

## TANDRIDGE DISTRICT COUNCIL

### INVESTMENT SUB COMMITTEE

Minutes of the virtual meeting of the Committee held on the 23 October 2020 via Zoom.

**PRESENT:** Councillors Elias (Chair), Jones and Farr (substitute in place of Bourne)

**APOLOGIES FOR ABSENCE:** Councillors Bourne and M.Cooper

#### 1. MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on the 21<sup>st</sup> May 2020 were approved as a correct record

#### 2. PRESENTATION FROM UBS MULTI-ASSET INCOME FUND MANAGERS

The Sub-Committee resolved to move into confidential session for this item in accordance with Section 100A (4) of the Local Government Act 1972 on the grounds that it involved the likely disclosure of exempt information as defined in paragraph 3 of Schedule 12A of the Act and that the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

The Council had invested £3 million in this fund which sought to generate an income of 'cash plus 3%'. It aimed to achieve a stable and sustainable yield without eroding capital. The Sub-Committee received a presentation from UBS representatives Rachel Perini (Executive Director) and Dimitris Skountzos (Client Service Manager). This covered UBS's approach to multi-asset investing with an assessment of the fund's performance to date. It was noted that the fund had limited foreign currency exposure to the extent of only 2%.

Arising from the presentation, Members requested clarification about on-going fund charges and mandate costs and the current value of the Council's investment to date. Rachel Perini undertook to provide this information after the meeting.

#### 3. SUMMARY INVESTMENT AND BORROWING POSITION

The investment analysis at Appendices A and B was considered, together with fact sheets for the four funds within the Council's treasury investment portfolio. The current statement of investment beliefs was also included with the agenda papers.

The Sub-Committee had previously agreed that redemption proceeds from Funding Circle loans be withdrawn from Funding Circle and reallocated to the CCLA diversification fund, Schroders bond fund and UBS multi-asset fund. Members were advised that the Funding Circle redemption proceeds (which now amounted to £550,000) had not, in fact, been reinvested. The deputy Chief Finance Officer explained the reasons for this and sought the Sub-Committee's views about whether the proceeds should, instead, be retained as a possible contingency for assisting with the Council's cash flow requirements later in the current financial year. The Sub-Committee favoured this alternative approach, pending a review of the situation at the next meeting.

Arising from discussion about the loan to Freedom Leisure, it was confirmed that no repayments had been received since the third quarter of 2019/20.

Members also suggested that the statement of investment beliefs be reviewed at the Sub-Committee's next meeting.

**RESOLVED** – that

- A. the Council's investment and borrowing position at 30<sup>th</sup> September 2020, as set out at Appendices A and B, be noted;
- B. the individual factsheets for the long-term investments be noted;
- C. the current statement of investment beliefs be noted; and
- D. the reallocation of accumulated Funding Circle redemption proceeds be deferred, pending a review (at the Sub-Committee's next meeting) about whether they should be used to meet the Council's cashflow requirements.

#### **4. PROPERTY INVESTMENT UPDATE**

The Sub-Committee resolved to move into confidential session for this item in accordance with Section 100A (4) of the Local Government Act 1972 on the grounds that it involved the likely disclosure of exempt information as defined in paragraph 3 of Schedule 12A of the Act and that the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

The accompanying report updated Members on asset management activity and the performance of the Council's commercial property investments. This confirmed that the Quadrant House regeneration project (in Caterham Valley) was a key priority in view of the pressing deadline for spending the funding made available by the Local Enterprise Partnership. Officers provided further information about the work to progress the Quadrant House initiative and offered to submit a progress report via the Delegated Action List in the near future.

It was noted that property B (referred to in recommendation C of the minutes of the previous meeting under item 5) was no longer available as it had been acquired by another investor at a price and subject to conditions both similar to the ones previously agreed by the Sub-Committee. It was further noted that not proceeding with the acquisition of property B had left a gap of approximately £200,000 per annum (net after borrowing costs) in the commercial income budget.

The merits of reducing the capital programme, given the current shortage of suitable commercial property acquisitions were discussed. The total provision of £200 million for property investments to March 2021 would be significantly underspent and it was suggested that the budget be decreased to reflect actual activity, with future investment opportunities being considered on a case by case basis.

**RESOLVED** – that

- A. the Council's property investment activity be noted;
- B. for capital budget for the development of a commercial property investment portfolio be reduced and future suitable investments be considered on a case by case basis; and

- C. a progress report on Quadrant House be submitted in the near future as part of the Delegated Action List

## **5. DATE OF NEXT MEETING**

It was agreed that the next meeting be held on Friday, 15<sup>th</sup> January 2021 at 10.00 a.m.

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## Summary of Investments and Borrowing

Appendix A

Investment	Investment Amount at 30/09/2020	Net Asset Value at 30/09/2020 Note 1	Yield Rate Note 2	Yield to 30/09/20 Note 3	Estimated Annual Return 2020/21 at 31/03/2021	2019/20 Actual
	£	£	%	£	£	£
<b>Non - Specified (Financial Investments)- Long Term (over 12 mths)</b>						
CCLA Property Fund	4,000,000	4,013,737	4.26	40,761	171,000	185,240
Schroders Bond Fund	3,000,000	2,798,400	4.50	33,903	125,900	124,418
UBS Multi Asset Fund	3,000,000	2,721,211	4.40	36,832	119,700	137,531
Funding Circle	1,261,826	1,415,581	3.30	19,476	40,000	78,011
CCLA Diversification Fund	2,000,000	1,928,260	3.46	35,972	66,700	66,284
<b>Sub Total Non-specified (Financial Investments)</b>	<b>13,261,826</b>	<b>12,877,189</b>		<b>166,944</b>	<b>523,300</b>	<b>591,484</b>
<b>Non - Specified (Non-Financial Investments)- Long Term (over 12 mths)</b>						
Gryllus Property Company Loan - Maidstone	2,394,000	2,394,000	5.81	0	139,100	139,023
Tandridge Leisure Ltd- Refurbishment Loan (TTLIC)	0	0	0.00	0	0	1,520
Freedom Leisure- Loan (TLP)	1,017,000	1,017,000	5.50	0	53,271	63,926
Freedom Leisure- Loan (de Stafford)	651,750	651,750	7.58	0	47,050	54,484
Caterham Barracks	0	0	0.00	0	0	21,774
Gryllus Property Company Loan - 80-84 Station Rd East	945,000	945,000	5.81	0	54,900	53,924
Gryllus Property Company Loan - Castlefield	11,664,000	11,664,000	6.10	0	711,500	0
Gryllus Property Company Share Capital Note 4	5,317,500	5,317,500	-	-	-	0
<b>Sub Total Non-specified (Non-Financial Investments)</b>	<b>21,989,249</b>	<b>21,989,249</b>		<b>0</b>	<b>1,005,821</b>	<b>334,651</b>
<b>Total Non-Specified Investments</b>	<b>35,251,075</b>	<b>34,866,438</b>		<b>166,944</b>	<b>1,529,121</b>	<b>926,135</b>
<b>Specified Investments-Short Term (less than 12 mths)</b>						
Banks/Building Societies Deposits	0	-	0.00	0	0	6,381
Notice Accounts	4,000,000	4,040,001	0.09	3,940	12,400	20,919
Money Market Funds	10,720,000	10,720,000	0.03	9,883	20,000	75,255
<b>Total Specified Investments</b>	<b>14,720,000</b>	<b>14,760,001</b>		<b>13,823</b>	<b>32,400</b>	<b>102,555</b>
<b>Total Non- Specified and Specified Investments</b>	<b>49,971,075</b>	<b>49,626,439</b>		<b>180,767</b>	<b>1,561,521</b>	<b>1,028,690</b>
<b>Total Investment Income Budget 2020/21</b>					<b>2,764,200</b>	
<b>Over/(under) budget</b>					<b>(1,202,679)</b>	

Borrowing	Loan Amount	Estimated Average Borrowing	Interest	Expenditure to 30/09/20	Estimated Annual Cost 2020/21 at 31/03/2021
	£	£	%	£	£
<b>General Fund Borrowing</b>					
Gryllus Loan	3,420,000	3,420,000	2.46	42,066	84,100
Freedom Leisure Loan	2,225,000	2,225,000	2.45	27,256	54,500
Village Health Club	938,678	938,678	2.38	11,170	22,300
Linden House	4,175,000	4,175,000	2.69	56,154	112,300
Linden House	254,000	254,000	2.42	3,073	6,100
Quadrant House	15,340,000	15,340,000	2.41	184,847	369,700
Quadrant House	800,000	800,000	2.28	9,120	18,200
Gryllus - 80-84 Station Road	724,400	724,400	2.28	8,258	16,500
Gryllus - Castlefield	15,549,000	15,549,000	2.91	226,238	452,500
<b>Sub Total General Fund Borrowing</b>	<b>43,426,078</b>	<b>43,426,078</b>		<b>568,182</b>	<b>1,136,200</b>
<b>General Fund Cost of Borrowing Budget</b>					<b>1,889,000</b>
<b>Over/(Under) Budget</b>					<b>(752,800)</b>
<b>HRA Borrowing</b>					
Public Works Loan Board	61,189,000	61,189,000	2.76	831,153	1,662,300
<b>Sub Total HRA Borrowing</b>	<b>61,189,000</b>	<b>61,189,000</b>		<b>831,153</b>	<b>1,662,300</b>
<b>HRA Cost of Borrowing Budget</b>					<b>1,926,500</b>
<b>Over/(Under) Budget</b>					<b>(264,200)</b>
<b>Total Borrowing</b>	<b>104,615,078</b>	<b>104,615,078</b>		<b>1,399,335</b>	<b>2,798,500</b>
<b>Total Cost of Borrowing Budget</b>					<b>3,815,500</b>
<b>Total Over/(Under) Budget</b>					<b>(1,017,000)</b>

#### Notes

1. The Net Asset Value for Funding Circle is at 31 Aug 2020

#### 2. Yield Rate

CCLA Property Fund dividend yield Sept 20 provisional provided by CCLA 4.26%

Schroders Strategic Credit Fund Fact sheet on Schroders.co.uk current yield as at 31 Aug 2020 4.5%

UBS distribution yield latest per UBS Fact Sheet (Q2 20) 4.4 %

CCLA Diversified Fund dividend yield Sept 20 - 3.46% provided by CCLA

Funding Circle yield based on net earnings to 31 Aug 2020 per Funding Circle statement

3. Yield to 30/09/20 include actuals received or notified of at this date - CCLA Property Fund, UBS & Schroders only show 1 quarter, Diversified income Fund shows 2 quarters.

4. 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 30/09/2020

# Appendix B

Carrying Value	Carrying Value 31.3.2017	Carrying Value 31.3.2018	Carrying Value 30.6.2018	Carrying Value 30.9.2018	Carrying Value 31.12.2018	Carrying Value 31.3.2019	Carrying Value 30.6.2019	Carrying Value 30.9.2019	Carrying Value 31.12.2019	Carrying Value 31.03.2020	Carrying Value 30.09.2020
	£	£	£	£	£	£	£	£	£	£	£
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	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	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	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	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>	<b>12,000,000</b>	<b>12,000,000</b>	<b>12,000,000</b>	<b>12,000,000</b>	<b>12,000,000</b>	<b>12,000,000</b>

Market Value	Market Value 31.3.2017	Market Value 31.3.2018	Market Value 30.6.2018	Market Value 30.9.2018	Market Value 31.12.2018	Market Value 31.3.2019	Market Value 30.6.2019	Market Value 30.9.2019	Market Value 31.12.2019	Market Value 31.03.2020	Market Value 30.09.2020
	£	£	£	£	£	£	£	£	£	£	£
CCLA Property Fund(mid-market value)	4,082,986	4,276,854	4,299,512	4,300,362	4,369,186	4,276,005	4,346,669	4,302,769	4,302,769	4,188,063	4,013,737
Schroders Bond Fund	2,963,563	2,912,837	2,908,609	2,891,399	2,825,575	2,865,130	2,910,421	2,873,584	2,934,878	2,539,938	2,798,400
UBS Multi Asset Fund	3,018,705	2,918,160	2,895,094	2,905,148	2,777,398	2,868,479	2,916,977	2,927,623	2,957,787	2,520,713	2,721,211
CCLA Diversification Fund(indicative market value)	n/a	1,921,257	1,972,126	1,990,756	1,913,197	1,982,167	2,032,111	2,049,420	2,074,392	1,804,193	1,928,260
<b>Total</b>	<b>10,065,254</b>	<b>12,029,108</b>	<b>12,075,341</b>	<b>12,087,665</b>	<b>11,885,356</b>	<b>11,991,781</b>	<b>12,206,179</b>	<b>12,153,396</b>	<b>12,269,826</b>	<b>11,052,907</b>	<b>11,461,608</b>

Surplus/(Deficit)	Surplus/ (Deficit) 31.3.2017	Surplus/ (Deficit) 31.3.2018	Surplus/ (Deficit) 30.6.2018	Surplus/ (Deficit) 30.9.2018	Surplus/ (Deficit) 31.12.2018	Surplus/ (Deficit) 31.3.2019	Surplus/ (Deficit) 30.6.2019	Surplus/ (Deficit) 30.9.2019	Surplus/ (Deficit) 31.12.2019	Surplus/ (Deficit) 31.03.2020	Surplus/ (Deficit) 30.09.2020
	£	£	£	£	£	£	£	£	£	£	£
CCLA Property Fund	82,986	276,854	299,512	300,362	369,186	276,005	346,669	302,769	302,769	188,063	13,737
Schroders Bond Fund	(36,437)	(87,163)	(91,391)	(108,601)	(174,425)	(134,870)	(89,579)	(126,416)	(65,122)	(460,062)	(201,600)
UBS Multi Asset Fund	18,705	(81,840)	(104,906)	(94,852)	(222,602)	(131,521)	(83,023)	(72,377)	(42,213)	(479,287)	(278,789)
CCLA Diversification Fund	n/a	(78,743)	(27,874)	(9,244)	(86,803)	(17,833)	32,111	49,420	74,392	(195,807)	(71,740)
<b>Total</b>	<b>65,254</b>	<b>29,108</b>	<b>75,341</b>	<b>87,665</b>	<b>(114,644)</b>	<b>(8,219)</b>	<b>206,179</b>	<b>153,396</b>	<b>269,826</b>	<b>(947,093)</b>	<b>(538,392)</b>

## Appendix B

Gross Revenue 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
	£	%	£	%	£	%	£	%
CCLA Property Fund	164,434	4.03%	193,758	4.53%	183,989	4.30%	185,240	4.31%
Schroders Bond Fund	127,340	4.30%	105,413	3.62%	120,508	4.21%	124,418	4.33%
UBS Multi Asset Fund	100,600	3.33%	146,788	5.03%	116,513	4.06%	137,531	4.70%
CCLA Diversification Fund	n/a	n/a	62,732	3.27%	67,030	3.38%	66,284	3.23%
<b>Total</b>	<b>392,375</b>		<b>508,691</b>		<b>488,040</b>		<b>513,473</b>	

FY Forecast at 30-Sept-20	
Yield 20-21	Yield 20-21
30.09.2020	30.09.2020
£	%
171,000	4.26%
125,900	4.50%
119,700	4.40%
66,700	3.46%
<b>483,300</b>	

Surplus/(Deficit)- Capital Value	Surplus/	Surplus/	Surplus/	Surplus/	Surplus/	Surplus/	Surplus/	Surplus/
	(Deficit)	(Deficit)	(Deficit)	(Deficit)	(Deficit)	(Deficit)	(Deficit)	(Deficit)
	2016/17	2016/17	2017/18	2017/18	2018/19	2018/19	2019/20	2019/20
	£	%	£	%	£	%	£	%
CCLA Property Fund	(92,996)	-2.28%	193,868	4.53%	(849)	-0.02%	(87,942)	-2.04%
Schroders Bond Fund	16,634	0.56%	(50,726)	-1.74%	(47,707)	-1.67%	(325,192)	-11.32%
UBS Multi Asset Fund	36,559	1.21%	(100,545)	-3.45%	(49,681)	-1.73%	(347,766)	-11.88%
CCLA Diversification Fund	n/a	n/a	(78,743)	-4.10%	60,910	3.07%	(177,974)	-8.68%
<b>Total</b>	<b>(39,803)</b>		<b>(36,146)</b>		<b>(37,327)</b>		<b>(938,874)</b>	

FY Forecast at 30-Sept-20	
Surplus/	Surplus/
(Deficit)	(Deficit)
2020/21	2020/21
£	%
(289,032)	-6.72%
(75,184)	-2.62%
(206,412)	-7.05%
(121,160)	-5.91%
<b>(691,788)</b>	

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
	£	%	£	%	£	%	£	%
CCLA Property Fund	71,438	1.75%	387,626	9.06%	183,140	4.28%	97,298	2.32%
Schroders Bond Fund	143,974	4.86%	54,687	1.88%	72,801	2.54%	(200,774)	-7.90%
UBS Multi Asset Fund	137,159	4.54%	46,243	1.58%	66,832	2.33%	(210,235)	-8.34%
CCLA Diversification Fund	n/a	n/a	(16,011)	-0.83%	127,940	6.45%	(111,690)	-6.19%
<b>Total</b>	<b>352,572</b>		<b>472,545</b>		<b>450,713</b>		<b>(425,401)</b>	

FY Forecast at 30-Sept-20	
Net Yield	Net Yield
2020/21	2020/21
£	%
(118,032)	-2.74%
50,716	1.73%
(86,712)	-2.93%
(54,460)	-2.63%
<b>(208,488)</b>	

## Peer to Peer Investment

Funding Circle*	2016/17	2016/17	2017/18	2017/18	2018/19	2018/19	2019/20	2019/20
	£	%	£	%	£	%	£	%
<b>Carrying Value</b>	<b>2,003,355</b>		<b>2,075,341</b>		<b>2,056,664</b>		<b>1,831,028</b>	
Interest Paid by Borrowers	181,892		181,014		184,654		193,170	
Less FC Service fee	(19,121)		(19,668)		(19,729)		-19,611	
Promotions/Transfer payment							470	
Bad Debts	(58,163)		(61,288)		(111,152)		-127,649	
Recoveries	8,219		14,780		27,428		30,253	
Amounts Recovered on principal in prior years (prior to 06.04.15)	0		0					
<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>Provisions for future losses</b>	<b>0</b>		<b>0</b>		<b>(10,000)</b>			

31/08/2020 Actual	
£	%
<b>1,415,581</b>	
58,059	
(5,741)	
0	
(44,442)	
11,599	
<b>19,476</b>	<b>1.38%</b>