

## TANDRIDGE DISTRICT COUNCIL

### INVESTMENT SUB COMMITTEE

Minutes and report to the Strategy & Resources Committee of the meeting of the Investment Sub Committee held in the Jack Farrell Room - Council Offices on the 8 November 2024 at 10:00am.

**PRESENT:** Councillors Langton, Allen, Chris Farr, Mark and Crane (Substitute) (In place of Booth)

**PRESENT (Virtually):** Councillor Horne

**ALSO PRESENT:** Councillors Cline and Sue Farr

**APOLOGIES FOR ABSENCE:** Councillors Booth and Jones

#### **7. MINUTES OF THE MEETING HELD ON THE 17 SEPTEMBER 2024**

The minutes were approved and signed as a correct record.

#### **8. SUMMARY INVESTMENT AND BORROWING POSITION AT 30TH SEPTEMBER 2024 (MID-YEAR UPDATE)**

The Director of Resources presented a report which provided an update on the Council's investment and borrowing position at 30 September 2024 and the performance against the Council's approved Prudential Indicators for 2024/25. The indicators showed full compliance as at 30 September 2024

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

- (i) total long investments (over 12 months) amounted to £8.7 million. This reflected the closure of the UBS Multi-Asset Fund on 16 September 2024.
- (ii) short term investments (less than 12 months) amounted to £10.0 million, including £2.3 million returned when the UBS Multi-Asset Fund closed.
- (iii) the Council 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.

Investment income for 2024/25 (treasury and non-treasury) was forecast at £1,951,262 which was £455,562 better than budget.

The report confirmed that funds returned as a result of the closure of the UBS Multi-Asset Fund had been split and invested in two AAA rated bonds with yields of 4.76% and 4.57%. This was higher than had been anticipated when the Sub Committee agreed to the investment of these funds in one-year bonds at the meeting of the Sub Committee on 17 September 2024.

Arising from the debate at the meeting of 14 June 2024, Officers had considered the timetable of future meetings of the Sub Committee. It was acknowledged that the time gap between quarter end and Sub Committee meeting dates was not ideal. However, due to other reporting that the Sub Committee received at quarter end and year end, including the prudential indicators which relied upon metrics that could not be moved forward, the timetable of meetings would not be amended. Officers had proposed that an informal update would be sent to Sub Committee Members in April with the investment outturn. These figures would formally be reported at the June meeting.

Arising from the debate, Officers confirmed:

- relevant Treasury Management information should be circulated to the Sub Committee informally as soon as it becomes available. Sub Committee training would be taking place in the next few months, and this would cover the prudential indicators.
- as a result of the recent UK budget, it was expected cuts in interest rates would be fewer, resulting in long term interest rates remaining higher than previously anticipated. The Government had maintained the preferential borrowing rate for the Housing Revenue Account.
- investments in Funding Circle were winding down, and Funding Circle was not accepting new investors.

**RESOLVED** – that:

- A) The Council's Investment and Borrowing position at 30th September 2024 as set out in Appendix 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 be noted.
- D) The rationale for the future meeting dates and the proposed mitigation for the timeliness of investment performance information be noted.

## **9. INVESTMENT PROPERTY UPDATE - NOVEMBER 2024**

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, with handover expected in the next two weeks. Refurbishment works identified unexpected repairs, resulting in additional landlord costs. A dilapidations claim against the previous tenant was being negotiated.

**Castlefield House, Reigate**

The lease would expire in 2029 and Officers presented a range of options for the future of the building. Officers would keep the Sub-Committee updated.

**TDC properties:****Quadrant House, Caterham Valley**

Members were informed the Council had taken over the running of the co-working facility, re-named 'The Q', which had increased income to the Council. Terms of the lease for the new McDonalds letting were close to being finalised. 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%. The current proposals for the service road changes were raised pavements (Copenhagen crossings) across each end of the road with speed tables on two locations on the road itself.

**Village Health Club, Caterham on the Hill and Tandridge Leisure Pool, Oxted**

Officers updated Members on the current situation with the properties, including repairs.

**Council Offices, Oxted**

Officers explained that an existing tenant had served notice, but terms with a new tenant had been agreed.

***RESOLVED*** – that the report be noted.

Rising 11.31 am

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Investment	Original Investment Value £	Net Asset Value 31/03/24 £	Net Asset Value 30/09/24 £	Yield Rate Note 1 %	Forecast Return 2024/25 £	Previous Year Actual £
<b>Treasury Investments (Non-specified)- Long Term (over 12 mths)</b>						
CCLA Property Fund	4,000,000	3,922,967	3,909,022	4.04	158,000	100,524
Schroders Bond Fund	3,000,000	2,678,831	2,713,857	5.31	144,000	119,084
UBS Multi Asset Fund	3,000,000	2,207,842	-	-	57,370	109,416
CCLA Diversification Fund	2,000,000	1,956,403	1,953,760	5.78	113,000	87,261
Funding Circle		160,449	160,449	0.79	1,271	1,271
<b>Sub Total Non-specified (Treasury Investments)</b>		<b>10,926,492</b>	<b>8,737,087</b>		<b>473,641</b>	<b>417,556</b>
<b>Treasury Investments (Specified)-Short Term (less than 12 mths)</b>						
Liquidity Plus Funds		-	-	-	-	102,015
Money Market Funds		4,100,000	10,000,000	5.05	545,000	730,034
<b>Total Specified Investments</b>		<b>4,100,000</b>	<b>10,000,000</b>		<b>545,000</b>	<b>832,049</b>
<b>Total Treasury Investments</b>		<b>15,026,492</b>	<b>18,737,087</b>		<b>1,018,641</b>	<b>1,249,605</b>
<b>Non-Treasury Investments (Non-Specified)- Long Term (over 12 mths)</b>						
Gryllus Property Company Loan - Maidstone		2,394,000	2,394,000	5.81	139,023	139,023
Freedom Leisure- Loan (TLP)		193,714	96,857	5.50	14,399	23,181
Freedom Leisure- Loan (de Stafford)		124,143	62,071	7.58	12,717	20,474
Gryllus Property Company Loan - 80-84 Station Rd East		1,012,500	1,012,500	5.43	54,979	54,979
Gryllus Property Company Loan - Castlefield		11,664,000	11,664,000	6.10	711,504	711,504
Gryllus Property Company Share Capital Note 2		5,251,500	5,251,500	-	-	-
<b>Sub Total Non-Treasury Investments</b>		<b>20,639,857</b>	<b>20,480,929</b>		<b>932,622</b>	<b>949,160</b>
<b>Total Investments (Treasury &amp; Non-Treasury)</b>		<b>35,666,349</b>	<b>39,218,016</b>		<b>1,951,262</b>	<b>2,198,765</b>
<b>Total Investment Income Budget 2023/24</b>					1,495,700	1,495,700
<b>Over/(under) budget</b>					<b>455,562</b>	<b>703,065</b>

<b>Borrowing</b>	<b>Balance as at 30/09/24</b>	<b>Interest</b>	<b>Actual Cost 2024/25</b>	<b>Previous Year Cost</b>
	<b>£</b>	<b>%</b>	<b>£</b>	<b>£</b>
<b>General Fund Borrowing</b>				
Gryllus Loan	3,420,000	2.46	84,132	84,132
Freedom Leisure Loan	2,225,000	2.45	54,513	54,513
Village Health Club	938,678	2.38	22,341	22,341
Linden House	4,175,000	2.69	112,308	112,308
Linden House	254,000	2.42	6,147	6,147
Quadrant House	15,340,000	2.41	369,694	369,694
Quadrant House	800,000	2.28	18,240	18,240
Gryllus - 80-84 Station Road	724,400	2.28	16,516	16,516
Gryllus - Castlefield	15,549,000	2.91	452,476	452,476
<b>Sub Total General Fund Borrowing</b>	<b>43,426,078</b>		<b>1,136,366</b>	<b>1,136,366</b>
<b>Total GF PWLB Budget 2023/24</b>			<b>1,137,000</b>	<b>1,137,000</b>
<b>Over/(under) budget</b>			<b>(634)</b>	<b>(634)</b>
<b>HRA Borrowing</b>				
Public Works Loan Board	52,839,000	2.72	1,437,221	1,596,258
<b>Sub Total HRA Borrowing</b>	<b>52,839,000</b>		<b>1,437,221</b>	<b>1,596,258</b>
<b>Total HRA PWLB Budget 2024/25</b>			<b>1,520,000</b>	<b>1,520,000</b>
<b>Over/(under) budget</b>			<b>(82,779)</b>	<b>76,258</b>
<b>Total Borrowing</b>	<b>96,265,078</b>		<b>2,573,586</b>	<b>2,732,624</b>
<b>Total Budget 2024/25</b>			<b>2,657,000</b>	<b>2,657,000</b>
<b>Total Over/(under) budget</b>			<b>(83,414)</b>	<b>75,624</b>

**Notes:**

1. Yield Rate:

For Non specified Investments, this is the actual return divided by net asset value as at 31/03/24;

For Specified investments, this is the actual return divided by the average investment value during the year

2. 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 31/03/2024

## Appendix B

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Carrying Value	Carrying Value 31.3.2018	Carrying Value 31.3.2019	Carrying Value 31.03.2020	Carrying Value 31.03.2021	Carrying Value 31.03.2022	Carrying Value 31.03.2023	Carrying Value 31.03.2024	Carrying Value 30.09.2024
	£	£	£	£	£	£	£	£
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
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
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	-
CCLA Diversification Fund	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>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>9,000,000</b>

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Market Value	Market Value 31.3.2018	Market Value 31.3.2019	Market Value 31.03.2020	Market Value 31.03.2021	Market Value 31.03.2022	Market Value 31.03.2023	Market Value 31.03.2024	Market Value 30.09.2024
	£	£	£	£	£	£	£	£
CCLA Property Fund(mid-market value)	4,276,854	4,276,005	4,188,063	4,158,183	4,888,056	4,082,278	3,922,967	3,909,022
Schroders Bond Fund	2,912,837	2,865,130	2,539,938	2,908,911	2,775,151	2,550,204	2,678,831	2,713,857
UBS Multi Asset Fund	2,918,160	2,868,479	2,520,713	2,777,398	2,639,592	2,208,433	2,207,842	-
CCLA Diversification Fund(indicative market value)	1,921,257	1,982,167	1,804,193	1,955,874	2,046,513	1,864,707	1,956,403	1,953,760
<b>Total</b>	<b>12,029,108</b>	<b>11,991,781</b>	<b>11,052,907</b>	<b>11,800,366</b>	<b>12,349,313</b>	<b>10,705,622</b>	<b>10,766,043</b>	<b>8,576,639</b>

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Surplus/(Deficit) on capital values	Surplus/ (Deficit) 31.3.2018	Surplus/ (Deficit) 31.3.2019	Surplus/ (Deficit) 31.03.2020	Surplus/ (Deficit) 31.03.2021	Surplus/ (Deficit) 31.03.2022	Surplus/ (Deficit) 31.03.2023	Surplus/ (Deficit) 31.03.2024	Surplus/ (Deficit) 30.09.2024
	£	£	£	£				
CCLA Property Fund	276,854	276,005	188,063	158,183	888,056	82,278	(77,033)	(90,978)
Schroders Bond Fund	(87,163)	(134,870)	(460,062)	(91,089)	(224,849)	(449,796)	(321,169)	(286,143)
UBS Multi Asset Fund	(81,840)	(131,521)	(479,287)	(222,602)	(360,408)	(791,567)	(792,158)	(737,746)
CCLA Diversification Fund	(78,743)	(17,833)	(195,807)	(44,126)	46,513	(135,293)	(43,597)	(46,240)
<b>Total</b>	<b>29,108</b>	<b>(8,219)</b>	<b>(947,093)</b>	<b>(199,634)</b>	<b>349,313</b>	<b>(1,294,378)</b>	<b>(1,233,957)</b>	<b>(1,161,107)</b>





## Appendix C: Prudential Indicators – Q2 2024/25

The 2021 Prudential and Treasury Management Codes require the Council to report on prudential indicators on a quarterly basis. These indicators report on capital expenditure, borrowing and commercial and service investments in light of overall organisational strategy and resources and ensure that decisions are being made with sufficient regard to the long-run financing implications and potential risks to the Council.

Table 1 – Estimates of Capital Expenditure

Capital expenditure refers to Council spending on assets such as infrastructure, property or vehicles that will be used for more than one year. In Local Government this includes spending on assets owned by other bodies and loans and grants to other bodies, enabling them to buy assets.

At month 6 the Council was forecasting total capital expenditure for 2024/25 of £28.5m. This is a positive variance of £0.9m compared to the updated capital programme.

	2023/24 Actual £m	2024/25 Budget *	2024/25 Forecast £m	2025/26 Budget £m	2026/27 Budget £m	Total – 2024/25 to 2026/27 £m
General Fund services	1.8	7.3	6.8	3.7	4.2	14.7
Council Housing (HRA)	13.7	22.2	21.7	26.4	16.0	64.1
<b>Total</b>	<b>15.5</b>	<b>29.5</b>	<b>28.5</b>	<b>30.1</b>	<b>20.2</b>	<b>78.8</b>

\*The 2024/25 Budget is the latest including carry forwards from 2023/24, approved additions and additional slippage

Table 2 – Capital Financing Requirement

The Council's cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR). This increases with new debt-financed capital expenditure on service delivery and on investments and reduces with MRP and capital receipts used to replace debt.

The forecast CFR for 2024/25 has been updated in line with the latest Capital Budget 2024/25. This is based on forecast capital expenditure at month 6.

	31/03/2024 Actual £m	31/03/2025 Budget £m	31/03/2025 Forecast £m	31/03/2026 Budget £m	31/03/2027 Budget £m
General Fund services	46.1	47.6	47.6	47.8	47.4
Council Housing (HRA)	62.0	72.5	72.5	85.8	92.8
<b>Total CFR</b>	<b>108.1</b>	<b>120.1</b>	<b>120.1</b>	<b>133.6</b>	<b>140.2</b>

Table 3 – Gross Debt and the Capital Financing Requirement

Statutory guidance is that debt should remain below the capital financing requirement, except in the short term. The Council has complied and expects to continue to comply with this requirement in the medium term as is shown below.

The current estimated level of gross debt is in line with what was estimated in the 2024/25 Capital, Investment and Treasury Management Strategy. This is based on forecast capital expenditure at M6.

	31/03/2024 Actual £m	31/03/2025 Budget £m	31/03/2025 Forecast £m	31/03/2026 Budget £m	31/03/2027 Budget £m
Debt (incl. PFI & leases)	96.3	104.2	104.2	117.1	123.7
Capital Financing Requirement	108.1	120.1	120.1	133.6	140.2

Table 4 – Debt and the Authorised Limit and Operational Boundary

The Council is legally obliged to set an affordable borrowing limit (also termed the Authorised Limit for external debt) each year and to keep it under review. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit. These limits were set in the 2024/25 Capital, Investment and Treasury Management Strategy. The Council has complied with the limits at Q2 2024/25.

	Maximum Debt Q2 2024/25 £m	Debt at 30/09/2024 £m	2024/25 Authorised Limit £m	2024/25 Operational Boundary £m	Complied?
Borrowing	96.3	96.3	150.0	140.0	✓
PFI and Finance Leases	-	-	-	-	
<b>Total debt</b>	<b>96.3</b>	<b>96.3</b>	<b>150.0</b>	<b>140.0</b>	

Table 5 – Net Income from Commercial and Service Investments to Net Revenue Stream

The Council’s income from commercial and service investments as a proportion of its net revenue stream has been and is expected to be as indicated below. This is unchanged from the 2024/25 Capital, Investment & Treasury Management Strategy.

	2023/24 Actual £m	2024/25 Budget (Capital Strategy) £m	2024/25 Forecast £m	2025/26 Budget £m	2026/27 Budget £m
Total net income from service and commercial investments	1.7	1.7	1.7	1.7	1.7
Proportion of net revenue stream	14%	14%	14%	13%	13%

Table 6 – Proportion of financing costs to Net Revenue Stream

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue. The proportion of financing costs to net revenue stream is expected to remain in line with what was reported in the 2024/25 Capital, Investment & Treasury Management Strategy.

	2023/24 Actual £m	2024/25 Estimate (Capital Strategy) £m	2024/25 Forecast £m	2025/26 Forecast £m	2026/27 Forecast £m
General Fund – Financing costs	2.4	2.4	2.4	2.5	2.5
Proportion of net revenue stream	17%	17%	17%	19%	19%

Table 7 – Maturity Structure of Borrowing

This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing are as below, all of which the Council complied with as at Q2 of 2024/25.

	Upper Limit 2024/25	Lower Limit 2024/25	Actual at 30/09/24	Complied?
Under 1 year	15%	-	4%	✓
1 to 2 years	15%	-	4%	
2 to 5 years	25%	-	16%	
5 to 10 years	50%	-	14%	
10 to 20 years	50%	-	9%	
Over 20 years	60%	-	53%	
<b>Total</b>			<b>100%</b>	

Table 8 – Long-term Treasury Management Investments

The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. Long-term investments with no fixed maturity date include strategic pooled funds, real estate investment trusts and directly held equity but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term. The prudential limits on the long-term treasury management limits are as below, and the Council has complied with these as at Q2 of 2024/25.

	2024/25 £m	2025/26 £m	No fixed date £m
Limit on principal invested beyond year end	16.0	16.0	16.0
Actual principal invested beyond year end	-	-	9.0
Complied?	✓	✓	✓

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