

TANDRIDGE DISTRICT COUNCIL

INVESTMENT SUB COMMITTEE

Minutes and report to Council of the meeting of the Committee held in the on the 15th January 2021 at 10.00 a.m.

PRESENT: Councillors Elias (Chair), Bourne, Farr (substitute in place of Davies), Jones and Milton (substitute in place of M.Cooper)

APOLOGIES FOR ABSENCE: Councillors M.Cooper and Davies

1. MINUTES OF THE MEETING HELD ON THE 23RD OCTOBER 2020

These minutes were approved as a correct record.

In respect of item 2 of the minutes, arising from the presentation from UBS, it was confirmed that UBS had provided clarification concerning ongoing fund charges and mandate costs, together with the latest value of the Council's investment. This information had been circulated to members of the Sub Committee shortly after the meeting

COUNCIL DECISION (subject to ratification by Council)

2. CAPITAL, INVESTMENT AND TREASURY MANAGEMENT STRATEGY 2021/22

A proposed consolidated strategy was presented. This had been produced in accordance with CIPFA guidelines and provided a high-level overview of how capital expenditure, capital financing and treasury management activity support the delivery of the Council's priorities, along with an explanation of how risk, security and liquidity are managed. The strategy included:

- a summary of the Council's capital expenditure and financing plans, with associated governance arrangements;
- an overview of the treasury management function which sought to ensure that income raised during the year is sufficient to meet expenditure plans and that any available surplus cash is invested at low risk, while ensuring security and liquidity; and
- the Council's approach to property investment (including reference to recent restrictions on the ability to borrow from the Public Works Loan Board for purchasing properties with the primary aim of generating yield) and the pursuance of redevelopment and regeneration opportunities.

Various issues were raised during the discussion about the strategy, including:

- whether it was appropriate to highlight the potential for regeneration investments to drive up yield from business rates (para 3.7)

- clarification that the £4.9 million investment for the refurbishment of Quadrant House, Caterham would be funded by the Local Economic Partnership (para 7.4) and that 'Disabled Facilities Grants' and 'Community Infrastructure Levy' comprised the other sources of external funding for the capital programme
- a suggestion that, in future, separate tables be provided to distinguish Housing Revenue Account provisions from those in the General Fund
- confirmation that Minimum Revenue Provision (MRP) would continue to be applied in accordance with the Asset Life Method, but that:
 - 'equal instalment' calculations would be used to charge MRP to internal borrowing;
 - the annuity method would apply to commercial activities, allowing MRP to increase gradually over the asset life (section 8)
- a request for future clarification about the figures in Table 6 under para 9.2 (current treasury investment portfolio) concerning the value of the respective funds
- the need for corrections in Table 10 under para 9.19 regarding treasury management investments (the corrections are incorporated in the revised version of strategy attached to these minutes)
- the scope for enhancing the presentation of the table under para 37 of the investment property strategy regarding the performance of the Council's property portfolio.

The Chief Finance Officer confirmed her intention to establish more regular dialogue with the Council's Treasury advisors (Link) to test whether the treasury investment portfolio and borrowing strategy remained suitable in light of other economic factors. She also acknowledged the need for the capital programme to remain flexible and to avoid imposing unacceptable financing costs upon the General Fund after taking other variables into account.

RECOMMENDED – that the Capital, Investment and Treasury Management Strategy (pages 15 to 58 of the agenda pack and accessible via the following link) be approved:

<https://www.tandridge.gov.uk/Portals/0/Documents/Your-council/Councillors-and-committees/Capital-Investment-and-TM-Strategy.pdf?ver=2021-02-01-145345-137>

SUB-COMMITTEE DECISION
(under the powers delegated to the Sub-Committee)

3. SUMMARY INVESTMENT AND BORROWING POSITION

The investment analysis at Appendices A and B was considered, together with fact sheets for the four funds within the Council's treasury investment portfolio. The Chief Finance Officer asked if members of the Sub-Committee could provide feedback about whether they find the analysis and fact sheets useful. This would be pursued after the meeting.

At the previous meeting, the Sub-Committee had agreed that, *“the reallocation of accumulated Funding Circle redemption proceeds [approximately £0.77m at the end of November 2020] be deferred, pending a review ... about whether they should be used to meet the Council’s cashflow requirements”*. Members were advised about the potential need for borrowing in March 2021 for cashflow purposes and that, in view of the current uncertainty, the Funding Circle redemption proceeds remained unallocated. In this respect, the Chief Finance Officer stated that she would be consulting the Council’s treasury advisors (Link) towards the end of the financial year about the relative merits of utilising the proceeds to assist with cashflow, or reinvesting them across the CCLA; UBS and Schroder funds. Officers would also assess whether it would be sustainable for the Council to continue to draw the current levels of income from those funds.

The Chief Finance Officer also advised about the intended future approach to accounting for the Freedom Leisure loans.

Arising from a question about Gryllus, it was confirmed that valuations of its properties as at 31st December 2020 were expected to be received by the end of February 2021.

RESOLVED – that:

- A. the Council’s investment and borrowing position at 31st December 2020, as set out on Annex 2 and Annex 3 (pages 59 to 62 of this pack) be noted;
- B. the individual factsheets for the long-term investments be noted; and
- C. the application of accumulated Funding Circle redemption proceeds continues to be reviewed.

Rising 11.20 a.m.