

## **TANDRIDGE DISTRICT COUNCIL**

### **INVESTMENT SUB COMMITTEE**

Minutes and report to Council of the meeting of the Sub-Committee held in the Council Chamber, Council Offices, Station Road East, Oxted on the 16<sup>th</sup> June 2023 at 10.00 am.

**PRESENT:** Councillors Booth, Botten, Cooper, Chris Farr, Hammond, Alun Jones and Langton

#### **1. ELECTION OF CHAIR FOR THE REMAINDER OF 2023/24**

Councillor Langton was elected Chair of the Sub-Committee for the remainder of the 2023/24 municipal year.

#### **2. MINUTES OF THE MEETING HELD ON THE 20<sup>TH</sup> JANUARY 2023**

These minutes were approved and signed as a correct record.

#### **3. SUMMARY INVESTMENT AND BORROWING POSITION AT 31<sup>ST</sup> MARCH 2023**

A report with the investment analysis at Annexes 1 to 3 was presented. This confirmed that, at 31<sup>st</sup> March 2023:

- (i) total long term treasury investments (over 12 months) amounted to £10.8 million
- (ii) short term investments (less than 12 months) amounted to £6 million
- (iii) the Council also had £16.7 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 at 31st March 2023 was £99.4 million, comprising £43.4 million General Fund loans and £56 million Housing Revenue Account loans (the HRA PWLB balance had reduced by £2.9m since the previous quarter due to the repayment of a PWLB loan that the Council had not yet needed to refinance)
- (v) investment income for 2022/23 totalled £1,495,700, which had exceeded the budgeted income amount by £447,335.

As explained at the previous meeting, the Government had extended the 'IFRS 9 statutory override' until March 2025. Consequently, 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

The report confirmed that the current capital value of the investments was £1.3 million less than the original £12 million. Therefore, without the statutory override, the General Fund would have had to absorb the £1.3 million as an additional budget pressure. To mitigate against such a risk emerging in 2025/26 (should the override be not further extended) the transfer of the £447,335 surplus income (referred to in (v) above) to an Investment Performance Equalisation Reserve was recommended. This was on the basis that surpluses held in the reserve could be released to the General Fund should confidence in market value of the investment holdings recover. The Chief Finance Officer relayed advice from the Council's consultants, Arlingclose Limited, on the prospects of a full or partial recovery of values by 2026.

During the debate, the rationale for continuing to invest in the four funds was challenged, given that such a portfolio, selected for income generation, would be compromised by having to partly offset returns should IFRS 9 apply. While it would be premature to disinvest at the present time, it was acknowledged that alternative investment options based on 'total returns' may need to be considered for the future.

**RESOLVED** – that following be noted:

- A. the Council's investment and borrowing position at 31st March 2023, as set out in Annexes 1 and 2;
- B. the Council's actual performance against the indicators set within the Treasury Management Strategy for 2022/23, as set out in Annex 3; and
- C. the update on ongoing work to review options following the extension of the IFRS 9 statutory override.

**COMMITTEE DECISION**

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

**RECOMMENDED** – that the surplus investment income of £447k, as set out in Annex 1, 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.

## 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 circulated about the commercial investment properties owned by the Council and its subsidiary company, Gryllus properties. The sites concerned were:

## **TDC properties:**

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

It was confirmed that a final account figure for the refurbishment scheme had been agreed with contractors. The Chair reflected that those commissioned to advise the Council throughout the project were partly responsible for the overspend.

Details of recent lettings were provided and the progress of discussions with other potential tenants were discussed. It was acknowledged that the building's appeal would be greatly enhanced once the redevelopment of the adjacent site in Croydon Road had been completed.

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

The Council's approach to managing Freedom Leisure's tenancy was discussed in light of the rent review in February 2023 and Freedom's subsequent request for financial assistance.

### **Council Offices, Oxted**

Members were advised about two recent lettings. Officers were assessing the scope for further lettings, although a lack of car parking space was a limiting factor.

## **Gryllus properties:**

### **80-84 Station Road East, Oxted**

The current lease would expire on the 17<sup>th</sup> September 2023. Details of renewal terms being negotiated with the existing tenant's representatives were discussed.

### **30-32 Week Street, Maidstone**

The agreed terms of a new letting were presented, together with details of a dilapidations claim being negotiated with the previous tenant. The potential implications of the reduced rental income for both Gryllus and the Council were highlighted.

### **Castlefield House, Reigate**

The intentions of the existing tenant were noted. Following a question regarding potential, alternative uses of the site, the Principal Asset Manager undertook to clarify the limitations of current permitted development rights.

Rising 11.14 am