A, be added to an Investment Performance Equalisation Reserve to offset risks to the market value of assets, and therefore not be reflected in the Council's overall General Fund outturn position.

Action	Responsible Person	Deadline
The scope for presenting more timely treasury management outturn information to the Sub-Committee by altering the current pattern of January / June / November meeting dates be assessed.	Mark Hak-Sanders	30/09/2024 to discuss at the next ISC.

4. 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.

Latest information was presented about the investment properties owned by the Council and its subsidiary company, Gryllus Property Limited. The properties concerned were:

Gryllus properties:**80-84 Station Road East, Oxted**

A lease renewal had been agreed with Cook.

30-32 Week Street, Maidstone

The agreement for lease with JD Sports had completed and the refurbishment works were underway. A dilapidations claim against the previous tenant was being negotiated.

Castlefield House, Reigate

The lease would expire in 2029 and Officers had prepared a report on future options for the building. Officers would keep the Sub-Committee updated.

TDC properties:**Quadrant House, Caterham Valley**

Members were informed of a new letting to Marie Curie and the finalisation of heads of terms with McDonalds. Regarding the latter, officers were working with McDonalds and Surrey County Council on measures to prevent nuisance from delivery mopeds. Officers would present the final draft lease to Members prior to completion. The McDonalds letting would increase the occupancy rate at Quadrant House from 78% to 83%.

Village Health Club, Caterham on the Hill and Tandridge Leisure Pool, Oxted

Officers updated Members on the current situation with the properties.

Council Offices, Oxted

Efforts to lease further surplus space at the Council Offices were ongoing.

RESOLVED – that the report be noted.

Action	Responsible Person	Deadline
A report be submitted to a future meeting of the Sub-Committee to provide Members with greater oversight of the financial position of Gryllus Property Limited.	Mark Hak-Sanders	30/09/2024 to discuss at the next ISC

Rising 11.28 am

Investment	Original Investment Value £	Net Asset Value 31/03/23 £	Net Asset Value 31/03/24 £	Yield Rate Note 1 %	Actual Return 2023/24 £
Treasury Investments (Non-specified)- Long Term (over 12 mths)					
CCLA Property Fund	4,000,000	4,082,278	3,922,967	2.56	100,524
Schroders Bond Fund	3,000,000	2,550,204	2,678,831	4.45	119,084
UBS Multi Asset Fund	3,000,000	2,208,433	2,207,842	4.96	109,416
CCLA Diversification Fund	2,000,000	1,864,707	1,956,403	4.46	87,261
Funding Circle		142,398	160,449	0.79	1,271
Sub Total Non-specified (Treasury Investments)		10,848,020	10,926,492		417,556
Treasury Investments (Specified)-Short Term (less than 12 mths)					
Liquidity Plus Funds		1,994,226	0	5.12	102,015
Money Market Funds		4,000,000	4,100,000	5.05	730,034
Total Specified Investments		5,994,226	4,100,000		832,049
Total Treasury Investments		16,842,246	15,026,492		1,249,605
Non-Treasury Investments (Non-Specified)- Long Term (over 12 mths)					
Gryllus Property Company Loan - Maidstone		2,394,000	2,394,000	5.81	139,023
Freedom Leisure- Loan (TLP)		387,429	193,714	5.50	23,181
Freedom Leisure- Loan (de Stafford)		248,286	124,143	7.58	20,474
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	-	-
Sub Total Non-Treasury Investments		20,957,714	20,639,857		949,160
Total Investments (Treasury & Non-Treasury)		37,799,960	35,666,349		2,198,765
Total Investment Income Budget 2023/24					1,495,700
Over/(under) budget					703,065

Borrowing	Balance as at 31/03/24	Interest	Actual Cost 2023/24
	£	%	£
General Fund Borrowing			
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
Sub Total General Fund Borrowing	43,426,078		1,136,366
Total GF PWLB Budget 2023/24			1,137,000
Over/(under) budget			(634)
HRA Borrowing			
Public Works Loan Board	52,839,000	2.72	1,596,258
Sub Total HRA Borrowing	52,839,000		1,596,258
Total HRA PWLB Budget 2023/24			1,639,600
Over/(under) budget			(43,342)
Total Borrowing	96,265,078		2,732,624
Total Budget 2023/24			2,776,600
Total Over/(under) budget			(43,976)

Notes:

1. Yield Rate:

For Non specified Investments, this is the actual return divided by net asset value as at 31/03/24;

For Specified investments, this is the actual return divided by the average investment value during the year

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 31/03/2024

Appendix B

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
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	Carrying Value 31.03.2022	Carrying Value 31.03.2023	Carrying Value 31.03.2024
	£	£	£	£	£	£	£	£
CCLA Property Fund	4,000,000	4,000,000	4,000,000	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	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	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	2,000,000	2,000,000	2,000,000
Total	10,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
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	Market Value 31.03.2022	Market Value 31.03.2023	Market Value 31.03.2024
	£	£	£	£	£	£	£	£
CCLA Property Fund(mid-market value)	4,082,986	4,276,854	4,276,005	4,188,063	4,158,183	4,888,056	4,082,278	3,922,967
Schroders Bond Fund	2,963,563	2,912,837	2,865,130	2,539,938	2,908,911	2,775,151	2,550,204	2,678,831
UBS Multi Asset Fund	3,018,705	2,918,160	2,868,479	2,520,713	2,777,398	2,639,592	2,208,433	2,207,842
CCLA Diversification Fund(indicative market value)	n/a	1,921,257	1,982,167	1,804,193	1,955,874	2,046,513	1,864,707	1,956,403
Total	10,065,254	12,029,108	11,991,781	11,052,907	11,800,366	12,349,313	10,705,622	10,766,043

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
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	Surplus/ (Deficit) 31.03.2022	Surplus/ (Deficit) 31.03.2023	Surplus/ (Deficit) 31.03.2024
	£	£	£	£				
CCLA Property Fund	82,986	276,854	276,005	188,063	158,183	888,056	82,278	(77,033)
Schroders Bond Fund	(36,437)	(87,163)	(134,870)	(460,062)	(91,089)	(224,849)	(449,796)	(321,169)
UBS Multi Asset Fund	18,705	(81,840)	(131,521)	(479,287)	(222,602)	(360,408)	(791,567)	(792,158)
CCLA Diversification Fund	n/a	(78,743)	(17,833)	(195,807)	(44,126)	46,513	(135,293)	(43,597)
Total	65,254	29,108	(8,219)	(947,093)	(199,634)	349,313	(1,294,378)	(1,233,957)

