

SURREY COUNTY COUNCIL
STRATEGIC INVESTMENT BOARD



DATE: 14 APRIL 2025

REPORT OF CABINET MEMBER: DAVID LEWIS, CABINET MEMBER FOR FINANCE AND RESOURCES

LEAD OFFICER: ANDY BROWN, DEPUTY CHIEF EXECUTIVE & EXECUTIVE DIRECTOR RESOURCES (S.151 OFFICER)

SUBJECT: STRATEGIC INVESTMENT BOARD ANNUAL REPORT, FINANCIAL YEAR 2023/24 – INVESTMENTS OVERVIEW

ORGANISATION STRATEGY PRIORITY AREA: GROWING A SUSTAINABLE ECONOMY SO EVERYONE CAN BENEFIT / HIGH PERFORMING COUNCIL

Purpose of the Report:

The Strategic Investment Board (SIB) is a sub-committee of Cabinet and reports annually to the Council. The purpose of SIB is to safeguard the Council's interest as shareholder and to take decisions in matters that require the approval of the Council as owner of a company.

Recommendations:

It is recommended that the Strategic Investment Board:

1. Approves the Strategic Investment Board Annual Report 2023/24.

Reason for Recommendations:

- To inform the Council about the activities of SIB.
- SIB has been established in accordance with best practice governance to ensure effective oversight and alignment with the strategic objectives and values of the Council.

Executive Summary:

1. The current performance, risk, governance, and long-term outlook of companies is monitored by the Shareholder Investment Panel (SHIP) and SIB. A governance review is in progress, with changes expected to be agreed in advance of the 2025/26 Annual SIB Report. The review will consider the addition of company and corporate investment business plans into the reporting cycle, the addition of all entities (not just property companies) to have a detailed Part 2 company performance review, and general governance such as the inclusion of the Corporate Leadership Team and Informal Cabinet in the review process.

2. The Council wholly owns 4 companies that are currently trading or in turn have a trading subsidiary, being Halsey Garton Property (which owns Surrey Property Group Ltd), Halsey Garton Residential Ltd, Hendeca Group Ltd and Surrey Choices Ltd. Surrey Property Group was formerly known as Halsey Garton Property. The Council also owns 50% of Surrey and Kent Commercial Services LLP, and minority shareholdings in TRIC Consortium Ltd and UK Municipal Bonds Agency Ltd.
3. Combined pre-tax net profits (unaudited) of £1.3m were achieved, compared to £2.4m in 2022/23. This included a £0.7m reduction in Surrey Property Group due to the loss of ongoing rent and other impacts from the disposal of a property in Surrey Property Group, and the prior year benefiting from a bad debt provision release. A further £0.4m reduction was in Hendeca, due to an increase in staffing, change in the mix of business, and one-off costs.
4. Surrey and Kent Commercial Services (trading as Connect2Surrey) produced a small profit in its second year of trading.
5. Interest of £14.8m was paid to the Council on loans to subsidiaries, predominantly from Halsey Garton Property but also including amounts from Halsey Garton Residential and Surrey Choices. The Council makes a commercial return on these arms-length loans by charging interest to subsidiaries at a commercial market rate that is higher than its own cost of financing.
6. Dividends of £22k were paid to the Council during the year, being from TRIC Consortium, compared to £430k received in 2022/23 from Hendeca and TRIC Consortium.

Consultation:

7. This report has been reviewed and endorsed by the Shareholder Investment Panel.

Risk Management and Implications:

8. Risk continues to be monitored by the SHIP and SIB.

Financial and Value for Money Implications:

9. Set out in the Executive Summary and in further detail in the full report.

Section 151 Officer Commentary:

10. The Council continues to operate in a very challenging financial environment. Local authorities across the country are experiencing significant budgetary pressures. Surrey County Council has made significant progress in recent years to improve the Council's financial resilience and whilst this has built a stronger financial base from which to deliver our services, the cost of service delivery, increasing demand, financial uncertainty and government policy changes mean we continue to face challenges to our financial position. This requires an increased focus on financial management to protect service

delivery, a continuation of the need to deliver financial efficiencies and reduce spending in order to achieve a balanced budget position each year.

11. In addition to these immediate challenges, the medium-term financial outlook beyond 2024/25 remains uncertain. With no clarity on central government funding in the medium term, our working assumption is that financial resources will continue to be constrained, as they have been for the majority of the past decade. This places an onus on the Council to continue to consider issues of financial sustainability as a priority, in order to ensure the stable provision of services in the medium term.

12. This report sets out the review of the financial performance of its investments in companies. The Companies continue to generate income for the Council through commercial loans.

Legal Implications – Monitoring Officer:

13. The current performance, risk, governance, and long-term outlook of companies continue to be monitored by the Shareholder Investment Panel and SIB.

Equalities and Diversity:

14. There are no implications of this report on Equality and Diversity.

Other Implications:

15. There are no known potential implications for other Council priorities and policy areas.

What Happens Next:

16. The recommendation will be noted by Cabinet.

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Consulted:

Shareholder Investment Panel

Annexes:

Full SIB Annual Report - Investments Overview

Part 2 Report

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