

FUND MANAGER SELECTION

Investment Sub-Committee – 24 September 2021

Report of: Anna D'Alessandro – Chief Finance Officer (Section 151)
Purpose: For decision
Publication status: Unrestricted
Wards affected: All

Executive summary:

This report updates the Investment Sub Committee on the Council's treasury advisers, Link Group, work on Fund Manager Selection process to identify the best investment into which to reinvest the Funding Circle withdrawn funds.

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

Contact officer Anna D'Alessandro – Chief Finance Officer (Section 151)
Anna.DAlessandro@surreycc.gov.uk

Recommendations to Committee:

That the Sub Committee:

- A. notes the report from Link Group (Appendix A); and
 - B. on the basis of the report from Link Group, proposes the best approach for the Council's reinvestment of the c£1.3m redeemed from Funding Circle to end of August 2021 and any adjustments which may be required to the Council's externally managed investments in totality.
-

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 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 August 2021, the amount collected in relation to the principal element was c£1.3m.
- 1.2 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. However, it is deemed appropriate that this amount is now included as part of the Council's longer-term investments.
- 1.3 As agreed at the Investment Sub Committee on 11th June 2021, Finance instructed our Treasury advisers, Link Group, to undergo a Fund Manager selection process to identify the best place to invest in line with the Council's objectives. This process was undertaken, and the outcomes and proposed considerations are set out in the attached report.
- 1.4 The fund selection process is not included as part of our existing treasury management contract so there would be an additional charge of £8,500, which will be netted off against returns.
- 1.5 The selection process has been concluded and Link Group's report can be found at Appendix A.
- 1.6 Should Members be mindful to appoint, then detail investment performance and related matters will be reported back to the Committee on a regular basis.

Key implications

2. Comments of the Chief Finance Officer

- 2.1 A full Balance Sheet review has been undertaken of the Council's borrowing and investments. The approach to Council's use of internal borrowings as a source of cash rather than being reliant on borrowing, in the current environment is deemed prudent.
- 2.2 The Committee should also take a holistic view of its investment portfolio to determine if there are any changes that are required as a result of the fund manager selection process as set out in the report.
- 2.3 The underlying considerations as part of this process have been the maximisation of income, risk minimisation, and the limitation of capital fluctuations, particularly in light of the potential introduction of IFRS9 which would have a bottom-line impact. These factors should be taken into account when making a decision on portfolio realignments.

3. Comments of the Head of Legal Services

- 3.1 The appointed fund manager(s) will need to operate within a framework of prudence and fiduciary duty.
- 3.2 Arrangements should be in place for the formal measurement of performance of the investments and fund managers. The appointed funds managers should provide a quarterly report on activity to Committee.

4. Equality

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

5. Climate change

- 5.1 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' – Link Group – Review of the Council's Treasury Management activity

Background papers

None