

SUMMARY INVESTMENT AND BORROWING POSITION

Investment Sub Committee – 15 January 2021

Report of: Anna D’Alessandro – Chief Finance Office (Section 151)
Simon Jones – Deputy Chief Finance Officer (Deputy S151)

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 December 2020.

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

Contact officer Simon Jones – Deputy Chief Finance Officer (Deputy S151)
sjones@tandridge.gov.uk

Recommendation to Committee:

That the Sub Committee notes:

- A) the Council’s Investment and Borrowing position at 31st December 2020 as set out on Appendix ‘A’ & ‘B’.
 - B) the individual factsheet for the Long-Term Investments.
 - C) to review the Funding Circle Funds.
-

Reason for recommendation:

This report will be reviewed by the Sub Committee, which provides an update on the Council’s investment and borrowing position.

1 Introduction and background

- 1.1 The Treasury Management Strategy 2020/21 was reported to the Finance Committee on 24th January 2020. 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.

2. Summary Investment and Borrowing Position

- 2.1 A summary of the Council's investment and borrowing at 31st December 2020 is set out in Appendix A.
- Total long term financial investments (over 12 months) amount to £12.8 million. This is within the Council's Treasury Management Strategy Statement proposed limit of £16 million.
 - Short term investments (less than 12 months) amount to £24 million.
 - The Council also has £22 million in non-financial 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 December 2020 is £104.6 million, This is made up of £43.4 million General Fund loans and £61.2 million Housing Revenue Account loans.
- 2.2 It was decided at the 24th January 2020 Investment Sub Committee to cease reinvesting in the Funding Circle Peer to Peer loans and to collect all funds as they become available. To the end of November 2020, the amount collected in relation to the principal element was c£0.77m.
- 2.3 In the current environment created by the ongoing pandemic, this money has not been invested in the Council's existing long-term investments and has been instead used for cashflow purposes. It is proposed that this approach remains unchanged with a further review at the Investment Sub Committee's next meeting.

Key implications

3. Comments of the Chief Finance Officer

- 3.1 The current forecast is that the investment income budget is likely not to be achieved, however this is partially offset by the underspend in the costs of borrowing. The net effect of this for the General Fund is an adverse variance of £408k. This is mainly due to the decision not to invest in Keats and change in the base rate. The bottom-line impact has had to be absorbed in the Council's overall financial position.
- 3.2 With all high yielding investments there are increased risks. The Council manages these risks by continued diversification of its investments.

4. Comments of the Head of Legal Services

- 4.1 The Council's Treasury Management Strategy Statement will need to follow the latest codes of practice and the MHCLG and CIPFA guidance. The Council has adopted the CIPFA Code of Practice on Treasury Management. This requires the annual production of a Treasury Management Strategy Statement and the reporting of treasury management activities at least twice a year. The Council fulfils this obligation by reporting to Members more than twice a year.

5. Equality

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

6. Climate change

- 6.1 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' – Funds latest Factsheets

Background papers

Capital, Investment and Treasury Management Strategy (presented to 15th January 2021 Investment Sub-Committee)