

TANDRIDGE DISTRICT COUNCIL

INVESTMENT SUB COMMITTEE

Minutes and report to Council of the meeting of the Sub-Committee held in the Council Chamber, Council Offices, Station Road East, Oxted on the 24 September 2021 at 10.00am.

PRESENT: Councillors Bourne (Chair), Cooper, Elias, Jones and Langton

ALSO PRESENT: Councillor Farr

1. MINUTES OF THE MEETING HELD ON THE 11TH JUNE 2021

These were confirmed as a correct record.

2. FUND MANAGER SELECTION

Arising from the 11th June 2021 meeting, Link Group (the Council's treasury advisors) had conducted a fund manager selection process to inform a review of the Council's medium / long term investment portfolio. This was in light of the previous decision to cease re-investing in Funding Circle peer to peer loans and to withdraw funds as those loans were repaid. Approximately £1.3 million had been redeemed from Funding Circle to the end of August 2021. To date, these proceeds had been used to support the Council's cashflow.

Nazmin Miah and Dan Willson from Link Group attended the meeting (via Zoom) to present their report which included:

- (i) an analysis of the Council's Capital Financing Requirement (CFR), borrowing and reserves / balances;
- (ii) coverage of the Council's current debt and investment position, including reference to the £12million currently invested with the following externally managed funds:
 - CCLA Property Fund (£4 million)
 - Schroders Credit Fund (£3 million)
 - CCLA Diversified Income Fund (£2 million)
 - UBS Multi-Asset Income Fund (£3 million)
- (iii) a summary of the fund manager selection process which culminated in representatives of four shortlisted funds (Fidelity, Legal & General, Newton and Royal London) attending a presentation day;
- (iv) a comparative performance analysis of the funds referred to in (ii) and (iii) above, based on income generation, capital growth / contraction and a combination of both;
- (v) interest rate forecasts and projections of the Council's CFR and reserves / balances;
- (vi) the potential implications of International Financial Reporting Standard (IFRS) 9 on the Council's investments and useable reserves from 2023/24.

Regardless of the outcome of this current review, Dan Willson emphasised the need for the Council to maintain on-going vigilance about how its chosen funds were performing, to ensure they remained fit for purpose.

While accepting that the Sub-Committee was responsible for making final decisions, Members questioned the absence of recommendations regarding the optimum mix of funds for the Council to invest in. The Link representatives explained that their role was to support the Council with its decision making by presenting facts for Members to consider in light of the Authority's appetite for risk. They also advised that Environmental, Social and Governance (ESG) considerations had been addressed as part of the fund manager selection process, a key aspect of which was the extent to which fund managers engaged with companies about what they were doing to reduce or offset their impact on the environment.

In response to Members' questions, it was confirmed that the level of reserves identified within Link's report was based on the Council's Statement of Accounts for 2020/21, although those accounts were still subject to external audit sign off. The projected reduction in reserves in 2021/22 was attributed to the Council's housebuilding programme and associated calls on the Housing Revenue Account's capital programme. It also emerged that some of the Council's long term investments had been classified as short term within Link's analysis.

The Chair sought to establish certain fundamentals to help guide future decisions regarding the Council's investment portfolio. The Chief Finance Officer advised that, based on the information in Link's report, external investment of the £1.3 million Funding Circle proceeds was a viable option, but expressed caution should those funds remain inaccessible beyond 2022/23 due to the uncertainties surrounding IFRS 9. Retention of the £1.3 million for internal borrowing was a credible alternative.

RESOLVED – that a decision on possible adjustments to the Council's investment portfolio be deferred until the Sub-Committee's next meeting, to be informed by a remodelled report from Link Group identifying the Council's short, medium and long-term investment position and supporting commentary from the Chief Finance Officer.

Rising 11.50 am