

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 Annexes 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 Annexes 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 Annex 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