

**CORPORATE GOVERNANCE AND STANDARDS COMMITTEE
THURSDAY 14 JANUARY 2021**

Supplementary Information Sheet (Pages 3 - 10)

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CORPORATE GOVERNANCE AND STANDARDS COMMITTEE

14 JANUARY 2021

SUPPLEMENTARY INFORMATION

AGENDA ITEM 6: CAPITAL AND INVESTMENT STRATEGY 2021-22 TO 2025-26

Comments from the Joint Executive Advisory Board (JEAB)

At its meeting held on 7 January 2021, the JEAB considered this report and, following an introductory presentation from the Lead Specialist – Finance, supplemented by information and explanations provided by the Lead Councillor for Resources, indicated its endorsement of the three recommendations to the Executive in the report. The following points arose from related questions and discussion:

- Notwithstanding the current economic downturn, partly due to COVID-19, the yield generated from the lease of the Council’s commercial property acquisitions was favourable largely due to the portfolio’s concentration on industrial units, which remained in demand, over office and retail elements. The Commercial Property Team was thanked for its good work in this area.
- It was difficult to anticipate the impact that Brexit might have on the Council’s Capital Investment Strategy and the local economy. Although recent economic forecasts and anticipated fiscal growth rates regarding the United Kingdom were optimistic, the Council would need to monitor the situation carefully and respond accordingly to safeguard its financial position.
- Significant demand from local businesses for start-up premises in the Borough from which small companies could develop and expand had been observed and it was hoped that the Commercial Property Team was aware of this market trend.
- The importance of engaging with, and supporting, local companies where possible was highlighted and acknowledged.

Corrections:

In the Main Report

Page 44: Amend the 4th paragraph to read:

“As no new bids have been presented, although we are expecting one for GERP, currently estimated to be around £1 million, there is currently no information for Appendix 2 (details of new bids). **Appendices 3 to 7** show the position and profiling of the current capital programme (2020-21 to 2024-25) and **Appendix 8** the capital vision schemes”.

Page 44: Amend the 8th paragraph to read:

“The budget for investment income in 2021-22 is **£1.278 million**, based on an average investment portfolio of **£77.3 million**, at an average rate of **1.57%**. The budget for debt interest paid is **£5.637 million**, of which **£5.05** million relates to the HRA.”

Page 48: Amend the first footnote to read:

“The revised estimates for 2020-21 is the original estimate approved by Council in February **2019**, plus any unspent approved expenditure from 2019-20, now planned for 2020-21, plus any amendments or additions to schemes approved during the financial year.”

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Page 49: Amend paragraph 4.12 to read:

“No new bids have been received for 2021-22, although we are expecting one for GERP, currently estimated to be around £1 million.”

Page 50: Substitute the following table for the table shown in paragraph 4.24:

CAPITAL EXPENDITURE SUMMARY	2020-21 Approved £000	2020-21 Outturn £000	2020-21 Variance £000	2021-22 Estimate £000	2022-23 Estimate £000	2023-24 Estimate £000	2024-25 Estimate £000	2025-26 Estimate £000
General Fund Capital Expenditure								
- Main Programme	65,188	45,261	(19,927)	41,630	9,260	9,261	12,348	0
- Provisional schemes	102,356	1,188	(101,168)	103,593	108,096	55,853	72,978	34,881
- Schemes funded by reserves	3,984	3,005	(979)	1,975	500	500	0	0
- S106 Projects	0	243	243	0	0	0	0	0
Total Expenditure	171,528	49,697	(121,831)	147,198	117,856	65,614	85,326	34,881
Financed by :								
Capital Receipts	0	(2,086)	(2,086)	(95)	0	0	0	0
Capital Grants/Contributions	(41,368)	(12,358)	29,010	(51,415)	(10,515)	(7,650)	(5,600)	0
Capital Reserves/Revenue	(10,964)	(6,692)	4,272	(2,195)	(720)	(720)	0	0
Borrowing	(119,196)	(28,561)	90,635	(93,493)	(106,621)	(57,244)	(79,726)	(34,881)
Financing - Totals	(171,528)	(49,697)	121,831	(147,198)	(117,856)	(65,614)	(85,326)	(34,881)
Housing Revenue Account Capital Expenditure								
- Main Programme	14,930	13,966	(964)	5,525	4,025	4,075	1,400	400
- Provisional schemes	12,457	250	(12,207)	42,012	22,792	16,695	5,575	5,575
Total Expenditure	27,387	14,216	(13,171)	47,537	26,817	20,770	6,975	5,975
Financed by :								
- Capital Receipts	(6,783)	(2,498)	4,285	(12,869)	(6,653)	(4,839)	(400)	(400)
- Capital Reserves/Revenue	(20,604)	(11,619)	8,985	(24,668)	(10,164)	(5,932)	3,425	4,425
- Borrowing	0	0	0	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
Financing - Totals	(27,387)	(14,117)	13,270	(47,537)	(26,817)	(20,770)	(6,975)	(5,975)

Page 54: Substitute the following table for the table shown in paragraph 4.48:

	2020-21 Approved	2020-21 Outturn	2021-22 Estimate	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate	2025-26 Estimate
General Fund	6.47%	0.60%	8.07%	24.80%	33.03%	61.78%	67.70%
HRA	30.13%	31.46%	31.03%	31.29%	30.37%	30.35%	31.45%

Page 54: Amend the second sentence of paragraph 4.49 to read:

“The 2021-22 estimate is higher than 2020-21 outturn because of the increasing MRP and reducing cash balances.”

Page 55: Substitute the following table for the table in paragraph 5.6:

2021-22	£1.535 million
2022-23	£2.55 million
2023-24	£3.3 million

Page 56: Amend paragraph 6.4 to read:

“The Council currently has £193 million long-term borrowing which is all related to the HRA at an average rate of 3.28% and a cost of £5.08 million in interest. Short term borrowing, falling on the general fund, is expected to cost £0.365 million at an average rate of 0.52%. The Council’s average investment portfolio is £108 million at an average rate of 1.57%, generating £1.9 million of interest.”

Page 56: Amend the second sentence of paragraph 6.9 to read:

“Interest receipts of the council are budgeted to be £1.28 million in 2021-22.”

Page 59: Amend the first sentence of paragraph 7.22 to read:

“A new accounting standard, IFRS16 – accounting for leases, comes into effect from 1 April **2022** (delayed from 1 April 2020).”

Page 60: Substitute the following table for the table shown in paragraph 7.23:

	2020-21 Budget £000	2020-21 Outturn £000	2021-22 Budget £000	2022-23 Budget £000	2023-24 Budget	2024-25 Budget
Gross Service Expenditure	112,634	113,426	103,101	104,447	105,863	105,863
Investment property income	7,890	8,030	7,664	7,692	7,692	7,692
Treasury management income	1,488	1,897	1,279	1,150	1,190	1,294
Investment income %	8%	9%	9%	8%	8%	8%

Page 60: Amend paragraph 7.24 to read:

“The table shows that the income from both investment property and treasury management income (“investment income”) contributes around **8%/9%** to the gross cost of services across the Council.”

Page 62: Amend paragraph 11.3 to read:

“The budget for treasury management investment income in 2021-22 is **£1.278** million, based on an average investment portfolio of **£77.3** million, at a weighted average rate of **1.57%**. The budget for debt interest paid is **£5.637** million, of which **£5.05** million relates to the HRA. If actual levels of investments and borrowing, and actual interest rates differ from that forecast, performance against budget will be correspondingly different.”

Page 62: Amend paragraph 11.5 to read:

“The MRP budget is **£1.535** million in 2021-22.”

Page 63: Substitute the following table for the table shown in paragraph 11.8:

Total Investment Exposure	2019-20 Actual £000	2020-21 Forecast £000	2021-22 Forecast £000
Treasury management investments	95,628	108,493	77,341
Service investments: Loans	8,183	13,498	20,698
Service investments: Shares	5,460	9,003	13,803
Investment property	153,413	154,071	154,071
Total Investments	262,684	285,065	265,913

Page 63: Amend the third sentence of paragraph 11.9 to read:

“However, **service investments in loans and shares** could be described as being funded by borrowing.”

Page 63: Amend paragraph 11.10 to read:

“The Council is not expected to borrow externally for any of the investment exposure in the table at para **11.8**, within this timeframe, **other than** shares (Guildford Borough Council Holdings Ltd) and loans (North Downs Housing Ltd) **in the medium term.**”

Page 63: Substitute the following table for the table shown in paragraph 11.11:

Total Investment Exposure	2019-20	2020-21	2021-22
	Actual £000	Forecast £000	Forecast £000
Treasury management investments	95,628	108,493	77,341
Service investments: Loans	8,183	13,498	20,698
Service investments: Shares	5,460	9,003	13,803
Investment property	153,413	154,071	154,071
Total Investments	262,684	285,065	265,913

Page 64: Amend paragraph 15.1 to read:

“There are no specific implications as a result of the report, however, **all capital schemes will take account of** reducing carbon.”

In Appendix 1 - Capital, Treasury and Investment Strategy - detail

Page 70: Substitute the following table for the table shown in paragraph 3.3:

	2019-20 Actual ('000)	2020-21 Estimate ('£000)	2020-21 Outturn ('£000)	2021-22 Estimate ('£000)	2022-23 Estimate ('£000)	2023-24 Estimate ('£000)	2024-25 Estimate ('£000)
Total debts	236,927	513,197	315,427	386,567	491,815	531,815	581,815
Total assets	1,079,184	1,425,037	1,128,881	1,276,079	1,393,935	1,459,549	1,544,875
Debt Ratio %	22%	36%	28%	30%	35%	36%	38%

Page 72: Substitute the following table for the table shown in paragraph 3.9:

	March 20 Actual £'000	Dec 20 position £'000
Investments		
<u>Managed in-house</u>		
Call Accounts	528	1,602
Notice Accounts - UK	8,000	3,000
Money Market Funds	14,495	59,658
Temporary Fixed Deposits	20,000	34,000
Long term Fixed Deposits	28,500	22,500
Covered Bonds	18,100	16,100
Revolving credit facility	5,000	0
Total investments managed in-house	94,623	136,860
<u>Pooled Funds</u>		
CCLA	6,514	6,333
M&G	1,127	3,434
Schroders	568	635
UBS	2,018	2,235
Royal London	2,228	2,315
Fundamentum	1,960	1,980
Funding Circle	533	303
Total pooled funds investments	14,947	17,234
Total Investments	109,570	154,094
Borrowing		
Temporary borrowing	44,230	45,000
Long-term borrowing (PWLb)	192,435	193,010
Long-term borrowing (LAs)	0	0
Total borrowing	236,665	238,010
Net investments / (borrowing)	(127,095)	(83,916)

Page 72: Amend paragraph 3.10 to read:

“The table shows the position at the start of the financial year (included in the balance sheet), and the position at the end of **December 2020** (the latest position).”

Page 72: Amend paragraph 3.11 to read:

“The net borrowing position has **decreased** since March **2020** by **£43** million because the **Council is holding more cash. Its usual to have more cash than at the end of the financial year in March due to the majority of Council Tax being paid over a 10 month period, and precepts are still paid out in February and March.**”

Page 74: Amend paragraph 4.18 to read:

“Our current approved capital programme, revised in year for updates in the programme and for **any changes** approved by the Executive is as follows:”

Page 74: Substitute the following table for the table shown in paragraph 4.18:

CAPITAL EXPENDITURE SUMMARY	2020-21 Approved £000	2020-21 Outturn £000	2020-21 Variance £000	2021-22 Estimate £000	2022-23 Estimate £000	2023-24 Estimate £000	2024-25 Estimate £000	2025-26 Estimate £000
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- S106 Projects	0	243	243	0	0	0	0	0
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Capital Grants/Contributions	(41,368)	(12,358)	29,010	(51,415)	(10,515)	(7,650)	(5,600)	0
Capital Reserves/Revenue	(10,964)	(6,692)	4,272	(2,195)	(720)	(720)	0	0
Borrowing	(119,196)	(28,561)	90,635	(93,493)	(106,621)	(57,244)	(79,726)	(34,881)
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Financing - Totals	(27,387)	(14,117)	13,270	(47,537)	(26,817)	(20,770)	(6,975)	(5,975)

Page 75: Add the following sentence to the end of paragraph 4.21:

“Once we know a scheme will be delivered by the HRA, the site preparation costs will be transferred to the HRA and can be used against the Government’s 141 receipts under the sale of Right to Buy housing.”

Page 75: Amend paragraph 4.27 to read:

“Each project will require a business case, in line with guidance set out in the HM Treasury Green Book (‘Green book’), **and the Council’s new Project and Programme Governance process.** The following applies:”

Page 76: Amend paragraph 4.29 to read:

“All new bids are subject to the new Project and Programme Governance framework. A mandate is prepared for all bids, and are reviewed by the strategy team to ensure they meet corporate objectives. Officer meetings are then held to ensure the key areas across the Council have the opportunity to input into the bid. CMT will then review the updated bids,

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along with the financial impacts and NPV scores. Once CMT are fully supportive of the bids the relevant Lead Councillor will be given a copy, and they will be presented to Councillors in the JEABWBG for review and scrutiny in November/December before being passed through the Committee Cycle and ultimately being approved at Full Council in February.”

Page 77: Amend paragraph 4.34 to read:

“No new bids were received for 2021-22, **although we are expecting one for GERP, currently estimated to be around £1 million.**”

Page 82: Substitute the following table for the table shown in paragraph 5.34:

Maturity Structure of borrowing		
	2021-22	
	Lower	Upper
Under 12 months	0%	50.00%
1 year to 2 years	0%	50.00%
3 years to 5 years	0%	60.00%
6 years to 10 years	0%	75.00%
11 years and above	0%	100.00%

Page 87: Substitute the following table for the table shown in paragraph 5.67:

	2020-21 Approved	2021-22 Estimate	2022-23 Estimate	2023-24 Estimate
Upper limit for total principal sums invested for longer than a year	£50m	£50m	£50m	£50m

AGENDA ITEM 8: CORPORATE GOVERNANCE AND STANDARDS COMMITTEE WORK PROGRAMME

It is suggested that the following changes be made to the work programme:

25 March 2021

Item	Proposed change
Discussions with those charged with governance	Delete (report no longer necessary)
Audit Report on the Certification of Financial Claims and Returns 2019-20: Housing Benefit Subsidy and Pooling Housing Capital Receipts	Defer to the 22 April meeting
Review of Financial Procedure Rules and Procurement Procedure Rules	Defer to the 22 April meeting

18 November 2021

Item	Proposed change
Planning Appeals Monitoring Report:	bring forward to the 23 September meeting

Audit of Accounts – 2020-21

The Committee will note that the work programme envisages the Audit Findings Report and the Audited Statement of Accounts being considered at the meeting on 29 July 2021. It has been suggested that, with the ongoing pandemic, the deadline for finalising the 2020-21 audit of local authority accounts may be put back to 30 September 2021, although nothing has been announced officially.

If that is the case, officers are suggesting putting back the 23 September meeting to **Tuesday** 28 September. If this is confirmed, officers will send a fresh Outlook invitation, but Committee members may wish to make a note of this now.

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