24 November 2020	ITEM: 12
Standards and Audit Committee	
Investment Briefing	
Wards and communities affected: All	**Key Decision:** No
Report of: Sean Clark, Corporate Director of Finance, Governance and Property	
Accountable Assistant Director: Jonathan Wilson, Assistant Director Finance	
Accountable Director: Sean Clark, Corporate Director of Finance, Governance and Property	
This report is Public	

Executive Summary

The Standards and Audit Committee received an update on the council's investments and borrowings at the 10 September 2020. As requested by the committee this report provides the latest update to members.

This report sets out the actual level of investments and borrowings as at 31 October 2020.

1. Recommendation(s)

1.1 That the Standards and Audit Committee note the report.

2. Introduction and Background

2.1 As previously noted, the Medium Term Financial Strategy (MTFS) forecasts only presented a one year balanced budget up until the Investment Strategy was agreed. Future years were shown with significant deficits projected for the remaining years. This short term approach meant the Council had to focus on efficiencies and service reductions to deliver the budget in the relevant financial year without the ability to think longer term to transform services more effectively.

2.2 While there has been a greater focus on commercial investment in the public sector in the last five years, it is important to note that councils have always carried out investments – traditionally through money markets but also including commercial property such as industrial units.

2.3 In 2014, the council changed its approach with its first investment in the Churches, Charities and Local Authorities (CCLA) property fund with further investments in CCLA and the first investments in the renewable energy market taking place in the subsequent two years. Following the success of the initial investments, the council unanimously agreed a new, formal Investment Strategy at its meeting in October 2017.

2.4 Whilst there has also been significant focus on the council's level of debt, it is important to remember that the amounts relating to these investments will all be repaid at the end of the term or, at the wish of the bond issuer, earlier.

2.5 Set out below is key financial information on the council's investment performance and position as at 31 October 2020. The overall debt position is £75m higher than it would normally be as the Council, like a number of authorities, increased its cash balances as the COVID restrictions commenced.

Source	**£m**	**£m**
PWLB – GF	200	
PWLB – HRA (2012)	161	
LOBOS (Various Pre May 2005)	29	
Other Public Bodies – Short Term (rolling debt built since start of council)	931	
Other Public Bodies – Long Term (rolling debt built since start of council)	95	
Gross Debt		**1,416**
Less:		
COVID Related Borrowing	75	
Investments – Bonds, CCLA, etc	1,034	
Total Repayable		**1,109**
Net Debt		**307**

2.6 The net hard-debt shown above largely relates to the historic and current capital programme expenditure. Gross debt has reduced by £77m since the end of June (previous Standards and Audit Committee report) and net debt by £99m.

There has been an increase in investments of £47m that are linked to previously agreed drawdowns of existing investments. The overall surplus from investments in 2019/20 was a net position, after borrowing costs and fees where applicable, of £35.7m, annually (or circa £80m since October 2017), which is delivering services beyond statutory minimum. The estimate for 2020/21 is circa £35m.

2.7 The spread of the investments are as follows:

- Renewable Energy Sector 79.8% (spread over approx 60 interests)
- CCLA 10.5%
- Other, including TRL 9.7%

2.8 The impact of COVID restrictions highlighted the likely loss of income for those authorities who purchased, for example, shopping centres, airports or retail parks. Some councils are reporting up to 25% loss of income in property-related investments.

2.9 The administration have always maintained that owning a shopping centre or retail park leaves any council with long term borrowing costs – fixed costs – but variable income streams, as has been evidenced in recent months.

2.10 This potential risk is not the case for Thurrock where the investments have been in bonds and where the drive to increase investment in renewable energy schemes is well documented at a national level.

2.11 There has still been no adverse impact from the start of the COVID pandemic on the council's investments and income streams have remained stable.

3 Issues, Options and Analysis of Options

3.1 There are no options related to this report as it is simply a briefing on the council's investment position.

4 Reasons for Recommendation

4.1 The recommendation is simply to note the report as it is a report for information only.

5 Consultation (including Overview and Scrutiny, if applicable)

5.1 Whilst there has been scrutiny through the Corporate Overview and Scrutiny, Council Spending Review and Council annually, there has been no consultation on this information report.

6 Impact on corporate policies, priorities, performance and community impact

6.1 The council made a unanimous decision in October 2017 to supplement the council's budget through an investment approach. This has allowed investment across all of the council's front line services and includes additional services such as increasing the police presence across the borough.

6.2 There are other obvious benefits such as supporting renewable energy, a key approach against the impact of climate change.

7 Implications

7.1 Financial

Implications verified by: **Sean Clark**

Corporate Director of Finance, Governance and Property

The benefit of the investment approach has been set out in the report.

It is clear that the approach has significantly contributed to the provision of services to Thurrock's residents against a national norm of service reductions and closures.

It had always been intended that the level of investment would reduce over time and the nature of the bond periods facilitated this.

Members need to be aware that there are significant commercial considerations when discussing investments and Local Authority inter-lending.

7.2 Legal

Implications verified by: **Ian Hunt**

Assistant Director of Legal & Governance/ Monitoring Officer

The Council has a requirement to finance its operation in order to deliver services to residents and to have a balanced budget.

The legislative framework underpinning local government financing permits Councils to undertake borrowing and lending activities as part of their routine treasury management.

In considering the approach to scrutinising the Councils activities Members should have regard to the commercial sensitivities which can arise from detailed discussions of the Councils investment and borrowing portfolio. Members are reminded that the Councils own commercial interests can be considered as a ground for excluding the press and public from a meeting under schedule 12A Local Government Act 1972, however in assessing the need for this Members should also consider the public interest and need for transparency in the Councils operations. The information contained in this report is provided in a public form balancing the competing interests.

7.3 **Diversity and Equality**

Implications verified by: **Natalie Smith**

Strategic Lead - Community Development and Equalities

There are no specific diversity and equalities implications as part of this report.

7.4 **Other implications (where significant – i.e. Staff, Health, Sustainability, Crime and Disorder)**

The Council's financial position has allowed for additional investment across all services with additional funding, specifically, for services to the vulnerable, fighting Anti-Social Behaviour and Climate issues including allocations for tree planting and air quality measures.

8 Background papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

None

9 Appendices to the report

None

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