

Summary investment and borrowing position at 31st March 2024

Investment Sub Committee Friday, 14 June 2024

Report of: Director of Resources

Purpose: For information

Publication status: Unrestricted

Wards affected: All

Executive summary:

This report updates the Investment Sub Committee on the Council's investment and borrowing position at 31st March 2024 and reports performance against the Council's approved Prudential Indicators for 2023/24.

This report supports the Council's priority of: Building a better Council/
Supporting economic recovery in Tandridge.

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Recommendations:

- A. it be recommended to the Strategy & Resources Committee that the surplus investment income of £703k, as set out in Appendix A, be added to the 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; and
 - B. the Council's investment and borrowing position at 31st March 2024, as set out in Appendices A and B, be noted.
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1. Introduction and background

- 1.1 The Capital, Investment and Treasury Management Strategy 2023/24 was reported to the Strategy and Resources Committee on 31st January 2023 and adopted by Full Council on 9th February 2023. This covered the borrowing and investment plans for the Council. As detailed in this strategy, part of the Treasury Management function is to ensure that the cashflow is adequately planned and surpluses are invested while allowing for cash to be available when needed. Additionally, the treasury management function ensures that the Council can meet its capital spending plans. This requires the management of longer-term cash which will involve the use of long or short-term loans, or cash flow surpluses.
- 1.2 Tandridge District Council's contract for expert Treasury Management Advice is held with Arlingclose Ltd. Commentary on the external context for treasury management activity is provided in Appendix C.

2. Summary Investment and Borrowing Position

- 2.1 A summary of the Council's investment and borrowing at 31st March 2024 is set out in Appendix A.
- Total long term treasury investments (over 12 months) amount to £10.9 million.
 - Short term investments (less than 12 months) amount to £4.1 million.
 - The Council also has £20.6 million in non-treasury investments which is made up of capital loans to specific service providers and limited companies.
 - The total amount of Public Works Loan Board (PWLB) loans at 31st March 2024 is £96.4 million. This is made up of £43.4 million General Fund loans and £52.8 million Housing Revenue Account loans. The HRA PWLB balance has reduced by £3.2m since the Q3 update due to the repayment of a PWLB loan that the Council has not yet needed to refinance.
 - An update on the Prudential Indicators will be included as an appendix to the Strategy & Resources Committee 2023/24 outturn report, being finalised at the time of publication for Investment Sub Committee.

3. Update on Long Term Treasury investments

- 3.1 In April 2023 the Department for Levelling Up, Housing and Communities published the full outcome of the consultation on the extension of the statutory override on accounting for gains and losses on pooled investment funds. The override has been extended for two years until 31st March 2025 but no other changes have been made. Whether the override will be extended beyond the new date is unknown, but commentary to the consultation outcome suggests not. At present, with the override in place, Councils remove the impact of fair value movements on these funds from their budgets and record them in an unusable reserve on the Balance Sheet.
- 3.2 An Investment Performance Equalisation reserve of £447k was created using surplus investment income earned during 2022/23 as a mitigation to the removal of the override. Surpluses held in the reserve can be released to the General Fund if and when confidence in the assets' market value recovers. For context, the current carrying loss is £1.2m. This has improved from Q3 by £0.1m.
- 3.3 Investment income achieved £703k better than budget in 2023/24, as set out in Appendix A. It is recommended for Investment Sub Committee to approve to use this surplus to increase the Investment Performance Equalisation Reserve to increase the Council's mitigation against carrying losses in the event that the override is removed. This will largely match the value in reserve (£1,150k) to the carrying loss (£1,234k).

Key implications

4. Comments of the Chief Finance Officer

- 4.1 The outturn position is for investment income of £703k more than budgeted. This is mainly due to the performance of the Council's investments in Money Market Funds, as generally funds have reacted to the increases in the Bank of England Base Rate. General Fund loan interest payable is in accordance with budget. HRA loan interest payable is £43k under budget due to the Council's cash position allowing us to avoid the immediate re-financing of maturing loans through internal borrowing.
- 4.2 All investments carry a degree of risks. The Council manages these risks by holding diversified investments and through seeking expert advice from its Treasury Management Advisors and through the Finance Joint Working Agreement with the Orbis Centre of Expertise. The Council will continue to monitor the value of its investments in context of the regulatory environment.

5. Comments of the Head of Legal Services

- 5.1 The Council's Capital, Investment and Treasury Management Strategy Statement follows the latest codes of practice and the DLUHC and CIPFA guidance.
- 5.2 The Council has borrowed and invested sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.

6. Equality

- 6.1 The proposals within this report do not have the potential to disadvantage or discriminate against different groups with protected characteristics in the community.

7. Climate change

- 7.1 There are no significant environmental/sustainability implications associated with the report. It is however recognised that some Council investments may be in companies that are considered to have a detrimental impact on the climate, for example oil companies. The Climate Change Action Plan that is currently being draw up will have an action included to consider our current investment approach and determine if changes can or should be made.

Appendices

Appendix A – Summary of Investments and Borrowing

Appendix B – Market Value of Long-Term Investments

Appendix C – External Context for Treasury Management Activity for Outturn Report

Background papers

Investment Sub-Committee Papers 19th January 2024

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