

TANDRIDGE DISTRICT COUNCIL

INVESTMENT SUB COMMITTEE

Minutes and report to Council of the meeting of the Committee held in the Council Chamber, Council Offices, Station Road East, Oxted on the 17 September 2024 at 6:30pm.

PRESENT: Councillors Langton (Chair), Allen, Booth, Chris Farr, Jones, Horne and Mark

ALSO PRESENT: Councillors Sue Farr

5. MINUTES OF THE MEETING HELD ON THE 14TH JUNE 2024

The minutes were approved and signed as a correct record.

6. SUMMARY INVESTMENT AND BORROWING POSITION AT 30TH JUNE 2024

The Director of Resources presented a report providing an update on the Council's investment and borrowing position at 30th June 2024 and the performance against the Council's approved Prudential Indicators for 2024/25. The report also set out a decision taken by UBS to close the UBS Multi-Asset Income Fund and the options available to the Council for the returned funding.

The investment analysis, at appendices A and B, confirmed that, at 30th June 2024:

- (i) total long investments (over 12 months) amounted to £11.0 million, including £2.2 million held with the UBS Multi-Asset Income Fund.
- (ii) short term investments (less than 12 months) amounted to £2.4 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 £96.3 million, comprising £43.4 million General Fund loans and £52.8 million Housing Revenue Account loans.

The report also explained the Council were informed by UBS in July 2024 of its decision to close the UBS Multi-Asset Income Fund on 16 September 2024. The Council had invested £3.0 million in the fund in total. The investment had returned £1.1 million income to 30 June 2024, an annualised return of 4.6%. The capital value of the Council's investment was £2.2 million, an £0.8 million loss on the initial investment. The total return on the fund was £0.3 million, a total return of 10.2% and an annualised rate of 1.2%. The report set out the actions Officers had taken as a result of the UBS notification.

The Director of Resources explained the Government had issued a statutory override which shielded the General Fund from losses in carrying value so long as the Council's investment stayed with the fund. This was in place until 31 March 2025, and meant the Council was not required (or allowed) to move the losses into the General Fund until 31 March 2026. It was not clear if the Government were going to extend the statutory override. In the last two years, the Council had set aside £1.2m of surplus into an Investment Performance Equalisation reserve, which covered the value of the carrying losses of the Council's investment in all funds including

UBS. UBS closing the fund would cause the £0.8m loss to be realised, but the Director of Resources explained that this would be met from the reserve.

The report set out a number of options for the re-investment of the return. It was noted that, in order to fund the Council's capital programme, specifically the Council House Building programme, it was expected the Council would need to borrow money during 2025/26. In light of expected interest rate falls over the next 12 months, if the Council were to borrow now, it was likely it would be at a higher than in 2025/26. It was therefore recommended to invest the funds into a short-term fixed-rate bond to give certainty of investment return whilst the money was not needed to fund the capital programme, and before the expected decrease in interest rates. Returns were likely to be just over 4% and, at this level, would satisfy the amount expected within the budget for the previous investment in UBS.

In response to Member questions, Officers, with support from Arlingclose, explained that:

- it was unlikely that the three other funds would also be closed due to their size or the work that had been undertaken to grow them.
- the expected return from investments in Funding Circle was 0.79%, significantly less than the other funds and the recommended option.
- if the UBS loss were transferred to the General Fund rather than being met from the Investment Performance Equalisation Reserve, the General Fund reserve would reduce from £3m to £2.2m.
- it was expected the predicted fall in interest rates would raise the value of the Council's remaining investment funds. Whilst the Council could re-invest the released money back into such funds, investment in a low risk, short-term fixed-rate bond would diversify the Council's investments. Longer term investment decisions would be undertaken once there was clarity on the statutory override.
- the annual income from the UBS investment had been used for service delivery in past financial years whereas the loss in carrying value had not been addressed prior to the creation of the Investment Performance Equalisation reserve in 2022/23.
- the Council's Treasury Management Strategy allowed investments in bonds up to the value of £2m. Therefore, the released funds would be split between two bonds, with no material effect on returns expected as a result. The precise bond would be established at the point the Council was ready to invest and this was a matter delegated to Officers in the Constitution.
- General Fund borrowing was not expected to increase over the Medium-Term. Increases in Housing Revenue Account borrowing to fund the Council House Building Programme would be met by increased rents.
- it was not expected the Council would be in a position to significantly increase its investments in the short or medium term. Current Government policy encouraged Councils to invest less and borrow less.

RESOLVED – that:

- A. The Council's Investment and Borrowing position at 30th June 2024 as set out in Appendices A & B be noted.

- B. The Council's actual performance against the Indicators set within the Treasury Management Strategy for 2024/25 in Appendix C be noted.
- C. The commentary from Arlingclose on the external context for treasury management in Appendix D be noted.
- D. The update on the performance of the Council's long-term treasury investments, including the closure of the UBS Multi-Asset Income Fund, be noted.
- E. The £2.2m released from the UBS Multi-Asset Income Fund be placed in a fixed-term, fixed-rate bond.

Rising 7.45 pm