GUILDFORD
BOROUGH

James Whiteman
Managing Director

www.guildford.gov.uk

Contact Officer:

John Armstrong, Democratic Services Manager

18 January 2021

Dear Councillor

Your attendance is requested at a meeting of the **EXECUTIVE** to be held in the Microsoft Teams on **TUESDAY, 26 JANUARY 2021** at 7.00 pm.

Yours faithfully

James Whiteman
Managing Director

MEMBERS OF THE EXECUTIVE

Chairman:
Councillor Joss Bigmore ((Leader of the Council and Lead Councillor for Service Delivery))

Vice-Chairman:
Councillor Caroline Reeves ((Deputy Leader of the Council and Lead Councillor for Housing & Development Control))

Councillor Tim Anderson, (Lead Councillor for Resources)
Councillor Jan Harwood, (Lead Councillor for Climate Change)
Councillor Julia McShane, (Lead Councillor for Community)
Councillor John Redpath, (Lead Councillor for Economy)
Councillor John Rigg, (Lead Councillor for Regeneration)
Councillor James Steel, (Lead Councillor for Environment)

WEBCASTING NOTICE

This meeting will be recorded for live and/or subsequent broadcast on the Council's website in accordance with the Council's capacity in performing a task in the public interest and in line with the Openness of Local Government Bodies Regulations 2014. The whole of the meeting will be recorded, except where there are confidential or exempt items, and the footage will be on the website for six months.

If you have any queries regarding webcasting of meetings, please contact Committee Services.

QUORUM 3

Guildford Borough Council
Millmead House, Millmead, Guildford, Surrey GU2 4BB

THE COUNCIL'S STRATEGIC FRAMEWORK

Vision – for the borough

For Guildford to be a town and rural borough that is the most desirable place to live, work and visit in South East England. A centre for education, healthcare, innovative cutting-edge businesses, high quality retail and wellbeing. A county town set in a vibrant rural environment, which balances the needs of urban and rural communities alike. Known for our outstanding urban planning and design, and with infrastructure that will properly cope with our needs.

Three fundamental themes and nine strategic priorities that support our vision:

Place-making	Delivering the Guildford Borough Local Plan and providing the range of housing that people need, particularly affordable homes Making travel in Guildford and across the borough easier Regenerating and improving Guildford town centre and other urban areas
Community	Supporting older, more vulnerable and less advantaged people in our community Protecting our environment Enhancing sporting, cultural, community, and recreational facilities
Innovation	Encouraging sustainable and proportionate economic growth to help provide the prosperity and employment that people need Creating smart places infrastructure across Guildford Using innovation, technology and new ways of working to improve value for money and efficiency in Council services

Values for our residents

- We will strive to be the best Council.
- We will deliver quality and value for money services.
- We will help the vulnerable members of our community.
- We will be open and accountable.
- We will deliver improvements and enable change across the borough.

A G E N D A

ITEM NO.

1 APOLOGIES FOR ABSENCE

2 LOCAL CODE OF CONDUCT - DISCLOSABLE PECUNIARY INTEREST

In accordance with the local Code of Conduct, a councillor is required to disclose at the meeting any disclosable pecuniary interest (DPI) that they may have in respect of any matter for consideration on this agenda. Any councillor with a DPI must not participate in any discussion or vote regarding that matter and they must also withdraw from the meeting immediately before consideration of the matter.

If that DPI has not been registered, the councillor must notify the Monitoring Officer of the details of the DPI within 28 days of the date of the meeting.

Councillors are further invited to disclose any non-pecuniary interest which may be relevant to any matter on this agenda, in the interests of transparency, and to confirm that it will not affect their objectivity in relation to that matter.

3 MINUTES (Pages 5 - 8)

To confirm the minutes of the meeting of the Executive held on 5 January 2021.

4 LEADER'S ANNOUNCEMENTS

5 CAPITAL AND INVESTMENT STRATEGY 2021-22 TO 2025-26 (Pages 9 - 94)

6 HOUSING REVENUE ACCOUNT BUDGET 2021-22 (Pages 95 - 122)

7 BUSINESS PLANNING - GENERAL FUND OUTLINE BUDGET 2021-22 (Pages 123 - 198)

Key Decisions:
Any item on this agenda that is marked with an asterisk is a key decision. The Council's Constitution defines a key decision as an executive decision which is likely to result in expenditure or savings of at least £200,000 or which is likely to have a significant impact on two or more wards within the Borough.

Under Regulation 9 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, whenever the Executive intends to take a key decision, a document setting out prescribed information about the key decision including:

- the date on which it is to be made,
- details of the decision makers,
- a list of the documents to be submitted to the Executive in relation to the matter,
- how copies of such documents may be obtained

must be available for inspection by the public at the Council offices and on the Council's website at least 28 clear days before the key decision is to be made. The relevant notice in respect of the key decisions to be taken at this meeting was published as part of the Forward Plan on
2019.

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EXECUTIVE

5 January 2021

* Councillor Joss Bigmore (Chairman)
* Councillor Caroline Reeves (Vice-Chairman)

* Councillor Tim Anderson	* Councillor John Redpath
* Councillor Jan Harwood	* Councillor John Rigg
* Councillor Julia McShane	* Councillor James Steel

*Present

The Mayor, Councillor Richard Billington and Councillors Paul Abbey, Chris Blow, Colin Cross, Angela Goodwin, Angela Gunning, Diana Jones, Nigel Manning, Ramsey Nagaty, Tony Rooth and Paul Spooner were also in attendance.

EX62 APOLOGIES FOR ABSENCE

There were no apologies for absence.

EX63 LOCAL CODE OF CONDUCT - DISCLOSABLE PECUNIARY INTEREST

There were no declarations of interest.

EX64 MINUTES

The minutes of the meeting held 24 November 2020 were confirmed as a correct record. The Chairman signed the minutes.

EX65 LEADER'S ANNOUNCEMENTS

The Leader expressed deep regret for the circumstances resulting in the current lockdown measures, whilst stressing the need for positivity and his continued confidence in the strong community spirit in Guildford that would face the challenges as it had in the previous periods of restrictions. The need for everyone to respect the restrictions was underlined in order to support services and to prevent the NHS becoming overwhelmed by the pandemic.

The Leader set out the Government’s statistics following the sharp rise of Covid hospitalisations over recent weeks:

- 1 Sept 2020: 496
- 1 November: 9,623
- Christmas Day: 17,701
- 4 January 2021: 26,626

It was noted that in Surrey case numbers were amongst the worst in the country approaching nearly 700 per 100,000 people. It was suggested that given 1 in 3 people displayed no symptoms and that probably 1% of the Borough currently had Covid.

The Leader reiterated the support offered to residents and businesses by Guildford Borough Council. The website provided details of the support available. Council staff were praised for their continued efforts and achievements.

The new Director of Strategic Services, Dawn Hudd was welcomed.

EX66 STRATEGIC PROPERTY ACQUISITION PROCEDURE AND REQUEST FOR TRANSFER OF FUNDS

The Executive considered a report requesting the transfer of £5 million from the provisional capital programme to the approved capital programme to allow for strategic operational property acquisitions.

The sum was a part of the £30 million Strategic Property Acquisition Fund approved by full Council as part of the 2016-17 capital programme. The objective of creating the Fund was to acquire property that enabled site assembly for future potential re-development projects in the area of the town covered by the unadopted Town Centre Masterplan and also in support of the Council's emerging regeneration strategy.

The decision to acquire property assets for operational and strategic purposes currently rested in all cases with proposals approved either by delegated authority or by the Executive. The report proposed a new delegated authority process to be applicable in such circumstances that would speed up the acquisition process.

The report also proposed the Council adopt a new procedure to be followed in these circumstances in order to provide a consistent approach to decision-making. This procedure set out a series of challenges to be applied as well as a number of scoring mechanisms resulting in a decision that was represented as a numerical value. The Executive noted the correction to the 'Affordability' criterion within the scoring mechanism, details of which were set out on the Supplementary Information Sheet.

The Executive

RESOLVED:

(1) That a new procedure for the Council to follow when considering and, where appropriate, approving the acquisition of strategic and/or operational property assets, as set out in Appendix 1 to the report submitted to the Executive, be adopted, subject to the amendment to the 'Affordability' criterion set out in the Supplementary Information Sheet.

(2) That the transfer of £5 million from the provisional capital programme (scheme no. PR371 – strategic property acquisitions) to the approved capital programme be approved.

(3) That the Director of Strategic Services be authorised, in consultation with the Head of Asset Management, the Director of Resources, and the relevant Lead Councillor with portfolio responsibility for finance and asset management, to approve strategic and/or operational property acquisitions within the set parameters of the new procedure.

Reason:
To secure the funding of various prospective property acquisition for strategic/ operational purposes and apply a robust and streamlined approach for future acquisition of operational and strategic property assets.

EX67 REVIEW OF EXECUTIVE WORKING GROUPS

The Executive considered an annual report to review the work carried out over the previous twelve months by the various working groups (including boards and panels) that had been established by either the Executive or the Leader/Lead Councillor, together with the work they were likely to undertake over the next twelve months. As part of the review the Executive was asked to determine if those working groups should continue as constituted and, if so, to make or confirm appointments to them. The requirement to submit this annual report to the Executive was in accordance with Council Procedure Rule 24 (j).

The report was usually delivered every May but had been delayed this year due to the impact of the Coronavirus pandemic. The last reporting of the Review of Executive Working Groups was to the Executive on 19 May 2019. For the first time an earlier draft of the report had been considered by the Service Delivery EAB on 10 December 2020.

It was recommended that two new working groups be established to consider in detail the recommendations of the recent LGA Planning Committee Peer Review and an Electoral Review Working Group to work up proposals for the future warding of Guildford borough, including the names, number and boundaries of wards, and the number of councillors to be elected to each of them for submission to the Local Government Boundary Commission for England as part of their periodic electoral review.

Having considered the report, the Executive

RESOLVED:

(1) That the working groups listed below continue with their work:

- Arts Development Strategy & Public Art Strategy Board
- Aspire Health and Wellbeing Board
- Climate Change Board
- Electric Theatre Monitoring Group
- Future Guildford Board
- Guildford Community Covenant Panel
- Housing Delivery Board
- Innovation Board
- Local Plan Panel
- Major Projects Portfolio Board
- Museum Working Group
- Play Development Strategy & Fixed Play Equipment Group
- Property Review Group
- Sports Development Strategy Group
- Town Twinning Working Group
- Weyside Urban Village Development Governance Board

(2) That no changes be made to the terms of reference of the working groups referred to in paragraph (1) above, with the exception of the Museum Working Group whose terms of reference will now be as follows:

1. To guide the future direction of the Museum service.
2. To consider the future of the Council's art collection in order to inform decisions around its future management and display.
3. To report directly to the Executive in respect of 1. and 2. above.

(3) That the current membership of each of the working groups referred to in paragraph (1) be confirmed for the remainder of the 2020-21 municipal year and for the 2021-22 municipal year, including the appointment of Councillor Angela Gunning as one of the local ward members on the Weyside Urban Village Development Governance Board, and subject to any changes requested by the political groups, which shall be referred to the Leader of the Council to approve.

(4) That political group leaders be requested to submit nominations for consideration by the Leader of the Council in respect of the vacancies on the Electric Theatre Monitoring Group and the Guildford Community Covenant Panel.

(5) That the proposed Planning Committee Review Working Group and the Electoral Review Working Group be established in accordance with their respective terms of reference and composition, as set out in the report submitted to the Executive, and that the councillors nominated from the political groups be appointed for the remainder of the 2020-21 municipal year and for the 2021-22 municipal year.

(6) That Councillor Tony Rooth be appointed as chairman of the Electoral Review Working Group.

Reasons:

(1) To comply with the requirement on the part of the Executive to periodically review the continuation of the various Working Groups in accordance with Council Procedure Rule 24 (j).

(2) To consider the recommendations of the recent LGA Planning Committee Peer Review.

EX68 SURREY LEADERS' GROUP: NOMINATION TO SURREY & BORDERS PARTNERSHIP NHS FOUNDATION TRUST

No nominations for submission to the Surrey Leaders' Group in respect of the appointment of Governor to sit on the Surrey & Borders Partnership NHS Foundation Trust (Mental Health Foundation Trust) had been received.

Any councillor with an interest in the vacancy should contact the Leader of the Council prior to the deadline for receipt of nominations, which was Tuesday 12 January 2021.

The meeting finished at 7.30 pm

Signed .... Date ....

Chairman

Executive Report

Ward(s) affected: All

Report of Director of Resources

Author: Vicky Worsfold

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Date: 26 January 2021

Capital and Investment Strategy 2021-22 to 2025-26

Executive Summary

The Capital and Investment strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future sustainability.

Decisions made now, and during the period of the strategy on capital and treasury management will have financial consequences for the Council for many years into the future. This report therefore includes details of the capital programme new bids plus the requirements of the Prudential Code and the investment strategy covering treasury management investments, commercial investments plus the requirements of the Treasury Management Code and the Ministry of Housing, Communities and Local Government (MHCLG) Statutory Guidance.

<u>Capital programme</u>
The Council has an ambitious Corporate Plan and in order to achieve the targets within that, we need to invest in our assets, via capital expenditure.

The Council has a current underlying need to borrow for the general fund capital programme of £400 million. We are anticipating one new bid, details of which will be summarised and circulated prior to the meeting.

Some capital receipts or revenue streams may arise as a result of investment schemes, but in most cases are currently uncertain and it is too early to make assumptions. Some information has been included in the capital vision highlighting the potential income. It is likely there are cash-flow implications of the development schemes, where income will come in after the five-year time horizon and the expenditure will be incurred earlier in the programme.

All projects will be funded by general fund capital receipts, grants and contributions, reserves and finally borrowing. We do not currently know how each scheme will be funded and, in the case of development projects, what the delivery model will be – this report, shows a high-level

position. To ensure the Council demonstrates that its capital expenditure plans are affordable, sustainable and prudent, we set Prudential Indicators that must be monitored each year (shown in **Appendix 1**).

The capital programme includes several significant regeneration schemes, which we have assumed will be financed from General Fund resources. However, subject to detailed design of the schemes, there may be scope to fund them from HRA resources rather than General Fund resources in due course. Detailed funding proposals for each scheme will be considered when the Outline Business Case for each scheme is presented to the Executive for approval.

Main areas of expenditure in the capital programme are:

- £24 million – Strategic Property Acquisitions
- £32 million – town centre transport schemes
- £25 million – Ash road bridge
- £42 million – North Downs Housing / Guildford Holdings
- £14 million – Midleton redevelopment
- £265 million – Weyside Urban Village

There is one new bid received for 2021-22 which is the Guildford Economic Regeneration Programme at **Appendix 2**.

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.

This report also includes the Council's Minimum Revenue Provision policy and the Prudential Indicators. The details are in section 5 of this report.

Treasury Management

Treasury management is the control and management of the Council's cash, regardless of its source. It covers management of the daily cash position, investments and borrowing.

Officers carry out the treasury management function within the parameters set by the Council each year in **Appendix 1** to this report and in accordance with the approved treasury management practices.

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.

Non-financial investments and investment strategy

Councils can invest to support public services by lending to or buying shares in other organisations (service investments) or to earn investment income (commercial investments where this is the main purpose). Both are termed non-financial investments (i.e. not treasury management investments).

Investment property is valued at £153.4 million as per the 2019-20 Statement of Accounts, with rent receipts of £8.4 million and a current yield of 6.3%.

The Council has invested £14.3 million in our housing company – North Downs Housing (NDH). This is via 40% equity to Guildford Holdings Limited (£5.7 million) (who in turn pass the equity to NDH) and 60% loan direct to NDH (£8.6 million) at a rate of base plus 5% (currently 5.1%). The loan is a repayment loan in line with the NDH business plan.

Due to the specialised nature of treasury management and capital finance, there is a glossary of terms at **Appendix 12.**

This report was considered by the Joint Executive Advisory Board at its meeting held on 7 January 2021, and its comments are set out in paragraph 16 below. At its meeting on 14 January 2021, the Corporate Governance & Standards Committee also considered this report, and endorsed the recommendations below.

Recommendation to Executive

Subject to Council approving the budget on 10 February, the Executive is asked to agree the following:

(1) That the following schemes be removed from the capital programme because the remit of the schemes, if they were to proceed, would be different to the business case that was originally approved in the programme:

- Museum £18.26 million
- Public realm £1.6 million
- Bike Share £530,000
- Town centre gateway regeneration £3.473 million

(2) That should any of the schemes be moved forward in future, a new business case be presented to councillors.

(3) That the affordability limit for schemes to be funded by borrowing be set as per paragraph 4.32 in **Appendix 1** to this report.

Recommendation to Council

The Executive is also asked to recommend to Council:

(1) That the General Fund capital estimates, as shown in Appendices 3 and 4 (current approved and provisional schemes), as amended to include such new bid(s) as may be approved by the Executive at its meeting on 26 January 2020, Appendix 5 (schemes funded from reserves) and Appendix 6 (s106 schemes), be approved.

(2) That the Minimum Revenue Provision policy, referred to in section 5 of this report be approved.

(3) That the capital and investment strategy be approved, specifically the Investment Strategy and Prudential Indicators contained within this report and in **Appendix 1.**

Reasons for Recommendation:

- To enable the Council to approve the Capital and Investment strategy for 2021-22 to 2024-25
- To enable the Council, at its budget meeting on 10 February 2021 to approve the funding required for the new capital investment proposals

Is the report (or part of it) exempt from publication? No

1. Purpose of Report

1.1 The Local Government Act 2003 requires the Council to have regard to the CIPFA Treasury Management Code of Practice ("TM Code"), and specifically the Prudential Code when determining how much it can afford to borrow.

1.2 The Capital and Investment Strategy gives an overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how risk is managed and the implications for future financial sustainability.

1.3 As such, the report also invites the Council to consider the General Fund (GF) Capital Programme, and the new schemes the Council may wish or need to undertake in the next five years.

1.4 The Council must put aside resources where the Council finances capital expenditure by debt (internal or external borrowing), to repay that debt in later years. This cost is charged to the revenue account annually, and forms part of the Council Tax cost to taxpayers and is known as Minimum Revenue Provision (MRP). The annual MRP statement for 2020-21 is included in section 5 of this report.

1.5 The Council must have an approved investment strategy, and the implications associated with that detailed in the capital and investment strategy. This includes financial and non-financial assets, for example investment property and commercial activity.

1.6 The requirement to report in accordance with the CIPFA TM Code, and the MHCLG Investment Guidance is incorporated within this report. CIPFA also recommends the UK Money Markets Code to its members as good practice to which they should adhere.

2. Strategic Priorities

2.1 A comprehensive and well-managed capital programme supports all the fundamental themes of the Corporate Plan and the Council's strategic priorities.

2.2 Treasury Management is a key function in enabling the Council to achieve financial excellence and value for money. This report, and the strategies within it, is designed to help the Council achieve the best use of its resources and it therefore underpins the Council's strategic framework and delivery of the Corporate Plan. We have an ambitious Corporate Plan in the period, and therefore the capital programme, plus aspirations for the longer-term and effective treasury management supports the financial sustainability of that.

3. Background

3.1 The Local Government Act 2003 requires the Council to have regard to the CIPFA Treasury Management Code of Practice ("TM Code"), and specifically the Prudential Code when determining how much it can afford to borrow.

3.2 The objectives of the Prudential Code are to ensure, within a clear framework, capital expenditure plans are affordable, prudent and sustainable. This then ties treasury management in with the Prudential Code ensuring that treasury management decisions are taken in accordance with good professional practice and that capital investment decisions are taken once the Council has determined how much money it can afford to borrow for capital purposes.

3.3 To demonstrate that the Council has fulfilled these objectives, this report details the Prudential Indicators that must be set and monitored each year.

3.4 We must put aside resources where the Council finances capital expenditure by borrowing (internal or external), to repay that debt in later years. This code is charged to the revenue account annually and is known as Minimum Revenue Provision (MRP). The annual MRP statement for 2021-22 is included in section 5 of this report. There is not an earmarked reserve for MRP, it is represented in the balance sheet as increased cash.

3.5 The Council invests its money for three broad purposes:

- because it has surplus cash as a result of day-to-day activities, for example when income is received in advance of expenditure (treasury management investments)
- to support local public services by lending to or buying shares in other organisations (service investments)
- to earn investment income (commercial investments where this is the main purpose)

3.6 Under the CIPFA TM Code and the MHCLG Investment guidance, we are required to provide details of each of these purposes in the investment strategy.

3.7 The UK Money Markets Code (April 2017, revised in December 2020) is a voluntary code of practice which CIPFA recommends authorities follow as good practice. It is endorsed by the Money Markets Committee (MMC) and has been developed to provide a common set of principles in order to promote the integrity and effective functioning of the UK money markets.

3.8 The details of the principles in the Money Markets Code can be found in **Appendix 10**.

4. Capital Expenditure and Financing

4.1 Capital expenditure is where the Council spends money on assets, e.g. property or vehicles that will be used for more than one year. In Local Government, this includes expenditure on assets owned by other bodies, and loans or grants to other bodies enabling them to buy assets.

4.2 The Council has an ambitious Corporate Plan and medium to long-term aspirations within the Borough. As such, we have an approved capital programme, and ask officers to submit bids for capital funding each year covering at least a five-year period. These bids are linked to the Corporate Plan and the Council's strategic priorities, ensuring the expenditure meets the key objectives of the Council.

4.3 We have adopted good practice guidance as set out in the HM Treasury Green Book for Public Sector business cases in developing bids for funding and eventual business case submission for capital expenditure. This is particularly the case for projects over £1 million.

Current capital programme (appendices 3 to 8)

4.4 A copy of the [1]current capital programme is attached at **Appendices 3 to 8**, together with a schedule of the latest resource availability for, and financing, of the programme.

4.5 The actual financing[2] of each financial year's capital programme is determined in the year in question as part of the preparation of the Council's statutory accounts preparation.

4.6 If we do not finance the expenditure from existing resources, for example capital receipts or reserves, it will create a borrowing requirement. If we take out physical loans to meet that borrowing requirement (replacing cash we have spent), then external borrowing is in place. If there are no physical loans, then the Council has internal borrowing. This means that we are using cash relating to items in the balance sheet in the interim for capital funding purposes.

4.7 All projections are based on the current estimates for schemes and level of resource availability. If costs increase, and/or additional capital resources are received, the methods of financing and the level of borrowing required will vary accordingly.

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[1] 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.

[2] Some of the schemes are funded from earmarked reserves (reserves put aside for a specific reason), and grants and contributions, for example ICT and Car Parks maintenance reserve, and s106 contributions

4.8 Officers calculate the interest estimates (both investment and borrowing interest) according to planned capital expenditure. We assume around actual expenditure of 50% of the provisional programme in the financial year. This also feeds into the MRP calculations, and the liability benchmark, to ensure we are not being over prudent in our budgeting.

New capital schemes

4.9 Service managers bid annually in September to include projects in the Council's capital programme, to be reviewed against corporate plan priorities and fundamental themes whilst having regard to our underlying need to borrow for the current capital programme and the implications for the revenue account.

4.10 Bids are reviewed by CMT, and the JEABBTG from a councillor perspective. Any comments from that group are detailed later in the report.

4.11 Bids are initially placed on the provisional capital programme. All bids are then subject to a further outline business case and further approval before expenditure can be incurred on the project.

4.12 There is one new bid received for 2021-22 which is the Guildford Economic Regeneration Programme at **Appendix 2**.

4.13 The Council has a current underlying need to borrow for the general fund capital programme of £400 million.

4.14 For planning purposes, we have currently assumed we will borrow internally for all schemes, but in doing so we are projecting a need to borrow externally.

4.15 The most economically advantageous method of financing (use of available capital resources, external borrowing or leasing) will be determined in the year(s) in which we incur the expenditure. This is part of the day-to-day treasury management activity of the Council and depends on the resources available.

4.16 It is important to include schemes in the provisional programme so the Council can produce a realistic five-year programme and include the financial implications in the outline budget. It also gives councillors an indication as to what schemes are being developed, and when they may be progressed.

Prudential Indicators

4.17 The Local Government Act 2003 requires the Council to have regard to the Prudential Code when determining how much it can afford to borrow. The objectives of the Prudential Code are:

- the expenditure plans of local authorities are affordable, prudent and sustainable
- treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved
- how these risks will be managed to levels that are acceptable to the organisation

- capital investment decisions are taken once the Council has determined how much money it can afford to borrow for a capital purpose

4.18 The Prudential Code covers all capital expenditure and investment decisions and should consider all potential long-term liabilities relevant to the authority. This includes the consideration of investments and liabilities of subsidiary companies.

4.19 The responsibility for decision making and ongoing monitoring in respect of capital expenditure, investment and borrowing, including Prudential Indicators, remains with full Council. However, officers present the bids to the JEABBTG, this report to the Corporate Governance and Standards Committee, the Executive and full Council, enabling a broad range of Councillor scrutiny. Monitoring is undertaken regularly by the Corporate Governance and Standards Committee.

4.20 The Council's capital expenditure plans are a key driver of treasury management activity. The outputs of the capital expenditure plan are reflected in prudential indicators, which are designed to assist councillors when making decisions.

4.21 To demonstrate we have fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

Estimates of capital expenditure

4.22 This indicator is a summary of the Council's capital programme and financing of the programme, summarised in the table below.

4.23 The HRA is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised by, other local services. HRA expenditure and financing is therefore recorded separately.

4.24 All capital expenditure must be financed either from external sources (e.g. grants and contributions), the Council's own resources (revenue, reserves or capital receipts), or debt (borrowing or leasing). Planned financing is shown in the table below.

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)**

4.25 Initially we will finance capital expenditure from our own resources. If we do not have enough resources to finance all the planned expenditure, there will be an increase in the underlying need to borrow, and therefore the capital financing requirement (CFR).

4.26 The table above shows most of our capital expenditure will be financed from borrowing due to the availability of capital receipts and reserves.

Estimates of CFR and Gross Debt as shown against the CFR

4.27 The CFR is the cumulative balance of unfinanced capital expenditure (“debt”) less provision made for repayment of the debt, known as Minimum Revenue Provision (MRP).

4.28 Debt is only a temporary source of finance (since loans and leases must be repaid), and this is, therefore, replaced over time by other financing, usually from revenue, via MRP. The Council’s MRP statement is in section 5 of this report. We can also make a voluntary revenue provision if we wish.

4.29 The Council is required to make reasonable estimates of the total CFR over at least the forthcoming year and the following two years.

4.30 Any estimated capital expenditure in para 4.24 which is shown to be funded from borrowing increases the CFR.

4.31 The table below shows the Council’s estimated CFR, level of reserves and borrowing to calculate the Council’s overall borrowing requirement.

Guildford BC							
Balance Sheet Summary and Projections in £'000 - last updated 6 Jan 2021							
31st March:	2019	2020	2021	2022	2023	2024	2025
Loans Capital Financing Req.	294,706	312,124	339,398	432,132	536,640	615,962	711,455
Less: External Borrowing	(212,702)	(192,665)	(192,435)	(147,435)	(147,435)	(137,435)	(127,435)
Internal (Over) Borrowing	**82,004**	**119,459**	**146,963**	**284,697**	**389,205**	**478,527**	**584,020**
Less: Usable Reserves	(164,974)	(168,628)	(176,489)	(186,701)	(199,100)	(213,116)	(227,031)
Less: Working Capital Surplus	(12,361)	(12,361)	(12,361)	(12,361)	(12,361)	(12,361)	(12,485)
(Investments) / New Borrowing	**(95,331)**	**(61,530)**	**(41,887)**	**85,635**	**177,744**	**253,050**	**344,504**
Net Borrowing Requirement	117,371	131,135	150,548	233,070	325,179	390,485	471,939
Preferred Year-end Position	45,000	45,000	45,000	45,000	45,000	45,000	45,450
Liability Benchmark (year-end)	**162,371**	**176,135**	**195,548**	**278,070**	**370,179**	**435,485**	**517,389**
Peak to Trough Cash Flow	(7,388)	(7,462)	(7,536)	(7,612)	(7,688)	(7,765)	(7,842)
Liability Benchmark (mid-year)	**154,983**	**168,674**	**188,011**	**270,459**	**362,492**	**427,721**	**509,547**
Housing Revenue Account - Summary and Projections in £000							
31st March:	2019	2020	2021	2022	2023	2024	2025
HRA Loans CFR	197,024	207,024	217,024	227,024	237,024	237,024	237,024
HRA Reserves	(116,224)	(119,420)	(127,510)	(137,593)	(151,112)	(165,935)	(179,818)
HRA Working Capital	0	0	0	0	0	0	0
HRA Borrowing	(192,895)	(192,665)	(192,435)	(147,435)	(147,435)	(137,435)	(127,435)
HRA Cash Balance	**(112,095)**	**(105,061)**	**(102,921)**	**(58,004)**	**(61,523)**	**(66,346)**	**(70,229)**

General Fund - Summary and Projections in £000							
31st March:	2019	2020	2021	2022	2023	2024	2025
GF Loans CFR	97,682	105,100	122,374	205,108	299,616	378,938	474,431
GF Reserves	(48,750)	(49,208)	(48,979)	(49,108)	(47,988)	(47,181)	(47,214)
GF Working Capital	(12,361)	(12,361)	(12,361)	(12,361)	(12,361)	(12,361)	(12,485)
GF Borrowing	(19,807)	0	0	0	0	0	0
GF Cash Balance	**16,764**	**43,531**	**61,034**	**143,639**	**239,267**	**319,396**	**414,733**

4.32 To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes cash and investment balances are kept to a minimum level at the end of each year. Our minimum level has been set at £45 million.

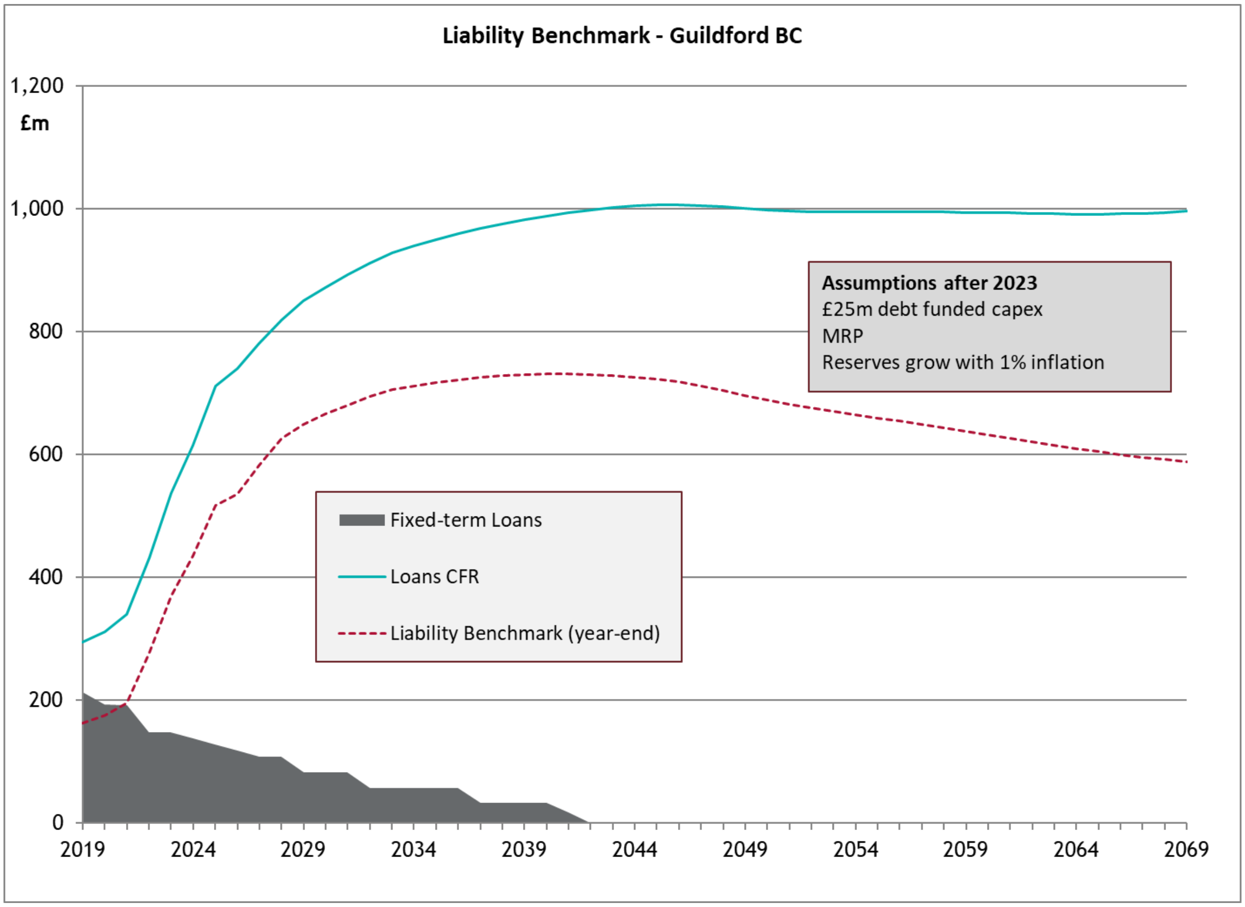
4.33 The GF CFR is forecast to increase by £369 million over the period (April 2021 to March 2025), as capital expenditure financed by borrowing is greater than resources put aside for debt repayment.

4.34 The HRA CFR is also forecast to rise and the Council undertakes its house building programme funded by borrowing.

4.35 <u>Gross debt against the CFR</u> is a key indicator of prudence. The aim is to ensure that debt does not, except in the short-term, exceed the total of the CFR in the previous year, plus the estimates of any additional CFR for the current and next two financial years. This is to ensure debt is only for a capital purpose.

4.36 The table above shows that debt is expected to remain below the CFR during the period shown.

4.37 The liability benchmark is also shown below in a graphical format:



4.38 This graph clearly shows that while the CFR is stable, based on future assumptions, the liability benchmark is reducing marginally taking into account assumed capital expenditure in future years and assumed increases in reserves and MRP payments.

Operational boundary and authorised limit for external debt

4.39 The Council is legally required to set an annual affordable borrowing limit. This is the maximum the Council can borrow. In line with statutory guidance, a lower operational boundary is also set as a warning level should debt approach that limit.

4.40 The operational boundary is the most likely level of borrowing in year, directly linked to capital expenditure plans and the CFR and cash-flow requirements.

4.41 We set a separate limit for the HRA, which is now important to monitor due to the removal of the debt cap

Operational Boundary of External Debt	2020-21 Approved £000	2020-21 Revised £000	2021-22 Estimate £000	2022-23 Estimate £000	2023-24 Estimate £000	2024-25 Estimate £000	2025-26 Estimate £000
Borrowing - General Fund	234,166	127,376	234,166	303,386	399,686	507,776	605,856
Borrowing - HRA	217,024	217,024	217,024	227,024	237,024	237,024	237,024
Other Long Term Liabilities	26,000	26,000	26,000	26,000	26,000	26,000	26,000
Total	**477,190**	**370,400**	**477,190**	**556,410**	**662,710**	**770,800**	**868,880**

4.42 The authorised limit gives headroom for significant cash-flow movements. We are required to set a limit for other long-term liabilities, for example finance leases. We have included £26 million for items that can be classed as a finance lease, particularly with the introduction of IFRS16[3] in April 2021.

Authorised Limit for External Debt	2020-21 Approved £000	2020-21 Revised £000	2021-22 Estimate £000	2022-23 Estimate £000	2023-24 Estimate £000	2024-25 Estimate £000	2025-26 Estimate £000
Borrowing - General Fund	220,326	186,876	288,066	362,086	463,486	578,176	682,956
Borrowing - HRA	217,024	217,024	217,024	227,024	237,024	237,024	237,024
Other Long Term Liabilities	26,000	26,000	26,000	26,000	26,000	26,000	26,000
Total	**463,350**	**429,900**	**531,090**	**615,110**	**726,510**	**841,200**	**945,980**

4.43 Officers monitor the Council’s debt level against the authorised limit on a daily basis against all items on the balance sheet (long and short-term borrowing overdrawn bank balances and long-term liabilities).

Ratio of financing costs to net revenue stream

4.44 This is an indicator of affordability and highlights the revenue implications of the capital programme, by identifying the proportion of the revenue budget required to meet financing costs associated with capital spending, net of investment income.

4.45 Although capital expenditure is not charged directly to the revenue account, interest payable on loans and MRP are charged, offset by any investment income receivable. The net annual charge is known as financing costs and is compared to the net revenue stream (i.e. the amount funded from Council Tax, Business Rates, and general government grants, and also for the HRA its income).

4.46 Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Director of Resources therefore needs to be satisfied that the proposed capital programme is prudent, affordable and sustainable. This will be by looking at the overall gearing ratios, local indicators and affordability ratios/indicators.

4.47 If there are negative figures, it means the interest receivable is higher than interest payable.

4.48 The table shows the financing costs as a % of net revenue stream

	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%

[3] New lease standard which reclassifies all leases, subject to certain minimum criteria, for lessees as a finance lease, and therefore on-balance sheet. Operating leases will no longer exist for lessees.

4.49 The GF outturn is lower than estimate because investment income is anticipated to be higher than budgeted due to more cash than expected in the year and interest paid on borrowing lower due to slippage in the capital programme. The 2021-22 estimate is higher than 2020-21 outturn because of the increasing MRP and reducing cash balances. The large increase from 2021-22 relates to an increase in the MRP budget and a large increase in interest payable as external loans are taken out – a direct result of increasing capital expenditure.

4.50 The HRA indicator is reducing slightly because of the reducing debt interest costs as one of the Council's loans is being repaid, and interest on HRA reserves is increasing in line with expected balances in reserves.

5. Minimum Revenue Provision (MRP)

5.1 Where the Council finances capital expenditure by borrowing, the CFR will increase and we must put aside resources, from revenue, to repay that debt in later years, known as MRP. MRP only applies to the GF.

5.2 The Local Government Act 2003 requires local authorities to have regard to the MHCLG's Guidance on MRP, most recently revised in 2018.

5.3 The Guidance aims to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.

5.4 The Guidance recommends a maximum useful life of 50 years for all assets, unless the Council has an opinion from an appropriately qualified professional advisor that an asset will deliver service functionality for more than 50 years.

5.5 MRP becomes chargeable in the financial year after the expenditure is incurred or if a scheme is not complete when the asset becomes operational.

5.6 Based on the Council's estimate of its CFR on 31 March 2021, and unfinanced capital expenditure in 2020-21 of £40 million, the budget for MRP for 2021-22 and future years is:

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

5.7 Profiling of capital expenditure is key in determining the impact of MRP on the revenue account.

MRP Policy

5.8 The Council will use the asset life method as its main method of applying MRP but will use the annuity method for investment property.

5.9 Where appropriate, for example in relation to capital expenditure on development, we may use an annuity method starting in the year after the asset becomes operational.

5.10 Where we acquire assets ahead of a development scheme, we will charge MRP based on the income flow of the asset or as service benefit is obtained. Therefore, where construction, major refurbishment or redevelopment of an asset occurs, we will not charge MRP during the period of construction, refurbishment or redevelopment. MRP will not be charged from the date a property is vacant (if the development starts within 12 months of the vacation date). MRP will be charged in the financial year after the asset has returned to operational use.

5.11 We will apply a life of 50 years for the purchase of land and schemes which are on land (for example transport schemes).

5.12 Where loans are made to other bodies for their capital expenditure, no MRP will be charged, where the other body is making principal repayments of that loan as well as interest. However, the capital receipts generated by the loan principal repayments on those loans will be put aside to reduce the CFR.

5.13 For investments in shares classed as capital expenditure, we will apply a life related to the underlying asset in which the share capital has been invested.

5.14 We will apply a prudent approach to determining which schemes are financed from capital resources and which ones will be subject to MRP. For example, we feel it is prudent to apply capital resources to those schemes that have a shorter estimated life. We will determine this annually as part of closing the accounts.

5.15 Generally, the asset life for MRP will be matched to the life used for depreciation purposes. Estimated life periods will be determined under delegated powers to the Chief Finance Officer.

6. Treasury Management

6.1 Treasury management is concerned with keeping enough but not excessive cash available to meet the Council’s spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances of overdrafts in the bank current account.

6.2 The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

6.3 Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Director of Finance (s151 officer) and staff, as per the Treasury Management Practices (TMPs), who must act in line with the treasury management strategy approved by Council in February each year. Treasury management activity is presented to the Corporate Governance and Standards Committee as part of the Council’s financial monitoring report throughout the year. Corporate Governance and Standards Committee is responsible for scrutinising treasury management decisions.

6.4 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.

Borrowing strategy

6.5 The Council's main objectives when borrowing is to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore needs to strike a balance between cheap short-term loans and long-term fixed rate loans where the future cost is known but higher.

6.6 Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. The Liability benchmark in paragraphs 4.31 to 4.38 show that we are meeting the statutory guidance.

6.7 The detailed borrowing strategy can be found in **Appendix 1** section 5.

Investment strategy

6.8 Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

6.9 The contribution that treasury management investments make to the objectives of the Council is to support effective treasury management activities. Interest receipts of the council are budgeted to be £1.28 million in 2021-22.

6.10 The Council's policy on treasury management is to prioritise security over yield, that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks to minimise the risk of loss. Money that will be held for longer-terms is invested more widely, including bonds, shares and property to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external manager makes decisions on which investments to buy and the Council may request its money back at short notice.

6.11 The detailed investment strategy can be found in **Appendix 1** section 5.

7. Asset management / non-financial investments

Property asset management

7.1 To ensure that capital assets continue to be of use in the long-term, the Council has an asset strategy and asset management framework. These include the following objectives:

- for operational properties to operate at full potential in the delivery of services, assessing them against performance criteria and investing

where necessary to ensure they remain fit for purpose and improve service capability
- for investment properties to achieve a maximum return by actively managing and reviewing properties, reduce risk, and enhance income, negotiate leases on the best possible terms, invest where necessary to retain their value and sell high cost or underperforming assets
- for all buildings to be held to a high standard of repair, by undertaking regular condition surveys and linking the output of the condition survey to an identifiable programme of works
- for all works to provide value for money by undertaking cost analysis and options appraisals to determine whether to fund capital improvements and ensure robust procedures are followed when arranging works to encourage competitive and best value pricing
- for all properties to be fully compliant with statutory requirements including health and safety and energy efficiency regulations.

Investments for service purposes

7.2 The Council makes investments to assist local public services, including loans to and buying shares in local service providers, local small businesses to promote economic growth, and the Council's subsidiary companies. Considering the public service objective, the Council is willing to take more risk than with treasury investments; however, it still plans for such investments to at least break even after all costs.

7.3 Opportunities on service investments are initiated by the relevant service leader and any decisions are made by the Director of Resources. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme.

7.4 The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. In order to limit this risk and ensure that total exposure to service loans remains proportionate to the size of the Council, we will undertake independent due diligence before entering into a loan or purchasing shares.

7.5 Accounting standards require the Council to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures in the Statement of Accounts will be shown net of this loss allowance. However, the Council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

7.6 The Council invests and has purchased shares in Guildford Holdings Company (40% equity shares then transferred into North Downs Housing). A small amount has been used to purchase shares in the Guildford Credit Union (BOOM) and the Broadband for Surrey Hills (B4SH). The projected future investment in the Council's companies are detailed in the capital programme. It is not expected to increase exposure to BOOM or B4SH.

Other non-treasury investments

7.7 The Council had acquired its investment properties over several years to facilitate the economic development of the borough and generate rental income that helps support the wider financial position of the Council.

7.8 Compared with other investment types, property is relatively difficult to sell and convert into cash at short notice and can take a considerable amount of time to sell in certain market conditions. Therefore, the size of the investment property portfolio is compared, on a monthly basis, against the value of the Council's treasury management investments.

7.9 Investment property is valued at £153.4 million as per the 2019-20 Statement of Accounts, with rent receipts of £8.4 million.

7.10 With financial return being the main objective, the Council accepts higher risk on commercial investment properties than treasury investments. The principal risk exposures include fluctuating capital values, vacancies, tenant defaults and rising financing costs. All these factors can have an impact on the net financial return to the Council. The Council mitigates the risks through the choice of more secure property investments using the criteria described above and keeping a balanced portfolio spread across different property types. Officers prepare detailed cash flow models for each prospective investment acquisition in order to appraise the cash flow risk and the IRR of the investment.

7.11 In accordance with government guidance, the Council considers a property Investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs. The Council values investment property annually.

7.12 If the fair value assessment of the portfolio in the accounts is at or above purchase cost, the underlying asset provides security for the capital investment. Should the valuation be lower than the purchase cost, the Council will report this in the capital and investment annual report, along with the consequences of the loss on security of investments and any revenue consequences arising.

7.13 Performance is also reviewed regularly throughout the year and an investment fund portfolio report submitted annually to the Property Review Group.

7.14 In accordance with the Council's Constitution, the Director of Service Delivery is authorised to acquire investment property up to £1 million in consultation with the relevant Lead Councillor, where budget provision exists in the approved general fund capital programme. Investment property acquisitions must be in consultation with the Chief Finance Officer in line with the criteria set out in the asset investment strategy. Where there isn't an approved budget in the capital programme, committee approval will be sought in line with the financial regulations.

7.15 The property investment strategy provides a robust and viable framework for the acquisition of commercial properties located within the borough. This will direct investment in assets that local businesses occupy as well as those nationally or internationally that contribute to growth in the local economy. There will be continual evaluation of the property investment portfolio to meet the Council's priorities and ensure it is fit for purpose.

7.16 We will also consider new opportunities as they arise. For example, the Council recognises that another major industrial site is coming to the end of its physical life where our tenants want to reinvest. The Council will support redevelopment plans by tenants to improve their sites and the estate, which again may instigate capital investment by the Council alongside income generation. We also set aside proceeds from investment property sales that are not performing, to allow us to purchase new property within the Borough.

Liabilities

7.17 On the face of the Council's balance sheet, there is £113.6 million of other long-term liabilities which relates to the pension fund liability.

7.18 The Council is committed to making future payments to cover its share of the pension fund deficit - valued at £2.9 million as per the 2019-20 statement of accounts.

7.19 We have also set aside £2.8 million to cover risks of Business Rates appeals plus other smaller provisions. We have not allowed for any financial guarantees but have identified one relating to the Electric Theatre.

7.20 The Council is also at risk of having to pay for levies relating to our liability for asbestos but has not put aside money into a provision because it is not yet certain. Details can be found in the 2019-20 Statement of Accounts.

7.21 Decisions on incurring new discretional liabilities are taken by the relevant service leader and the Director of Resources.

7.22 A new accounting standard, IFRS16 – accounting for leases, comes into effect from 1 April 2022 (delayed from 1 April 2020). The key change is that accounting for lessees (i.e. leasing in assets) will change, and there will no longer be a distinction between finance and operating leases. The Council is currently working though the implications, but it will mean an increase in the assets and liabilities of our balance sheet.

Proportionality

7.23 Due to the level of non-financial investments, the Council has identified the proportion of income from these types of investments against gross service expenditure.

	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%

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

8. Knowledge and skills

8.1 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Director of Resources and Financial Services Manager (s151 and Deputy s151 respectively) are both qualified accountants with many years' post qualification experience. The Deputy Head of Asset Management is a qualified chartered surveyor and member of the Royal Institution of Chartered Surveyors (RICS) as are members of the Asset Management team. The Council pays for junior staff to study towards relevant professional qualifications including CIPFA, ACT (treasury), and RICS.

8.2 Where Council staff do not have the knowledge and skills required, use is made of external advisors and consultants that are specialist in their field. This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

8.3 Under the new MiFID regulations, for the Council to be able to "opt-up" to professional status, the Council is required to state the knowledge and skills of key staff involved in the treasury decision making – this is a mandatory criterion. Financial Institutions decide whether the Council can opt-up, and there is comfort in that where the Council is accepted as a professional client; we have the required level of skills and knowledge expected by the financial institution of key treasury staff.

9. Risks

9.1 Officers submit bids with a proposed timeframe for the project to be completed. This is put into the capital programme and feeds into the liability benchmark (to determine where we may need to borrow – at a high level), cash flow forecasts (projecting investment income and possible borrowing costs feeding into the medium-term financial strategy) and the MRP projections (again, feeding into the medium-term financial strategy).

9.2 The capital programme predicts the Council's underlying need to borrow. This is the starting point to determine whether the Council needs to borrow externally, and for what period. If the profiling of the capital programme is significantly wrong, this means the Council will have budgeted less investment income, more external borrowing interest and more MRP than it needs to. All these are a cost to the revenue budget and therefore the council taxpayer.

9.3 Officers are working to minimise this impact and meet on a quarterly basis to review the capital programme and adjust the profiling. The medium-term financial strategy is updated continually with the latest interest and MRP projections taking account of the latest capital programme profile to ensure the most realistic position is presented in the revenue budget.

9.4 Slippage in the capital programme could also mean costs are higher than originally budget because of price inflation and changing market conditions. To help mitigate this, the Council has a capital contingency fund budget of £5 million each year acting as an additional budget included in the borrowing calculations across the programme as a whole. Each scheme also has contingencies built into the individual budgets.

Treasury management risks

9.5 The effective management and control of risk are prime objectives of the Council's treasury management activities. The treasury management strategy therefore sets out the various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.

9.6 Overall responsibility for treasury management remains with the Council. Treasury management activity involves risk and cannot be eliminated. The effective identification and management of risks are integral to the Council's treasury management objectives.

9.7 Treasury management activity needs to be managed to maximise investment income and reduce debt interest whilst maintaining the Council's exposure to risk.

9.8 Inflation is also a key factor. Investments are made and earn a return. If inflation is high, and investment returns are low, the investment return is not keeping up with inflation and the Council is, therefore, losing money.

9.9 Risk indicators relating to treasury management are in Appendix 1 section 7.

Risks relating to non-financial assets

9.10 There are some key identifiable risks of investing in property.

9.11 A downturn in the property market could lead to falling rents or higher vacancies meaning that rental income may not cover borrowing costs.

9.12 In addition, a downturn could lead to a fall in property values which could impact capital receipts if the Council wanted to sell the property to use the receipts for other purposes.

9.13 The Council mitigates these by having a diverse investment property portfolio, a review of tenant covenant strength prior to becoming a tenant, including a review of the company finances and credit checks. The Council will also request rent deposits where appropriate. In addition, we undertake a prudent cash flow model for each prospective investment in order to appraise the cash flow risk and the internal rate of return of the investment, and we keep abreast of the latest property market information to inform decisions.

10. Consultations

10.1 The Lead Councillor for Resources supports the recommendations in this report.

11. Financial Implications

11.1 The financial implications are covered throughout the report, and in the appendices.

11.2 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by an income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream (i.e. the amount funded from Council Tax, business rates and general government grants).

11.3 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.

11.4 Income from investment property is estimated to be £7.664 million in 2021-22.

11.5 The MRP budget is £1.535 million in 2021-22.

11.6 Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for many years into the future. The Director of Finance is comfortable that the proposed capital programme is prudent, affordable and sustainable.

Risk indicators

11.7 The Council has set the following quantitative indicators to allow readers to assess the total risk exposure as a result of investment decisions.

Total risk exposure

11.8 This indicator shows the total exposure to potential investment losses. This includes amounts the Council is contractually committed to lend but have yet to be drawn down and the guarantees the Council has issued over third-party loans.

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**

How investments are funded

11.9 Government guidance is that we should show how these investments are funded. Since the Council does not normally associate particular assets with particular liabilities, this is difficult to comply with. However, service investments in loans and shares could be described as being funded by borrowing. The remainder of the Council's investments are funded by usable reserves and income received in advance of expenditure.

11.10 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."

Rate of return achieved

11.11 This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Councillors should note that due to the complex nature of the local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

11.12 Further indicators can be seen in **Appendix 1**, section 3.

12. Legal Implications

12.1 Various professional codes, statutes and guidance regulate the Council's capital and treasury management activities. These are:

- the Local Government Act 2003 ("the 2003 Act"), provides the statutory powers to borrow and invest and prescribes controls and limits on these activities, and in particular within the Local Authority (Capital Finance and Accounting) (England) Regulations 2003
- the 2003 Act permits the Secretary of State to set limits on either the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken
- Statutory Instrument (SI) 3146 2003 ("the SI"), as amended, develops the controls and powers within the 2003 Act
- the SI requires the Council to undertake borrowing activity with regard to the Prudential Code. The Prudential Code requires indicators to be set – some of which are absolute limits – for a minimum of three forthcoming years
- the SI also requires the Council to operate the overall treasury management function with regard to the CIPFA TM Code
- under the terms of the Act, the Government issued 'Investment Guidance' to structure and regulate the Council's investment activities. The emphasis of the Guidance is on the security and liquidity of investments
- Localism Act 2011

13. Human Resource Implications

13.1 where additional resources are required to deliver schemes identified within this report, officers have included this in the bid or have submitted a revenue bid.

14. Equality and Diversity Implications

14.1 This duty has been considered in the context of this report and it has been concluded that there are no equality and diversity implications arising directly from this report

15. Climate Change/Sustainability Implications

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

16. Joint Executive Advisory Board (JEAB) comments

16.1 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.

17. Summary of Options

17.1 Officers have detailed the options within each new capital bid.

17.2 The MHCLG Guidance and the CIPFA TM Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Finance Officer, having consulted with the Lead Councillor for Resources, believes the strategy represents an appropriate balance between risk and cost effectiveness. Some alternative strategies and risk management implications are:

Alternative	Impact on income / expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses, from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to higher impact in the event of a default; however, long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is unlikely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

18. Conclusion

18.1 The information included in this report shows the position of the current approved capital programme. Bids for future years that are viewed as essential projects have been submitted by officers.

18.2 If all schemes proceed within the timescales indicated, there will be an underlying need to borrow of £400 million by 31 March 2025.

18.3 The information in this report, and the Appendices, shows the Council has adopted the principles of best practice and complied with the relevant statute, guidance and accounting standards.

19. Background Papers

None

20. Appendices

Appendix 1:	Detailed capital and investment strategy
Appendix 2:	New GF capital bid for 2021-22 to 2025-26: Guildford Economic Regeneration Programme
Appendix 3:	Schedule of approved GF capital programme
Appendix 4:	Schedule of provisional GF capital programme
Appendix 5:	Schedule of reserves funded capital schemes
Appendix 6:	Schedule of s106 funded schemes
Appendix 7:	Summary of resources and financial implications
Appendix 8:	Treasury Management Policy Statement
Appendix 9:	Money Market Code Principles
Appendix 10:	Arlingclose Economic and Interest Rate Forecast November 2020
Appendix 11:	Credit rating equivalents and definitions
Appendix 12:	Glossary

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Capital, Treasury and Investment Strategy - detail

1. Introduction

1.1 A capital strategy is the foundation of proper long-term planning of capital investment in assets and how it is to be delivered. It needs to link into the Council's overall corporate objectives and strategic priorities.

1.2 Council's need to invest in their assets, as they are the most valuable resource (termed as non-financial assets throughout the report).

1.3 Capital expenditure is defined as:

"*Money spent on acquiring or upgrading fixed assets, to increase the life of the asset or improve its productivity or efficiency to the organisation*"

1.4 Capital planning is about investment in assets and is, therefore, linked to asset planning. Council assets have been acquired using public money, so they have an obligation to protect the value of those assets. Failure to do this means assets will gradually deteriorate and in the long-term this puts the Council's ability to fulfil its basic responsibilities at risk.

1.5 An integral part of a capital strategy is how the programme is financed. This is inexplicitly linked to treasury management and informs the resources available for treasury investments.

1.6 Treasury management is an important part of the overall management of the Council's finances. Council's may borrow or invest for any purpose related to its functions, under any enactment, or for the purpose of the prudent management of its financial affairs.

1.7 The CIPFA definition of treasury management is:

"the management of the organisations borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks"

1.8 Statutory requirements, the CIPFA Code of Practice for Treasury Management in the public services (the TM Code) and the CIPFA Prudential Code regulate the Council's treasury activities.

1.9 MHCLG requires authorities to prepare an investment strategy, which comprises both treasury and non-treasury investments.

1.10 An authority invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (treasury management investments)

- to support local public services by lending to or buying shares in other organisations (service investments)
- to earn investment income (commercial investments where this is the main purpose)

1.11 The Local Government Act 2003, require Local Authorities to have regard to the Prudential Code. The Prudential Code, last revised in 2017, requires Local Authorities to determine a capital strategy. The strategy is to have regard to:

Capital expenditure
- an overview of the governance process for the approval and monitoring of capital expenditure
- a long-term view of capital expenditure plans
- an overview of asset management planning
- any restrictions around borrowing or funding of ongoing capital finance

Debt and borrowing and treasury management
- a projection of external debt and use of internal borrowing to support capital expenditure
- provision for the repayment of debt over the life of the underlying asset
- authorised limit and operational boundary for the following year
- the approach to treasury management including processes ,due diligence and defining the risk appetite

Commercial activity
- the Council's approach to commercial activities, including processes, ensuring effective due diligence and defining the risk appetite including proportionality in respect of overall resources

Other long-term liabilities
- an overview of the governance process for approval and monitoring and ongoing risk management of any other financial guarantees and other long-term liabilities.

Knowledge and skills
- a summary of the knowledge and skills available to the Council and confirmation that these are commensurate with the risk appetite.

1.12 Included in these regulations and codes of practice, we are required to set Prudential and Treasury Indicators for assessing the prudence, affordability and sustainability of capital expenditure and treasury management decisions. The MHCLG investment guidance also suggest some local indicators.

1.13 The following sections of the strategy outline the Council's balance sheet and treasury position, capital expenditure and treasury management strategy.

1.14 In order to understand the context of the capital and investment strategy (where we are going and how we will get there), it is important to understand where we are now.

2. External Context

Economic Background

2.1 The impact on the UK from Covid-19, together with the UK's exit from the EUand future trading arrangements, will remain a major influence on the Council's treasury management strategy for 2021-22.

2.2 UK Consumer Price Inflation (CPI) for September is 0.5% year on year. The unemployment rate rose to 4.5% and employment rate fell to 75.6%. This is expected to deteriorate due to the ongoing impact of Covid-19 on the jobs market, particularly when various government job retention schemes start to unwind in 2021 where unemployment is expected to peak at 7.75% in Q2 2021.

2.3 GDP growth fell by 19.8% in the second quarter of 2020. Monthly GDP figures have shown the economy is recovering but remains well below the pre-pandemic peak.

2.4 The Bank expects the UK economy to shrink -2% in Q4 2020 before growing by 7.25% in 2021, lower than previous forecasts of 9%. The BoE also forecasts the UK economy will take until Q1 2022 to reach its pre-pandemic level.

2.5 The Bank of England maintained Bank Rate to 0.1% in November 2020 and extended its QE programme by £150 million to £895 million. There was no mention of potential future negative rates.

Credit outlook

2.6 The credit ratings of many UK institutions were downgraded due to the sovereign downgrade.

2.7 The potential for bank losses to be greater than expected when government and central bank support starts to be removed remains a risk, as does the UK not achieving a Brexit deal, suggesting a cautious approach to bank deposits in 2021-22 remains advisable.

Interest rate forecast

2.8 Arlingclose are forecasting that BoE base rate will remain at 0.1% until at least the end of 2023.

2.9 Gilt yields are expected to remain very low in the medium term while short term yields are likely to remain below or at zero until such time the BoE rules out negative rates or growth/inflation prospects improve.

3. Balance sheet and treasury position

Balance Sheet

3.1 The Council has a strong asset backed balance sheet

	Balance at 31 March 2019 £'000	£'000		Balance at 31 March 2020 £'000	£'000	
Long term assets	937,854			947,265		
Short term assets	22,924			14,392		
		960,778	91%		961,657	89%
Long term investments	45,100			43,109		
Short term investments	55,691			74,418		
		100,791	9%		117,527	11%
Total assets		**1,061,569**			**1,079,184**	
Current liabilities	(37,975)			(36,915)		
Long term liabilities	(115,983)			(113,567)		
		(153,958)	42%		(150,482)	39%
Short term borrowing	(20,337)			(44,493)		
Long term borrowing	(192,665)			(192,435)		
		(213,002)	58%		(236,928)	61%
Total liabilities		**(366,960)**			**(387,410)**	
Net assets		**694,609**			**691,774**	

3.2 The summary balance sheet shows that cash investments make up only 11% of the Councils assets. Investment property makes up 16% of the long-term assets (being £153 million). The largest proportion of our liabilities is long-term borrowing, which is all HRA debt.

Financial Stability/Sustainability

3.3 Gearing is a measure of financial leverage, demonstrating the degree to which activities are funded by our own money or by debt. The higher the leverage, the more risky the company is considered to be because of the financial risk and that they must continue to service its debt regardless of the level of income or surplus. Gearing can be calculated by using the debt ratio (total debt / total assets), and is the proportion of our assets that are financed by debt.

	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%

3.4 This shows that our gearing is low, which is because of our strong asset base, and projecting forwards capital spend will continue to grow our asset base.

3.5 Future years' estimates are based on adding the budgeted cost of capital investment onto the assets, and adding the assumed debt funded expenditure (not external debt as shown in the liability benchmark) to the debt figure to give an idea how the financial stability of the Council will be evolving.

Local indicators

3.6 The Local Government Association (LGA) use a number of different financial indicators to assess the financial sustainability of Councils' as part of their financial diagnostic tool. We have chosen to use the following as local indicators:

- Total debt as a % of long term assets
- Ratio of equity by net revenue expenditure
- Un-ringfenced reserves as a % of net revenue expenditure
- Working capital as a % of net revenue expenditure
- Short term liability pressure (short term liabilities as a % of total liabilities)
- Total investments as a % of net revenue expenditure
- Investment property as a % of net revenue expenditure

3.7 Suggested MHCLG local indicators are:

Indicator	Description
Debt to net service expenditure (NSE) ratio	Gross debt as a percentage of net service expenditure
Commercial income to NSE ratio	Dependence on non-fees and charges income to deliver core services. Fees and Charges are to be netted off gross service expenditure to calculate the NSE
Investment cover ratio	The total net income from property investments, compared to the interest expense
Loan to value ratio	The amount of debt compared to the total asset value
Target income returns	Net revenue income compared to equity. This is a measure of achievement of the portfolio of properties
Benchmarking of returns	As a measure against other investments and against other Councils' property portfolios
Gross and net income	The income received from the investment portfolio at a gross level and net level (less costs) over time
Operating costs	The trend in operating costs of the non-financial investment portfolio over time, as the portfolio of non-investments expands
Vacancy levels and tenant exposures for non-financial investments	Monitoring vacancy levels (voids) ensure the property portfolio is being managed (including marketing and tenant relations) to ensure the portfolio is as productive as possible

3.8 These indicators will be calculated on an actual basis and will form part of the outturn report.

Treasury position

3.9 The following table shows the Council's current treasury position, which is the next step to moving forward from the balance sheet.

	March 20 Actual £'000	Dec 20 position £'000
Investments		
Managed in-house		
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**
Pooled Funds		
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)**

3.10 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).

3.11 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.

4. Capital expenditure

4.1 To understand the movement in our balance sheet over the medium term, it is important to understand the anticipated capital expenditure and capital receipts over that time.

4.2 The Council has an ambitious Corporate Plan and medium to long-term aspirations within the Borough. There is, therefore, a number of processes in place to ensure the capital programme is approved and monitored for good governance.

4.3 The Council has the following parts to its capital programme:

- Capital vision
- Approved programme
- Provisional programme
- Reserves funded programme
- S106 funded programme

4.4 The Council splits the schemes into three types to enable us to review the amount of spend on statutory items against those which we are expecting a financial return from as part of our regeneration plans:

a) development for financial reasons - those schemes that are for economic growth, regeneration, redevelopment and income generation purposes, including housing schemes
b) development for non-financial reasons - those schemes that are for economic growth, regeneration, redevelopment, including housing schemes and infrastructure and
c) non-development essential schemes (i.e. those that must be done to keep our fixed assets in an acceptable condition) - those schemes that need to be undertaken for statutory/compliance reasons, are required to maintain service provision at existing levels (or prevent cost escalation) or are infrastructure schemes

4.5 Type (a) 'development schemes for financial reasons' are required to provide a positive or neutral impact on the Councils' GF revenue account. It is envisaged that this is achieved by the revenue income generated by the completed scheme/project being greater than the capital financing costs on the GF revenue account.

4.6 Type (b) 'development schemes for non-financial reasons' are required to provide regeneration in the borough to support economic growth in the borough.

4.7 Type (c) 'essential schemes' often do not have cashable savings or efficiencies associated with them, but often prevent further cost escalation of services, or, in the case of infrastructure will act as a catalyst for type (b) schemes. Essential schemes often have revenue costs associated with them, particularly if funded from borrowing.

4.8 The capital programme covers a 5 to 10-year period, with more emphasis on the first five years.

4.9 Any projects that are expected to be delivered after the first five years of the programme, or those where the scheme has not yet been fully identified are placed on the Councils' Capital Vision. The vision enables us to model the potential financial impact of these schemes, and be aware of the potential schemes to be brought forward onto the GF capital programme in future.

4.10 Many of the bids in the capital programme are development projects, and their expenditure and income profile can span beyond the five-year timeframe. The Councils' capital programme, is therefore, a prudent one. Any income arising as a result of a development project that is outside the five years or is currently only estimated is shown in the capital vision. Any development projects will be subject to a thorough business case, which will assess the delivery model, and officers will ensure that they are financially viable before they can proceed.

4.11 The Council maintains a provisional programme to be able to produce a realistic five year programme, and include the financial implications in the outline budget. It also gives Councillors an indication as to what schemes are being investigated, and an indication as to when these schemes may be progressed.

4.12 Under the financial regulations, schemes that are fully funded by s106 receipts or grants and contributions can be added to the capital programme, where they have been approved by the relevant Lead Councillor and relevant Director in consultation with the Financial Services Manager.

4.13 During the year, the Capital Monitoring Group (CMG) meets on a quarterly basis to review the scheduling of the capital programme. The group consists of officer representatives across the Council from different departments to give a joined up approach.

4.14 The capital programme is also reviewed by CMT and Corporate Governance and Standards Committee (CGSC) as part of the regular financial monitoring for months 2, 4, 7, 10 and 11 and then as part of the final accounts report.

4.15 The proposed financing of the capital programme assume available resources will be used in the following order:

a) capital receipts from the sale of assets (after applying the flexible use of capital receipts policy if applicable)
b) capital grants and contributions
c) earmarked reserves
d) the general fund capital schemes reserve
e) revenue contributions
f) internal borrowing
g) external borrowing

4.16 The actual financing of each years' capital programme is determined in the year in question, as part of the preparation of the Councils' statutory accounts.

4.17 Capital expenditure is split between the General Fund (GF) (incorporating non-HRA housing) and HRA housing. This strategy focusses on the GF capital programme. The HRA produces its 30-year business plan that is approved by Council in February each year, shown in a separate report.

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

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)**

4.19 The programme has slipped in 2020-21 – estimated expenditure on the GF of £171.5 million, has been reduced to £82.2 million. The majority of this relates to expenditure on regeneration schemes and has been moved into later years.

4.20 We split expenditure on housing services between the HRA and GF housing. Any expenditure that relates to the Council's own stock, or its role as a landlord, is accounts for in the HRA capital programme. All other housing related expenditure is accounted for in the GR capital programme.

4.21 Where direct development is concerned, we normally account for site preparation and feasibility costs in the GF programme, but construction costs, most enabling works and other costs incurred after planning approval are accounted for in the HRA capital programme. This is because we bear the preparation costs regardless of who builds the structure. 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.

New capital schemes

4.22 To ensure good governance, the Council has the following process for the capital programme.

4.23 Each year, as part of the budget cycle, officers are asked to submit bids for capital funding covering at least a five-year period, and also for the capital vision.

4.24 Any projects that are expected to be delivered after the five-year period, of those where a scheme has not yet been fully identified are placed on the Councils' Capital Vision [1](see Appendix 8). This allows us to model the potential financial impact of these schemes, and be aware of schemes that are likely to be brought forward onto the GF capital programme in future, and start planning potential funding streams for those schemes.

4.25 Many of the bids in the programme are development projects, and their expenditure and income profile could span beyond the five-year timeframe in this report. This report, therefore, shows a prudent capital programme and any income arising as a result of a development project (either revenue or capital) that is outside of the five years or is currently only estimates, is shown on the capital vision.

4.26 Some capital receipts or revenue streams may arise as a result of investment in particular schemes, but in most cases are currently uncertain and it is too early to make assumptions. Some information has been included in the capital vision highlighting the potential income. It is likely there are cash-flow implications of the development schemes, where income will come in after the five-year time horizon and the expenditure will be incurred earlier in the programme.

4.27 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:"

- Projects up to £200,000 – a simple business justification case will be required to justify the spending proposal

[1] Long-term schemes identified in documents such as the Corporate Plan SCC Local Transport Plan, the Councils' Regeneration Strategy, Local Plan and the emerging Infrastructure Delivery Plan.

- Projects £200,000 and over – will require a 3-stage business case consisting of:
    - a strategic outline case (i.e. the capital bid)
    - a detailed outline business case evaluating the strategic case, economic case (including options appraisal), commercial viability, financial affordability and management case for change – this will be reported to the Executive at the point a project is asking for approval to be moved from the provisional to the approved capital programme
    - a final business case – setting out the procurement process and evaluation of tenders prior to the contractual commitment of expenditure

4.28 The Council has a limited amount of resources and needs to have regard to the overall affordability of the capital programme in future years. Each scheme, therefore, needs to be evaluated to ensure it meets the Councils' objectives. The criteria is as follows:

a) Each project must meet one of the five spending objectives:
   a. Economy (invest to save, i.e. to reduce cost of services)
   b. Efficiency (i.e. to improve throughput and unit costs)
   c. Effectiveness (improving outcomes for the community)
   d. Retendering to replace elements of the existing service
   e. Statutory or regulatory compliance (i.e. H&S)

b) Each scheme must be assessed against the fundamental themes within the Councils' Corporate Plan to show how well it contributes towards achieving the strategic objectives of the Council

c) Each scheme must have a cost benefit analysis, detailing the Net Present Value calculation (NPV) of both cash-flows and quantifiable economic benefits, payback period, Internal Rate of Return (IRR), Peak Debt and the assessment of its Revenue impact.

d) NPV is to be the most important criteria and must remain positive over a range of sensitivities for the Council to invest

e) NPV calculation must use the recommended treasury discount rate in the Green Book, currently at 3.5%

f) The revenue impact must be neutral or positive on the GF for all investment projects

g) All projects should assess the qualitative benefits

4.29 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, 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 JEABBWG for review and scrutiny in November/December before being passed through the Committee Cycle and ultimately being approved at Full Council in February.

4.30 The Council may set an affordability limit based on what the GF can afford for implications of the capital programme (primarily MRP and borrowing interest). The idea is that where there are some essential schemes that will not generate income there is an allowance in the revenue account to accommodate the revenue impact of those.

4.31 This local limit is based on the maximum increase in financing costs on the GF revenue account each year to £5 per Band D property, which is the maximum amount by which the Council can raise its Band D council tax.

4.32 The impact is that there will be a limit to the number of Essential capital schemes (ie those that need to be undertaken for statutory/compliance reasons, are required to maintain service provision at existing levels or prevent cost escalation, or are infrastructure schemes). Based on an average asset life of 25 years for MRP purposes, the limit for new essential schemes to be funded by borrowing for each financial year in the capital programme will be:

	2021-22 Projection	2022-23 Projection	2023-24 Projection	2024-25 Projection	2025-26 Projection
Affordable increase in financing costs	288,229	285,797	204,240	211,474	101,689
Maximum limit on non-development capital schemes	7,205,720	7,144,925	5,105,993	5,286,842	2,542,224

4.33 This limit does not apply to development capital schemes (i.e. those that will be undertaken for economic growth, regeneration, redevelopment or income generation purposes, titled development/infrastructure – non financial benefit and development – financial benefit) as these schemes are defined as those which are anticipated to have a neutral or positive impact on the GF revenue account or on the town. This means that annual savings or additional income achieved from an investment capital schemes is greater than its financing costs over a range of scenarios will generate a positive benefit to the financial sustainability of the Council. The approval of these schemes will be made on a case-by-case basis following submission of an outline business case.

4.34 One new capital bid has been received for 2021-22, details of which are set out in Appendix 2.

4.35 Once Councillors have approved the new bids, they will be added to the provisional capital programme, unless the business case specifically recommends the scheme be implemented immediately, explaining in detail why.

4.36 Most projects over £200,000 require a further outline business case to be approved by the Executive before a project can be moved from the provisional to the approved programme, and authority is provided for officers to start implementing the project. Any project under £200,000 can be moved under delegation.

4.37 The net addition of the new bids for the GF is assumed to be funded by borrowing. The HRA new bids are assumed to be funded 1/3 capital receipts, 1/3 borrowing and 1/3 capital reserves.

5. Treasury management, borrowing and investment strategy

5.1 Treasury management is the management of the Councils' cash flows, borrowing and investments and the associated risks. The Council both borrows and invests substantial amounts of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Councils' prudent financial management.

5.2 Treasury risk management at the Council is conducted within the framework of the CIPFA Treasury Management in the Public Services: Code of Practice 2017 ('TM Code') which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Councils' legal obligation under the Local Government Act 2003 to have regard to the TM Code.

Capital Financing Requirement (CFR)

5.3 With the current treasury position, and future capital expenditure plans known, we can prepare a table showing the extent of our need to borrow for capital purposes (the CFR), and what we have borrowed, compared to our level (and projected level) of reserves. We split this between the HRA and the GF.

5.4 The CFR is derived from unfinanced capital expenditure, which arises when there are no capital receipts or reserves available to fund the capital programme.

5.5 The Councils' investments consist of usable reserves and working capital and are the underlying resources available for investment. In the table below, we are also showing a minimum investment balance of £45 million. This represents the minimum level of cash / investments we will hold at any point in time, to maintain sufficient liquidity.

5.6 The liability benchmark assumes:

- an allowance for currently known capital expenditure, until 2025-26, and then an assumed level of £25 million per annum for general capital bids, plus anticipated capital programme and capital vision items where the costs and timings can be estimated
- MRP has been allowed for based on the underlying need to borrow for the GF capital programme until 2024-25, and then projected forward based on the assumed level of capital expenditure with MRP over 25 years' repayment period
- income, expenditure and reserves are updated until 2029-30, based on estimated income and expenditure and then projected forward by using 1% inflation adjustment each year to allow for transfers to reserves each year.

Guildford BC Balance Sheet Summary and Projections in £'000 - last updated 18 Nov 2020							
31st March:	2019	2020	2021	2022	2023	2024	2025
Loans Capital Financing Req.	294,706	312,124	380,754	452,131	556,666	640,216	703,774
Less: External Borrowing	(212,702)	(192,665)	(192,435)	(147,435)	(147,435)	(137,435)	(127,435)
Internal (Over) Borrowing	**82,004**	**119,459**	**188,319**	**304,696**	**409,231**	**502,781**	**576,339**
Less: Usable Reserves	(164,974)	(168,628)	(176,489)	(186,701)	(199,100)	(213,116)	(227,031)
Less: Working Capital Surplus	(12,361)	(12,361)	(12,361)	(12,361)	(12,361)	(12,361)	(12,485)
(Investments) / New Borrowing	**(95,331)**	**(61,530)**	**(531)**	**105,634**	**197,770**	**277,304**	**336,823**
Net Borrowing Requirement	117,371	131,135	191,904	253,069	345,205	414,739	464,258
Preferred Year-end Position	45,000	45,000	45,000	45,000	45,000	45,000	45,450
Liability Benchmark (year-end)	**162,371**	**176,135**	**236,904**	**298,069**	**390,205**	**459,739**	**509,708**
Peak to Trough Cash Flow	(7,388)	(7,462)	(7,536)	(7,612)	(7,688)	(7,765)	(7,842)
Liability Benchmark (mid-year)	**154,983**	**168,674**	**229,367**	**290,457**	**382,517**	**451,975**	**501,866**

Housing Revenue Account - Summary and Projections in £000							
31st March:	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
HRA Loans CFR	197,024	207,024	217,024	227,024	237,024	237,024	237,024
HRA Reserves	(116,224)	(119,420)	(127,510)	(137,593)	(151,112)	(165,935)	(179,818)
HRA Working Capital	0	0	0	0	0	0	0
HRA Borrowing	(192,895)	(192,665)	(192,435)	(147,435)	(147,435)	(137,435)	(127,435)
HRA Cash Balance	**(112,095)**	**(105,061)**	**(102,921)**	**(58,004)**	**(61,523)**	**(66,346)**	**(70,229)**

General Fund - Summary and Projections in £000							
31st March:	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
GF Loans CFR	97,682	105,100	163,730	225,107	319,642	403,192	466,750
GF Reserves	(48,750)	(49,208)	(48,979)	(49,108)	(47,988)	(47,181)	(47,214)
GF Working Capital	(12,361)	(12,361)	(12,361)	(12,361)	(12,361)	(12,361)	(12,485)
GF Borrowing	(19,807)	0	0	0	0	0	0
GF Cash Balance	**16,764**	**43,531**	**102,390**	**163,638**	**259,293**	**343,650**	**407,052**

5.7 The liability benchmark shows the lowest risk level of borrowing – i.e. using the Councils' overall cash to fund the capital programme, and only externalising the borrowing when our minimum liquidity requirement is reached.

5.8 The differential between the CFR and the level of reserves is the Councils' overall external borrowing need. Where the external borrowing amount is lower than the CFR, it means we have internally borrowed and used non-capital receipts and reserves to initially finance capital expenditure (i.e. the Councils' overall cash). Items on the capital vision are currently excluded, mainly because the cost and/or timings of the schemes are unknown.

5.9 The Prudential Code recommends that the Councils' total debt (external borrowing) should be lower than its forecast CFR over the next three years – in other words, not over borrowing. The table shows the Councils' internal / (over) borrowing position and shows that we are expecting to comply with this recommendation.

5.10 The table shows our gross debt position against our CFR. This is one of the Prudential Indicators, and is a key indicator of prudence. This indicator aims to ensure that, over the medium-term, debt will only be for a capital purpose. We monitor this position and demonstrate prudence by ensuring that medium to long-term debt does not exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years (2019-20 to 2021-22). The liability benchmark is expected to increase to £510 million by March 2025.

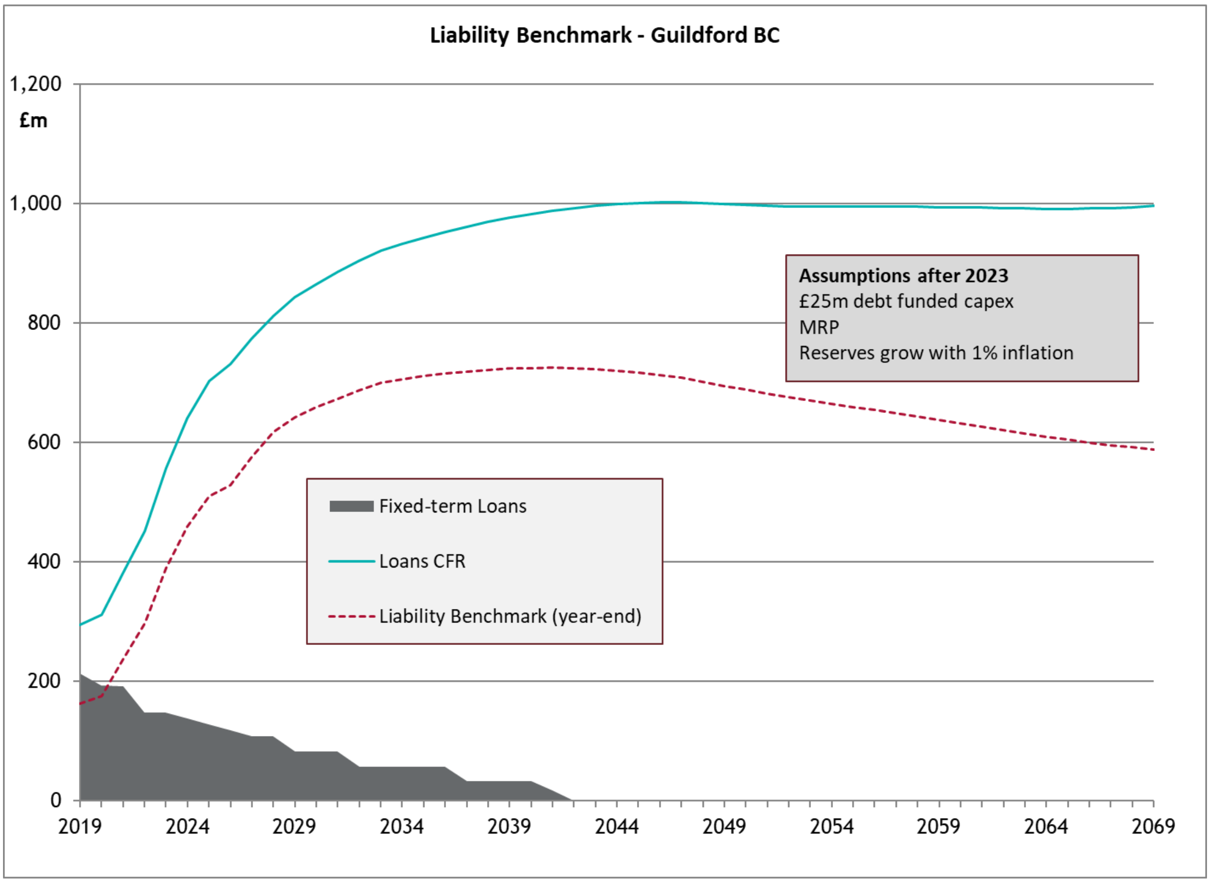
5.11 The Council has an increasing CFR due to the increasing need to borrow for the GF capital programme. The increase in estimated capital spend is more than the annual MRP. We are projecting the cash balance of the Council to reduce, whilst maintaining a good level of (core) reserves over the period shown in the table.

5.12 HRA reserves are decreasing over the early part of the period because of the HRA plans to build new social housing. Our priority is to build new homes rather than reduce debt, although moving forward the table does not include any new borrowing, to show the true cash position of the HRA, and, therefore, the requirement to refinance borrowing.

5.13 GF reserves are projected to remain stable (our core cash). The CFR is increasing sharply due to the proposed capital programme. We are projecting a small need to borrow for the Council as a whole from 2021-22, based on the current profile of the capital programme. We have taken out short-term loans in the year to cover cash flow.

5.14 Working capital is the net of debtors and creditors we have at the end of the financial year, and will vary during the year. If we owe more money to creditors than we are owed by debtors, the working capital is a negative figure (as in the table above).

5.15 The liability benchmark can also be presented graphically:



5.16 The red solid line is the liability benchmark (the lowest risk strategy). If the liability benchmark line rises above the amount of loans we have (shaded area), we <u>need</u> to borrow externally and no longer have any internal borrowing capacity.

Borrowing strategy

5.17 The Council's chief objective when borrowing money is to strike an appropriately low risk between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Councils' long term plans change is a secondary objective.

5.18 Given the significant cuts to public expenditure and in particular local government funding, our borrowing strategy continues to focus on affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources or to borrow short-term instead.

5.19 We will not automatically externally borrow for the GF when the cash balance is negative, although we will review the position in line with our borrowing strategy and the cash position for the Council as a whole.

5.20 When making decisions about longer-term borrowing, we will review the liability benchmark, as opposed to just the CFR, to assess the length of time we need to borrow for, according to our projections on the level of reserves we may have, as well as other factors detailed in our borrowing strategy. This helps to limit a number of treasury risks of holding large amounts of debt and investments. We will also assess borrowing based on individual projects.

5.21 By doing this, we are able to reduce net borrowing costs (despite forgone investment income) and reduce overall treasury risk.

5.22 We will undertake some modelling taking into account the projects listed in the Corporate Plan and capital vision, for example, which will tell us the potential impact on our borrowing requirement.

5.23 We will continue to monitor our internal borrowing position against the potential of incurring additional interest costs if we defer externalising borrowing into the future when long-term borrowing costs are forecast to rise modestly. Arlingclose will assist us with this 'cost of carry' and breakdown analysis in line with our capital spending plans. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2021-22 with a view to keeping future interest costs low, even if this causes additional cost in the short term.

5.24 PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Council needs to avoid this activity in order to retain access to PWLB funding.

5.25 The Council may decide to externalise our current internal borrowing, or to pre-fund future years' requirement, providing this does not exceed the authorised borrowing limit and the highest level of the CFR in the next three years (to ensure we do not over borrow).

5.26 Its output may determine whether we arrange forward stating loans during 2021-22, where the interest is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

5.27 We may continue to borrow short-term for cash flow shortages.

Sources of borrowing

5.28 We have previously borrowed our long-term HRA borrowing from the PWLB. We will review all borrowing sources moving forwards and may explore the possibility of issuing bonds and similar instruments in order to lower interest costs and reduce over reliance on one source of funding, in line with the CIPFA Code.

5.29 We will consider, but are not limited to, the following long- and short-term borrowing sources:

- HM Treasury's PWLB lending facility
- any institution approved for investments
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except the local pension fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

5.30 We may also raise capital finance by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- sale and leaseback

Municipal Bond Agency (MBA)

5.31 UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB because:

a) borrowing authorities will be required to provide bonds investors with a guarantee to refund their investment in the event that the agency is unable to for any reason and
b) there will be a lead time of several months between committing to borrow and knowing the interest rate payable.

Short-term and variable rate loans

5.32 These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the following interest rate exposure limits indicator, which is set to control the Councils' exposure to interest rate risk. Financial derivatives may be used to manage this interest rate risk (see below).

5.33 The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates.

5.34 We are also required to present the maturity structure of borrowing. This indicator is set to control the Councils' exposure to refinancing risk, in terms of loans being unavailable. The upper and lower limits of on the maturity structure of borrowing will be:

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%

5.35 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Debt Rescheduling

5.36 The PWLB allows local authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk and where we have enough money in reserves to fund the repayment.

Investment strategy

5.37 The CIPFA TM code requires the Council to invest its treasury funds prudently, and to have regard to the security (protecting capital sums from loss) and liquidity (keeping money readily available for expenditure when needed or having access to cash) of investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

5.38 Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal to or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

5.39 The Covid-19 pandemic has increased the chance that the Bank of England will set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. Since investments cannot pay negative income, negative rates will be applied by reducing the value of the investment. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

5.40 Given the increasing risk and very low returns from short-term unsecured bank investments, the Council aims to continue to diversify into more secure and, where possible, higher yielding asset classes during 2021-22. This is especially the case for our longer-term investments. This diversification will represent a continuation of the new strategy adopted in 2015-16.

5.41 The Council has had a review undertaken, and as such, linked to the profile of the capital programme, the optimum asset allocation is:

Overnight liquidity	5%
Long-term fixed deposits (1-3years)	21%
Unsecured bonds (1-4years)	21%
Covered bonds (1-5 years)	23%
External funds	5%
Revolving credit facility	2%
Asset backed securities	10%
Private bonds	13%

This will be reviewed annually.

5.42 Diversification is key. All investments can earn extra interest, but not all investments will default. Also, to highlight the need for security and diversification it takes a long time of earning an extra 1% of interest cover to cover the 20% to 50% loss from a default. It is unlikely we will be able to move away from unsecured deposits entirely, but the less in this category and the more diversified the portfolio is the better the spread of risk.

5.43 Under the new IRFS 9 accounting standard, the accounting of certain investments depends on the Councils' 'business model' for managing them. The Council aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and, therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

Counterparty limits

5.44 Limits per counterparty on investments are shown in the table below:

Sector	Time limit	Counterparty limit	Sector limit
UK Government	50 yrs	unlimited	n/a
Local authorities and other Government entities	25 yrs	£10 million	unlimited
Secured investments	25 yrs	£10 million	unlimited
Banks (unsecured)	13 mths	£6 million	unlimited
Building Societies (unsecured)	13 mths	£6 million	£15 million
Registered providers (unsecured)	5 yrs	£6 million	£20 million
Money Market Funds	n/a	£20 million	unlimited
Strategic pooled funds	n/a	£10 million	£50 million
Real estate investment trusts	n/a	£10 million	£20 million
Other investments	5 yrs	£10 million	£20 million

5.45 The time limits shown are the maximum from the start of an investment, and operationally we could have a shorter duration.

5.46 We have set limits to try and avoid default on our investments, although this may not always be successful. By setting realistic, but prudent limits we are forcing diversification which aims to help reduce the value of a default if we are exposed to one.

5.47 <u>Credit rating:</u> investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

5.48 <u>Secured investments:</u> investments secured on the borrower’s assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

5.49 <u>Banks and building societies (unsecured)</u>: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

5.50 <u>Government</u>: loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

5.51 Registered providers (unsecured): loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formally known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

5.52 Money market funds: Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

5.53 Pooled funds: Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

5.54 Bond, equity and property funds offer enhanced returns over the longer-term, but are more volatile in the short-term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting our investment objectives will be monitored regularly.

5.55 Real estate investment trusts: shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with the property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties. Investments in REIT shares cannot be withdrawn but can be sold on the stock market to another investor.

5.56 Other investments: This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Authority's investment at risk.

5.57 Operational bank accounts: the Council may incur operational exposures, for example, through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the change of the Council maintaining operational continuity.

5.58 HSBC are our bankers. We may place investments with them, and on occasions we may be in a position where we have received some unexpected cash, and we may, therefore, breach the unsecured limit. We would aim for this to be for as short a duration as possible.

5.59 In addition, we may make an investment that is defined as capital expenditure by legislation, such as company shares.

5.60 We may invest in investments that are termed 'alternative investments'. These include, by way of example, but are not limited to, things such as renewable energy bonds (solar farms) and regeneration bonds. These are asset backed bonds, offering good returns, and will enable the Council to enter new markets, thus furthering the diversification of our investment portfolio with secured investments and enhancing yield. Any investments entered into of this type will be subject to a full due diligence review.

Risk and credit ratings

5.61 Arlingclose obtain and monitor credit ratings and they notify us with any changed in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty

5.62 Where credit rating agencies announce that a credit rating is on review for possible downgrade ("rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, we will limit new investments with that organisation to overnight until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

5.63 The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the institutions in which we invest, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Council's treasury management and investment advisors.

5.64 We will not make investments with any organisation if there are substantive doubts about its credit quality, even if it meets the above criteria.

5.65 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of our investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to meet the Councils' cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office or invested in government treasury bills for example or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

5.66 We will measure and manage our exposure to treasury management risk by using the following indicators:

- Security: we have adopted a voluntary measure of our exposure to credit risk by monitoring the value-weighted average credit rating of our investment portfolio. This is calculated by applying a score to each investment based on credit ratings (AAA=1, AA+=2 etc) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk. The average portfolio credit rating target is set for A for 2021-22.
- Liquidity: we monitor our liquidity for a given financial year using an online cash-flow system. We project forward for the financial year, and enter all known cash transactions at the beginning of the financial year and then update the position on a daily basis. This forms the basis of our investment decisions in terms of duration and value of investments made. We have set £40 million as our minimum liquidity requirement. We also have a high-level cash flow projection over four years.

5.67 Principal sums invested for periods longer than a year: the purpose of this indicator is to control the Councils' exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

	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

5.68 Where we invest longer-term we strike a balance between tradeable and fixed term investments. Whilst we do not enter into the tradeable deposits with the intention of selling, we are helping mitigate the risk exposure by using these types of investments so if we have a liquidity problem we can liquidate these investments prior to maturity at nil or minimal cost.

6. Other items

6.1 There are a number of additional items the Council is obliged by CIPFA and/or MHCLG to include in our strategy.

Policy on the use of Financial Derivatives

6.2 Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits).

6.3 The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

6.4 The Council will only use standalone derivatives (such as swaps, forwards, futures, and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

6.5 We may arrange financial derivative transactions with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

6.6 In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

Markets in Financial Instruments Derivative

6.7 The Council has opted up to professional client status with its providers of financial services, allowing it to access a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of our treasury management activities, the Chief Financial Officer believes this to be the most appropriate status.

Policy on apportioning interest to the HRA

6.8 The Council operates a two-pooled approach to its loans portfolio, which means we separate long-term HRA and GF loans.

6.9 Interest payable and other costs or income arising from long-term loans (for example premiums and discounts on early redemption) will be charged or credited to the respective account. Differences between the value of the HRA loans pool and the HRAs underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance, which may be positive or negative.

6.10 We will charge long-term loan interest on an actual basis, as incurred.

6.11 For notional cash balances we will apply the average DMO rate for the year. This rate is the lowest credit risk investment. We apply this because if there are any investment defaults it will be a charge to the GF, regardless of whether it was HRA cash that was lost.

Bid for Funding

Project Name:	Guildford Economic Regeneration (GER) Programme		
Project Code:		TBA	
Project Description:	The delivery of a proactive strategy incorporating a constraint led town centre master plan for the comprehensive economic and physical regeneration of Guildford town centre.		
Project / Programme Manager:	Michael Lee-Dickson	**Ward:**	Holy Trinity Friary & St Nicolas
Senior Responsible Officer:	James Whiteman	**Directorate:**	Managing Director
Lead Councillor:	Cllr John Rigg	**Service:**	Corporate Programmes
Corporate Plan Theme:	Place-Making	**Confidential:**	No
Expected Start Date:	01/03/2021 (Stage 2)	**Exempt VAT Implications:**	Yes
Target Completion Date:	30/03/2022 (Stage 2)		

Section A – Strategic Content

A01. What is the project trying to achieve?	Failure to prepare and implement a strategy for Guildford town centre is likely to lead to a terminal decline in its attractiveness to residents and visitors. The implementation of the GER programme will arrest the economic decline and counter the effects of Covid-19, leading to a positive impact and economic benefit to the town centre and Guildford's community and businesses. The Council 's aim is to improve the positioning of the town economically within the South East, UK and Europe through the creation of a leading economic location that enables its businesses, institutions, and its community to thrive through the regeneration of a town so that it can capture the opportunities and meet the challenges of the 21st Century
A02. Which strategic priorities in the Council's Corporate Plan is the project trying to achieve?	☒ Delivering the Guildford Borough Local Plan and providing the range of housing that people need, particularly affordable homes. ☒ Making Travel in Guildford and Across the borough easier. ☒ Regenerating and improving Guildford town centre and other urban areas. ☐ Supporting older, more vulnerable and less advantaged people in our community. ☒ Protecting our environment. ☒ Enhancing sporting, cultural, community and recreational facilities. ☒ Encouraging sustainable and proportionate economic growth to help provide the

	prosperity and employment that people need. ☒ Creating smart places infrastructure in Guildford. ☐ Using innovation, technology and new ways of working to improve value for money and efficiency in Council Services.
A03. How does it meet the strategic priorities outlined?	The funding of the programme and the delivery of the Guildford Economic Regeneration Programme will meet the Strategic Priorities by; • Leading to a positive impact on the supply of housing and a significant provision of affordable residential accommodation within the regeneration area • Improvement of the quality of the mix of Commercial and Community Uses in Guildford including retail, employment, tourism, cultural and leisure to increase the vitality and attractiveness of the town as a destination to visitors • Enabling Flood Alleviation / Defence Solutions that enables developable land to be created within the existing flood zones within the town centre • Improvement of Transportation with more balance towards walking, cycling, bus, pedestrian and rail with good inter modal interconnection and hub(s) • Provision of Highways solutions for routing to minimise pedestrian interface, reduction in accidents and improvements in air and noise quality without creating traffic issues in other areas within the town • Creation of a smart digital platform that is fit for the first half of the 21st Century • Delivering significant improvement in the Town Centre environmental quality for pedestrians and non-car users
A04. Explain the problem that is being addressed and why the project is necessary.	Guildford is a popular destination but is not achieving its potential and is experiencing economic decline. The immediate and longer-term impacts of the Covid 19 pandemic will need to be addressed. Traffic congestion has a detrimental impact on the vitality and economic success of the centre and “arrival” by car or public transport is a mixed experience. Guildford has a xxx-accident rate in Surrey (source) The pedestrian environment is poor; pedestrians are marginalised due to car dominance/priority and pedestrian/cyclist safety is compromised. Guilford town centre Environmental Air Quality is xxxx in Surrey (source). The Council declared a climate emergency on 23rd July 2019 and the programme will prioritise environmental impact throughout the process. The town centre experiences low residential delivery rates, particularly in relation to Affordable Homes and this is exacerbated by the inability to bring forward developable housing land in the flood zone. The River Wey remains an under - exploited asset compared with Richmond on Thames or Cambridge. The town centre has a wide mix of retail however, North Street persistently underperforms with retail vacancy rates reaching 20% (source). Modern office space remains vacant requiring the Council to question economic projects and re position employment opportunities.
A05. What are the critical success factors or KPI’s of the project? ie which measures will you use to determine success?	• Stage 2 Milestone report presented to Executive • Completion of Business Case • Grant funding applications summitted
A06. What are the expected benefits or outcomes for local residents and businesses?	Guilford Borough Council has recognised for some time that it needs to prepare and implement a strategy for Guildford’s Economic Regeneration otherwise it is very

	likely that there will be continued decline in its attractiveness to residents, business and visitors/shoppers due to the emergence of competition from local / other regional centres, the established changing pattern of retail and likely changes in economic activity trends which have started to emerge as a consequence of the Covid 19 pandemic The Council 's aim is to improve the positioning of the town economically within the South East, UK and Europe through the creation of a leading economic location that enables its businesses, institutions, and its community to thrive through the regeneration of a town so that it can capture the opportunities and meet the challenges of the 21st Century Additionally, significant new home development is already planned and the Council wishes to regenerate its centre so that it can sustain and improve provision of amenity and services for its existing and new communities In July 2019 the Council declared a Climate Emergency. The Regeneration Strategy will need to address the causes and solutions of this emergency and set out a raft of actions that will be identified to start reverse this situation within the Economic Regeneration area The Council plans to undertake a proactive role in the regeneration of Guilford Town centre. It will develop a viable deliverable plan for its Economic Regeneration underpinned by a constraints informed master plan, technical studies and financial model that will provide its route map for Economic Regeneration over the next 15 years for the benefit of local residents and businesses.
A07. Outline options considered or that will be considered for delivery of the project.	1. Cease current work thereby delaying the delivery of a strategy for the Economic Regeneration of Guildford town centre. 2. Continue with the establishment of the Guildford Economic Regeneration Programme to enable the production of a constraint led pro-active delivery strategy for Guildford's town centre to assist in achieving the objectives of the Councils Corporate Plan.
A08. Outline project dependencies eg with other projects or partner organisations.	The delivery of an Economic Regeneration Programme is dependent on the consideration of all constraints and interdependencies. The plan needs to be evidence based and fully informed and validated by flood and highway infrastructure solutions and strategies relevant to current prevailing conditions (current traffic, climate change, sustainable communities, retail downturn, economic resilience) and land ownerships. Council Projects including Walnut tree Bridge, Sustainable Movement Corridor, Guildford Park Road and Bright Hill are well established and are interdependent to the main programme. Town centre initiatives including smart data, public realm and parking will be coordinated with this programme. The North Street project including the bus station is currently at Heads of Terms stage with St Edward and implications of its delivery is integral to the GER master plan. It is envisaged a Partnership will be entered into with the One Estate in relation to the County and Crown Courts and Surrey Police. Close cooperation will be required with Surrey County Council in respect of highways infrastructure and the Environment Agency in respect of Flood solutions.
A09. Legal / statutory requirement?	No
A10. Legislative / statutory implications?	No
A11. Planning permission required?	No
A12. Building regulation required?	No

A13. Land acquisition required?	No
A14. Environmental consents?	No
A15. Highways / traffic consents?	No
A16. Details of other required consents.	None

Section B – The Financial Case

B01. Costs

Year	Description	Capital Value (£)	Revenue Cost Centre Code	Revenue Cost Centre Name	Revenue Account Code	Revenue Account Name	Revenue Value (£)
2021/22	Stage 2a – Feasibility works through to Concept Design of Selected Option	£0.0m					£0.48m
2021/22	Stage 2b – Concept Design and Funding Submission for Selected Option	£1.1m					£0.00m
Choose an item.							
Choose an item.							
Choose an item.							
Choose an item.							
Choose an item.							

B02. Costs Totals

Year	Capital Total (£)	Revenue Total (£)
2021/22	1.10m	0.48m
Choose an item.		
Choose an item.		
Choose an item.		
Choose an item.		

B03. Outline the assumptions used to cost the project.	Use of Consultants fee rates procured for Stage 1 and assessment of work streams for stage 2, based on the Councils experience of the successful Weyside Urban Village model.

B04. Financial Benefits eg savings or additional income

Year	Description	Capital Value (£)	Revenue Value (£)
Choose an item.			
Choose an item.			
Choose an item.			
Choose an item.			
Choose an item.			

B05. Funding

Year	GBC Funding Request (£)	Third Party Contributions (£)	Sources of Third Party Contributions
TOTAL REVENUE FUNDING	**£0.48m**		
2021/22	£0.33m Funding already approved		
2021/22	£0.15m Funding requested		
TOTAL CAPITAL FUNDING	**£1.10m**		
2021/22	£1.10m Funding requested	0.250m (not secured)	Note: One Estate Partnership anticipated but subject to next funding round
		0.250m (not secured)	Note: M3 LEP bid anticipated but not yet identified and subject to Central Government provision

B06. Non Financial Benefits

Title	Category	Measure	Expected Delivery Date
Car Park Revenue	**Improved Income Generation**	Re provision of car parks and improved park & ride facilities	2030
Transport Initiatives	**Reduced Carbon**	Environmental Improvements	2030
	Improved Social Benefits	xxxxxxxxxxxxxxxx	2030

	Choose an item.		
	Choose an item.		
	Choose an item.		
	Choose an item.		
	Choose an item.		

Section C – The Economic Case

C01. Expected number of homes brought forward.	3,000
C02. Expected number of jobs created.	500 temp 1,000 perm
C03. Expected amount of employment floor space delivered.	20,000 sq. m

C04. Outline your assumptions in determining the economic benefits.	Estimated number of new homes on Council owned sites and employment floor space based on initial assessment by David Leonard Design and JLL. Construction jobs and permanent jobs estimated in relation to Weyside Urban Village Business Case.
C05. Describe any other economic benefits.	Economic Regeneration benefits include; • Indirect benefit of programme acting as catalyst for employment opportunities and inward investment • Direct Benefit of improved place making in town centre with increased visitor attractiveness and dwell time • Direct Benefit of improved provision of leisure, tourism and culture amenity • Direct Benefit of improved green / blue environment by opening up of River Wey • Direct benefit of transportation modal shift and better access for pedestrians and cyclists • Direct benefit of addressing flood risk • Direct benefit in reduction of impact of gyratory and traffic routes on town centre users

Section D – The Commercial Case

D01. Outline any procurement requirements.	The Councils Procurement team have advised on the most appropriate routes to market for the procurement of the external professional team to ensure compliance and value for money. Consultants have been procured by Framework Competitions and Non -OJEU Invitations to tender.
D02. Outline preferred procurement route / strategy.	Compliance and best value for money will be continually reviewed throughout the 3 stages.
D03. Outline key procurement risks.	None for Stage 2. Stage 3 will require Procurement Exemptions.

Section E – The Management Case

E01. High Level Project Timetable

Item	Stage of Project	Start Date	Finish Date
GER Stage 1 - Current	Gateway 1	01/11/2020	30/03/2021
GER Stage 2 – subject bid	Gateway 2	01/03/2021	30/03/2022
GER Stage 3	Gateway 3	01/04/2022	31/03/2023

E02. High Level Project Milestones

Milestone	Description	Indicative Date
Infrastructure Funding	Secure external funding from Government agencies	31/03/2023
Infrastructure Planning Applications	Applications relating to Flood & Highways Infrastructure	31/12/2022
Planning Policy change	Agreement to basis of masterplan within policy structure	01/04/2022

E03. Project Risks

Title	Description
Flood Defence / Alleviation	Failure to agree solutions with Environment Agency to enable significant residential development
Highways	Failure to agree solutions with Surrey County Council to enable proposed highways solutions
One Estate	Failure to agree partnership with One Estate
Non-Council owned sites	Failure to agree land/ property agreements for Casino, Odeon Cinema, LGIM, Electric Theatre, Arriva
Infrastructure capacity	Failure to agree and fund solutions with Utility providers
Delivery Delay	Delays to delivery caused by projects outside of GBC control including North St (bus station car park), Debenhams redevelopment and Station Redevelopment
Planning Policy	Failure to agree principles to amend Town Centre policy

Funding	Failure to produce robust Business Case and achieving Government grant awards

E04. Provide high level details of proposed project management arrangements & project team (please use post names / titles rather than naming individuals).	The approved Strategy sets out a timeline for taking forward a deliverable Economic Regeneration Programme for Guildford incorporating three (3) Gateways with Full Council sign-off and approval at each gateway as shown below; **Gateway 1** Procurement of professional team High Level Strategic Appraisal of constraints & opportunities Consideration of Development Plan document process Report to Executive **Gateway 2** Development of options and concepts Preparation of Business Case Submission of Grant applications **Gateway 3** Grant Funding Award Infrastructure detail design Infrastructure Planning applications The GER project should be consider as a Major Programme and the Delivery Plan established to date reflects this. The Council will use its own land and expertise to expand the delivery of affordable new homes and other commercial uses and in time work with ambitious partners to remove barriers to deliver the proposed regeneration The Council have established a Portfolio Board to oversee the governance of the programme with the day to day management being controlled by a team of Senior Officers responsible for the progressing of activities on the programme. The Senior Management will report to the Portfolio board on a quarterly basis. The Council's resource allocation is shown on the GER Structure Chart (insert link) The SRO role is anticipated to be carried out by the Strategic Services Director, supported by the Regeneration Lead. Support will be provided by a Full best in class Professional team comprising senior consultant advisors from the professional practices engaged to provide the various roles; Master Planner; David Leonard Design Development Advisor; JLL Flood Advisor; Ove Arup Project Manager; Gleeds Cost Consultant; Gardener & Theobald Strategic Transport; Markides Infrastructure; Aecom Highways; Ove Arup Planning Consultant; tba Lawyer; tba The project will follow the principles of a gateway methodology for the delivery of the programme in line and has been broken down into a number of sub project workstreams as set out in the GER Structure Chart (provide link) Each project/workstream will be led by a sub project lead manager who will be responsible for control of the project and reporting back to the Full Team in respect of;

	• Establishing the detail of Scope • Control of Change • Timescale • Cost, Benefits and Quality. The Sub project team will be responsible for all monitoring and evaluations which will feed back into the core team to enable a full Project Monitoring report to be developed for review as part of the Governance process for the project The Scope of the Regeneration Lead Role within the Senior Management Team will include; • Setting the Project Plan • Review of the progress by Exception • Agreeing the Objectives, Scope, Quality, Timescale and Cost Controls for the Sub Project Work Streams • Procurement of the Sub Project Teams • Review and advise on the adherence to the objectives of the Project Plan and the delivery of Critical Success Factors • Strategic Advice and Recommendations regarding land transactions, revenue opportunities, stakeholder communications and Business Case financial management The Scope of the Project Management Role within each sub Project Workstream will cover; • Professional Team Management • Project Monitoring and Evaluation Reporting • Sub Project Issues and Risk Reporting • Project Controls; Budget/Cost • Change & Programme • Weighted Risk
E05. Provide a brief outline of key stakeholders eg who they are and how they will be engaged.	A Stakeholder matrix and an initial programme of consultation with stakeholder groups will be established. Key Stakeholders include The Environment Agency, Surrey County Council, Surrey University, Guildford Vision Group, the One Estate, National Trust, Guildford Residents Association and the Civic Society.
E06. Will any public consultations be required? If so, provide a brief outline.	Public Consultations will be undertaken as the programme progresses. A Stakeholder matrix and an initial programme of consultation with stakeholder groups will be established.
E07. How will the project be evaluated post implementation?	As part of the Financial Case within the Business plan to be delivered in Stage 2 the expectations of budget for future costs and incomes along with targets in respect of grant funding will be clearly identified and provide a baseline for the development of the target areas defined within the masterplan and business case. This financial model developed will become part of the grant funding agreements and along with agreements entered into with land owners and stakeholders, will clearly define the intent of the plan and its parameters for successful delivery

E08. Outline any expected formal Council / Committee / Board decisions or consultations and expected timescales.

Committee / Board	Type of Decision	Expected Date
Council		
Executive	- **Endorsement of Stage 1 Report and Approval to commence Stage 2** - **Endorsement of Stage 2 Report and Business Case**	**March 2021** **March 2022**
Borough, Economy and Infrastructure Executive Advisory		
Society, Environment and Council Development Executive Advisory		
Overview and Scrutiny		
Planning		
Licensing		
Corporate Governance and Scrutiny		

GENERAL FUND CAPITAL PROGRAMME - ESTIMATED EXPENDITURE 2020-21 to 2025-26

Ref	Verto ref	Code	Directorate/Service and Capital Scheme name	Approved gross estimate	Cumulative spend at 31-03-20	2020-21 Estimate approved by Council in February	Revised estimate	Expenditure at end P8	Projected exp est by project officer	2021-22 Est for year	2022-23 Est for year	2023-24 Est for year	2024-25 Est for year	2025-26 Est for year	Future years est exp	Projected expenditure total	Grants / Contributions towards cost of scheme	Funded from Reserves	Net cost of scheme
				(a) £000	(b) £000	(c) £000	(d) £000	(e) £000	(f) £000	(ii) £000	(iii) £000	(iv) £000	(v) £000	(v) £000	(g) £000	(b)+(g) = (h) £000	(i) £000		(h)-(i) = (j) £000
			APPROVED SCHEMES																
			COMMUNITY DIRECTORATE																
			General Fund Housing																
	PR381	N51008	Disabled Facilities Grants		annual	605	605	169	605	605	605	605	605	-	2,420	3,025	(806)	-	2,219
		N51019	Better Care Fund		annual	-	-	122	-	-	-	-	-	-	-	-	-	-	-
	PR381	N51020	Home Improvement Assistance		annual	-	-	10	-	-	-	-	-	-	-	-	-	-	-
	PR381	N51021	Solar Energy Loans		annual	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		N51023	BCF TESH Project		annual	-	-	3	-	-	-	-	-	-	-	-	-	-	-
		N51024	BCF Prevention grant		annual	-	-	15	-	-	-	-	-	-	-	-	-	-	-
		N51030/32	SHIP		annual	-	-	-	-	-	-	-	-	-	-	-	-	-	-
			General Grants to HAs		annual	100	100	-	100	100	100	100	100	-	400	500	-	-	500
		N55*	General feasibility, site preparation costs for affordable		annual	120	120	-	120	120	120	120	120	-	480	600	-	-	600
		N55011	Bright Hill Car Park Site		43	-	-	33	-	-	-	-	-	-	-	-	-	-	-
		N55014	Garage Sites-General		161	-	-	2	-	-	-	-	-	-	-	-	-	-	-
		N55017	Guildford Park feasibility					8											
		N55020	Shawfield					0											
		N55021	Site B10b feasibility		2	-	-	0	-	-	-	-	-	-	-	-	-	-	-
		N55022	Redevelopment bid 13		109	-	-	48	-	-	-	-	-	-	-	-	-	-	-
			Corporate Prorperty		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ED14(e	PR159	P72**	Void investment property refurbishment works	570	324	170	191	-	191	-	-	-	-	-	-	570	-	-	570
		P74077	Unit 2 The Billings void works	-	-	-	36	22	36	-	-	-	-	-	-			-	
ED14		P72031	5 High Street void works	-	-	-	19	8	8	11					11			-	
ED14		P72047	10 Midleton void works	230	7	-	223	68	223	-	-	-	-	-	-	230	(100)	-	130
ED21		P72022	Methane gas monitoring system	100	45	-	51	-	0	51	-	-	-	-	51	100	-	-	100
ED21a		P72046	Methane gas monitoring Depots	-	-	-	4	-	4	-	-	-	-	-	-			-	
ED22		P74058	Energy efficiency compliance - Council owned properties	245	82	137	163	0	0	163	-	-	-	-	163	245	-	-	245
ED26		P51*	Bridges -Inspections and remedial works	317	197	-	120	-	20	100	-	-	-	-	100	317	-	-	317
ED35			Electric Theatre - new boilers	120	-	-	120	-	120	-	-	-	-	-	-	120	-	-	120
ED41	PR162	P74064	The Billings roof	200	27	175	173	2	3	170	-	-	-	-	170	200	-	-	200
ED44	PR210 &	P05012	Broadwater cottage	319	93	-	226	122	226	-	-	-	-	-	-	319	-	-	319
ED45	PR257	P18190	Gunpowder mills - scheduled ancient monument	222	9	52	212	182	212	-	-	-	-	-	-	222	-	-	222
ED51(p	PR424	P10010	Guildford House Exhibition lighting	50	-	50	50	-	50	-	-	-	-	-	-	50	-	-	50
ED47	PR385	P74070	Cladding of Ash Vale units (no longer reqd)	145	5	92	140	-	-	-	-	-	-	-	-	5	-	-	5
ED53	BID97	P74072	Tyting Farm Land-removal of barns and concrete	200	8	-	192	54	192	-	-	-	-	-	-	200	-	-	200
ED56	2-1920	P74073	Foxenden Tunnels safety works	110	22	-	88	5	88	-	-	-	-	-	-	110	-	-	110
ED57	3-1920	P74074	Holy Trinity Church boundary wall	63	8	-	55	43	47	2	-	-	-	-	2	57	-	-	57
CP1	1-2021	P18414	SMP Ph1 Calorifer replacement	28	-	28	28	-	-	28	-	-	-	-	28	28	-	-	28
CP2	2-2021	P18415	SMP Main pavilion amenity club	50	-	50	50	-	50	-	-	-	-	-	-	50	-	-	50
CP3	3-2021	P18416	SMP cricket pavilion	120	-	120	120	3	4	116	-	-	-	-	116	120	-	-	120
			Office Services																
BS4	BID205	P50016	Hydro private wire - Tollhouse to Millmead	4	3	-	1	-	1	-	-	-	-	-	-	4	-		4
			COMMUNITY DIRECTORATE TOTAL	**3,092**	**1,146**	**1,699**	**3,086**	**920**	**2,299**	**1,466**	**825**	**825**	**825**	**0**	**3,941**	**7,071**	**(906)**		**6,166**
			ENVIRONMENT DIRECTORATE																
			Operational Services																
OP1/OP		P66*	Flood resilience measures (use in conjunction with grant	445	324	21	121	-	0	121	-	-	-	-	121	445	-		445
OP5	PR275	P35017	Mill Lane (Pirbright) Flood Protection Scheme	71	55	-	16	-	-	16	-	-	-	-	16	71	(19)		52
OP6	PR304	P58012	Vehicles, Plant & Equipment Replacement Programme	10,665	6,099	4,220	4,566	57	4,000	566	-	-	-	-	566	10,665	(26)		10,639
OP22		P53005	Litter bins replacement (complete)	265	112	153	153	-	-	-	-	-	-	-	-	112	-		112
OP26	PR264	P35022	Merrow lane grille & headwall construction	60	3	57	57	-	-	57	-	-	-	-	57	60	-		60
OP27	PR271		Merrow & Burpham surface water study	15	-	-	15	-	-	15	-	-	-	-	15	15	-		15
OP28	PR284		Crown court CCTV	10	-	-	10	-	-	10	-	-	-	-	10	10	-		10
OP22	5-1920		Town Centre CCTV upgrade	250	-	-	250	-	-	250	-	-	-	-	250	250	-		250
			Parks and Leisure						-										
PL11	PR141	P22062	Spectrum Roof replacement	4,000	1,680	-	271	72	120	151	-	-	-	-	151	3,100	-		3,100
		P22063/P2	Spectrum roof - steelwork ph2	-	409	-	-	-	-	-	-	-	-	-	-	-	-		-
		P22065	Spectrum roof - steelwork ph3	-	740	-	-	-	-							-			-
PL15			Infrastructure works: Guildford Commons	150	3	-	3	1	3	-	-	-	-	-	-	6	-		6
PL15(a)		P18183	Infrastructure works: Guildford Commons: Merrow	-	15	-	-	-	-	-	-	-	-	-	-	15	-		15
PL15(b)		P18184	Infrastructure works: Guildford Commons: Shalford	-	129	-	-	-	-	-	-	-	-	-	-	129	-		129
PL20(b)		P18208	Westnye Gardens play area	125	122	-	3	5	3	-	-	-	-	-	-	125	(3)		122
PL20(c)		P18224	Redevelopment of Westborough and Park barn play area	320	-	295	320	-	-	320	-	-	-	-	320	320	-		320
PL34	PR186		Stoke cemetry re-tarmac	47	-	47	47	-	-	47	-	-	-	-	47	47	-		47
PL35	PR211	P18194	Woodbridge rd sportsground replace fencing(complete)	280	262	-	19	15	19	-	-	-	-	-	-	280	-		280
PL42		P20001	Pre-sang costs	100	51	-	49	5	49	-	-	-	-	-	-	100	-		100
PL57	BID211	P18215	Parks and Countryside - repairs and renewal of paths,roads	165	121	-	44	16	44	-	-	-	-	-	-	165	-		165
PL24	PR212	P18219	Kings college astro turf	547	494	-	53	3	18	-	-	-	-	-	-	512	(401)		111
PL58	1-1920	P18220	Shalford Common - regularising car parking/reduction of	121	22	99	99	-	-	99	-	-	-	-	99	121	-		121
		P18223	Allen House Pavillion - Roof Works	30			30	-	30	-	-	-	-	-	-	30	-		30
PL60	7-1920	P18222	Traveller encampments - Bellfields Green	82	62	10	20	15	20	-	-	-	-	-	-	82	-		82
PL60	7-1920	P18226	Traveller encampments - Shalford Common	48		-	48	-	-	48	-	-	-	-	48	48	-		48
PL60	7-1920	P18231	Traveller encampments - Christchurch Spectrum	5		5	5	-	5	-	-	-	-	-	-	5	-		5
			ENVIRONMENT TOTAL DIRECTORATE	**17,801**	**10,702**	**4,907**	**6,199**	**189**	**4,311**	**1,700**	**-**	**-**	**-**	**-**	**1,700**	**16,713**	**(448)**		**16,265**
			FINANCE DIRECTORATE																
			Financial Services																
FS1	PR303		Capital contingency fund	annual	-	5,000	4,900	-	900	5,000	5,000	5,000	5,000	-	20,000	20,900	-		20,900
			RESOURCES DIRECTORATE TOTAL	**0**	**0**	**5,000**	**4,900**	**0**	**900**	**5,000**	**5,000**	**5,000**	**5,000**	**0**	**20,000**	**20,900**	**0**		**20,900**
			DEVELOPMENT/INCOME GENERATING/COST REDUCTION PROJECTS																
			Development / Infrastructure																
ED54	BID129	P74069	Rodboro Buildings - electric theatre through road and parking	450	17	280	433	6	11	422	-	-	-	-	422	450	-		450

GENERAL FUND CAPITAL PROGRAMME - ESTIMATED EXPENDITURE 2020-21 to 2025-26

Ref	Verto ref	Code	Directorate/Service and Capital Scheme name	Approved gross estimate (a) £000	Cumulative spend at 31-03-20 (b) £000	2020-21 Estimate approved by Council in February (c) £000	Revised estimate (d) £000	Expenditure at end P8 (e) £000	Projected exp est by project officer (f) £000	2021-22 Est for year (ii) £000	2022-23 Est for year (iii) £000	2023-24 Est for year (iv) £000	2024-25 Est for year (v) £000	2025-26 Est for year (v) £000	Future years est exp (g) £000	Projected expenditure total (b)+(g) = (h) £000	Grants / Contributions towards cost of scheme (i) £000	Funded from Reserves	Net cost of scheme (h)-(i) = (j) £000
ED18	PR367	P15011	Museum and castle development	1,652	188	1,020	1,464	14	14	-	-	-	1,450	-	1,450	1,652	-		1,652
ED52	PR437	P74067	Public Realm Scheme (Chapel Street/Castle	2,627	1,011	-	1,616	6	16	-	-	-	1,600		1,600	2,627	-	(1,615)	1,012
P5	PR354	P79027/P7	Walnut Bridge replacement	5,098	1,667	1,593	3,414	108	3,414	17	-	-	-	-	17	5,097	(2,482)	(950)	1,665
ED32	PR028	P79026	Internal Estate Road - CLLR Phase 1	11,139	10,571	-	568	111	568	-	-	-	-	-	-	11,139	(5,107)		6,032
P9c		P79030	Town Centre Gateway Regeneration	3,523	50	3,480	3,473	-	-	-	-	-	3,473	-	3,473	3,523	-		3,523
		P79032	SMC(West) Phase 1	4,403	1,192	2,975	3,211	252	1,553	1,658	-				1,658	4,403	(3,228)		1,175
P16	BID111	P79033	A331 hotspots	3,930	269	3,146	3,661	25	3,161	500	-	-	-	-	500	3,930	(2,939)		991
P14	PR402	P79034	Town Centre Approaches	1,033	7	816	1,026	9	603	400	-	-	-	-	400	1,010	(700)		310
P22		P79036	Ash Bridge Land acquistion	120	104	-	16	-	16	-	-	-	-	-	-	120	-		120
P21		P79037	Ash Road Bridge	4,060	1,803	2,214	2,257	412	1,000	1,257	-	-	-	-	1,257	4,060	(4,060)		-
P11	PR364 &		Guildford West (PB) station	500	-	-	500	-	-	500	-	-	-	-	500	500	-		500
			Development Financial																
	PR130	P79996	Investment in North Downs Housing (60%)	15,180	8,183	4,500	5,315	414	5,315	1,682	-	-	-	-	1,682	15,180	-		15,180
	PR130	P79997	Equity shares in Guildford Holdings ltd (40%)	10,120	5,460	3,000	3,543	277	3,543	1,117	-	-	-	-	1,117	10,120	-		10,120
ED25	PR233	P79025 /	Guildford Park - Housing for Private and infrastructure works	6,500	3,444	3,462	3,056	-	(0)	-	-	-	-	-	-	3,444	-		3,444
ED49	PR395	P72037	Middleton Ind Est Redevelopment	9,350	1,895	5,500	7,455	1,268	3,755	3,700	-	-	-		3,700	9,350			9,350
P12	PR371	P72045	Strategic property acquisitions	8,520	7,024	-	1,496	638	1,496	-	-	-	-	-	-	8,520	-		8,520
DF1	4-2021		Property acquisition	20,000		20,000	20,000		-	20,000	-	-			20,000	20,000	-	-	20,000
PL9	PR136	P05009	Rebuild Crematorium	11,822	10,381	-	1,441	394	1,441	-	-	-	-	-	-	11,822	-		11,822
ED27		P79023	North Street Development / Guild Town Centre regeneration	1,477	861	736	616	65	616	-	-	-	-	-	-	1,477	(50)		1,427
ED6	PR350	P74039 /	Slyfield Area Regeneration Project (SARP)	31,259	5,202	700	8,750	4,992	8,750	2,211	3,435	3,436	-	-	9,082	31,459	(1,677)		29,782
ED6	PR350	P79100/P1	WUV - Allotment relocation	200	158	160	-	99	-	-									
ED6	PR350	P79101	WUV - Int roads, Site clearance	-	1	-	-	-	-										
ED6	PR350	P79102	WUV - New GBC Depot	2,480	0	-	2,480	5	2,480						-	2,480			2,480
ED6	PR350	P79104	WUV - Thames Water relocation	-	8,267	-	-	436	-										
ED6	PR350	P79106	WUV - Land Purchase	-	-	-	-	1,091	-										
			DEVELOPMENT/INCOME GENERATING/COST REDUCTION	**155,443**	**67,755**	**53,582**	**75,790**	**10,623**	**37,751**	**33,464**	**3,435**	**3,436**	**6,523**	**0**	**46,858**	**152,364**	**(20,243)**	**(2,565)**	**129,556**
			APPROVED SCHEMES TOTAL	**176,336**	**79,603**	**65,188**	**89,975**	**11,732**	**45,261**	**41,630**	**9,260**	**9,261**	**12,348**	**0**	**72,499**	**197,049**	**(21,597)**	**(2,565)**	**172,887**
			non-development projects total	20,893	11,848	11,606	14,185	1,109	7,510	8,166	5,825	5,825	5,825	0	25,641	44,685	(1,354)	0	43,331
			development/infrastructure - non-financial benefit	38,535	16,879	15,524	21,639	943	10,356	4,754	0	0	6,523	0	11,277	38,512	(18,516)	(2,565)	17,430
			development- financial benefit	116,908	50,876	38,058	54,151	9,680	27,395	28,710	3,435	3,436	0	0	35,581	113,853	(1,727)	0	112,126
			TOTAL	176,336	79,603	65,188	89,975	11,732	45,261	41,630	9,260	9,261	12,348	0	72,499	197,049	(21,597)	(2,565)	172,887

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Appendix 3

GENERAL FUND CAPITAL PROGRAMME - ESTIMATED EXPENDITURE 2020-21 to 2025-26

Ref	Verto ref	Code	Directorate / Service Units Capital Schemes	Gross estimate approved by Executive	Cumulative spend at 31-03-20	2020-21 Estimate approved by Council in February	Revised estimate	Expenditure at end P8	Projected exp est by project officer	2021-22 Est for year	2022-23 Est for year	2023-24 Est for year	2024-25 Est for year	2025-26 Est for year	2026-27 Est for year	2027-28 Est for year	2027-28 est for yr and SARP to 3233	Future years estimated expenditure	Projected expenditure total	Grants or Contributions towards cost of scheme	Net total cost of scheme to the Council
				(a) £000	(b) £000	(c) £000	(e) £000	(f) £000	(g) £000	(i) £000	(ii) £000	(iii) £000	(iv) £000	(v) £000	(v) £000	(v) £000	(v) £000	(h) £000	(b) to (g)=(i) £000	(j) £000	(i) - (j) = £000
			PROVISIONAL SCHEMES (schemes approved in principle; further report to the Executive required)																		
			COMMUNITY DIRECTORATE																		
			General Fund Housing																		
CM1(p)	BID264		Old Manor House - replacement windows (no longer reqd)	193	-	193	193	-	-	-	-	-	-	-				-	-	-	-
			Corporate Property																		
ED21(P)			Methane gas monitoring system	150	-	150	150	-	-	-	-	150	-	-	-	-	-	150	150	-	150
ED22(P)			Energy efficiency compliance - Council owned properties	950	-	950	950	-	-	-	-	950	-	-	-	-	-	950	950	-	950
ED26(P)			Bridges	370	-	370	370	-	-	370	-	-	-	-	-	-	-	370	370	-	370
ED48(p)	PR390		Westfield/Moorfield rd resurfacing	3,152	-	3,152	3,152	-	-	-	-	3,152	-	-	-	-	-	3,152	3,152	-	3,152
ED53(p)	BID97		Tyting Farm Land-removal of barns and concrete hardstanding	50	-	-	50		-	-	-	-	-	-				-	-	-	-
ED56(p)	BID261		Land to the rear of 39-42 Castle Street	10		-	10		-	-	10	-	-	-				10	10	-	10
CP4	5-2021		New House works	416		416	416		-	-								-	-	-	-
CP5	6-2021		Energy & CO2 reduction in Council non HRA properties	2,268		268	268		-	768	500	500	500	-				2,268	2,268	-	2,268
			Office Services						-												
CD3(P)			Renewables (no longer reqd)	65		-	65	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BS3(p)	BID201		Millmead House - M&E plant renewal	33		-	-		-	-	33	-	-	-				33	33	-	33
BS4(p)	BID205	P50016	Hydro private wire - Tollhouse to Millmead	82		-	82		-	-	-	-	82	-				82	82	-	82
			COMMUNITY DIRECTORATE TOTAL	**7,739**	**-**	**5,499**	**5,706**	**-**	**-**	**1,138**	**543**	**4,752**	**582**	**-**	**-**	**-**	**-**	**7,015**	**7,015**	**-**	**7,015**
			ENVIRONMENT DIRECTORATE																		
			Operational Services																		
OP5(P)			Mill Lane (Pirbright) Flood Protection Scheme	200	-	-	200	-	-	-	-	200	-	-	-	-	-	200	200	(20)	180
OP6(P)			Vehicles, Plant & Equipment Replacement Programme	780	-	780	780	-	-	780	-	-	-	-	-	-	-	780	780	-	780
OP21(P)	PR281		Surface water management plan	200	-	-	200	-	-	-	-	200	-	-	-	-	-	200	200	-	200
			Parks and Leisure						-												
PL16(P)	PR348	P04006	New burial grounds - acquisition & development	7,834	38	-	50	-	20	30	-	-	-	-	-	-	-	30	88	-	88
PL18(P)			Refurbishment / rebuild Sutherland Memorial Park Pavilion	150	-	-	-	-	-	-	-	150	-	-	-	-	-	150	150	-	150
PL41(P)	PR231		Stoke pk office accomodation & storage buildings	665	-	665	665	-	-	-	-	-	665	-	-	-	-	665	665	-	665
PL45(p)	PR388		Stoke Pk gardens water feature refurb	81	-	-	81	-	-	40	-	-	-	-	-	-	-	40	40	(29)	11
PL55(p)	BID198		Sutherland Memorial Park - electrical works COMPLETE	39	-	-	39	-	-	-	-	-	-	-				-	-	-	-
PL56(p)	BID210		Stoke Park Masterplan enabling costs	500	-	100	100	-	50	200	100	150	-					450	500	-	500
PL57(p)	BID211	P18215	Parks and Countryside - repairs and renewal of paths,roads and	1,572	-	400	772	-	50	1,122	400	-	-	-				1,522	1,572	-	1,572
PL58(p)	BID213		Sports pavillions - replace water heaters	154	-	28	28	-	28	42	42	42	-	-				126	154	-	154
PL59(p)	BID229		Millmead fish pass	60	-	-	60	-	-	60	-	-	-	-				60	60	-	60
PL60(p)	7-1920		Traveller encampments	115		115	115	-	40	75	-	-	-	-				75	115	-	115
			ENVIRONMENT DIRECTORATE TOTAL	**12,350**	**38**	**2,088**	**3,090**	**-**	**188**	**2,349**	**542**	**742**	**665**	**-**	**-**	**-**	**-**	**4,298**	**4,524**	**(49)**	**4,475**
			DEVELOPMENT/INCOME GENERATING/COST REDUCTION PROJECTS																		
			Development / Infrastructure																		
ED18(P)	PR367		Guildford Museum	16,810	-	16,810	16,810	-	-	-	-	-	16,810	-	-	-	-	16,810	16,810	(11,800)	5,010
	PR130	P79996	Investment in North Downs Housing	30,100	-	-	-	-	-	5,518	12,539	-	-	-				18,057	18,057	-	18,057
	PR130	P79997	Equity shares in Guildford Holdings ltd	-	-	-	-	-	-	3,683	8,360	-	-	-				12,043	12,043	-	12,043
P10(p)	PR316		Sustainable Movement Corrider	6,045	-	-	-	-	-	-	-	3,023	3,022	-	-	-	-	6,045	6,045	-	6,045
P11(p)	PR364		Guildford West (PB) station	4,700	-	1,700	1,700	-	-	1,000	2,000	1,700	-	-	-	-	-	4,700	4,700	(3,750)	950
P14(p)	PR402		Guildford Gyratory & approaches	10,967	-	3,500	3,500	-	-	-	-	-	10,967	-	-	-	-	10,967	10,967	(5,000)	5,967
P15(p)	BID139		Guildford bike share	530	-	-	530	-	-	-	100	430	-	-				530	530	-	530
P17(p)	BID169		Bus station relocation	500	-	500	500	-	500	-	-	-	-	-				-	500	-	500
P21(p)			Ash Road Bridge	18,440		18,440	18,440		-	18,440	-	-	-	-				18,440	18,440	(18,440)	-
P21(p)			Ash Road Footbridge	4,800		4,800	4,800		-	4,800								4,800	4,800	(4,800)	-
			Development Financial						-												
ED25(P)	PR233		Guildford Park - Housing for Private and infrastructure works	23,125	-	4,380	4,380	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ED49(p)	PR395		Redevelop Midleton industrial estate	5,557	-	5,557	5,557	-	-	5,557	-	-	-	-	-	-	-	5,557	5,557	-	5,557
PL51(p)	PR416		Stoke Park - Home Farm Redevelopment	4,000	-	-	-	-	-	-	-	4,000	-	-	-	-	-	4,000	4,000	-	4,000
ED16(P)	PR350		Slyfield Area Regeneration Project (SARP) (GBC share)	289,869	-	-	7,499	-	-	26,136	69,012	34,206	40,112	34,881	24,342	22,271	38,909	289,869	289,869	(54,158)	235,711
ED38(P)	PR041		North Street development	1,500	-	29,090	500	-	500	1,000	-	-	-	-	-	-	-	1,000	1,500	-	1,500
HC4(p)	PR248		Bright Hill Development	13,500	-	500	680	-	-	680	5,000	7,000	820	-	-	-	-	13,500	13,500	-	13,500
P12(p)	PR371		Strategic property acquisitions	23,292	-	9,492	9,492	-	-	23,292	-	-	-	-	-	-	-	23,292	23,292	-	23,292
DF1	4-2021		Property acquisition	20,000		-	-		-	10,000	10,000	-						20,000	20,000	-	20,000
									-												
	DEVELOPMENT/INCOME GENERATING/COST REDUCTION PROJECTS TOTAL			**473,735**	**-**	**94,769**	**74,388**	**-**	**1,000**	**100,106**	**107,011**	**50,359**	**71,731**	**34,881**	**24,342**	**22,271**	**38,909**	**449,610**	**450,610**	**(97,948)**	**352,662**
			PROVISIONAL SCHEMES - GRAND TOTALS	**493,823**	**38**	**102,356**	**83,184**	**-**	**1,188**	**103,593**	**108,096**	**55,853**	**72,978**	**34,881**	**24,342**	**22,271**	**38,909**	**460,923**	**462,149**	**(97,997)**	**364,152**

	(a)	(b)	(c)	(e)	(f)	(g)	(i)	(ii)	(iii)	(iv)	(v)	(v)	(v)	(v)	(h)	(b) to (g)=(i)	(j)	(i) - (j)
non development projects	20,089	38	7,587	8,796	-	188	3,487	1,085	5,494	1,247	-	-	-	-	11,313	11,539	(49)	11,490
development/infrastructure - non-financial benefit	92,892	0	45,750	46,280	0	500	33,441	22,999	5,153	30,799	0	0	0	0	92,392	92,892	(43,790)	49,102
development- financial benefit	380,843	0	49,019	28,108	0	500	66,665	84,012	45,206	40,932	34,881	24,342	22,271	38,909	357,218	357,718	(54,158)	303,560
TOTAL	493,823	38	102,356	83,184	0	1,188	103,593	108,096	55,853	72,978	34,881	24,342	22,271	38,909	460,923	462,149	(97,997)	364,152

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Appendix 4

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GENERAL FUND CAPITAL PROGRAMME - S106 ESTIMATED EXPENDITURE 2020-21 to 2024-25

Ref	Project Officer	Code	Service Units / Capital Schemes	Approved gross estimate (a) £000	Cumulative spend at 31-03-20 (b) £000	2020-21 Estimate approved by Council in February (c) £000	Revised estimate (d) £000	Expenditure at end P8 (e) £000	Projected exp est by project officer (f) £000	2021-22 Est for year (i) £000	2022-23 Est for year (ii) £000	2023-24 Est for year (iii) £000	2024-25 Est for year (iv) £000	2025-26 Est for year (v) £000	Future years est exp (g) £000	Projected expenditure total (b)+(g) = (h) £000	Grants / Contributions towards cost of scheme (i) £000	Net cost of scheme (h)-(i) = (j) £000	Total net cost approved by Executive (k) *£000*
			APPROVED SCHEMES (fully funded from S106 contributions)																
			ENVIRONMENT DIRECTORATE																
			Operational Services																
			Parks and Leisure																
S-PL36	HJ	P18177	Gunpowder mills - signage, access and woodland imps	36	20	-	16	1	16	-	-	-	-	-	-	36	**(36)**	**-**	
S-PL38	HJ	P18192	Chantry Wood Campsite	36		-	36	-	36	-	-	-	-	-	-	36	**(36)**	**-**	
S-PL47	SA	P18229	Fir Tree Garden	28	4	-	24	1	24	-	-	-	-	-	-	28	**(28)**	**-**	
S-PL48	HJ	P18230	Boardwalk Heathfield Nature Reserve	13			13	-	13							13	**(13)**		
S-PL49	SA	P18232	Waterside Playarea Muti Unit	30			30	-	30							30	**(30)**		
S-PL50	SA	P18233	Albury Playground Equip (PC)	23			23	17	23							23	**(23)**		
			ENVIRONMENT DIRECTORATE TOTAL	**166**	**24**	**-**	**142**	**19**	**142**	**-**	**-**	**-**	**-**	**-**	**-**	**166**	**(166)**	**-**	-
			APPROVED S106 SCHEMES TOTAL	**166**	**24**	**-**	**142**	**19**	**142**	**-**	**-**	**-**	**-**	**-**	**-**	**166**	**(166)**	**-**	**-**

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Appendix 5

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Appendix 6

GENERAL FUND CAPITAL SCHEMES - PROJECTS FUNDED VIA RESERVES: ESTIMATED EXPENDITURE

Item No.	Project Officer	Code	Projects & Sources of Funding	Approved gross estimate (a) £000	Cumulative spend at 31-03-20 (b) £000	2020-21 Estimate approved by Council in February (c) £000	Revised estimate £000	Expenditure at end P8 (e) £000	Projected exp est by project officer (f) £000	2021-22 Est for year (i) £000	2022-23 Est for year (ii) £000	2023-24 Est for year (iii) £000	2024-25 Est for year (iv) £000	2025-26 Est for year (v) £000	Future years est exp (g) £000	Projected expenditure total (b)+(g) = (h) £000
			COMMUNITY DIRECTORATE													
		P59...	ENERGY PROJECTS per SALIX RESERVE:(PR220)			-		-	-	-					-	-
R-EN10	CR	P59034	LED Lighting replacement (complete)	80	61	-	19	-	(0)	-	-	-	-	-	-	61
R-EN11	CR		WRD energy reduction (no longer reqd)	70	-	-	70	-	-	-	-	-	-	-	-	-
R-EN12	7-2021		LED lighting	44		44	44	-	44	-	-	-	-	-	-	44
R-EN13	8-2021		ASHP CAB	28				-		28	-	-	-	-	28	28
			ENERGY PROJECTS per GBC INVEST TO SAVE RESERVE:													
			GBC 'Invest to Save' energy projects (to be repaid in line with savings)			-	-	-	-	-					-	-
R-EN12	CR	P59102	PV/energy efficiency projects	100	2	-	98	-	98	-	-	-	-	-	-	100
R-EN13	BID200	P59107	Park Barn Day Centre - air source heat pump	143	110	-	-	3	10	-	-	-	-	-	-	110
R-EN14	BID207	P59108	SMP - air source heat pump	28	1	28	27	-	0	27	-	-	-	-	27	28
			ENERGY RESERVES TOTAL	**493**	**174**	**72**	**258**	**3**	**152**	**55**	**-**	**-**	**-**	**-**	**55**	**371**
			BUDGET PRESSURES RESERVE													
	09-1920		Future Guildford implementation team	2,600		1,600	2,600	-	-	-	-	-	-	-	-	-
			BUDGET PRESSURES RESERVE TOTAL	**2,600**	**-**	**1,600**	**2,600**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
			FINANCE DIRECTORATE													
			INFORMATION TECHNOLOGY - IT Renewals Reserve (PR265) : approved annually													
			Hardware / software budget			500	500	-	500	500	500	500	-	-	1,500	2,000
R-IT1	SW-M	P81002	Hardware	annual	annual	-	-	3	-	-	-	-	-	-	-	-
R-IT2	SW-M	P81002	Software	annual	annual	-	-	301	-	-	-	-	-	-	-	-
	AH	P81034	ICT infrastructure improvements	1,485	1,695	-	-	30	-	-	-	-	-	-	-	1,695
R-IT3	09-1920		IDOX Acolaid to Uniform	275		-	275		275	-	-	-	-	-	-	275
R-IT4	09-1920		LCTS alternative	56		50	56		56	-		-	-	-	-	56
R-IT5	09-1920	P81035	Future Guildford ICT	1,200	656	-	544	-	544	-	-	-	-	-	-	1,200
			IT RENEWALS RESERVE TOTAL	**3,016**	**2,350**	**550**	**1,376**	**334**	**1,376**	**500**	**500**	**500**	**-**	**-**	**1,500**	**5,226**
			ENVIRONMENT DIRECTORATE													
			SPECTRUM RESERVE													
R-S14			Spectrum schemes (to be agreed with Freedom Leisure)	700	168	-	532	-	532	-					-	700
			SPECTRUM RESERVE TOTAL	**700**	**168**	**-**	**532**	**-**	**532**	**-**	**-**	**-**	**-**	**-**	**-**	**700**
			CAR PARKS RESERVE													
CP1R-CP2	KMc	P37503	Car parks - install/replace pay-on-foot equipment	1,170	240	-	930	-	-	930	-	-	-	-	930	1,170
			Car Parks - Lighting & Electrical improvements:													
R-CP8	KMc/KS	P37520	- Castle car park (PR000299) deck surfacing	325	251	-	6	-	6	-	-	-	-	-	-	257
R-CP18	BID177	P37525	- Deck Millbrook car park	2,000	-	1,000	1,000	-	-	-	-	-	-	-	-	-
R-CP14	KMc/RH	P37514	Lift replacement (PR000293)	841	307	187	534	158	534	-	-	-	-	-	-	841
R-CP17	KMc/RH	P37522	Leapale rd MSCP drainage (PR000433)	90	26	-	64	-	16	-	-	-	-	-	-	42
R-CP19	BID194	P37523	Structural works to MSCP	300	50	-	250	-	-	100	-	-	-	-	100	150
R-CP20	10-1920	P37524	MSCP- Deck surface replacement & barriers	652	526	-	126	0	83	-	-	-	-	-	-	609
R-CP21	08-2021	P37526	Additional barriers Farnham Rd	15		15	15		15		-	-	-	-	-	15
R-CP22	08-2021	P37527	Deck surface replacement (stair cores)Farnham Rd	70		70	70		70		-	-	-	-	-	70
R-CP23	08-2021	P37529	Deck surface replacement Leapale Rd	400		400	400		10	390	-	-	-	-	390	400
R-CP24	08-2021	P37528	Signage replacement Leapale Rd(no longer reqd)	30		30	30		-		-	-	-	-	-	-
R-CP25	08-2021	P37530	Structural repairs roof turret timbers Castle St	60		60	60		60		-	-	-	-	-	60

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GENERAL FUND CAPITAL SCHEMES - PROJECTS FUNDED VIA RESERVES: ESTIMATED EXPENDITURE

Item No.	Project Officer	Code	Projects & Sources of Funding	Approved gross estimate (a) £000	Cumulative spend at 31-03-20 (b) £000	2020-21 Estimate approved by Council in February (c) £000	Revised estimate £000	Expenditure at end P8 (e) £000	Projected exp est by project officer (f) £000	2021-22 Est for year (i) £000	2022-23 Est for year (ii) £000	2023-24 Est for year (iii) £000	2024-25 Est for year (iv) £000	2025-26 Est for year (v) £000	Future years est exp (g) £000	Projected expenditure total (b)+(g) = (h) £000
			CAR PARKS RESERVE TOTAL	**5,953**	**1,401**	**1,762**	**3,485**	**158**	**794**	**1,420**	**-**	**-**	**-**	**-**	**1,420**	**3,615**
			SPA RESERVE :													
		P20...	SPA schemes (various)	100	annual	-	151	-	151	-	-	-	-	-	-	151
R-SPA1		P201..	Chantry Woods					-	-						-	
R-SPA2		P202..	Effingham					-	-						-	
R-SPA3		P203..	Lakeside					-	-						-	
R-SPA4		P204..	Riverside					-	-						-	
R-SPA5		P205..	Parsonage					-	-						-	
			SPA RESERVE TOTAL	**100**	**-**	**-**	**151**	**-**	**151**	**-**	**-**	**-**	**-**	**-**	**-**	**151**
			GRAND TOTALS	**12,862**	**4,093**	**3,984**	**8,402**	**494**	**3,005**	**1,975**	**500**	**500**	**-**	**-**	**2,975**	**10,063**

GENERAL FUND CAPITAL PROGRAMME : SUMMARY OF RESOURCES AND FINANCIAL IMPLICATIONS

1.0 **AVAILABILITY OF RESOURCES - NOTES :**

1.1 The following balances have been calculated taking account of estimated expenditure on the approved capital schemes

1.2 The actuals for 2019-20 have not been audited.

1.3 **Funding assumptions:**

1. All capital expenditure will be funded in the first instance from available capital receipts and the General Fund capital programme reserve.
2. Once the above resources have been exhausted in any given year, the balance of expenditure will be financed from borrowing, both internally and externally, depending upon the Council's financial situation at the time.

1.4 These projections are based on estimated project costs, some of which will be 'firmed up' in due course. Any variations to the estimates and the phasing of expenditure will affect year on year funding projections.

2.0 **Capital receipts - Balances (T01001)**	**2019-20 Actuals £000**	**2020-21 Budget £000**	**2020-21 Est Outturn £000**	**2021-22 Estimate £000**	**2022-23 Estimate £000**	**2023-24 Estimate £000**	**2024-25 Estimate £000**	**2025-26 Estimate £000**
Balance as at 1 April	40	0	95	95	0	0	0	21,641
Add estimated usable receipts in year	12,087	0	2,086	0	0	0	21,641	27,117
Less applied re funding of capital schemes	(12,032)	0	(2,086)	(95)	0	0	0	0
Balance after funding capital expenditure as at 31 March	**95**	**0**	**95**	**0**	**0**	**0**	**21,641**	**48,758**

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GENERAL FUND CAPITAL PROGRAMME : SUMMARY OF RESOURCES AND FINANCIAL IMPLICATIONS

during year = outturn (col v, actual = col u)

3.0 **Capital expenditure and funding - summary**	**2019-20 Actuals £000**	**2020-21 Budget £000**	**2020-21 Est Outturn £000**	**2021-22 Estimate £000**	**2022-23 Estimate £000**	**2023-24 Estimate £000**	**2024-25 Estimate £000**	**2025-26 Estimate £000**
Estimated captial expenditure								
Main programme - approved	45,685	65,188	45,261	41,630	9,260	9,261	12,348	0
Main programme - provisional	0	102,356	1,188	103,593	108,096	55,853	72,978	34,881
s106	86	0	142	0	0	0	0	0
Reserves	2,300	3,984	3,005	1,975	500	500	0	0
GF Housing	0	0	0	0	0	0	0	0
Total estimated capital expenditure	**48,071**	**171,528**	**49,596**	**147,198**	**117,856**	**65,614**	**85,326**	**34,881**
To be funded by:								
Capital receipts *(per 2.above)*	(18,111)	0	(2,086)	(95)	0	0	0	0
Contributions	(8,421)	(41,368)	(12,257)	(51,415)	(10,515)	(7,650)	(5,600)	0
R.C.C.O. :								
Other reserves	(2,300)	(4,204)	(6,692)	(2,195)	(720)	(720)	0	0
	0	0	0	0	0	0	0	0
	(28,832)	(45,572)	(21,035)	(53,705)	(11,235)	(8,370)	(5,600)	0
Balance of funding to be met from (i) the Capital Reserve, and (ii) borrowing	(19,239)	(125,956)	(28,561)	(93,493)	(106,621)	(57,244)	(79,726)	(34,881)
Total funding required	**(48,071)**	**(171,528)**	**(49,596)**	**(147,198)**	**(117,856)**	**(65,614)**	**(85,326)**	**(34,881)**

4.0 **General Fund Capital Schemes Reserve (U01030)**	**2019-20 Actuals £000**	**2020-21 Budget £000**	**2020-21 Est Outturn £000**	**2021-22 Estimate £000**	**2022-23 Estimate £000**	**2023-24 Estimate £000**	**2024-25 Estimate £000**	**2025-26 Estimate £000**
Balance as at 1 April	894	0	0	0	0	0	0	0
Add: General Fund Revenue Budget variations	0	0	0	0	0	0	0	0
Contribution from revenue	0	0	0	0	0	0	0	0
	894	0	0	0	0	0	0	0
Less: Applied re funding of capital programme	(894)	0	0	0	0	0	0	0
Balance after funding capital expenditure etc.as at 31 March	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Estimated shortfall at year-end to be funded from borrowing	**18,346**	**125,956**	**28,561**	**93,493**	**106,621**	**57,244**	**79,726**	**34,881**

GENERAL FUND CAPITAL PROGRAMME : SUMMARY OF RESOURCES AND FINANCIAL IMPLICATIONS

5.0 **Housing capital receipts (pre 2013-14) - estimated availability/usage for Housing, Affordable Housing and Regeneration projects - GBC policy**	**2019-20 Actuals £000**	**2020-21 Budget £000**	**2020-21 Est Outturn £000**	**2021-22 Estimate £000**	**2022-23 Estimate £000**	**2023-24 Estimate £000**	**2024-25 Estimate £000**	**2025-26 Estimate £000**
Balance as at 1 April (T01008)	9,559	6,760	3,618	(0)	0	0	0	0
Add: Estimated receipts in year	0	0	0	0	0	0	0	0
Less: Applied re Housing (General Fund) capital programme	0	0	0	0	0	0	0	0
Less: Applied re Housing company	(5,941)	(6,760)	(3,618)	0	0	0	0	0
	3,618	0	(0)	0	0	0	0	0
Less: Applied on regeneration schemes	0	0	0	0	0	0	0	0
Housing receipts - estimated balance in hand at year end	**3,618**	**0**	**(0)**	**0**	**0**	**0**	**0**	**0**

5.1 **Housing capital receipts (post 2013-14) - estimated availa availability/usage for Housing, Affordable Housing and Regeneration projects only (statutory (impact CFR))**	**2019-20 Actuals £000**	**2020-21 Budget £000**	**2020-21 Est Outturn £000**	**2021-22 Estimate £000**	**2022-23 Estimate £000**	**2023-24 Estimate £000**	**2024-25 Estimate £000**	**2025-26 Estimate £000**
Balance as at 1 April (T01012)	0	0	0	0	0	0	0	0
Add: Estimated receipts in year	520	289	520	289	292	295	298	301
Less: Applied re Housing (General Fund) capital programme	(139)	(220)	(220)	(220)	(220)	(220)	(220)	(220)
Less: Applied re Housing Improvement programme	(381)	(69)	(299)	(69)	(72)	(75)	(78)	(81)
	0	0	0	0	0	0	0	0
Less: Applied on regeneration schemes	0	0	0	0	0	0	0	0
Housing receipts - estimated balance in hand	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

	2019-20	2020-21	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	**Total £'000s**
6.1 Estimated annual borrowing requirement	**18,346**	**125,956**	**28,561**	**93,493**	**106,621**	**57,244**	**79,726**	**34,881**	**400,527**
Bids for funding (net)		0	0	0	0	0	0	0	0
Total estimated borrowing requirement if all bids on Appendix 1 appr		**125,956**	**28,561**	**93,493**	**106,621**	**57,244**	**79,726**	**34,881**	**400,527**

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Treasury management policy statement

Background

The Council adopts the key recommendations of the CIPFA's Treasury Management in the Public Services: Code of Practice (the TM Code), as described in Section 5 of the TM Code.

The Council will create and maintain, as the cornerstones for effective treasury management:

- a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
- suitable treasury management practices (TMP's), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities

CIPFA requirement

The Council is required to adopt the following to define the policies and objectives of its treasury management activities.

1. The Council defines its treasury management activities are:

   "the management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks"

2. The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on the Council's risk implications, and any financial instruments entered into to manage these risks

3. The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

The Council's requirements

The Council is also required to detail its high-level policies for borrowing and investments

1. The Council (i.e. full council) will receive reports on its treasury management policies, practices and objectives including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its closed, in the form prescribed in the TMPs

2. The Council delegates responsibility for the
   a. implementation and monitoring of its treasury management practices and policies to the Corporate Governance and Standards Committee and
   b. execution and administration of treasury management decisions, along with changes to the TMP's to the Chief Finance Officer, who will act in accordance with the Council's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

3. The Council nominates the Corporate Governance and Standards Committee to be responsibility for ensuring effective scrutiny of the treasury management strategy and policies

4. The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk, refinancing risk and maturity risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt

5. The Council's primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Council's investments followed by the yield earned in investments remain important but are secondary considerations.

Money Market Code Principles

The money market code has been developed to provide a common set of principles in order to promote the integrity and effective functioning of the UK money markets.

It is intended to promote a fair, effective and transparent market in which a diverse set of UK market participants, supported by resilient infrastructure, are able to confidently and effectively transact in a manner that is consistent with the highest standards of behaviour.

The code is based on six underpinning principles in order to promote an open, fair and effective market:

Ethics

1. UK Market Participants are expected to behave in an appropriate and professional manner

Governance and Risk Management

2. UK Market Participants should have an applicable governance framework that facilitates responsible participation in the UK Markets and provides for comprehensive oversight of such activity at an appropriately senior level of management. There should be clear and defined internal escalation routes
3. UK Market Participants are expected to maintain a vigorous control environment to effectively identify, measure, monitor, manage and report on the risks associated with their engagement in the UK market

Information Sharing, Confidentiality and Communications

4. UK Market Participants are expected to be clear, accurate, professional, and not misleading in their communications, and to protect relevant confidential information to support effective communication

Execution, Surveillance, Confirmations and Settlement

5. UK Market Participants are expected to exercise appropriate care when negotiating, executing and settling transactions
   UK Market Participants are expected to put in place effective and efficient processes to promote the secure, smooth, and timely settlement of transactions

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Appendix 10

Arlingclose Economic forecast

Economic background: The impact on the UK from coronavirus, together with its exit from the European Union and future trading arrangements with the bloc, will remain a major influence on the Authority's treasury management strategy for 2021/22.

The Bank of England (BoE) maintained Bank Rate at 0.10% in November 2020 and also extended its Quantitative Easing programme by £150 billion to £895 billion. The Monetary Policy Committee voted unanimously for both, but no mention was made of the potential future use of negative interest rates. Within the latest forecasts, the Bank expects the UK economy to shrink -2% in Q4 2020 before growing by 7.25% in 2021, lower than the previous forecast of 9%. The BoE also forecasts the economy will now take until Q1 2022 to reach its pre-pandemic level rather than the end of 2021 as previously forecast.

UK Consumer Price Inflation (CPI) for September 2020 registered 0.5% year on year, up from 0.2% in the previous month. Core inflation, which excludes the more volatile components, rose to 1.3% from 0.9%. The most recent labour market data for the three months to August 2020 showed the unemployment rate rose to 4.5% while the employment rate fell to 75.6%. Both measures are expected to deteriorate further due to the ongoing impact of coronavirus on the jobs market, particularly when the various government job retention schemes start to be unwound in 2021, with the BoE forecasting unemployment will peak at 7.75% in Q2 2021. In August, the headline 3-month average annual growth rate for wages were 0% for total pay and 0.8% for regular pay. In real terms, after adjusting for inflation, total pay growth fell by -0.8% while regular pay was up 0.1%.

GDP growth fell by -19.8% in the second quarter of 2020, a much sharper contraction from -2.0% in the previous three months, with the annual rate falling -21.5% from -1.6%. All sectors fell quarter-on-quarter, with dramatic declines in construction (-35.7%), services (-19.2%) and production (-16.3%), and a more modest fall in agriculture (-5.9%). Monthly GDP estimates have shown the economy is recovering but remains well below its pre-pandemic peak. Looking ahead, the BoE's November Monetary Policy Report forecasts economic growth will rise in 2021 with GDP reaching 11% in Q4 2021, 3.1% in Q4 2022 and 1.6% in Q4 2023.

GDP growth in the euro zone rebounded by 12.7% in Q3 2020 after contracting by -3.7% and -11.8% in the first and second quarters, respectively. Headline inflation, however, remains extremely weak, registering -0.3% year-on-year in October, the third successive month of deflation. Core inflation registered 0.2% y/y, well below the European Central Bank's (ECB) target of 'below, but close to 2%'. The ECB is expected to continue holding its main interest rate of 0% and deposit facility rate of -0.5% for some time with further monetary stimulus expected later in 2020.

The US economy contracted at an annualised rate of 31.7% in Q2 2020 and then rebounded by 33.1% in Q3. The Federal Reserve maintained the Fed Funds rate at between 0% and 0.25% and announced a change to its inflation targeting regime to a more flexible form of average targeting. The Fed also provided strong indications that interest rates are unlikely to change from current levels over the next three years.

Former vice-president Joe Biden won the 2020 US presidential election. Mr Biden is making tackling coronavirus his immediate priority and will also be reversing several executive orders signed by his predecessor and take the US back into the Paris climate accord and the World Health Organization.

Credit outlook: After spiking in late March as coronavirus became a global pandemic, credit default swap (CDS) prices for the larger UK banks have steadily fallen back to almost pre-pandemic levels. Although uncertainly around COVID-19 related loan defaults lead to banks provisioning billions for potential losses in the first half of 2020, drastically reducing profits, reported impairments for Q3 were much reduced in some institutions. However, general bank profitability in 2020 is likely to be significantly lower than in previous years.

The credit ratings for many UK institutions were downgraded on the back of downgrades to the sovereign rating. Credit conditions more generally though in banks and building societies have tended to be relatively benign, despite the impact of the pandemic.

Looking forward, the potential for bank losses to be greater than expected when government and central bank support starts to be removed remains a risk, as does the UK not achieving a Brexit deal, suggesting a cautious approach to bank deposits in 2021/22 remains advisable.

Interest rate forecast: The Authority's treasury management adviser Arlingclose is forecasting that BoE Bank Rate will remain at 0.1% until at least the end of 2023. The risks to this forecast are judged to be to the downside as the BoE and UK government continue to react to the coronavirus pandemic and the Brexit transition period ends. The BoE extended its asset purchase programme to £895 billion in November while keeping Bank Rate on hold. However, further interest rate cuts to zero, or possibly negative, cannot yet be ruled out but this is not part of the Arlingclose central forecast.

Gilt yields are expected to remain very low in the medium-term while short-term yields are likely remain below or at zero until such time as the BoE expressly rules out the chance of negative interest rates or growth/inflation prospects improve. The central case is for 10-year and 20-year to rise to around 0.5% and 0.75% respectively over the time horizon. The risks around the gilt yield forecasts are judged to be broadly balanced between upside and downside risks, but there will almost certainly be short-term volatility due to economic and political uncertainty and events.

A more detailed economic and interest rate forecast provided by Arlingclose is below

<u>Arlingclose Economic & Interest Rate Forecast - November 2020</u>
Underlying assumptions:

- The medium-term global economic outlook remains weak. Second waves of Covid cases have prompted more restrictive measures and further lockdowns in Europe and the UK. This ebb and flow of restrictions on normal activity will continue for the foreseeable future, at least until an effective vaccine is produced and importantly, distributed.
- The global central bank and government responses have been significant and are in many cases on-going, maintaining more stable financial, economic and social conditions than otherwise.
- Although these measures supported a sizeable economic recovery in Q3, the imposition of a second national lockdown in England during November will set growth back and likely lead to a fall in GDP in Q4.
- Signs of a slowing economic recovery were already evident in UK monthly GDP and PMI data, even before the latest restrictions. Despite some extension to fiscal

support measures, unemployment is expected to rise when these eventually come to an end in mid-2021.

- This situation will result in central banks maintaining low interest rates for the medium term. In the UK, Brexit is a further complication. Bank Rate is therefore likely to remain at low levels for a very long time, with a distinct possibility of being cut to zero. Money markets continue to price in a chance of negative Bank Rate.
- Longer-term yields will also remain depressed, anchored by low central bank policy rates, expectations for potentially even lower rates and insipid inflation expectations. There is a chance yields may follow a slightly different path in the medium term, depending on investor perceptions of growth and inflation, the development of a vaccine or if the UK leaves the EU without a deal.

Forecast:

- Arlingclose expects Bank Rate to remain at the current 0.10% level.
- Additional monetary loosening through increased financial asset purchases was delivered as we expected. Our central case for Bank Rate is no change, but further cuts to zero, or perhaps even into negative territory, cannot be completely ruled out.
- Gilt yields will remain low in the medium term. Shorter term gilt yields are currently negative and will remain around zero or below until either the Bank expressly rules out negative Bank Rate or growth/inflation prospects improve.
- Downside risks remain in the near term, as the government continues to react to the escalation in infection rates and the Brexit transition period comes to an end.

	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Official Bank Rate													
Upside risk	0.00	0.00	0.00	0.15	0.15	0.15	0.15	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Downside risk	-0.10	-0.20	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
3-month money market rate													
Upside risk	0.05	0.05	0.05	0.10	0.10	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.10	0.10	0.15	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Downside risk	-0.40	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
5yr gilt yield													
Upside risk	0.40	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70
Arlingclose Central Case	0.00	0.00	0.05	0.10	0.15	0.15	0.20	0.20	0.25	0.25	0.25	0.25	0.25
Downside risk	-0.30	-0.40	-0.50	-0.55	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60
10yr gilt yield													
Upside risk	0.40	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70
Arlingclose Central Case	0.30	0.30	0.35	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.55	0.55	0.55
Downside risk	-0.30	-0.40	-0.50	-0.55	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
20yr gilt yield													
Upside risk	0.40	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70
Arlingclose Central Case	0.70	0.70	0.70	0.75	0.75	0.75	0.80	0.80	0.85	0.85	0.85	0.85	0.85
Downside risk	-0.20	-0.20	-0.25	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30
50yr gilt yield													
Upside risk	0.40	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70
Arlingclose Central Case	0.60	0.60	0.60	0.65	0.65	0.65	0.70	0.70	0.75	0.75	0.75	0.75	0.75
Downside risk	-0.20	-0.20	-0.25	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 1.80%   PWLB HRA Rate = Gilt yield + 0.80%
PWLB Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

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Credit Rating Equivalents and Definitions

	Fitch	Moody's	Standard & Poor's
Long Term Investment Grade	AAA	Aaa	AAA
	AA+ AA AA-	Aa1 Aa2 Aa3	AA+ AA AA-
	A+ A A-	A1 A2 A3	A+ A A-
	BBB+ BBB BBB-	Baa1 Baa2 Baa3	BBB+ BBB BBB-
Sub Investment Grade	BB+ BB BB-	Ba1 Ba2 Ba3	BB+ BB BB-
	B+ B B-	B1 B2 B3	B+ B B-
	CCC+ CCC CCC-	Caa1 Caa2 Caa3	CCC+ CCC CCC-
	CC+ CC CC-	Ca1 Ca2 Ca3	CC+ CC CC-
	C+ C C-	C1 C2 C3	C+ C C-
	D		D or SD

Fitch	Moody's	Standard & Poor's
AAA Highest credit quality. 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in the case of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.	**Aaa** Obligations rated Aaa are judged to be of the highest quality, with minimal credit risk.	**AAA** An obligator rated 'AAA' has extremely strong capacity to meet its financial commitments. 'AAA' is the highest issuer credit rating assigned by Standard & Poors.
AA Very high credit quality. 'AA' ratings denote expectations of very low credit risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.	**Aa** Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.	**AA** An obligator rated 'AA' has very strong capacity to meets its financial commitments. It differs from the highest rated obligators only to a small degree.
A High credit quality. 'A' ratings denote expectations of low credit risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.	**A** Obligations rated A are considered upper-medium grade and are subject to low credit risk.	**A** An obligator rated 'A' has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligators in higher rated categories.
BBB Good credit quality. 'BBB' ratings indicate that there are currently expectations of low credit risk. The capacity for payment of financial commitments is considered adequate but adverse changes in circumstances and economic conditions are more likely to impair this capacity. This is the lowest investment grade category.	**Baa** Obligations rated Baa are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics.	**BBB** An obligator rated 'BBB' has adequate capacity to meets its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligator to meet its financial commitments.

Glossary

Affordable Housing Grants – grants given to Registered Providers to facilitate the provision of affordable housing.

Arlingclose – the Council's treasury management advisors

Authorised Limit – the maximum amount of external debt at any one time in the financial year

Bail in risk – Following the financial crisis of 2008 when governments in various jurisdictions injected billions of dollars into banks as part of bail-out packages, it was recognised that bondholders, who largely remained untouched through this period, should share the burden in future by making them forfeit part of their investment to "bail-in" a bank before taxpayers are called upon.

A bail in takes place before a bankruptcy and under current proposals, regulators would have the power to impose losses on bondholders while leaving untouched other creditors of similar stature, such as derivatives counterparties. A corollary to this is that bondholders will require more interest if they are to risk losing money to a bail-in.

Balances and Reserves – accumulated sums that are maintained either earmarked for specific future costs or commitments or generally held to meet unforeseen or emergency expenditure

Bank Rate – the Bank of England base rate

Banks – Secured – covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the banks assets, which limits the potential losses in the unlikely event of insolvency and means they are exempt from bail in.

Banks – Unsecured – accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. Subject to the risk of credit loss via a bail in should the regular determine that the bank is failing or likely to fail.

Bonds – Bonds are debt instruments issued by government, multinational companies, banks and multilateral development banks. Interest is paid by the issuer to the bond holder at regular pre-agreed periods. The repayment date of the principal is also set at the outset.

Capital expenditure – expenditure on the acquisition, creation or enhancement of capital assets

Capital Financing Requirement (CFR) – the Council's underlying need to borrow for a capital purpose, representing the cumulative capital expenditure of the Council that has not been financed

Certainty rate – the government has reduced by 20 basis points (0.20%) the interest rates on loans via the Public Works Loan Board (PWLB) to principal local authorities who provide information as specified on their plans for long-term borrowing and associated capital spending.

Certificates of deposit – Certificates of deposit (CDs) are negotiable time deposits issued by banks and building societies and can pay either fixed or floating rates of interest. They can be traded on the secondary market, enabling the holder to sell the CD to a third party to release cash before the maturity date.

CIPFA - the Chartered Institute of Public Finance and Accountancy. The institute is one of the leading professional accountancy bodies in the UK and the only one which specialises in the public sector. It is responsible for the education and training of professional accountants and for their regulation through the setting and monitoring of professional standards. Uniquely among the professional accountancy bodies in the UK, CIPFA has responsibility for setting accounting standards for a significant part of the economy, namely local government. CIPFA's members work, in public service bodies, in the national audit agencies and major accountancy firms.

CLG – Department for Communities and Local Government

Corporates – loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent.

Corporate bonds – Corporate bonds are those issued by companies. Generally, however, the term is used to cover all bonds other than those issued by governments. The key difference between corporate bonds and government bonds is the risk of default.

Cost of Carry - Costs incurred as a result of an investment position, for example the additional cost incurred when borrowing in advance of need, if investment returns don't match the interest payable on the debt.

Counterparty – the organisation the Council is investing with

Covered bonds – a bond backed by assets such as mortgage loans (covered mortgage bond). Covered bonds are backed by pools of mortgages that remain on the issuer's balance sheet, as opposed to mortgage-backed securities such as collateralised mortgage obligations (CMOs), where the assets are taken off the balance sheet.

Credit default swaps (CDS) – similar to an insurance policy against a credit default. Both the buyer and seller of a CDS are exposed to credit risk. The buyer effectively pays a premium against the risk of default.

Credit Rating – an assessment of the credit worthiness of an institution

Creditworthiness – a measure of the ability to meet debt obligations

Derivative investments – derivatives are securities whose value is derived from the some other time-varying quantity. Usually that other quantity is the price of some other asset such as bonds, stocks, currencies, or commodities.

Diversification / diversified exposure – the spreading of investments among different types of assets or between markets in order to reduce risk.

Derivatives – Financial instruments whose value, and price, are dependent on one or more underlying assets. Derivatives can be used to gain exposure to, or to help protect against, expected changes in the value of the underlying investments. Derivatives may be traded on a regulated exchange or traded ‘over the counter’.

DMADF – Debt Management Account Deposit Facility operated by the DMO where users can place cash in secure fixed-term deposits. Deposits are guaranteed by the government and therefore have the equivalent of the sovereign credit rating.

DMO – debt management office. An Executive Agency of Her Majesty’s Treasury (HMT) with responsibilities including debt and cash management for the UK Government, lending to local authorities and managing certain public sector funds.

EIP Loans – Equal Instalments of Principal. A repayment method whereby a fixed amount of principal is repaid with interest being calculated on the principal outstanding

European Investment Bank (EIB) – The European Investment Bank is the European Union’s non-profit long-term lending institution established in 1958 under the Treaty of Rome. It is a “policy driven bank” whose shareholders are the member states of the EU. The EIB uses its financing operations to support projects that bring about European integration and social cohesion.

Finance Lease - a finance lease is a lease that is primarily a method of raising finance to pay for assets, rather than a genuine rental. The latter is an operating lease. The key difference between a finance lease and an operating lease is whether the lessor (the legal owner who rents out the assets) or lessee (who uses the asset) takes on the risks of ownership of the leased assets. The classification of a lease (as an operating or finance lease) also affects how it is reported in the accounts.

Floating rate notes – Floating rate notes (FRNs) are debt securities with payments that are reset periodically against a benchmark rate, such as the three month London inter-bank offer rate (LIBOR). FRNs can be used to balance risks incurred through other interest rate instruments in an investment portfolio.

Government – loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail in, and there is an insignificant risk of insolvency.

Gilts – long term fixed income debt security (bond) issued by the UK Government and traded on the London Stock Exchange

Housing Grants – see Affordable Housing Grants

Illiquid – cannot be easily converted into cash

Interest rate risk – the risk that unexpected movements in interest rates have an adverse impact on revenue due to higher interest paid or lower interest received.

Liability benchmark – the minimum amount of borrowing required to keep investments at a minimum liquidity level (which may be zero)

LIBID – London Interbank BID Rate – the interest rate at which London banks are willing to borrow from one another

LIBOR - London Interbank Offer Rate – the interest rate at which London banks offer one another. Fixed every day by the British Bankers Association to five decimal places.

Liquidity risk – the risk stemming from the inability to trade an investment (usually an asset) quickly enough to prevent or minimise a loss.

Market risk – the risk that the value of an investment will decrease due to movements in the market.

Mark to market accounting – values the asset at the price that could be obtained if the assets were sold (market price)

Maturity loans – a repayment method whereby interest is repaid throughout the period of the loan and the principal is repaid at the end of the loan period.

Minimum Revenue Provision (MRP) - the minimum amount which must be charged to an authority's revenue account each year and set aside towards repaying borrowing

Money Market - the market in which institutions borrow and lend

Money market funds – an open-end mutual fund which invests only in money markets. These funds invest in short-term debt obligations such as short-dated government debt, certificates of deposit and commercial paper. The main goal is the preservation of principal, accompanied by modest dividends. The fund's net asset value remains constant (e.g. £1 per unit) but the interest rates does fluctuate. These are liquid investments, and therefore, are often used by financial institutions to store money that is not currently invested. Risk is extremely low due to the high rating of the MMFs; many have achieved AAA credit status from the rating agencies:

- <u>Constant net asset value (CNAV)</u> refers to funds which use amortised cost accounting to value all of their assets. They aim to maintain a net asset value (NAV), or value of a share of the fund, at £1 and calculate their price to two decimal places known as "penny rounding". Most CNAV funds distribute income to investors on a regular basis (distributing share class), though some may choose to accumulate the income, or add it on to the NAV (accumulating share class). The NAV of accumulating CNAV funds will vary by the income received.
- <u>Variable net asset value (VNAV)</u> refers to funds which use mark-to-market accounting to value some of their assets. The NAV of these funds will vary

by a slight amount, due to the changing value of the assets and, in the case of an accumulating fund, by the amount of income received.

This means that a fund with an unchanging NAV is, by definition, CNAV, but a fund with a NAV that varies may be accumulating CNAV or distributing or accumulating VNAV.

Money Market Rates – interest rates on money market investments

Multilateral Investment banks – International financial institutions that provide financial and technical assistance for economic development

Municipal Bonds Agency – An independent body owned by the local government sector that seeks to raise money on the capital markets at regular interval to on-lend to participating local authorities.

Non Specified Investments - all types of investment not meeting the criteria for specified investments.

Operational Boundary – the most likely, prudent but not worse case scenario of external debt at any one time

Pooled Funds – investments are made with an organisation who pool together investments from other organisations and apply the same investment strategy to the portfolio. Pooled fund investments benefit from economies of scale, which allows for lower trading costs per pound, diversification and professional money management.

Project rate – the government has reduced by 40 basis points (0.40%) the interest rates on loans via the Public Works Loans Board (PWLB) for lending in respect of an infrastructure project nominated by a Local Enterprise Partnership (LEP).

Prudential Code – a governance procedure for the setting and revising of prudential indicators. Its aim is to ensure, within a clear framework, that the capital investment plans of the Council are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good practice.

Prudential Indicators – indicators set out in the Prudential Code that calculates the financial impact and sets limits for treasury management activities and capital investment

PWLB (Public Works Loans Board) - a central government agency which provides long- and medium-term loans to local authorities at interest rates only slightly higher than those at which the Government itself can borrow. Local authorities are able to borrow to finance capital spending from this source.

Registered Providers (RPs) – also referred to as Housing Associations.

Repo - A repo is an agreement to make an investment and purchase a security (usually bonds, gilts, treasuries or other government or tradeable securities) tied to an agreement to sell it back later at a pre-determined date and price. Repos are secured investments and sit outside the bail-in regime.

Reserve Schemes – category of schemes within the General Fund capital programme that are funded from earmarked reserves, for example the Car Parks Maintenance reserve or Spectrum reserves.

Sovereign – the countries the Council are able to invest in

Specified Investments - Specified investments are defined as:

a. denominated in pound sterling;
b. due to be repaid within 12 months of arrangement;
c. not defined as capital expenditure; and
d. invested with one of:
    i. the UK government;
    ii. a UK local authority, parish council or community council, or
    iii. a body or institution scheme of high credit quality

Stable Net Asset Value money market funds – the principle invested remains at its invested value and achieves a return on investment

Subsidy Capital Financing Requirement – the housing capital financing requirement set by the Government for Housing Subsidy purposes

SWAP Bid – a benchmark interest rate used by institutions

Temporary borrowing – borrowing to cover peaks and troughs of cash flow, not to fund spending

Treasury Management – the management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risk associated with those activities and the pursuit of optimum performance with those risks.

Treasurynet – the Council's cash management system

Treasury Management Practices – schedule of treasury management functions and how those functions will be carried out

Treasury Management Strategy Statement – also referred to as the TMSS.

Voluntary Revenue Provision – a voluntary amount charged to an authority's revenue account and set aside towards repaying borrowing.

Working capital – timing differences between income and expenditure (debtors and creditors)

Executive Report

Ward(s) affected: n/a

Report of Director of Service Delivery

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Date: 26 January 2021

Housing Revenue Account Budget 2021-22

Executive Summary

The report outlines the proposed Housing Revenue Account (HRA) budget for 2021-22, which has been built on the estimates and assumptions in the 2019 - 2049 HRA business plan that was approved by the Council in February 2019 to be reviewed in the light of the current pandemic and Brexit as it affects our operating environment.

The rents for 2021-22 shall increase by (1.8%) being the annual (0.8%) September 2019 to September 2020 Consumer Price Index (CPI) plus 1% prescription. This being the second-year anniversary since the end of reduction in social rents by 1% per annum for the four years that started in April 1, 2016, as prescribed in the Welfare Reform and Work Act (2016).

A 3.4% increase in garage rents is proposed from April 2021.

The report includes a proposed investment programme in tenants' homes.

The estimates are on the premise of a lower priority to the repayment of debt principal inherited as part of the self-financing HRA settlement as proposed in the business plan.

The Executive is asked to agree, subject to Council approving the budget on 10 February 2021:

(1) That the projects forming the HRA major repairs and improvement programme, as set out in **Appendix 3** to this report, be approved.

(2) That the Director of Service Delivery be authorised, in consultation with the Lead Councillor for Housing and Development Management:

(a) to reallocate funding between approved schemes to make best use of the available resources; and

(b) to set rents for new developments.

The Executive is asked to endorse the recommendation to Council below:

Recommendation to Council:

(1) That the revised HRA revenue budget for 2021-22, as set out in **Appendix 1** to this report, be approved.

(2) That a rent increase of 1.8%, comprising the September 2020 CPI (0.8%) plus 1%, as required by the Welfare Reform and Work Act 2016, be implemented.

(3) That the fees and charges for HRA services for 2021-22, as set out in **Appendix 2** to this report, be approved.

(4) That a 3.4% increase in garage rents be approved for 2021-22.

(5) That the Housing Investment Programme as shown in **Appendix 4** (current approved and provisional schemes), be approved.

<u>Reasons for Recommendation:</u>
To enable the Council to set the rent charges for HRA property and associated fees and charges, along with authorising the necessary revenue and capital expenditure to implement a budget, this is consistent with the objectives outlined in the HRA Business Plan.

Is the report (or part of it) exempt from publication? No

1. Purpose of Report

1.1 This report provides a position statement on the 2021-22 draft budget and makes recommendations to the Executive on both the HRA revenue and capital programme budget.

2. Corporate Plan

2.1 Through the provision of new homes and supporting the less advantaged, this budget delivers on the Place-making and Community themes of our Corporate Plan.

3. Background

3.1 The ongoing regime of self-financing arrangements introduced in 2012, empowers the Council to optimise its resources in management of its social housing services. The Housing Revenue Account Business Plan sets the framework upon which the revenue budget and proposed Housing Investment Programme are prepared. This plan sets out our ambitions and priorities for the service.

4. Housing Revenue Account Business Plan

4.1 The objective of the Business Plan is to optimise its resources in ensuring quality tenantable accommodation for residents, stock growth to address the increasing demand for affordable housing and surpluses to the various reserves in pursuance of its business. It is not limited to housing stock, but also wider issues such as community development and improving the environment.

4.2 The Business Plan not only concentrates on the financial related strategy and objectives, but also the service priorities of the Council's Landlord function to its tenants and leaseholders. The longer-term perspective is crucial to ensure that the service and its primary assets, the housing stock, are fit for purpose for the whole period of the plan and beyond.

4.3 Brexit and lately the Covid-19 pandemic has been a challenging period for the government, local government, residents, and the economy. The Government has made a few policy announcements that recognise the important role social housing has across our communities, especially in these challenging times. There also appears to be a renewed desire to see local authorities play an increased role in the delivery of new homes to kick start the economy.

4.4 The announcements are resetting the landscape in which the HRA business operates and are very much in line with the ambitions this Council has for its communities.

4.5 Universal Credit as currently structured continues to cause concern. Some of these concerns are increasingly shared at a national level.

4.6 Housing is fundamental to an individual's health and wellbeing. The HRA operates within an increasingly stressed public sector financial environment and we see the impact daily. The intervention threshold for mental health and social services have steadily increased, especially in this period of lock down measures to curtail the spread of coronavirus. We are trying to manage the consequences of this, on both tenants and neighbourhoods, which is proving increasingly challenging.

4.7 North Downs Housing Ltd (NDH) accounts were, for the first time grouped, with the Council's Statement of Accounts in the preceding financial year ended 31 March 2020. The accounts are in line with the business plan to break-even in 2023-24. Whilst NDH's role is to provide an alternative range of tenures, it offers the opportunity through partnership working to consider a wider range of development opportunities.

4.8 The Council has, through the Community Wellbeing Team and Project Aspire, provided greater support in less advantaged areas. They work closely with Landlord Services.

5. Potential Pressures

5.1 As mentioned, the Covid-19 pandemic has played a major impact on the social and healthcare services on tenants. The cost of managing tenancies is likely to see upward pressure as we are forced to deal with situations we are less well equipped to manage.

5.2 The pandemic has led to several business closures, despite government support, with resultant increase on demand for social housing, putting pressure on our limited resources and time expediency in responding to this new demand.

5.3 The funding framework available to meet the cost of supported housing remains fragile. Last year we received just £136,000 in Supporting People Grant funding with a further likely reduction.

5.4 The Homeless Reduction Act 2017 has placed greater obligations on the Council. This is coinciding with a steady rise in the number of households at risk. Many of those at greatest risk have not only housing issues but a range of complex needs. Together they are placing greater demands on the Housing Service that in turn flows through to the teams managing our properties.

5.5 The wider social housing sector is becoming increasingly commercial. Some housing associations are focusing on minimising risk by being very selective on who they house, also their move to market rent that is 80% of commercial rent for their new build and lettings, despite their large portfolio of properties. We are fortunate in having a retained stock, which gives us greater flexibility in helping those in housing need. It does, however, create a cost pressure.

5.6 The affordability of shared ownership properties is an issue for many. Whilst it enables a resident to join the home ownership ladder, the reality for many is that they are unable to staircase (acquire further equity shares) or move to a larger property as their household grows. Expanding this stock is not currently a priority for the Business Plan; however, this will be revisited when the opportunity arises, to develop larger sites. In such cases, shared ownership brings down the overall cost of a large development.

5.7 The estimates, consistent with the business plan, continue to attach a lower priority to the repayment of debt principal inherited as part of the self-financing HRA settlement, reflecting the Council's determination to provide new additional affordable homes.

5.8 For the first time in a long period we have underspent in our responsive repairs budget as a result of the pandemic as both staff and contractors are limited to mainly urgent and essential repairs. This may have an impact on our housing stock and future repair bills, in the long run.

6. Preparation of the revenue and capital programme budget for 2021-22

6.1 The 2021-22 budgets have been prepared having regard to the recent policy announcements and the positive impact they might have. At the same time, we are conscious of various cost pressures along with the implications of our debt financing profile.

6.2 **Capital expenditure:** The proposed investment in our existing property base takes account of the downward pressure on our income stream since 2016. It also reflects the latest information we have on the condition of the stock.

Revenue expenditure: We have already taken several steps to limit our ongoing revenue commitments until we fully understand the implications of the challenges we face.

- We will continue to evaluate all posts that fall vacant to determine whether it is appropriate to reappoint or whether an alternative approach is considered.
- The Covid-19 pandemic has changed the way we work with an increased use of IT, remote working and virtual meetings.
- The Allpay system and mobile payment App has being useful in this trying period, in our drive for rent collection.
- Rent collection analytics technology introduced earlier has helped colleagues focus and strategise their rent collection.

7. HRA Revenue Budget 2021 - 22

Assumptions

7.1 The total HRA debt stands at £197 million. It is projected that the interest charge for 2021-22 will be £5,142,230. No provision is included in the budget for the repayment of debt during 2021-22 in line with the Executive's decision that debt repayment is not a priority.

7.2 The revenue budget for 2021-22 is predicated around a number of key assumptions. The most important of which are set out in the table below:

Item	Assumption		
Opening stock	5,206 units of accommodation		
HRA Debt	£197 million		
Average cost of capital for 2021 - 22	2.60%		
September CPI	0.8%		
Rent increase CPI + 1%	1.8%		
Garage income increase	3.4%		
Bad debt provision 2021-22	£500,000		
Void rate	1%		
Service charge increases	Linked to contractual arrangement with suppliers		
Housing units lost through Right to Buy (RTB)	2019-20 19	2020-21 10 +32	2021-22 15
Retained receipts	Held in reserves		
HRA ring fence	Policy of strong ring fence continues		
Debt repayment	No provision made for the repayment of debt		

7.3 The revised budget set out in **Appendix 1** is based on a 52-week rent year.

7.4 Due to the requirement under the Welfare Reform and Work Act 2016, rents will increase by CPI plus 1% per annum in 2021-22, which will result in additional income of approximately £630,000.

Summary of Revenue Account Budget 2021-22

7.5 The table below summarises the proposed 2021-22 revenue budget, which reflects our current Treasury Management Strategy – in effect an interest only mortgage rather than a repayment mortgage. The timing of debt repayment will largely be a treasury management decision aligned to the overarching objectives of the HRA Business Plan.

Gross Expenditure alternatively analysed as:	**£000**
Management and maintenance	8736
Depreciation	5,529
Other	3,629
Interest payable	5,142
Transfer to reserves	11,295
	34,331

£000

Received From:

Council House Rents	30,507
Interest receivable	598
Rent income	1,320
Fees, charges and miscellaneous income	1,905
	34,331

7.6 Based on the assumptions as contained d in paragraph 7.2 and as summarised in 7.5 above it is estimated that the HRA will have an operating surplus of £11.295 million for 2021-21. This is as a result of a number of factors some of which are identified below

- the prevailing borrowing variable rate
- the impact of Covid-19 on maintenance expenditure
- the impact of historically high levels of investment in the stock over past years maintaining stock condition
- good income collection performance
- the 1.8% increase in regulated rent
- strong rental stream with many properties at or close to target rent levels

Expenditure

7.7 The main headings are summarised below:

Subjective Heading	2020-21 Budget	2020-21 Projection	2021-22 Budget
	£	£	£
General Management	5,933,810	6,090,631	6,324,322
Responsive and planned maintenance	5,857,920	3,793,321	5,857,920
Interest payable	5,142,230	5,675,260	5,142,230
Depreciation	5,525,000	5,528,730	5,528,730
Cost of democracy	256,800	251,530	256,800

7.8 **General Management**: Budgeted expenditure on delivering continuing HRA services is less than 5% increase on previous year's budget, reflecting the review of revenue commitments outlined in paragraph 6.2 above.

7.9 **Repairs and maintenance:** Budgeted expenditure on revenue-funded works remains at previous year's budget due to the restrictive access and less physical contact as a result of Covid-19 pandemic. We are hoping the vaccination programme will lead to a resumption of activities to manageable levels.

7.10 **Interest payable:** Approximately 77% of the loan portfolio consists of fixed interest loans, whilst the remaining portfolio is on a variable rate arrangement. Although the variable rate loans are subject to prevailing market conditions, it is likely that interest rates will remain low in the short to medium term, in some quarters they are predicting a negative base rate.

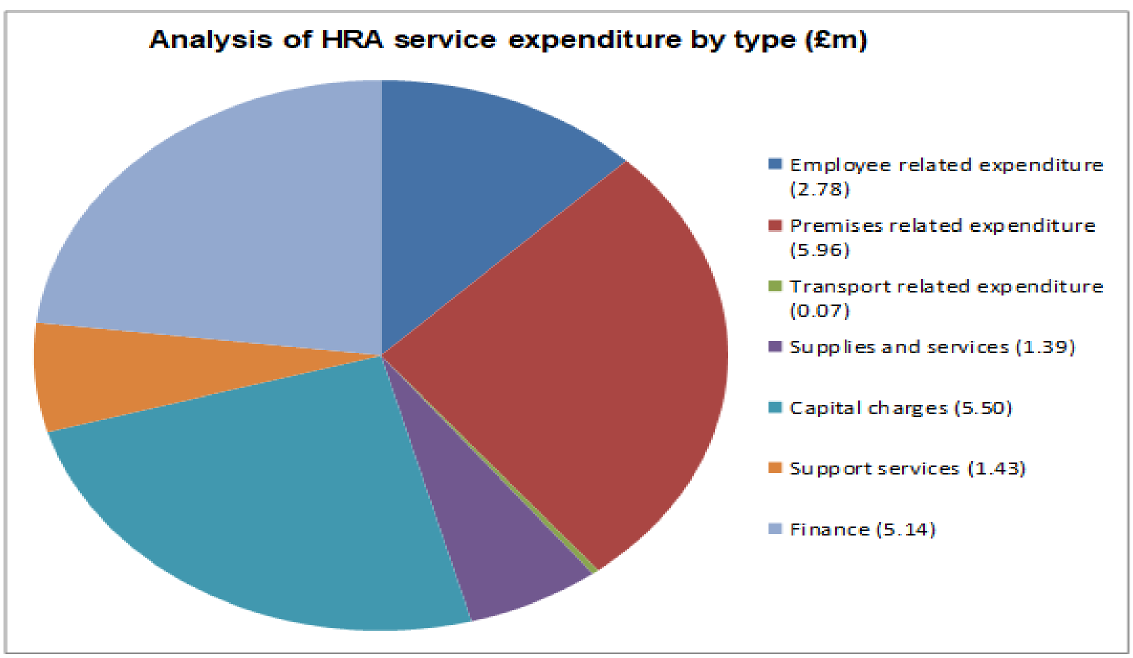
The table below sets out our current loan portfolio, after recent renegotiations, with a bullet payment option or renegotiate at the end of their various terms.

Loan Type	Principal	Remaining years	Rate
Variable	£45,000,000	10	0.48%
Fixed	£10,000,000	12	2.70%
Fixed	£10,000,000	13	2.82%
Fixed	£10,000,000	14	2.92%
Fixed	£10,000,000	15	3.01%
Fixed	£25,000,000	17	3.15%
Fixed	£25,000,000	20	3.30%
Fixed	£25,000,000	15	3.44%
Fixed	£15,000,000	29	3.49%
Fixed	£17,435,000	30	3.50%

Maturity	Principal	Proportion	Type
10yrs	£45,000,000	23%	Variable
>10 - 15yrs	£65,000,000	34%	Fixed
>15 - 25yrs	£50,000,000	26%	Fixed
>25 - 35yrs	£32,435,000	17%	Fixed
	£192,435,000		

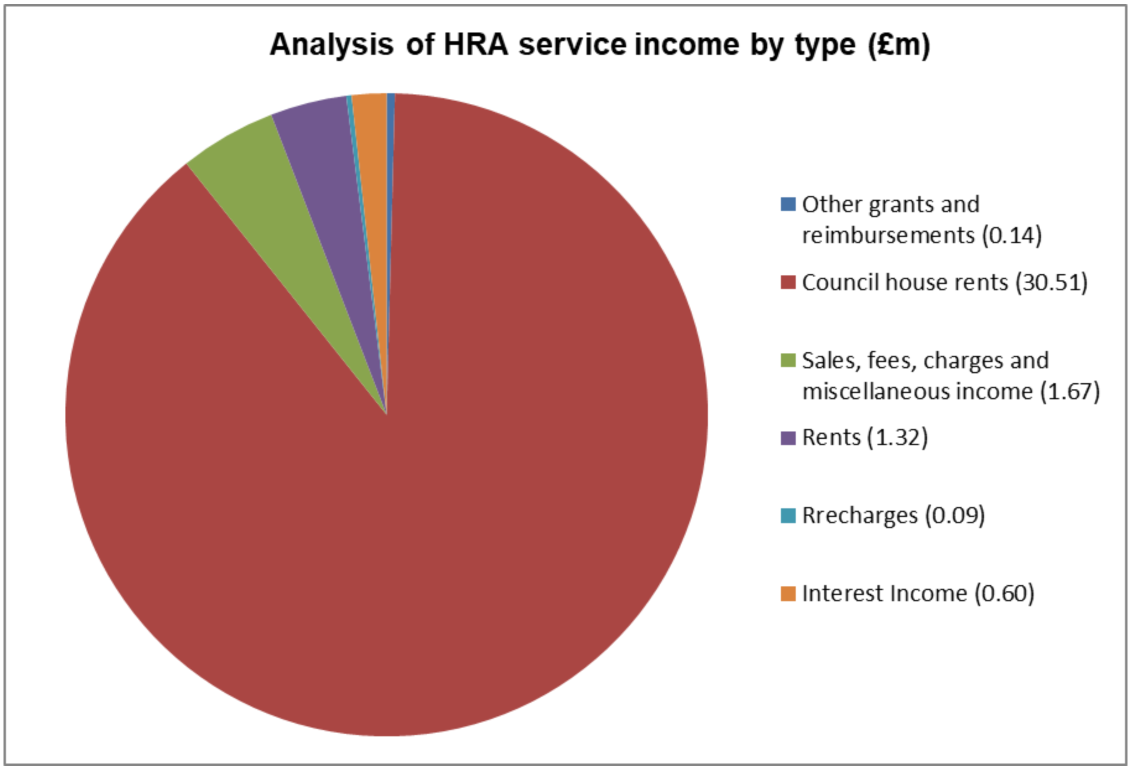
7.11 **Depreciation:** To safeguard future rental streams, we need to ensure our properties and assets are adequately maintained. This will involve the replacement of ageing components at the appropriate time. In order to do so, it is important that we set aside adequate funds each year to meet future liabilities. The depreciation charge is one of the key mechanisms we use to do this. The proposed 2021-22 charge represents, in officers' view, a realistic amount having regard to the outcome of the stock condition survey. A charge of £5,528,730 is considered both appropriate and affordable.

7.12 Subjective analysis of the expenditure and graphical summary below, excluding other charges of £890k



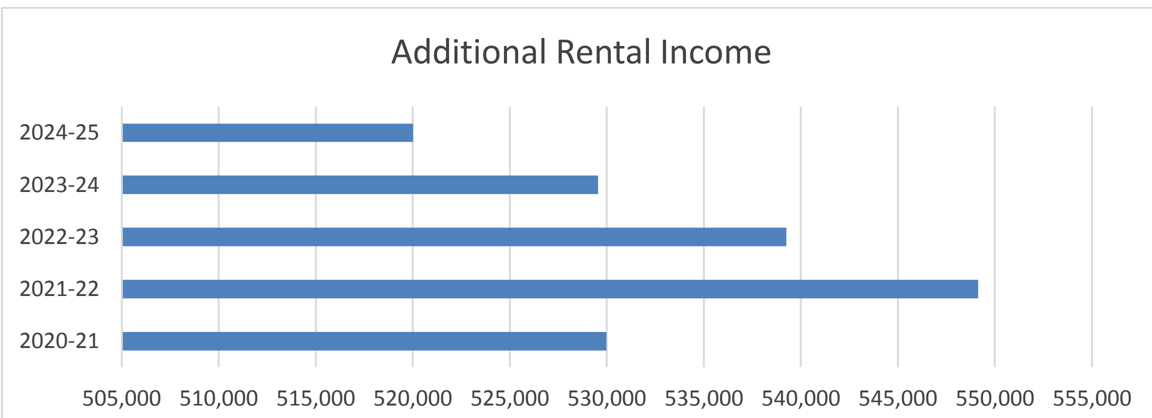
Income

7.13. A graphical summary of 2021 -22 budgeted income analysis below:



Rent Increase

7.13 The September CPI plus 1% rent increase gives an additional income of roughly £0.5m, yearly as demonstrated in the graph below:



7.14 The previous stated formula in the last four years as per the Welfare Reform and Work Act 2016 requires us to reduce our social housing rents by 1% a year for four years from April 2016, which ended in April 2020. The policy reverts to the original business plan of annual increase in rents of CPI inflation + 1% each year. The result of this policy means that in five years, there will be cumulative rental income surplus of £2.67m at our disposal.

7.15 A provision for bad debt charge of £500,000 is included in the estimates. This charge will remain under review, but it is considered appropriate - it represents 1% of the annual tenanted income.

Right to Buy sales (RTB)

7.16 RTB activity remains steady during 2020-21. However, as a result of Brexit and Covid-19, we are expecting a significant drop in take-up.

7.17 The table below outlines activity as at December 2020.

Activity	Number
Properties sold since 1 April 2020	10
Applications being processed	32

7.18 The Government's one-for-one replacement scheme enable's GBC to retain the majority of the capital receipt provided it is re-invested in additional affordable housing or regeneration schemes within three years. Only a third of the cost of a development can be financed from this source - we must finance the balance from capital receipts or other sources including reserves accruing from the appropriation of revenue account surpluses. Our current development plan fully commits the one-for-one retained receipts we have accumulated to date. The ambition remains to utilise the receipts we are anticipating in future years.

7.19 On current levels of activity, we project a loss of units to be in the region of 15-25 units per year. Our new build programme is mitigating the impact of the on-going right-to-buy programme, but it is unfortunate there are, to date. no proposals to amend the scheme in order to prevent the ongoing loss of much needed social housing in the area. There is also the added pressure of property investment companies and bigger registered social landlords with a bigger purse to compete on land acquisition and land banking.

7.20 Increasing sales has three negative impacts. It:

- reduces the number of affordable homes
- removes the long-term positive contribution each property makes to our operating costs
- increases the unit costs of managing and maintaining properties. Invariably tenants buy the better properties.

HRA Borrowing Cap

7.21 The removal of HRA borrowing restrictions gives greater flexibility on borrowing additional funds and dexterity in treasury management to maximise investment, reduce cost and risk.

7.22 We hope to carry out adequate investment appraisal weighing up various options and ensuring each scheme and investment add value to our business, by choosing the best return against our benchmark. We expect to fund schemes using:

- capital receipts retained under the 1 for 1 replacement scheme
- HRA reserves

- HRA borrowing

7.23 HRA borrowing will be within the Prudential Borrowing framework – it must be affordable by the HRA and not place our existing services and stock investment programmes at risk. Each development scheme will be appraised individually to ensure it is viable and affordable as is currently the case.

8. HRA Capital Programme and Reserves

8.1 We will continue to assess a range of different delivery mechanisms for new homes. Whilst these will introduce a greater degree of complexity, the indications are that they will provide additional freedoms. The housing market in the borough does not work for many and a wider range of interventions are needed, beyond those that the HRA is able to make. The section below sets out what the HRA can do over the coming year.

8.2 Currently, there are four potential strands forming our HRA capital programme under the self-financing regime. In the past, not all have been viable options, but that position has changed. The four strands are:

- replacing ageing components such as roofs and kitchens
- improving and enhancing existing properties – for example, installing double glazing
- stock rationalisation – the most common example to date being the decommissioning of outdated sheltered units
- expansion – the provision of new additional affordable homes.

8.3 The funding sources enabling us to deliver a capital programme are as follows:

- HRA rental stream
- Capital receipts generated from the disposal of HRA assets including land
- HRA reserves
- HRA borrowing

8.4 The HRA has built up significant revenue reserves and as at 31 March 2021 are estimated to be in the region of £122m– excluding capital receipts. These can be used for specific HRA related purposes. It is proposed that these reserves are set aside to support the major repairs and improvements and new build programme. The HRA also has usable capital receipts, generated from the sale of HRA land and housing assets.

8.5 The table below shows the available reserves that can support the HRA Business Plan and they reflect only the schemes currently included in programme, and the treasury strategy not to repay debt. The contribution into the reserve for future capital programmes is maintained.

Yr Ended 30/03	RFFCW	MRR	NBR	TOTAL	Usable Cap Rec	141	HRA Debt Mgt	Total Cap Rec	Total Rec
2018/19	35,829	9,234	50,686	**95,749**	4,216	6,968	3,952	**15,136**	**110,885**
2019/20	38,329	9,851	56,112	**104,291**	4,216	6,004	4,216	**14,436**	**118,727**
2020/21	40,829	10,760	55,788	**107,377**	4,216	5,356	5,428	**15,000**	**122,377**
2021/22	43,329	11,289	52,000	**106,617**	4,216	559	5,778	**10,553**	**117,171**

8.6 The business plan is most sensitive to the following assumptions:

- income trends
- legislative changes

- inflation rates
- cost of debt
- capital investment
- right-to-buy sales
- Covid-19

8.7 The degree to which a development programme can be financed will in part be determined by a continued willingness to attach a lower priority to debt repayment coupled with the release of land for such purposes under the provisions of the Local Plan.

8.8 One-for-one receipts are being applied to current and proposed new build schemes to minimise the risk of repayment of such receipts. This will enable the retention of future one-for-one receipts, with a reduced risk of repayment, pending the identification of new sites[1]

8.9 A combination of usable one-for-one receipts, and the new build reserve will be used to fund a number of schemes on the approved capital programme. Where appropriate, investment will be supplemented by appropriate borrowing.

8.10 **Development Projects:** An update of our current development projects shall be provided during the year.

8.11 **Existing housing stock:** Based on an analysis of our stock condition data and the detailed knowledge that the Property Manager has of the stock, a proposed investment programme is set out in **Appendix 3**. An update of Schemes completed during 2020-21 was given during the year and hopefully the same strategy of continuous update will be applied in the 2021-22 financial year.

Years	Houses	Flats	Bungalows	Total
Opening Bal 2019-20	**2635**	**2255**	**319**	**5209**
RTB	-12	-7	0	-19
Additions	26	14	0	40
Opening Bal 2020 -21	**2649**	**2262**	**319**	**5230**
RTB	-10	-32	0	-42
Additions	13	5	0	18
Opening Bal 2021 -22	**2652**	**2235**	**319**	**5206**
RTB	-7	-8	0	-15
Additions	13	5	0	18
Opening Bal 2021 -22	**2658**	**2232**	**319**	**5209**

9. Robustness of the Budget and Adequacy of Reserves

9.1 Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of the budget and adequacy of the proposed financial reserves.

[1] The Council has entered into an agreement with the Secretary of State whereby it is allowed to retain an element of the capital receipts that it receives from Right to Buy sales. Under the terms of the agreement these receipts must be used to finance up to 30% of the cost of replacement social housing within three years, otherwise the retained receipts must be repaid to the MHCLG with interest.

9.2 Paragraph 7.2 above details the assumptions used in the preparation of the 2021-22 budget.

9.3 Staffing costs have been included based on the Full Time Equivalents (FTEs) included in the approved establishment of 62.5

9.4 Throughout the budget process, the Corporate Management Team, the Leader and relevant lead councillors have been involved in what is considered to be a deliverable budget.

9.5 A prudent assessment of income has been made and only income that has a high level of certainty of being received is included within the budget. The 2021-22 budget includes a bad debt provision of £500,000. This provision reflects the economic climate and continuing welfare reform changes. The level of operating balance remains unchanged at £2.5 million.

9.6 Service level risk assessments have been undertaken for both existing major areas of the budget and mitigating actions have been taken and monitored in the course of the year

9.7 The corporate risks will be included in the corporate risk register, whilst service risk registers are prepared having regard to the comprehensive guidance available about how to identify and score risks.

9.8 The overarching HRA business plan reflects the changing financial environment in which it needs to operate and to ensure the business plan remains fit for purpose. The HRA will continue to need to balance tenant needs and expectations in the context of its financial situation.

9.9 The housing related reserves are adequately funded is projected to be around £122m as at April 2021. The estimated value of all HRA reserves for the period up to 31 March 2022 is £117m. The HRA reserves shall be engaged on value adding expenditure to maintain earnings growth and business stability.

10. Legal Implications

10.1 The HRA is a separate account that all local authorities with housing stock are required to maintain. This account contains all transactions relating to local authority owned housing. The Local Government and Housing Act 1989 prohibits the Council operating its HRA at a deficit. The proposed balanced budget meets this obligation.

10.2 Notices of any increase in rent have to be sent to tenants 28 days in advance of the new charges coming into effect.

11. Human Resource Implications

11.1 The decision to review and where necessary to freeze or delete vacant posts is outlined in paragraph 6.2.

12. Conclusion

12.1 The proposed HRA revenue budget not only meets our obligation to deliver a balanced budget but also delivers opportunities to improve services to tenants. It also enables the Council to provide new affordable homes at a time when access to housing is increasingly difficult.

12.2 The proposed HRA capital programme sets out to maintain and improve our existing assets. It is essential we do so, not only to meet our regulatory obligations but also to safeguard future income streams.

13. Background Papers

None

14. Appendices

Appendix 1: Draft HRA Revenue Budget
Appendix 2: HRA Fees and Charges
Appendix 3: HRA Investment Programme (Major repairs and improvements)
Appendix 4: Housing Investment Programme, resources and funding statement

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HOUSING REVENUE ACCOUNT - BUDGET SUMMARY

2018-19 Actual £	2019-20 Actual £	Analysis	2020-21 Estimate £	2020-21 Projection £	2021-22 Estimate £
		Borough Housing Services			
738,104	793,019	Income Collection	689,140	668,787	684,649
1,036,217	1,164,320	Tenants Services	888,840	1,230,913	1,259,070
81,030	122,998	Tenant Participation	148,880	114,599	117,245
69,865	107,717	Garage Management	101,690	94,367	95,099
59,064	41,744	Elderly Persons Dwellings	75,280	43,280	43,779
584,036	575,851	Flats Communal Services	513,510	601,168	611,716
423,867	414,254	Environmental Works to Estates	444,460	429,677	430,894
5,676,678	6,265,983	Responsive & Planned Maintenance	5,857,920	3,793,321	5,857,920
121,665	137,128	SOCH & Equity Share Administration	139,780	147,322	150,489
8,790,527	**9,623,015**		**8,859,500**	**7,123,434**	**9,250,861**
		Strategic Housing Services			
419,543	485,497	Advice, Registers & Tenant Selection	715,830	665,119	681,991
217,026	201,203	Void Property Management & Lettings	212,220	181,031	184,820
9,700	5,120	Homelessness Hostels	5,120	5,120	5,248
155,194	175,717	Supported Housing Management	159,700	153,752	157,954
426,311	527,717	Strategic Support to the HRA	382,340	467,493	476,346
1,227,774	**1,395,255**		**1,475,210**	**1,472,515**	**1,506,359**
		Community Services			
938,878	883,927	Sheltered Housing	904,640	734,460	872,642
		Other Items			
5,638,889	5,640,147	Depreciation	5,525,000	5,528,730	5,528,730
(45,515)	5,059,974	Revaluation and other Capital items	0	0	0
163,276	160,590	Debt Management	150,000	150,000	150,000
343,578	36,359	Other Items	402,380	403,543	402,380
17,057,407	**22,799,267**	**Total Expenditure**	**17,316,730**	**15,412,682**	**17,710,972**
(31,991,396)	(32,532,978)	Income	(33,136,660)	(33,484,159)	(33,732,537)
(14,933,989)	**(9,733,711)**	**Net Cost of Services(per inc & exp a/c)**	**(15,819,930)**	**(18,071,476)**	**(16,021,566)**
258,720	**251,530**	HRA share of CDC	**256,800**	**251,530**	**256,800**
(14,675,269)	**(9,482,181)**	**Net Cost of HRA Services**	**(15,563,130)**	**(17,819,946)**	**(15,764,766)**
(456,206)	(598,260)	Investment Income	(598,260)	(598,260)	(598,260)
5,159,240	5,131,995	Interest Payable	5,142,230	5,675,260	5,142,230
(9,972,235)	**(4,948,446)**	**Deficit for Year on HRA Services**	**(11,019,160)**	**(12,742,946)**	**(11,220,796)**
0	67,919	REFCUS - Revenue funded from capital	75,000	75,000	75,000
2,500,000	2,500,000	Contrib to/(Use of) RFFC	2,500,000	2,500,000	2,500,000
7,849,699	2,380,528	Contrib to/(Use of) New Build Reserve	8,433,504	8,530,888	8,433,504
(421,229)	0	Tfr (fr) to Pensions Reserve	0	0	0
0	0	Tfr (from)/to CAA re: Voluntary Revenue Provision	10,656	1,637,058	212,292
76,058	0	Tfr (from)/to CAA re: Revaluation	0	0	0
0	0	Tfr (from)/to CAA re: REFCUS	0	0	0
(30,543)	0	Tfr (from)/to CAA re: Intangible assets	0	0	0
(1,750)	0	Tfr (from)/to CAA re: rev. inc. from sale of asset	0	0	0
0	**0**	**HRA Balance**	**0**	**(0)**	**0**
(2,500,000)	(2,500,000)	Balance Brought Forward	(2,500,000)	(2,500,000)	(2,500,000)
(2,500,000)	**(2,500,000)**	**Balance Carried Forward**	**(2,500,000)**	**(2,500,000)**	**(2,500,000)**

2018-19 Actual £	2019-20 Projection £	Analysis Borough Housing Services	2020-21 Estimate £	2020-21 Projection £	2021-22 Estimate £
(29,236,342)	(29,570,473)	Rent Income - Dwellings	(29,977,450)	(29,967,996)	(30,507,420)
(208,349)	(208,349)	Rent Income - Rosebery Hsg Assoc	(208,350)	(159,003)	(212,100)
(206,530)	(225,551)	Rents - Shops, Buildings etc	(316,830)	(316,830)	(322,533)
(718,083)	(753,058)	Rents - Garages	(759,740)	(759,740)	(785,571)
(30,369,304)	**(30,757,431)**	**Total Rent Income**	**(31,262,370)**	**(31,203,569)**	**(31,827,625)**
(140,122)	(113,577)	Supporting People Grant	(144,180)	(144,180)	(144,180)
(1,023,033)	(1,098,353)	Service Charges	(1,116,020)	(1,114,559)	(1,136,108)
(9,144)	(15,339)	Legal Fees Recovered	(28,840)	0	(28,840)
(51,614)	(53,277)	Service Charges Recovered	(57,730)	(506,317)	(58,769)
(398,179)	(495,001)	Miscellaneous Income	(527,520)	(515,534)	(537,015)
(31,991,396)	**(32,532,978)**	**Total Income**	**(33,136,660)**	**(33,484,159)**	**(33,732,537)**

Housing Revenue Account - Fees and Charges 2021-22

		2018-19 £ From 1 April 2018	2019-20 £ From 1 April 2019	2020-21 £ From 1 April 2020	2021-22 £ From 1 April 2021	Change %
To be approved by Council						
Sheltered Units						
Guest Room Fees (per night);						
Dray Court		18.50	19.05	20.19	21.40	6.0%
Japonica Court		20.15	20.75	22.00	23.31	6.0%
St Martin's Court		22.70	23.35	24.75	26.24	6.0%
St Martha's Court		22.40	23.05	24.43	25.90	6.0%
Tarragon Court		21.85	22.50	23.85	25.28	6.0%
Millmead Court		19.40	20.00	21.20	22.47	6.0%
Function Room Hire						
Voluntary /Charity Organisations	- P/H	13.50	13.90	14.46	15.18	5.0%
	- P/D	67.00	69.00	71.76	75.35	5.0%
Education/Social Services	- P/H	16.00	16.50	17.16	18.02	5.0%
	- P/D	100.00	103.00	107.12	112.48	5.0%
Social/Private Hire	- P/H	20.15	20.75	21.58	22.66	5.0%
	- P/D	107.50	110.75	115.18	120.94	5.0%
Service charge (per week):						
Dray Court		57.71	59.20	66.79	68.00	1.8%
Japonica Court		61.43	65.20	71.62	72.91	1.8%
St Martha's Court		67.04	64.48	72.00	73.30	1.8%
Millmead Court		52.36	53.78	60.93	62.02	1.8%
St Martin's Court		57.66	61.33	68.96	70.20	1.8%
Tarragon Court		52.61	54.09	61.58	62.69	1.8%
Friary House (61 flats)						
Heating, Electricity, Cleaning, Caretaking and Security Services (per wk)		16.39	16.81	17.65	17.97	1.8%
Garages (on Housing Estates) (*VAT is applied at the standard rate on private lets only)*						
High demand area (non residents) (per week)		19.00	19.65	20.63	21.33	3.4%
High demand area (per week)		11.56	11.95	12.55	12.97	3.4%
Elsewhere (per week)		9.50	9.82	10.31	10.66	3.4%
Castle Cliffe						
Gas and Electricity Charges (per week)		9.08	12.10	12.71	12.93	1.8%
Malthouse Court						
Gas and Electricity Charges (per week)		12.94	9.79	10.28	10.46	1.8%
Pound Court						
Electricity; Grounds Maintenance (per week)		6.49	5.41	5.68	5.78	1.8%
Flats						
Where cleaning provided to communal areas;						
Sandmore (Laundry and Communal Facilities, per week)		4.50	4.37	4.59	4.67	1.8%
Decorating charge *(Note: charge is per room)*		1.58	1.63	1.71	1.74	1.8%
Supported Housing						
Service charge per week:						
William Swayne House:						
- Self Contained bedsits		110.78	111.41	115.31	117.38	1.8%
- Self Contained flat		112.79	113.62	117.60	119.71	1.8%
William Swayne Place		43.93	43.63	45.16	45.97	1.8%
Dene Road		73.46	69.30	71.73	73.02	1.8%
79 York Road		39.38	39.13	40.50	41.23	1.8%
Caxtons		60.86	60.49	62.61	63.73	1.8%
Dene Court		82.75	81.27	84.11	85.63	1.8%
Sold Flats Service Charges - Solicitors' Enquiry						
Sales/purchases		132.50	136.50	142.64	151.20	6.0%
Remortgages		68.20	70.20	73.36	77.76	6.0%
Sold Flats Service Charge Management Fee		173.00	178.50	186.53	197.72	6.0%
Consent Fees						
Consent - Application in Advance		103.00	106.00	110.77	117.42	6.0%
Consent - Retrospective Application		176.00	181.00	189.15	200.49	6.0%

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2021/22 Capital Programme - HRA			
Project & Category	**Description**	**Estimate**	**Notes**
		£	
Retentions & minor carry-forward	Retentions and minor carry forward from projects in progress up to 31 March 2021	40,000	
Modern Homes			
Kitchen, bathroom and electrical upgrades	Renew kitchens, bathrooms and electrical installations where existing are life expired and in poor condition	1,650,000	Cyclical modernisation to maintain decent housing and modern facilities.Replacements scheduled for 2021/22 from our asset management data. Properties pre-surveyed to ensure asset requires replacement.
Void Properties - refurbishment	Refurbishment of individual properties to enable them to be relet	660,000	Estimated allowance for 40 major void properties requiring extensive work throughout based on current demand
Structural			
Structural works - various properties	Structural works including structural investigation and remedial works due to foundation subsidence or other structural issues.	420,000	Repairs and major works to structurally defective properties which includes underpinning and decant costs where necessary due the extent of works required
Doors & Windows			
Renewal of doors and door entry systems to three storey flats: 29-39 Rye Close 41-51 Rye Close 193-203 Park Barn Drive 221-231 Park Barn Drive	Replacement of external main entrance doors and side screens and installation of new door entry systems	30,000	Doors life expired. Additional security wil be provided by door entry systems
Replacement of windows and doors	Replace life expired and unserviceable windows & doors with double glazed UPVC	355,000	Includes Palmers Lodge - 28 flats Collens Field - 8 houses Friars Croft - 12 flats

Roof Renewal			
Pitched roof replacement including chimneys, fascias, soffits & rainwater gutters/downpipes	Renew life expired roof coverings and associated works	305,000	Various properties including - Georgelands (flats) Burnt Common Cottages (3) Send Rd (1) Quarry Rd (5) Rickford Hill (6) Thatchers Lane (5)
External Wall Insulation			
External wall insulation system to solid wall properties	Provision of external wall insulation to solid wall properties to address poor thermal insulation (year 3 of 4 year programme)	332,000	2021/22 programme mainly for "Swedish style" properties with single skin external walls - Glebe Cottages (6 no) and masonry built properties in Stag Hill (4 no)
Mechanical & Electrical			
Central heating boiler upgrades. Various locations	Upgrading existing central heating installations with high efficiency systems	500,000	Annual programme of domestic gas boiler replacement
Domestic Air Source Heat Pump heating systems Various locations	Replacement of aging electric heating systems with high efficiency air source heat pump central heating systems	100,000	Budget allows for installations in void property where previous tenant has declined system
Lift refurbishment.	Continuation of phased programme to replace obsolete lift controllers	50,000	Upgrade 1 No lift controller at Bedford House (year 3 of 5 year programme) plus door closers on all lifts (following insurance recommendations)
Lift replacement	St Marthas Court - stairlift installaton	50,000	4 no stairlifts which provide an access contingency when main lifts have failed or are out of use

Lift replacement	Friary House - replace lift controller and associated works	35,000	Replacement of life expired lift components
CCTV	Installation of CCTV at St Marthas Court, St Martins Court, Millmead Court and Tarragon Court	20,000	Security provision to supported housing schemes with part time on site management
Electrical testing and smoke detectors	Electrical testing including remedial work and wired in smoke detector installation where required	435,000	Includes testing & associated repairs to communal areas in blocks of flats. Start of rolling annual programme
General			
Replacement of external canopies to blocks of flats	Phased replacement programme of defective canopies to block entrance doors with lightweight grp canopies	90,000	Phase 1 - 2021/22
Asbestos Removal - Hazel Court	Removal, disposal and replacement of ceiling beneath tank room under fully controlled asbestos removal conditions	20,000	Required to ensure safe tanks inspection & contractor access. Temporary protection currently in place but long term solution required.
Garage forecourt resurfacing programme	Resurfacing of forecourt areas to garage blocks where existing surface in poor condition.	100,000	Various sites - continuation of rolling annual planned maintenance programme. Concentrating on highest use sites in high density residential estates

35 & 35 A The Mount	Repairs to the external fabric of listed block comprising two leasehold flats. Recommendation by independent survey.	40,000	Remedial works to include the following : repair roof coverings, chimney stacks, high level joinery, windows and replace vertical tile hangings. Leasehold full cost recoverable.
Resurfacing of Access Roads	Resurfacing of access roads at Mundays Borough, Riverside and Wodehouse Place	130,000	Works will include improvements to access road, part of car park and bin stores at Wodehouse Place
Condition Appraisals	Annual programme of condition appraisal surveys	50,000	Annual programme budget allowance
Fire protection works	Prioritised repair non-urgent remedial works comprising of containment, doors upgrades/replacement, signage, etc	150,000	
Mobility Scooter Enclosures	Purchase of additional mobile scooter enclosures for installation on bases prepared in 2020/21.	100,000	Dray Court, Japonica Court, St Marthas Court Works to address Fire Risk Assessment recommendation to prevent obstruction.
Condition Appraisal works	Prioritised repair plus non-urgent remedial works recommended by Condition appraisal assessment	150,000	
	Sub Total	5,812,000	

Other Capital			
Environmental improvements	General environmental improvements at sites to be agreed & subject to resident consultation.	50,000	
Disabled adaptations Various locations	Works to alter, adapt Council owned dwellings for the benefit of people with disability.	650,000	
Software systems	Provision to upgrade essential business software	30,000	
Programme support.	Programme support & development to support HRA Business Plan	40,000	
	Total	**6,582,000**	

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GUILDFORD BOROUGH COUNCIL - HOUSING INVESTMENT PROGRAMME 2018-19 to 2023-24: HRA APPROVED PROGRAMME

	Project Budget £000	2017-18 Actual £000	Project Spend at 31-03-18 £000	2018-19 Estimate £000	Carry Forward	Expenditure as at 16/11/2018 £000	2018-19 Projected Outturn £000	2019-20 Estimate £000	2020-21 Estimate £000	2021-22 Estimate £000	2022-23 Estimate £000	2023-24 Estimate £000	Total Project Exp £000
Acquisition of Land & Buildings	10,700	202	400	2,800	7,500	259	3,100	0	1,800	1,800	1,800	1,800	10,700
New Build													
Lakeside Close, Ash	5,100	336	4,991	0		23	22	0	0	0	0	0	5,013
Guildford Park	75	615	640	0	(565)	264	264	0	0	0	0	0	904
Appletree pub site	3,200	131	555	2,476	169	1,306	2,307	338	0	0	0	0	3,200
Slyfield Green (Corporation Club)	2,448	523	2,376	200	(128)	0	72	0	0	0	0	0	2,448
Willow Way	1,000	773	773	300	(73)	178	227	0	0	0	0	0	1,000
Garage sites-	2,500	0	0	1,100	(158)			0	0	0	0	0	0
Pond Meadow		500	500			62	314	0	0	0	0	0	814
Rowan Close		544	544			4	314	0	0	0	0	0	858
Great Goodwin Drive		513	513			429	314	0	0	0	0	0	827
The Homestead	500	429	429	50	21	326	71	0	0	0	0	0	500
Fire Station/Ladymead	2,000	0	0	1,800	200	271	767	1,196	25	0	0	0	1,988
Bright Hill	500	0	0	475	25	0	500	0	0	0	0	0	500
Various small sites & feasibility/Site preparation	1,000	0	0	0			0	0	0	0	0	0	1,000
Pipeline projects	9,425							575	1,825	3,325	1,825	1,875	9,425
Redevelopment bid 13	533							533					533
Redevelopment bid 14	300							300					300
Schemes to promote Home-Ownership													
Equity Share Re-purchases	annual	99	annual	400		143	400	400	400	400	400	400	annual
Major Repairs & Improvements													
Retentions & minor carry forwards	annual	0	annual	30		0	30	0	0	0	0	0	annual
Kitchens & Bathrooms	annual	1,097	annual	1,025		375	953	0	0	0	0	0	annual
Doors and Windows	annual	203	annual	60	180	121	240	0	0	0	0	0	annual
Structural	annual	380	annual	1,475	225	354	1,022	0	0	0	0	0	annual
Energy efficiency: Central heating	annual	1,214	annual	1,155		679	1,346	0	0	0	0	0	annual
General	annual	1,040	annual	1,455	170	841	1,302	0	0	0	0	0	annual
Grants													
Cash Incentive Scheme	annual	0	annual	75		0	75	0	0	0	0	0	annual
TOTAL APPROVED SCHEMES	39,281	8,600	11,723	14,876	7,566	5,635	13,640	3,342	4,050	5,525	4,025	4,075	40,012

GUILDFORD BOROUGH COUNCIL - HOUSING INVESTMENT PROGRAMME 2018-19 to 2023-24: HRA PROVISIONAL PROGRAMME	Project Budget £000	2017-18 Actual £000	Project Spend at £000	2018-19 Estimate £000	2018-19 Projected Outturn £000	2019-20 Estimate £000	2020-21 Estimate £000	2021-22 Estimate £000	2022-23 Estimate £000	2023-24 Estimate £000	Total Project Exp £000
Acquisition of Land & Buildings	10,000	0	0	0	0	0	0	3,000	3,000	4,000	10,000
New Build											
Guildford Park	16,000	0	0	4,830	422	406	6,760	7,201	26	0	14,815
Bright Hill	3,000	0	0	3,000	20	0	1,500	1,480	0	0	3,000
Slyfield (25/26 £5m; 26/27 £44m)	1,000	0	0	0	0	0	0	0	1,000	0	1,000
Redevelopment bid 13							3,197	5,861	1,066	0	10,124
Redevelopment bid 14							1,000	1,500	500	0	3,000
Major Repairs & Improvements											
Major Repairs & Improvements	annual		annual			5,150	5,500	5,500	5,500	5,500	annual
Retentions & minor carry forwards	annual		annual								annual
Modern Homes: Kitchens and bathrooms	annual		annual								annual
Doors and Windows	annual		annual								annual
Structural	annual		annual								annual
Energy efficiency: Central heating	annual		annual								annual
General	annual		annual								annual
Grants											
Cash Incentive Scheme	annual		annual			75	75	75	75	75	annual
Total Expenditure to be financed	**30,000**	**0**	**0**	**7,830**	**442**	**5,631**	**18,032**	**24,617**	**11,167**	**9,575**	**41,939**

GUILDFORD BOROUGH COUNCIL - HOUSING INVESTMENT PROGRAMME 2018-19 to 2023-24: HRA RESOURCES AND FUNDING STATEMENT

	2017-18 Actual £000	2018-19 Estimate £000	2018-19 Projected Outturn £000	2019-20 Estimate £000	2020-21 Estimate £000	2021-22 Estimate £000	2022-23 Estimate £000	2023-24 Estimate £000
EXPENDITURE								
Approved programme	8,600	14,876	13,640	3,342	4,050	5,525	4,025	4,075
Provisional programme	0	7,830	442	5,631	18,032	24,617	11,167	9,575
Total Expenditure	**8,600**	**22,706**	**14,082**	**8,973**	**22,082**	**30,142**	**15,192**	**13,650**
FINANCING OF PROGRAMME								
Capital Receipts	3,022	400	400	400	400	400	400	400
1-4-1 recepits	1,307	5,109	2,614	1,004	4,832	7,250	2,765	2,303
Contribution from Housing Revenue a/c (re cash incentives)	0	75	75	75	75	75	75	75
Future Capital Programme reserve	0	0	0	0	0	0	0	0
Major Repairs Reserve	3,934	5,200	4,893	5,150	5,500	5,500	5,500	5,500
New Build Reserve	0	11,922	6,101	2,344	11,275	16,917	6,452	5,373
Grants and Contributions	0	0	0	0	0	0	0	0
Total Financing (= Total Expenditure)	**8,264**	**22,706**	**14,082**	**8,973**	**22,082**	**30,142**	**15,192**	**13,650**

RESERVES - BALANCES	2017-18 Actual £000	2018-19 Estimate £000	2018-19 Projected Outturn £000	2019-20 Estimate £000	2020-21 Estimate £000	2021-22 Estimate £000	2022-23 Estimate £000	2023-24 Estimate £000
Reserve for Future Capital Programme (U01035)								
Balance b/f	28,329	30,829	30,829	33,329	35,829	38,329	40,829	43,329
Contribution in year	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Used in year	0	0	0	0	0	0	0	0
Balance c/f	**30,829**	**33,329**	**33,329**	**35,829**	**38,329**	**40,829**	**43,329**	**45,829**
Major Repairs Reserve (U01036)								
Balance b/f	6,396	8,277	7,991	9,598	9,977	9,977	9,977	9,977
Contribution in year	5,529	6,500	6,500	5,529	5,500	5,500	5,500	5,500
Used in Year	(3,934)	(5,200)	(4,893)	(5,150)	(5,500)	(5,500)	(5,500)	(5,500)
Balance c/f	**7,991**	**9,577**	**9,598**	**9,977**	**9,977**	**9,977**	**9,977**	**9,977**
New Build Reserve (U01069)								
Balance b/f	37,356	43,496	44,919	45,789	51,687	48,818	40,475	42,768
Contribution in year	7,563	3,000	6,970	8,241	8,406	8,574	8,745	8,920
Used in Year	0	(11,922)	(6,100)	(2,344)	(11,275)	(16,917)	(6,452)	(5,373)
Balance c/f	**44,919**	**34,574**	**45,789**	**51,687**	**48,818**	**40,475**	**42,768**	**46,316**
Usable Capital Receipts: 1-4-1 receipts (T01011)								
Balance b/f	6,211	6,641	7,093	6,142	7,666	5,443	877	874
Contribution in year	2,189	1,221	1,663	2,529	2,609	2,684	2,762	2,841
Used in Year	(1,307)	(5,109)	(2,614)	(1,004)	(4,832)	(7,250)	(2,765)	(2,303)
Balance c/f	**7,093**	**2,753**	**6,142**	**7,666**	**5,443**	**877**	**874**	**1,412**

Note: a contribution to this reserve is dependent on the number of RTB sales in the year determined in the HRA self financing model. There are many variables to the calculation of the 1:4:1 contribution. As an estimate, I have used a model provided by Sector which is based on our assumption of RTB sales

	2017-18 Actual £000	2018-19 Estimate £000	2018-19 Projected Outturn £000	2019-20 Estimate £000	2020-21 Estimate £000	2021-22 Estimate £000	2022-23 Estimate £000	2023-24 Estimate £000
Usable Capital Receipts - HRA Debt Repayment (T01010)								
Balance b/f	3,428	3,851	3,867	4,158	4,819	5,502	6,207	6,935
Contribution in year	439	664	290	661	683	705	728	752
Used in Year	0	0	0	0	0	0	0	0
Balance c/f	**3,867**	**4,515**	**4,158**	**4,819**	**5,502**	**6,207**	**6,935**	**7,687**

Note: each RTB sale generates a contribution to this reserve toward debt repayment determined in the HRA self financing model. A small number of sales are anticipated each year.

	2017-18 Actual £000	2018-19 Estimate £000	2018-19 Projected Outturn £000	2019-20 Estimate £000	2020-21 Estimate £000	2021-22 Estimate £000	2022-23 Estimate £000	2023-24 Estimate £000
Usable Capital Receipts - pre 2013-14 (T01008)								
Balance b/f	14,861	13,361	12,760	6,760	0	0	0	0
Contribution in year	0	0	0	0	0	0	0	0
Used in Year (HRA = above)	0	0	0	0	0	0	0	0
Used in Year (GF Housing Co)	(2,101)	(13,361)	(6,000)	(6,760)	0	0	0	0
Used in Year (GF Housing - DFG)	0	0	0	0	0	0	0	0
Balance c/f	**12,760**	**0**	**6,760**	**0**	**0**	**0**	**0**	**0**

Note: Can only be used for HRA capital expenditure, affordable housing and regeneration schemes as set by GBC policy

	2017-18 Actual £000	2018-19 Estimate £000	2018-19 Projected Outturn £000	2019-20 Estimate £000	2020-21 Estimate £000	2021-22 Estimate £000	2022-23 Estimate £000	2023-24 Estimate £000
Usable Capital Receipts - post 2013-14 (T01012)								
Balance b/f	2,938	2,428	422	0	0	0	0	0
Contribution in year	506	200	286	289	292	295	298	298
Used in Year (HRA = above)	(3,022)	(475)	(420)	(69)	(72)	(75)	(78)	(475)
Used in Year (GF Housing)	0	(220)	(288)	(220)	(220)	(220)	(220)	(220)
Balance c/f	**422**	**1,933**	**0**	**0**	**0**	**0**	**0**	**(397)**

Note: Can only be used for HRA capital expenditure, affordable housing and regeneration schemes as set by the Government

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Executive Report

Wards affected: All

Report of Chief Finance Officer

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Date: 26 January 2021

Business planning – General Fund Budget 2021-22

Executive Summary

NB. Items highlighted in yellow will need a further update prior to the Budget Council meeting

This report outlines the proposed budget for 2021-22, which includes a Council Tax requirement of **£10,392,720** and a Council Tax increase of £5 per year (2.83%), resulting in a Band D charge of £181.82. As set out in the report, the Council is required to set a balanced budget for 2021-22.

We received the provisional Local Government Finance Settlement (LGFS) for 2021-22 on 17 December 2020. The figures included in the budget presented reflect the information contained in the settlement.

The Settlement Funding Assessment (SFA) consists of the local share of business rates, and revenue support grant and is set out in the provisional LGFS. The settlement was in line with our expectation which enables us to retain £2.929 million of business rates in 2021-22 the same amount as we retained in 2020-21. Core Spending Power has also stayed the same as 2020-21 at £14.090m, however within the core spending power calculation, the Government has assumed that we will raise the Council Tax by the maximum amount (£5 or 3% whichever is the higher).

Overall, the LGFS was positive for the Council as it included additional funding of

- £153,000 grant to compensate the Council for the Business Rates Multiplier not increasing in line with inflation
- £237,000 lower tier services grant (this is a one-off new grant to support services)
- £623,000 additional COVID 19 funding to help fund the impact of COVID 19 into the new year
- £100,000 Section 31 grant for local council tax support
- £192,000 New Homes Bonus grant for 2021-22 only
- The ability to raise council tax by a maximum of £5 (2.83%) rather than maximum of

2.0%, this additional increase will generate a further £90,000 in council tax income

The Joint Executive Advisory Board (JEAB) considered the outline budget at its meeting held 11 November 2020. The Executive approved the Outline Budget on 24 November 2020.

The Chief Finance Officer's statutory report is included at **Appendix 1.** This gives information about the strategic context within which our budget has been prepared, the medium term financial plan, the robustness of the estimates, adequacy of reserves and budget risks. **Appendix 2** provide the General Fund Summary showing a balanced budget for 2021-22 but that the Council has a budget gap of £1.6million in 2022-23 which will rise to £5.9million by 2025-26. **Appendix 3** lists the growth and savings which have been included in the General Fund Summary. **Appendix 4** details the financial risk register.

The financial monitoring report for the first eight months of 2020-21 was reported to the Corporate Governance and Standards Committee on 14 January 2021. The projected net expenditure on the General Fund for the current financial year is estimated to be £8.1million more than the original estimate due mainly to the COVID19 pandemic. Any ongoing variances between actual expenditure and budget identified in 2020-21 have been taken into account when preparing the budget for 2021-22.

Following the Executive approval of the outline budget in November 2020, the Council has undertaken a public consultation exercise on its priorities for spending. The results of the consultation are set out in section 11 of the report with the detailed findings from the consultation set out in **Appendix 5**.

Appendix 6 details a list of fees and charges for approval as part of the budget.
The fees and charges for 2021-22 have been frozen at the same levels approved by Council in February 2020. As part of the spending review, the Government has confirmed that the compensation scheme for Sales, Fees and Charges income will extend in to 2021-22 by 3 months.

Recommendation to Executive
The Executive is asked to approve:

(1) the transfers to/from reserves as set out in Section 8 and **Appendix 2**
(2) the growth and savings items included in the General Fund Summary at **Appendix 2** and set out in detail in **Appendix 3**.
(3) the financial risk register set out in **Appendix 4** and note the level of reserves are currently sufficient to meet the Council's risks
(4) the findings of the consultation response set out in **Appendix 5**.

Recommendation to Council
The Executive is asked to recommend to Council:

(1) That the proposed fees and charges for 2021-22 relating to General Fund services and attached at **Appendix 6** to this report be adopted with effect from 1 April 2021.

(2) That the budget, as set out in the General Fund Summary in **Appendix 2** be approved, and specifically that the Council Tax requirement for 2021-22 be set at **£10,392,720**

(3) That the Band D Council Tax for 2021-22 be set at £181.82, an increase of £5 (3.00%)

Reason for Recommendation:

To enable the Council to set the Council Tax requirement and council tax for the 2021-22 financial year.

Is the report (or part of it) exempt from publication? No

1. Purpose of report

1.1 This is the final report to the Executive in the 2021-22 budget process and the Executive is asked to approve a budget for presentation to Council.

1.2 The financial implications of proposals contained in the Capital and Investment Strategy, to be considered as part of this agenda are included in this report.

1.3 The report also proposes the transfers to/from earmarked reserves.

2. Strategic Priorities

2.1 The budget underpins the Council's strategic framework and delivery of the Corporate Plan.

3. Background

3.1 At its meeting on 24 November 2020 the Executive received a report on the outline budget, which indicated that there was a gap between the projected net expenditure for 2021-22 and our estimated resources of £2.0million and a draft projection for 2021-22 to 2024-25 showing a medium term budget shortfall (gap) of £4.38million.

3.2 The November report assumed a 1.94% increase in Council Tax. This has changed to £5 following the announcement of the Local Government Finance Settlement (LGFS) in December 2020. The report included the comments of the Joint Executive Advisory Board (JEAB) which considered the outline budget at its meeting on 11 November 2020.

3.3 This report will cover the main changes since the outline budget was presented to the Executive.

4. Outline budget parameters

4.1 The outline budget has been prepared on the factors approved by the Executive at its meeting on 24 November 2020. Following the announcement of the Spending Review and LGFS by government the assumptions have been updated as follows:-

a. The council tax increase has been amended from 1.94% to £5 (2.83%) as announced in the LGFS
b. Additional funding and the SFA has been included at the amounts set out in the LGFS
c. An assumption that the Government's Sales, Fees and Charges compensation scheme will continue in to 2021-22 for 3 months has been made. This means that the Council needs to cover the first 5% of any income loss but the government will then compensate the Council for

75% of the losses above 5%, and that the Council will need to fund the remaining 25% of losses above 5%

5. Revenue Support Grant (RSG) New Homes Bonus (NHB) and Business Rates Income under the Business Rates Retention Scheme (BRRS)[1]

5.1 We received the provisional Local Government Finance Settlement (LGFS) for 2021-22 on 17 December 2020. Full details and commentary regarding the settlement are set out in the Chief Finance Officer's report at **Appendix 1**

5.2 The Settlement Funding Assessment (SFA) consists of the local share of business rates, and revenue support grant and is set out in the provisional LGFS. Our baseline funding level was set at £2.929 million a nil increase from 2020-21.

5.3 The provisional award of New Homes Bonus (NHB) for 2021-22 totalling £192,000, is higher than the nil award assumed in the outline budget reported to Executive in November. Other grants announced as part of the LGFS, which were unexpected are:

- £153,000 grant to compensate the Council for the Business Rates Multiplier not increasing in line with inflation
- £237,000 lower tier services grant (this is a one-off new grant to support services)
- £623,000 additional COVID 19 funding to help fund the impact of COVID 19 into the new year
- £100,000 Section 31 grant for local council tax support

5.4 Officers have now completed and submitted the annual business rates estimate return to government, called the NNDR1 form. This return estimates the business rates income and section 31 grant in respect of business rates due for 2021-22. It also estimates the surplus or deficit on the collection fund in respect of business rates. The estimated business rate income for 2021-22 is £32.6million which is £3.6million lower than the income of £36,223,000 estimated in the outline budget report. The Section 31 grant has been estimated as £1.8million which is the same as the estimate presented to Executive on 24 November 2020. The changes relate to updated estimates of bad debt, appeals and reliefs. The transfer to the business rates equalisation reserve has been adjusted accordingly for the changes. (RETURN DUE FOR COMPLETION END JAN 21)

5.5 Following completion of the NNDR1 form, the estimated surplus on the collection fund for 31 March 2021 in relation to business rates is £xxx million of which, Guildford Borough Council's share would be £xxx million. The Council's policy is to transfer the surplus or deficit to the business rates equalisation reserve to equalise the impact of the business rates system on council taxpayers and to provide revenue resources for specific regeneration and economic growth projects.

[1] Within the BRRS, all authorities are either top-up or tariff. Where the authorities' share of Business Rates is more than the government believes it needs, it pays the excess to the government as a tariff. Conversely, if the income from business rates is less than the government's need assessment, a top-up is paid. Generally, district councils are tariff authorities and county councils and single tier authorities are top-up.

6. Council Tax, tax base and collection fund[2]

6.1 The proposed budget assumes that council tax will increase by £5 (approximately 3.0%) This means that the band D tax will go up from £176.82 to £181.82. The increase will generate approximately £288,000 based on the 2020-21 tax base.

6.2 At present, the government sets a limit each year above which increases in council tax have to be supported by a referendum. In the past, this limit has been 2%. However, as part of the final local government finance settlement issued in February 2016, for Shire District Councils this was changed to allow increases of less than 2% or up to and including £5 per Band D property, whichever is higher. The provisional local government finance settlement issued by government proposes that this rule remains the same for 2021-22. We expect that the government will return to the referendum limit of 2% for future years. The three-year financial projections for the period to 2024-25 assume a council tax increase of 1.94%.

6.3 The Director of Resources, in consultation with the Lead Councillor for Finance, Assets and Customer Services, has agreed the council tax base for 2021-22 at 57,159.40. This is 0.84% lower than the 2020-21 figure and has reduced the available resources by approximately £85,000.

6.4 Any surplus or deficit on the Collection Fund in the current financial year (2020-21) feeds into the 2021-22 budget. We currently estimate that there will be a deficit on the collection fund of £530,413 at 31st March 2021. The deficit consists of a brought forward surplus on the collection fund of £697,116 as at 31st March 2020 and an in-year deficit of £1,227,528. The in-year deficit has arisen due to a reduction in tax collection and an anticipated increase in bad debt arising from the Covid-19 pandemic. The deficit is shared between the Guildford Borough Council, Surrey Police and Surrey County Council. The Government has allowed councils to spread the in-year deficit for 2020-21 over 3 years. As such the deficit will be spread as follows:

	Deficit for 20/21						
	Total		2020/21	**Spreading 2020/21**			**Deficit for Ctax**
		Pre 2020/21	ONLY	2021/22	2022/23	2023/24	**Demand 2021/22**
	£	£	£	£	£	£	**£**
Guildford BC	55,767	- 73,294	129,060	43,020	43,020	43,020	- 30,274
Surrey Police	72,067	- 94,716	166,783	55,594	55,594	55,594	- 39,122
Surrey County Council	402,579	- 529,106	931,685	310,562	310,562	310,562	- 218,544
Total	**530,413**	**- 697,116**	**1,227,528**	**409,176**	**409,176**	**409,176**	**- 287,940**

6.5 As the table above shows, the ability to spread the in-year deficit for 2020-21 means that £818,352 of the deficit will be recovered in 2022-23 and 2023-24 and as such in 2021-22 we will distribute a net surplus from the collection fund. The

[2] The collection fund is a separate account that we must keep, which collects all the income from council tax and business rates and pays it out to other bodies. For council tax, the recipients are Surrey County Council, the Police and Crime Commissioner for Surrey and Guildford Borough Council. For business rates, the recipients are the Government, Surrey County Council and Guildford Borough Council. We have to predict the surplus or deficit on each part of the fund and that is paid out to (or recovered from) the relevant precepting authority in proportion to their original share. The surplus or deficit arises because of movements in the amount's collectable (i.e. the total amount of the bills we have sent out) and provisions for bad debts and business rats appeals.

Council's share of the surplus included in the general fund summary at Appendix 2 is £30,274.

7. Capital expenditure and minimum revenue provision

7.1 The Council has a single capital programme for the General Fund that we finance from the Capital Schemes reserve, capital receipts and revenue contributions towards specific schemes. Unless we generate significant capital receipts, the Council needs to borrow from either its own resources (earmarked for other uses) or from the market; at the current time borrowing is internal as it is more financially advantageous.

7.2 Because the capital programme shows an underlying need to borrow, represented at the year-end by the capital-financing requirement (CFR), there is a requirement to make a debt charge to the revenue account called the minimum revenue provision (MRP). This charge is based on the value and life of the assets funded by borrowing (internal or external). The estimated minimum revenue provision for 2021-22 is £1.5 million, which is based on an estimated General Fund CFR at 31 March 2021 £122.3million and debt funded capital expenditure of £28.5 million. This figure is included in the proposed budget.

7.3 There is a separate report on this agenda relating to the Capital and Investment Strategy 2021-22 to 2025-26.

8. Use of Reserves and interest earnings

8.1 An important element of the Council's budget is the income it receives from investment of the cash held in reserves. The balances held at the end of 2019-20 and the projected balances at the end of 2020-21 and 2021-22 are presented in Section 10 of **Appendix 1** . We expect that the Council will hold £154.2 million of reserves as at 31 March 2021, of which £119.5 million relate to the HRA and £34.7 million relate to the General Fund.

8.2 HRA reserves are considered as part of the HRA budget. The general fund earmarked revenue reserves include £16.6million of projected earmarked reserves which are not available for general spending because they are contingent in nature (for example the insurance reserve). The Council is also required, under accounting practice, to hold endowment funds received as developer planning contributions in earmarked reserves for the long term repairs and maintenance expenditure on Special Protection Areas (SPAs) or Suitable Alternative Natural Greenspaces (SANGs); these reserves are required to fund the revenue costs of SPA / SANGS in perpetuity. Earmarked reserves for SPAs and SANGS are projected to be £5.4million at 31 March 2021. The level of projected earmarked reserves available for general purposes, to support the revenue or capital budgets is therefore £8.5million, this is around £8million lower than the £16.7million that was available as at 31st March 2020 due to the impact of the Covid-19 pandemic. The £8.5million is predominantly earmarked for the Future Guildford transformation programme and as such the Council is advised to refrain from any further use of reserves in 2021-22.

8.3 In the 2020-21 budget, we anticipated a net interest charge of £1.172million. The estimate for net interest receipt included in the outline budget for 2021-22 is

£682,726. Interest payable to the Housing Revenue Account (HRA) is estimated at £481,700 reflecting the level of balances and investment returns consistent with the application of a risk free rate of return. The Bank of England base rate is currently 0.1%. We will continue to keep under review the timing of possible base rate changes as the estimates process proceeds.

Proposed Use of Key Earmarked Reserves

The Budget Pressures Reserve

8.3 The budget pressures reserve was established in 2015 to manage the financial challenges the Council faces over the medium term and in particular, allow us to carry forward underspends on the general fund at the end of each financial year to offset future growth pressures. Revenue costs associated with the Future Guildford transformation programme will continue to be funded from either the budget pressures and/or invest to save reserve.

Business Rate Equalisation Reserve

8.4 The balance on the business rate equalisation fund is anticipated to be a deficit of £407,000 at the 31st March 2021. The main reason for the deficit is that the Council made a one-off lump sum contribution to the Surrey Pension fund in lieu of the Council's annual back-funding superannuation contribution for the period 2020-21 to 2022-23 which was funded from this reserve. The reserve will be repaid in 2021-22 and in 2022-23 through budgeted contribution of £2.0million per annum to the reserve to replenish it to former levels. It is the Council's policy that the reserve is used to even out fluctuations in the business rate retention scheme including the business rates element of the surplus or deficit on the Collection fund. As a result, officers recommend making a contribution to/from the reserve of £XX million (which represents the S31 grant, the Council's share of the business rates levy, and business rates income above SFA funding level) and funding the business rates deficit on the collection fund from the reserve in 2021-22 (the amount of which will be confirmed as part of the final budget report). The money will be set aside to fund future business rate losses and specific economic growth and regeneration projects.

New Homes Bonus Reserve

8.5 The Council adopted a new homes bonus policy in February 2016. The policy assumed that the first £1 million of NHB grant would be available to support the general fund revenue budget. Due to the changes to the scheme the 2020-21 removed this funding stream from the budget and as a result of the Future Guildford transformation programme savings in the Council's expenditure were made to compensate for the income loss. The balance on the NHB reserve at the 31st March 2021 is anticipated to be £0.6million as the Council intends to use around £2.4million of the NHB reserve in 2020-21 to fund the Covid19 pandemic costs. Officers propose to transfer the £192,000 NHB due to be received in 2021-22 to the reserve and then use the remaining balance on this reserve to fund a £460,000 contribution towards the Guildford Economic Regeneration Programme in 2021-22 and to fund the Council's contribution to the rebuild of Ripley Village Hall as previously agreed by the Executive in January 2020. The Outline Budget report proposed that this reserve be closed during 2021-22 however, it is anticipated that the Council will receive a further £113,000 of NHB in 2022-23 now and so closure of the reserve will be delayed until 2022-23.

Invest to Save Reserve

8.6 The invest to save reserve exists to pump prime the upfront costs of service transformation and efficiency projects, including staff redundancy costs. The Council has previously agreed to fund the implementation costs associated with the Future Guildford transformation programme from this reserve. The costs of Future Guildford are anticipated to predominantly fall in 2020-21 leaving a balance of just under £2 million on the reserve as at 31st March 2021. Over recent years, the Council has made a contribution to the Invest to Save reserve of £250,000 per annum. Officers recommend not to make the annual contribution of £250,000 and do not propose any further use of the reserve in 2021-22. A contribution of £250,000 per annum to the invest to save reserve is included within the forward projections for 2022-23 to 2024-25 so that the reserve is rebuilt to support further transformation of Council services .

The Car Parks Maintenance Reserve

8.8 The balance on the car parks maintenance reserve as at 31st March 2021 is anticipated to be £1.5 million due to officers anticipating having to use this reserve during 2020-21 to fund the costs of COVID 19 and the Future Guildford Transformation Programme. This reserve was originally established to fund repairs, maintenance and improvement of car parks and the Council normally budgets to contribute around £500,000 per annum to the reserve from parking income and then budgets for annual expenditure of around £187,000 on capital projects and repairs and maintenance of car parks which taken from the reserve, meaning that there is an annual net contribution of £313,000. Officers propose that the Council budgets to make a net contribution to the reserve of £63,000 in 2021-22 and then gradually increase the annual budget contribution to the reserve back up to around £300,000 per annum over the three year period up to 2024-25. This will rebuild the reserve to a level that can be used for future repairs and maintenance of the car parks.

IT Renewals

8.9 The anticipated balance on the ICT renewals fund as at 31st March 2021 is £0.283million. The reserve has been used in the last two years to fund the investment in technology required under the ICT refresh and Future Guildford Programmes to aid new ways of working and improve value for money and efficiency in the delivery of Council services. Officers recommend that the Council budgets to make a contribution of around £542,000 to the ICT renewals reserve in the period 2021-22 to 2024-25 to replenish the reserve to fund on-going annual ICT renewals.

<u>Other Reserves</u>

8.10 Officers propose contributions to the Election costs reserve, on-street parking reserve, spectrum reserve and 'other' reserves as set out in **Appendix 2**.

9. Projected outturn for 2020-21 (based on period 8 monitoring) and the 2021-22 Budget

9.1 The financial monitoring report for the first eight months of 2020-21 was reported to the Corporate Governance and Standards Committee on 14 January 2021. The projected net expenditure on the General Fund for the current financial year is estimated to be £8.1 million more than the original estimate. The main reason for this is due to the impact of the COVID19 Pandemic.

9.2 At the time the outline budget was presented to Executive on 24 November, Officers were anticipating a gap between net expenditure and estimated resources of £2.0 million. This position now is a balanced budget. The changes are summarised in the table below.

	Executive (24 Nov 2020)	Proposed Budget Appendix 2	Movement	Comment
Total Directorate Level	**20,319,000**	**20,319,000**	**0**	
Provisional Savings & Growth	-1,959,328	-1,726,073	233,255	Amendment to split of Future Guildford savings between General Fund and HRA, inclusion of revised growth for GERP and traveller transit site, reduction in service challenge savings following assessment of deliverability
Depreciation	-8,791,000	-8,791,000	0	
Directorate Level excl. depreciation	**9,568,672**	**9,577,927**	**233,255**	
Net external interest receivable	-200,000	-682,726	-482,726	Updated following finalisation of the capital and investments strategy and Period 8 Financial Monitoring of the Capital Programme
Interest payable HRA	481,700	481,700	0	
Minimum Revenue Provision (MRP)	2,410,000	1,534,915	-875,085	Updated following finalisation of the capital and investments strategy and Period 8 Financial Monitoring of the Capital Programme
Revenue Contribution to Capital (RCCO)	537,000	537,000	0	
Transfers to/(from) reserve	5,251,459	2,895,566	-2,355,893	Amendment to Business Rates Equalisation fund transfer following LGFS and initial estimates for business rates income
Total after transfers	**18,048,831**	**14,568,382**	**-3,480,449**	

	Executive (24 Nov 2020)	Proposed Budget Appendix 2	Movement	Comment
to/(from) reserve				
Net Retained Business Rates	-5,701,300	-2,841,190	2,860,110	Amended as per LGFS and initial estimates for business rates income
Other Grants	0	-1,112,236	-1,112,236	Additional funding set out in the LGFS
New Homes Bonus (NHB)	0	-192,251	-192,251	Additional funding set out in the LGFS
Parish Precept	0	0	**0**	
Council Tax Requirement	**12,347,531**	**10,392,431**	**-1,955,100**	
Max Council Tax income available	**-10,303,000**	**-10,392,720**	**-89,720**	Increase in council tax income due to ability to raise by £5 (2.83%) rather than 1.94%
Budget Gap	**2,045,000**	**-289**	**2,045,289**	

9.3 The proposed budget includes the financial implications of the Capital and Investment Strategy which councillors will also consider on this agenda.

9.4 The estimated directorate level expenditure excluding depreciation charges for 2021-22 is £9.8 million, which is £6.9 million lower than the 2020-21 directorate level expenditure estimate of £16.67 million. The main reason for this is removal of the one-off lump sum payment to the pension fund agreed as part of the 2020-21 budget and the additional growth savings included in the 2021-22 budget.

9.5 The long-term projections still indicate that a saving of around £5.9 million is needed over the period to 2025-26 as highlighted in the graph below as shown in paragraph 8.5 of **Appendix 1**. Officers continue to work towards identifying the necessary savings over the medium term. Revenue growth and savings from the Future Guildford transformation programme have been included in the outline budget and forward projections as set out in **Appendix 3**.

10. Fees and Charges

10.1 Fees and charges for 2021-22 are currently anticipated to be frozen at the level agreed by Council in February 2020. The fees and charges schedule will be presented as **Appendix 6** to Council in February 2021 any changes to the fees will be highlighted as part of the final report to Council.

11. Consultations

11.1 The Joint Executive Advisory Board (JEAB) have been consulted about the outline budget for 2021-22, the medium term financial position and the savings strategy. Their comments were reported to the Executive at its meeting on 24 November 2020. At the meeting of JEAB in January 2021, the project mandates for some of the savings set out in Appendix 3 were discussed and supported.

11.2 Officers have consulted the Lead Councillor for Resources about assumptions to be used on the level of council tax increase and the proposed budget (including balancing the budget) and he agrees with the approach taken in this report.

11.3 At its meeting on 24 November 2020 Executive agreed to carry out a public consultation on the Council's priorities for its services and spending for 2021-22 and beyond. The public consultation started on 30 November 2020 and finished on 08 January 2021. To ensure the research was robust and reflected the profile of the local community, a representative sample of 1,100 residents was completed via telephone methodology which included members of the Guildford Borough Council Citizens' Panel. The telephone interviews were conducted using random quota sampling to maximise representation across the borough. A total of 1,100 residents participated by telephone; and a further 381 residents completed the questionnaire online. The results of the on-line survey support the view of the telephone survey and so the Council can be 95% certain that the results of the consultation represent the views of the whole borough (all residents) to within +/- 3%.

11.4 When asked to consider council services in terms of importance, priority and spending, residents across both consultations were almost unanimous in rating services to the elderly and vulnerable highest for each aspect. On average, telephone respondents attributed a score of 8.90 out of 10 to this service in terms of importance whereas online respondents agreed on an average of 8.33, placing environmental services as slightly more important (8.90). Both cohorts rated services to the elderly and vulnerable their highest priority on average when scoring on a scale of ten (telephone 9.10, online 8.68) and also felt funding for this service area should be most protected when scoring on a scale of ten (telephone 9.24, online 8.68).

11.5 Other services that scored highly in terms of the three aspects of importance, priority and spending were public health and safety, economic services and environmental services, the latter being more prevalent amongst online respondents.

11.6 Arts and heritage and tourism services were consistently attributed the lowest scores on average by respondents who participated in the survey, the two provisions making up the lowest ranked services for each aspect of importance, priority and spending within both strands of the consultation. Transport and parking and public facilities were also perceived as less important services by residents across both consultations.

11.7 Th Executive will consider the results of the survey and its impact on the proposed savings strategy at its meeting in February 2021.

12. Equality and diversity implications

12.1 There are no equality or diversity implications arising from this report. Where changes to services are included within the budget the service managers will carry out the relevant equality impact assessments as part of the changes.

13. Financial implications

13.1 The financial implications are considered throughout the report.

14. Legal implications

14.1 The Council is required to set a Council Tax for the financial year 2021-22 before 11 March 2021. It may not be set before all precepts have been issued or before 1 March 2021 whichever is the earlier. The decision is reserved to Council and cannot be taken by the Executive or delegated to officers, although the Executive has to recommend a budget to Council. Before setting the level of the tax, the Council must have agreed a balanced budget, differentiated by services, which is sufficient to meet estimated revenue expenditure, levies, contingencies, any deficit estimated to be brought forward from previous years and any amounts required to be transferred between funds. The tax itself must be sufficient to cover the difference between the agreed budget less government grants credited to the consolidated revenue account and any other expenditure which must be met from the Collection Fund less any surplus (or plus any deficit) brought forward from previous years.

14.2 These legal duties are set out in the Local Government Finance Act 1992 as amended and requires various specific calculations and decisions to be made by the Council:

(a) First, it must calculate its budget requirement in accordance with section 32 of the Act;
(b) Second, it must calculate the Borough Council element of the Council Tax – first for Band D and then for all bands in accordance with sections 33 to 36; and
(c) Third, it must set the overall Council Tax for each band in accordance with section 30

14.3 A note of the amount set must be published in at least one newspaper circulating in the Council's area within 21 days of the decision.

Section 25 Report

14.4 The Chief Finance Officer is required by the Local Government Act 1972 section 151 and by the Accounts and Audit Regulations 2015 to ensure that the Council's budgeting; financial management and accounting practices meet relevant statutory and professional standards.

14.5 In addition, the Local Government Act 2003 section 25 provides that the Council's Chief Finance Officer (the Local Government Act 1972 section 151) is required to report to the Council on the robustness of the estimates made for the purposes of the calculations, and the adequacy of the proposed financial reserves. The Council must have regard to the report when making decisions about the calculations in connection with which it is made. The Chief Finance Officer's advice on those requirements is set out in **Appendix 1** to this report.

Administrative law/consultations

14.6 In reaching decisions on these matters, councillors are bound by the general principles of administrative law. Lawful discretions must not be abused or fettered and all relevant considerations must be taken into account. No irrelevant considerations may be taken into account and any decision made must be one, which only a reasonable authority, properly directing itself, could have reached. Councillors must also balance the interests if the service users against those who contribute to the Council's finances. The resources available to the Council must be deployed to their best advantage. Councillors must also act prudently.

14.7 Amongst the relevant considerations, which councillors must take into account in reaching their decision, are the views of business ratepayers and the advice of officers. The duty to consult representatives of non-domestic ratepayers on the Council's expenditure plans is contained in the Local Government Finance Act 1992 section 65.

14.8 In considering, the advice of officers and the weight to be attached to that advice, councillors should have regard to the personal duties placed upon the Chief Finance Officer. The Council may take decisions, which are at variance with her advice provided that there are reasonable grounds to do so. However, councillors may expose themselves to risk if they disregard clearly expressed advice, for example as to the level of provision required for contingencies, bad debts and future liabilities.

Referendum requirement

14.9 The government no longer has power to cap local authority budgets under the Local Government Act 1999. However, the Localism Act 2011 introduced limits each year above which any increase in Council Tax would need to be supported by a referendum. In setting the Council Tax for the next financial year and in agreeing the Council's budgetary requirements the Council will need to take into account these limits. The local government financial settlement allows for an increase of less than 3% or up to and including £5 per Band D property, whichever is the higher.

Constitutional arrangements

14.10 The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014 provide that votes at key budget decision meetings must be recorded. The Council's Constitution provides in Part 4 – Council Procedure Rule 19 (d) that a recorded vote shall be taken at a meeting of the Council in respect of any motion or amendment to approve the budget or set council tax.

Restrictions on voting

14.11 Councillors should be aware of the provisions of the Local Government Finance Act 1992 section 106 that applies where:

(a) they are present at a meeting of the Council, the Executive or a committee and at the time of the meeting an amount of council tax is payable by them and has remained unpaid for at least two months, and

(b) any budget or council tax calculation or recommendation or decision, which might affect the making of such calculation, is the subject of consideration at the meeting

14.12 In these circumstances any such councillors shall at the meeting and as soon as practicable after its commencement disclose the fact that section 106 applies to them and shall not vote on any question concerning the matter in (2) above. It should be noted that councillors are not debarred from speaking on these matters.

14.13 Failure to comply with these requirements constitutes a criminal offence unless a councillor can prove they did not know that section 106 applied to them at the time of the meeting or that a matter in question was the subject of consideration at the meeting. Councillors should be aware that the responsibility for ensuring that they act within the law at all times rests solely with the individual councillor concerned.

15. Human Resources implications

15.1 There are no immediate human resources implications because of this report. Officers will address any changes in the level of resources because of growth or savings initiatives as the changes are implemented.

16. Conclusion

16.1 The proposed budget includes a Council Tax requirement of £10,392,720 resulting in a Council Tax increase of £5 per annum (2.83%)

16.2 The Chief Finance Officer's report, attached at **Appendix 1**, covers the medium term financial plan, the robustness of the estimates, adequacy of reserves and budget risks. The medium term financial plan position remains challenging and we estimate that we will need to find savings of approximately £5.9 million over the period to 2025-26.

17. Background Papers

None

18. Appendices

Appendix 1: Chief Finance Officer's statutory report
Appendix 2: General Fund Summary
Appendix 3: Summary of Growth and Savings
Appendix 4: Financial Risk Register (tbc)
Appendix 5: Guildford Borough Council Budget Survey 2021 report
Appendix 6: Proposed 2021-22 Fees and Charges (to follow)

CHIEF FINANCE OFFICER'S STATUTORY REPORT

Text highlighted in yellow needs final update before budget council

1. Introduction

1.1 The Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of the estimates and adequacy of proposed financial reserves. The report below provides a strategic overview of the Council's financial position before making specific considerations on the 2021-22 budget. The report covers the Council's General Fund, Housing Revenue Account (HRA) and Capital and Investment Strategy.

Strategic Overview

2. Local Government Funding

2.1 The overall financial climate continues to be severe and is expected to remain so for a number of years. Up to 2020-21 Local Government had continued to play its part in helping to address the national funding deficit, and each Council had been required to contribute accordingly by continuing to deliver services with fewer resources. As a result, the Council had experienced a reduction in Government grants and taken on significant responsibilities in relation to council tax benefits and business rates over the last 7 years.

2.2 In 2020-21 the COVID-19 pandemic has had a seismic impact on both the Council's finances and the National Government's finances. In the short term, the Government has provided welcome financial support but given the level of national debt that has been acquired to support the economy during the pandemic, it is inevitable that in the medium to long term further public sector spending reductions will need to be made as part of a package of measures the Government will need to pursue to reduce the public sector debt to pre-COVID-19 levels. This will mean that in the medium to long term local authorities will need to play a further part in reducing public expenditure. Although the additional financial support from Government in 2020-21 and for the first 3 months of 2021-22 is welcome to help mitigate the impact of the pandemic, the Council is still facing an unprecedented overspend during 2020-21 which will have a significant impact on the level of reserves and the future financial sustainability of the Council.

2.3 The announcement of the provisional local Government Finance Settlement (LGFS) for 2021-22 on 17 December 2020 was positive news for the Council. In addition to the Settlement Funding Assessment (explained below) the Council received notification of:

a. Ability to increase the level of Council tax by up to £5 (2.83%) before needing to hold a referendum
b. That the business rates multiplier for 2021-22 would be frozen at 2020-21 levels and a section 31 grant of £153,000 would be received to compensate the Council for the lost income
c. That a one-off New Homes Bonus of £192,000 would be provided
d. That a new one-off 'lower tier services grant' of £237,000 would be provided to support the Council's services

e. That additional funding of £633,000 will be received to help mitigate the impact of the COVID-19 pandemic in the first 3 months of 2021-22
f. That the Sales, Fees and Charges COVID compensation scheme would operate for the first 3 months of 2021-22
g. That a Section 31 grant of £100,000 will be received to compensate the Council for a reduction in the tax base as a result of increasing claimant numbers for local council tax support
h. That the Council will be able to spread over 3 years, any deficit arising on the Collection Fund as a result of lower tax collection due to COVID-19.

Other announcements that may impact on the Council were an increase in Social Care funding for upper tier authorities which will go to Surrey County Council but some of which may come to this Council as part of the Better Care funding for disabled adaptations.

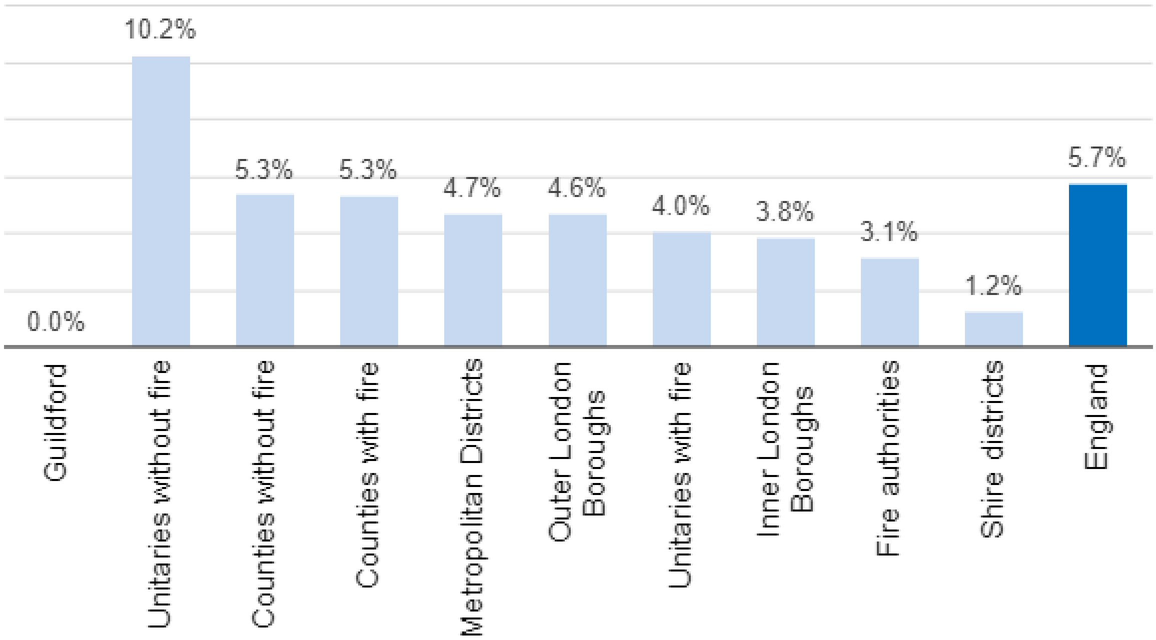
3. Business rates, Revenue Support Grant and New Homes Bonus

3.1 From 2013-14 local authorities have retained a proportion of their collected Business Rates, based on central shares (a proportion returned to the Government) and local shares (retained by the authority). As an incentive, the Government allows local authorities to retain a proportion of any increase in business rates collected because of increased growth. Under the standard scheme, the Council will benefit by 25p in the £1 on any net growth but will be liable for 50p in the £1 on any net reduction.

3.2 As stated above, the draft LGFS for 2021-22, was issued on 17 December 2020. The 2021-22 LGFS is a one-year settlement before, hopefully, a new multi-year settlement is provided from April 2022. The figures provided by the Government are in the table below:

	2016-17	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**
Settlement Funding Assessment	3.8	3.1	2.8	2.9	2.9	2.9
of which:						
Revenue Support Grant	1.1	0.3	0.0	0.0	0.0	0.0
Baseline Funding Level	2.7	2.7	2.8	2.9	2.9	2.9
Tariff/Top-Up[2]	-28.3	-30.2	-22.3	-31.3	-31.8	-31.8
2017-18 Tariff and Top-up reconciliation			0.5			
Safety Net Threshold	2.5	2.5	2.7	2.7	2.7	2.7
Levy Rate	0.5	0.5	0.0	0.5	0.5	0.5

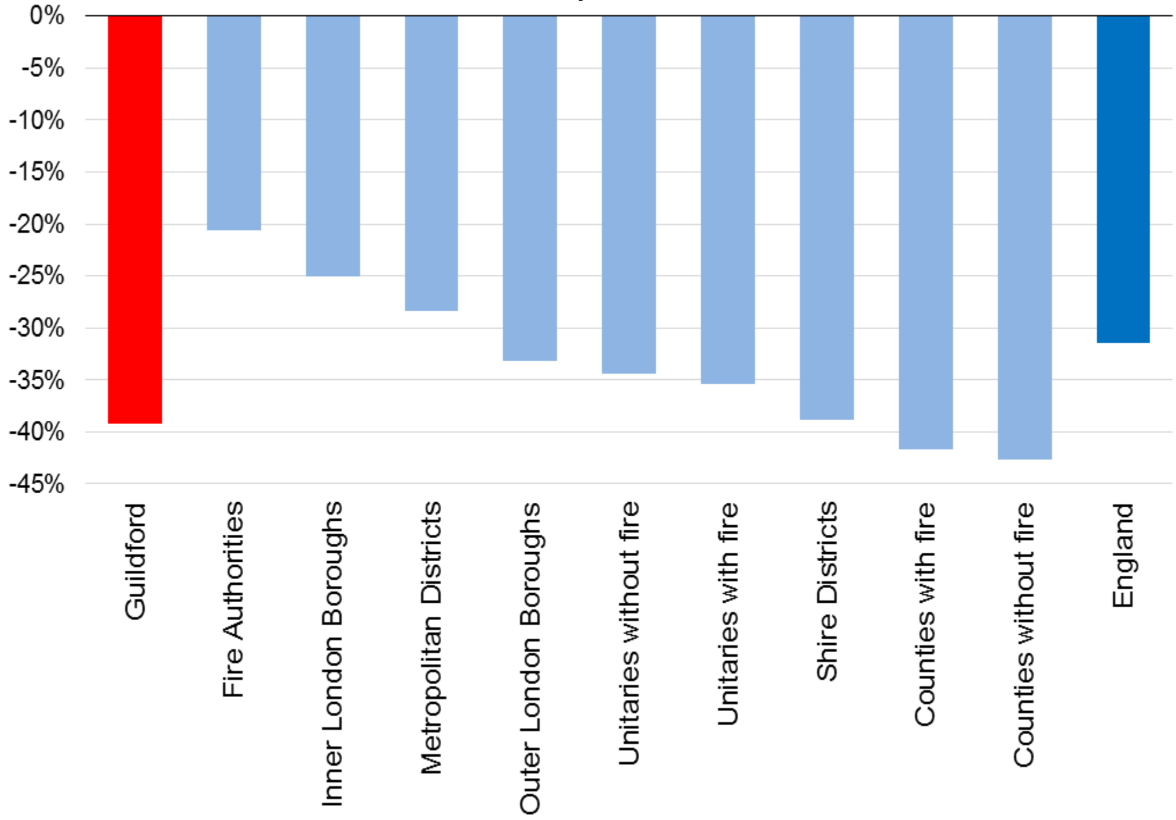
3.3 For 2021-22, Guildford's settlement funding assessment (SFA) has been frozen at the same level as 2020-21. The Government has only issued a one-year settlement for 2021-22 due to the COVID-19 pandemic and Brexit. It is the second year in a row that there has been a one-year settlement. A comparison has been made for core spending power (which is defined as the SFA, council tax and other grants) between local authorities, as shown in the graph below. The graph shows that the change in core spending power for Guildford is lower than most other types of Council's and the shire district average.



3.4 Due to the variable nature of the business rates element of local authority funding, the draft settlement no longer sets the absolute funding level for local authorities but gives a baseline funding level. The actual level of funding the Council receives will depend on the business rate income for the year, any section 31 grants and whether the Council is part of a business rate pilot or pool. At the start of the year, we estimate the business rate income, but the actual amount is unknown until after the year ends. For 2021-22, we estimate our net business rate income will be frozen at the same level as 2020-21 due to the freezing of the multiplier by Government. The table below shows the volatility of our net business rate income over the last three year period along with the proportion of total business rates collected and the estimates for 2021-22.

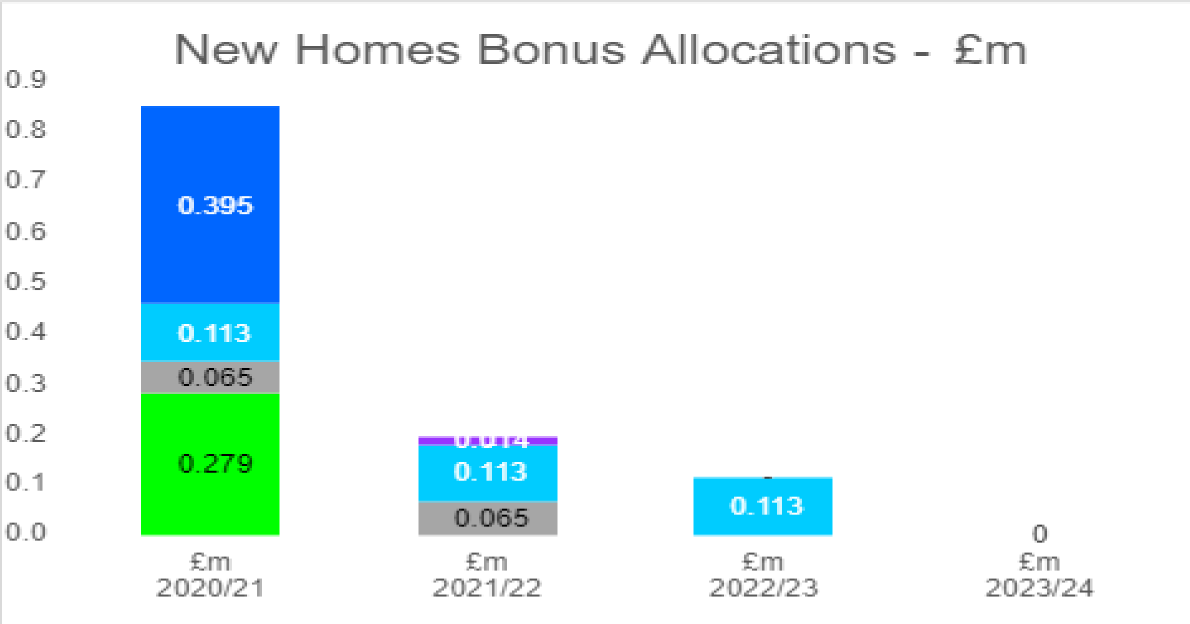
Year	Actual 2017-18 £million	Actual 2018-19 £million	Actual 2019-20 £million	Estimate 2020-21 £million	Estimate 2021-22 £million
GBC Share of Business Rate Income (NNDR1/3)	35.2	26.1	34.9	34.7	***32.6***
S31 Grant	1.1	1.2	2.4	1.9	1.8
Business rate tariff	-29.7	-21.8	-31.3	-33.1	-31.8
Levy / Safety Net payment	0	0	-1.4	-0.8	0.2
Pilot or pooling gain	0.5	1.0	0	0	0
Net BRRS Income	**7.1**	**6.5**	**4.6**	**2.7**	**2.8**
Total Business Rates Collected	88.1	87.2	90.5	86.8	***90.0***
% Business Rates Retained	8.0%	7.4%	5.0%	3.1%	***3.1%***

3.5 The graph below shows the cumulative changes in SFA over the 4 years (2016-17 to 2019-20) and the comparative reduction in central Government support for Guildford in relation to the average of other local authorities. Our local government finance advisors, LGFutures, who are able to benchmark data across different local authority classes nationally, produced this graph. It shows that the cumulative reduction in Guildford's SFA over the period 2016-17 to 2019-20 has been more than other classes of authority but in line with the shire district average. The SFA has been frozen at the 2019-20 level for the two years 2020-21 and 2021-22.



3.6 Since 2018-19, the Council has not received Revenue Support Grant (RSG) from Government. As a result the SFA for Guildford is now entirely related to the business rates baseline funding level.

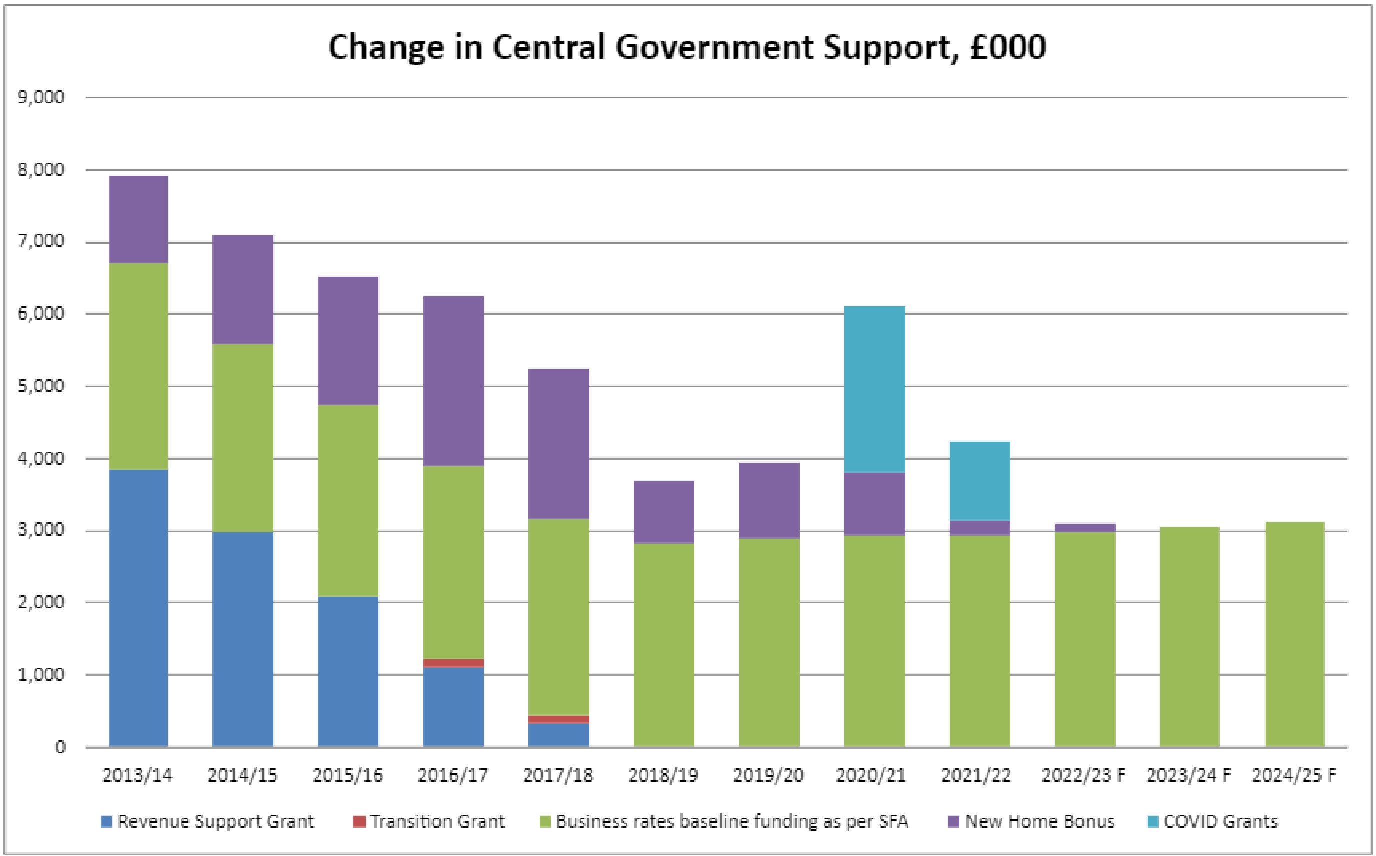
3.7 The Council's new homes bonus (NHB) in 2021-22 will be £192,000 which is a reduction of £659,000 or 77% from the 2020-21 allocation of £851,000. This is despite an increase in the number of properties added to the Council tax system in the year. The reduction is due to the implementation of changes to the NHB in recent years, which mean that award of NHB is only made if housing growth exceeds a 0.4% baseline and legacy allocations of funding being phased out. Although the Government continues to pay the legacy payments from New Homes Bonus Grant awarded since 2018-19 for a period of 4 years, the awards in respect of 2020-21 and 2021-22 are both for one year only.



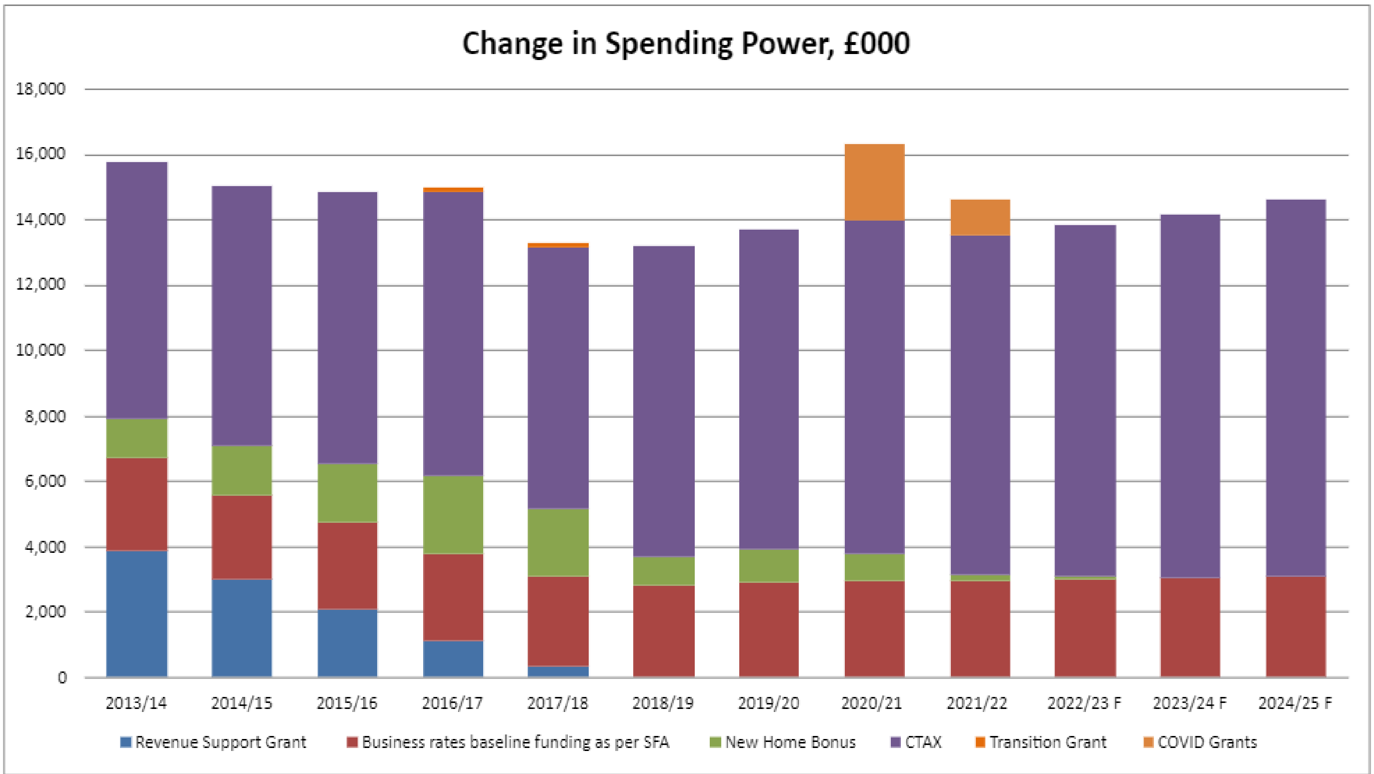
3.8 Our budget and medium term financial plan assumes that any NHB received is transferred to reserves to finance one-off short to medium term revenue projects or capital projects in line with the New Homes Bonus Policy adopted by the Council in February 2016 and therefore does not affect the council tax calculation or the budget gap identified below. This is because NHB funding is not on-going and so it would not be prudent to rely on the income as a permanent source of finance to fund on-going revenue expenditure.

3.9 Taken together, the settlement funding assessment (business rates and RSG) and new homes bonus (NHB) are the key elements of central Government support the Council receives. In total, the three elements have seen a reduction in recent years, however the Government has provided additional support in the form of COVID-19 grants during 2020-21 and will continue to provide support for the first 3 months of 2021-22.

3.10 The chart below shows the change in Central Government funding since 2013-14. The forecast for the next three years is based on analysis of recent consultations for the delayed fair funding review (see below).



3.11 The comparative graph showing the Council's estimate of the change in our spending power (which includes council tax) and the cumulative impact since 2013-14 is shown in the chart below. The chart shows the change in balance of core spending power between Council Tax, Business Rates and Government grants.



Fair Funding Review and Business Rates Retention (BRR)

3.12 During recent years, the Government have consulted on local Government funding reform with a view to introducing a new system. The consultations have had two elements:

a. a Fair Funding Review and
b. Business Rates Reform (implementation of 75% business rates retention)

3.13 Initially the reform was scheduled to be implemented in April 2020, it was then delayed until April 2021 due to Brexit and then due to the current pandemic, has been further delayed until at least April 2022. The Council has responded to the consultations issued so far and will continue to respond to current and future consultations. The fair funding review will set the baseline need to spend for the implementation of the new 75% BRR system in 2021.

3.14 Initial review of the latest fair funding consultations identifies that the Council's level of funding in future will be driven by a formula based on population with an area cost adjustment to reflect the cost of providing services in different parts of the Country. A population based cost driver is felt to be the most common and accurate driver of cost incurred by Shire District Council's across all services. In terms of resources, the Government has indicated that it will assess the ability of each Council to raise income using an indicative Council Tax calculation which will assess the Council Tax base at a point in time (adjusted for non-discretionary discounts and exemptions) multiplied by a notional Council Tax rate. The consultation sets out that the Government is minded not to take sales, fees and charges into account when calculating relative resources but has indicated that it might take surplus car parking income into account. The Council's SFA from implementation onwards will be the difference between its relative need to spend and its relative resources. The SFA will then represent the amount of business rates the Council can keep under the proposed 75% BRR System. At present our best estimates of the impact on the reform on the Council's budget are included in the medium term financial projections from 2022-23 onwards.

3.15 The reform of business rates was intended to sit alongside a revaluation of business rates originally scheduled for 2021 but has now been delayed until April 2023. At this point it is envisaged that there will be a full reset of the business rates system in 2023 and thus all growth within the business rates system that has been retained by the authority since 2013 will be lost.

4. General Fund Main Income Streams

4.1 As a result of the reduction in the level of Government grant support and switch to retention of business rates, the Council is becoming increasingly reliant on its locally raised income. Risk awareness and management of local income risks have become increasingly important to ensure the on-going financial sustainability of the Council. A graph showing the main sources of income, which the Council uses to fund services, is set out below. Parking income which represents 25% of the council's income is the largest income stream, this is followed by Council Tax which represents 21% of our income. Property rent is the third largest income stream at 20% whilst net retained business rates represents 9% of the Council's income.

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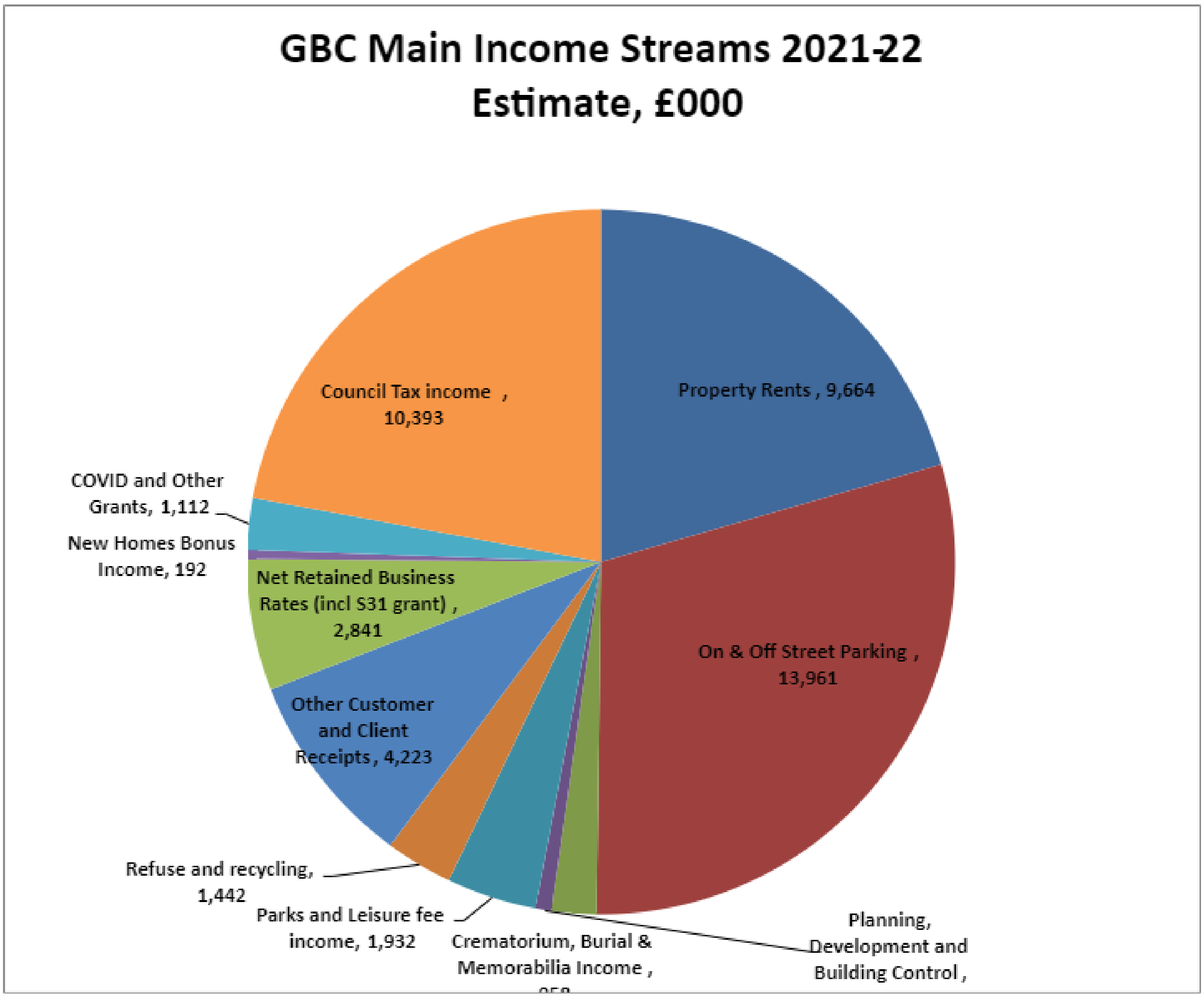
Appendix 1



4.2 The reliance on local income streams set out above has meant that Guildford Borough Council has been particularly impacted by the COVID-19 pandemic restrictions, possibly more so than other similar District and Borough Council's. Analysis of the COVID financial returns which Council's provide to Government by the Local Government Association in August 2020 identified that Guildford was in the top five of council's most impacted in the south east when looking at both the impact of additional COVID-19 expenditure and therefore the total deficit as a percentage of net revenue expenditure.

5. Economic Outlook

5.1 The economic situation continues to pose a risk. Although the risk due to Brexit seems to have been partially mitigated with the agreement of a trade deal with the EU, the COVID-19 Pandemic has forced the Government to take on significant levels of public borrowing. The slowdown in the national recovery experienced during 2020-21 has been deemed to be the deepest recession since records began. The pace of the recovery from the pandemic and the impact of our new trading relationship with the EU and other countries is yet to be determined and will be a key risk going forward. It is anticipated that to help re-pay the significant public sector debt, further reductions in public spending will need to be made as part of a package of measures. Local Government will no-doubt need to take a share of any public sector spending reductions in the future.

5.2 Interest earnings will not form a significant source of income to the Council due to decreasing investment balances over the medium term and continued low interest rates. The Council will still continue to hold investments. The preservation of our capital whilst maximising our income is of paramount importance when managing the investments.

5.3 Interest payable on debt and minimum revenue provision for debt repayment will start to feature as a significant cost to the Council over the medium term. In managing our debt portfolio we aim to strike a balance between securing low interest costs and achieving cost certainty over the period for which the borrowing is required.

5.4 The adoption of the Capital and Investment Strategy is designed to mitigate these risks.

6. Guildford Borough Council Medium Term Financial Plan

Corporate Plan

6.1 The Council's Corporate Plan was developed for the 5-year period April 2018 to March 2023 and includes bold ambitions for service delivery for the future. Following the local election in May 2019, the Corporate Plan is currently undergoing a review to reflect the political priorities of the new Council, however, this has been delayed due to the COVID-19 pandemic. The budget for 2021-22 includes projects proposed as part of the existing corporate plan and some new projects to address the Council's new priorities. Many of the priorities within the plan involve significant investment in services to address climate change, housing and infrastructure to deliver the outcomes.

6.2 The Capital and Investment Strategy has been developed with the aims of realising the Council's Corporate Plan and the political priorities of the new Council, raising the quality of life for residents and improving the long term financial planning process. The capital strategy demonstrates that the Council takes capital expenditure and investment decisions in line with the corporate plan and Council priorities and takes account of stewardship, value for money, prudence, sustainability and affordability in the decision making process. The first five years of the capital strategy are the capital programme. The capital programme (both general fund and HRA) is significant and includes potential investment in key projects to support our corporate plan such as:-

- Investment in new mixed-housing schemes at various sites such as Guildford Park, Bright Hill, Weyside Urban Village (Slyfield) and various infill sites
- Increased investment in acquiring land and property for affordable housing development
- HRA property regeneration and intensification
- Investment in residential accommodation for rent (through the Council's subsidiary company, North Downs Housing Ltd)
- Improvements to the Council's assets to improve energy efficiency and address the impact of climate change
- Regeneration schemes in the Town Centre and Weyside Urban Village
- Provision of a new railway station at Guildford West (Park Barn)
- Investment in transport infrastructure & sustainable transport routes (town centre, west Guildford & cycling)

6.3 The capital and investment strategy splits the capital programme between 'income generating and redevelopment schemes' which will be required to meet a target level of return to proceed, 'infrastructure schemes' which will contribute to economic growth and development but may not necessarily have a direct income stream to the Council, and 'essential schemes' that are necessary to maintain the Council's assets and deliver services. To ensure the affordability of the capital programme, we have suggested a limit on the total number of essential and infrastructure schemes that can be undertaken in any one year to ensure that the revenue implications of the schemes can be afforded by the Council's general fund revenue account. The income generating and redevelopment schemes are anticipated to provide a net overall increase in income or reduction in cost to the Council's general fund revenue budget and therefore positively contribute towards the Council's future financial sustainability.

6.4 To finance the capital strategy, a variety of funding sources, such as capital receipts, capital reserves, revenue contributions, S106 contributions and borrowing will be required. Unless the Council is able to generate capital receipts it will need to borrow from its own internal resources, or the market. Any borrowing will have a direct impact on the revenue budget, as there is a requirement to charge a minimum revenue provision (MRP) for the use of borrowing as well as interest payments. The impact of MRP is included within the general fund revenue budget. Whilst the 5-year capital programme is ambitious, the capital strategy assumes that there will be some capital receipts or revenue income arising, particularly from the redevelopment schemes that will offset some of the expenditure in the long-term.

7. General Fund Savings and Income

7.1 As part of the drive to continue to deliver services with fewer resources, the Council is undertaking a transformation programme to remodel services, achieve savings and increase income to achieve a sustainable financial future. Since 2013-14, the Council has generated a total of £7.5 million in savings and £6.8 million in additional income.

7.2 The budget assumes a further £3.4m savings can be achieved between 2021-22 to 2023-24, the majority of these savings are as a result of the Future Guildford transformation programme.

8. General Fund Medium Term Financial Strategy

8.1 The medium term financial strategy (MTFS) and new capital and investment strategy provide a framework within which we will prepare annual spending plans. In essence, it sets a framework for our spending plans and use of resources over the medium term, ensuring that we have a sustainable financial future.

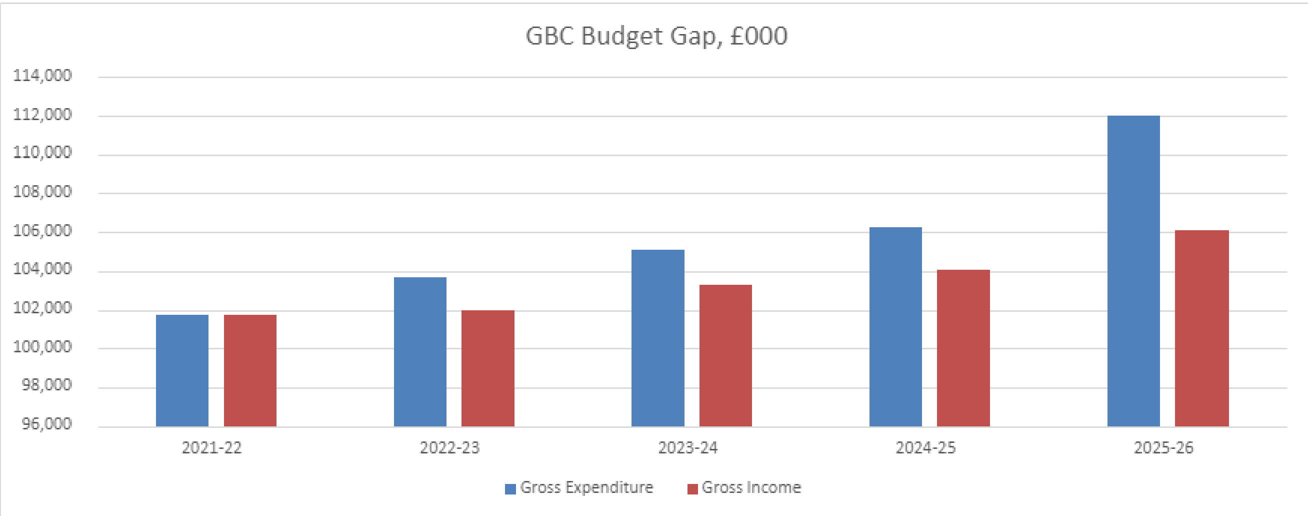
8.2 We have reworked the financial projections to 2025-26 at a summary level, but many of the assumptions (for example, interest rate movements and MRP) could in reality be significantly different.

8.3 Officers prepared the medium term figures using the assumptions in the table below. The Executive approved the assumptions at its meeting on 24 November 2020. These assumptions are for outline planning purposes only and have been reviewed and updated throughout the budget process. They will be subject to further review and update before detailed estimates are prepared for each financial year.

	2021-22 %	2022-23 %	2023-24 %	2024-25 %	2025-26 %
General inflation	0.0	2.0	2.0	2.0	2.0
Pay award	0.0	2.0	2.0	2.0	2.0
Pay Increments	2.0	2.0	2.0	2.0	2.0
Increases in fees and charges	0.0	3.0	3.0	3.0	3.0
Income reduction due to COVID19	-5.0	-2.0	-2.0	-1.0	0.0
Council Tax	2.83	1.94	1.94	1.94	1.94
Housing rents	0.0	2.0	2.0	2.0	2.0
Council Tax Base	-0.84	1.3	1.57	1.52	1.24
Vacancy Factor	2%	2%	2%	2%	2%
Government Settlement Funding Assessment (SFA)	nil	£442k Reduction	£588k Reduction	£735k Reduction	£735k Reduction

8.4 Approved capital project expenditure and a percentage of provisional capital expenditure is built into the cash flow projections. The statutory MRP relating to the capital-financing requirement (the underlying need to borrow) has been built in with reference to the life of the assets involved, in accordance with the MRP policy within the Capital Strategy.

8.5 Given these assumptions, our projections show that there is a gap between projected income and expenditure over the period 2021-22 to 2025-26 as demonstrated below.



	GBC Budget, £000				
Year	2021-22	2022-23	2023-24	2024-25	2025-26
Gross Expenditure	101,724	103,658	105,105	106,241	112,026
Gross Income	101,724	101,973	103,278	104,064	106,096
Budget Gap (difference between Expenditure and Income)	**(0)**	**1,685**	**1,828**	**2,177**	**5,930**

8.6 We estimate that the funding gap totals approximately £5.9 million over the plan period (to 2025-26). However, sensitivity analysis shows this could be within the range £0.5 million to £7.5 million.

8.7 A budget gap of £1.6 million is currently projected for 2022-23. The gap arises due to

- a projected £1.4 million decrease in net retained business rates following the fair funding review and business rate reform,
- a projected £1.0million increase in the minimum revenue provision due to the increase in the Council's capital programme and the need to borrow to finance this expenditure,
- A projected increase of £1.1million in interest payments as a result of the need to borrow to finance the Council's capital programme.
- The above points are offset by additional £1.6million savings of from the Future Guildford programme and an increase in council tax income of around £400,000.

8.8 Senior Officers are acutely aware of the need to retain a firm grasp on controlling expenditure, efficiency programmes and budget monitoring. In particular, controlling the impact of the Council's capital programme on the general fund revenue account.

8.9 As outlined in paragraph 7.2, the medium term budget gap already assumes that further savings and additional income identified as part of the Future Guildford Programme and show in the list of savings and growth at **Appendix 3** can be achieved. There is a risk that if the savings and income proposals are not achieved then the budget gap will be higher.

8.10 For some years, the Council has identified a gap between available resources and projected expenditure over the medium term. During 2018-19, to address the shortfall, the Managing Director, in consultation with the Leader of the Council, launched the Future Guildford Transformation Programme. The review is a detailed cross-organisational review of business processes, systems and operating structures. The Future Guildford transformation programme is currently being implemented. Phase A was completed in 2019-20 and Phase B in 2020-21 although the transition period will run into 2021-22.

8.11 There further savings identified as part of the Future Guildford programme that have not currently been included in the Council's medium term financial plan as further assessment of their achievability and plans for their implementation need to be put in place. These savings along with other actions were set out in a savings strategy discussed with the Joint EAB and then agreed by Executive in November 2020. The savings strategy includes a number of work streams:-

a. Review and potential reduction of the Council's discretionary services

b. Review of the Council's capital programme and Major projects to reduce debt and interest costs
c. Review the Council's need for operational assets
d. Consideration of merging the Council with a neighbouring borough
e. Consideration of merging the Council with a number of other neighbouring boroughs and part of the County Council to create a Unitary Council (one of multiple unitary Council's in Surrey)

8.12 Many of the savings identified in the savings strategy will need to be actioned to balance the Council's budget over the medium term to 2025-26.

Housing Revenue Account (HRA)

8.13 The HRA business plan and budget report sets out the changing legislative framework within which the we operate the council's HRA.

8.14 Since HRA self-financing in 2012, the Council has maintained a policy of not re-paying its HRA debt. This has enabled significant surplus' to be accumulated on the HRA which have been transferred to earmarked reserves to finance new build affordable housing and on-going investment in existing housing stock. In addition, the Council ring fences all capital receipts from the sale of council houses under the right to buy (RTB) scheme for re-investment into new build affordable housing and regeneration.

8.15 The Council has ambitions to significantly expand its HRA capital programme across a range of sites. The Government's decision to remove the HRA borrowing cap in 2018-19, along with the use of RTB receipts and HRA earmarked reserves offers the Council substantial capacity to deliver new homes across its 30-year business plan.

9. Robustness of Estimates

9.1 The budget process was started in November 2020 and the inflation assumptions outlined in paragraph 8.3 above were used in the preparation of the 2021-22 estimates outlined in the budget report.

9.2 Staffing costs have been included based on the Full Time Equivalents (FTEs) included within the establishment and charged to the General Fund (approximately 720).

9.3 A composite loss allowance of 2.5% has been assumed within the calculation of the council tax base.

9.4 The effects of the capital programmes have been taken into account both in the revenue budget and in predicting cash flow for investment purposes.

9.5 Service level risk assessments are in place as part of the service plan for each service area. The corporate risks are included in the corporate risk register. We complete a financial risk register, which is reported as **Appendix 4**. This outlines the main financial risks the Council will face in terms of operating within its budget for 2021-22. In addition to assessing the risks, as set out in paragraph 8.6, we carry out a sensitivity analysis of the budget gap against changes in the key assumptions.

9.6 The Joint Executive Advisory Board (at its meeting in November 2020) and the Executive (at its meeting in November 2020) considered the outline budget in detail. The Joint EAB considered the Capital and Investment Strategy report and the

Housing Revenue Account Budget at its meeting in January 2021 and Executive considered the final reports on 26 January 2021. The main actions included in the list of Savings in Appendix 3 have previously been considered by the Joint EAB. Further actions set out in the savings strategy approved by Executive in November 2020 will be considered by the Executive Advisory Boards in the future.

10. Financial Resilience and the adequacy of reserves and balances

10.1 Since 2018-19, the Chartered Institute of Public Finance and Accountancy (CIPFA) has produced a financial resilience index in response to concerns within the local Government sector and central Government about the financial resilience of some local authorities following the significant funding reductions incurred by the sector since 2013-14.

10.2 The financial resilience index shows how the Council compares to other similar authorities across a basket of financial indicators based on its 2018-19 accounts and a trend analysis of changes since 2017-18. The analysis can be found on the CIPFA Website (**https://www.cipfa.org/services/financial-resilience-index/financial-resilience-index**). Guildford compares well on the analysis to other authorities with the majority of indicators showing that the Council is at low risk of financial stress. Key determinants of the Council's position are its comparatively high level of reserves, a low reliance on Government grant, and a high reliance on council tax, net retained business rates and other locally raised revenue to finance expenditure on delivery of services. It is worth noting that this analysis has not been updated yet for 2019-20 accounts and does not reflect the impact of the COVID-19 pandemic.

10.3 There are two indicators within the financial resilience index which currently show as just above average risk, they are the 'ratio of interest payable to net revenue expenditure' and the 'overall level of gross external debt'. The indicators are slightly skewed for Guildford at present as they do not distinguish between the HRA and the General Fund. At present the external debt and the majority of the interest payable relates to the HRA and is comfortably funded from Council Housing tenant rents rather than by Council tax. In addition, looking solely at the overall level of debt without looking at the value of assets held by the Council only provides part of the picture. However, given the Council's ambitious capital programme, these indicators are forecasted to deteriorate as external debt and therefore interest payable will increase over time and the percentage of interest funded by the Council tax rather than Housing rent will also increase, creating pressure on the Council's general fund and therefore Council tax. Whilst I prefer to look at the gearing ratio (see below) rather than the overall level of debt, I will be keeping the indicators under review, particularly the 'ratio of interest payable to net revenue expenditure', and will advise Councillors accordingly on the financial sustainability of the Council.

10.4 In addition to the CIPFA financial resilience indicators, as part of the capital and investment strategy we have introduced a series of local indicators which look at:

- Gearing ratio (total debt / total assets)
- Total debt as a % of long term assets
- Ratio of equity by net revenue expenditure
- Un-ringfenced reserves as a % of net revenue expenditure
- Working capital as a % of net revenue expenditure
- Short term liability pressure (short term liabilities as a % of total liabilities)
- Total investments as a % of net revenue expenditure
- Investment property as a % of net revenue expenditure

Other indicators have also been proposed by Government. The indicators will be included in the statement of accounts, the capital and investment strategy and the Council's financial monitoring reports.

10.5 The indicators currently show that the council is in a relatively healthy financial position compared to the local Government sector and its gearing ratio is projected to remain between 30% and 38% over the medium term period. However, as with the CIPFA resilience index, the indicators do not currently show the impact of the COVID-19 pandemic.

10.6 The value of General Fund revenue reserves, as at 1 April 2020 was £48.1 million. The estimated value of all revenue reserves over the plan period is:

Reserve	Actual 2019-20 Balance £ million	Projected 2020-21 Balance £ million	Projected 2021-22 Balance £ million
General Fund Reserves	3.7	3.7	3.7
Housing Revenue Account (HRA) Reserve	2.5	2.5	2.5
Earmarked GF Reserves	44.4	30.8	23.0
Earmarked HRA Reserves	101.6	102.8	112.1
Capital Contributions	0.5	0	0
Useable Capital Receipts Reserve (General)	0	0	0
Useable Capital Receipts Reserve (housing related)	13.9	14.2	15.0
Total Useable Reserves	**166.6**	**154.2**	**156.4**

10.7 The earmarked GF revenue reserves include some earmarked reserves held for specific purposes (for example, Insurance) and SPA contributions. The service specific reserves and SPA contributions would need to be replaced if used to support the general budget. This approach, which enables the Council to even out the impact of significant costs, is considered prudent.

10.8 The earmarked HRA revenue reserves and usable capital receipts reserves are substantial, which as described in paragraphs 8.12 to 8.14, affords the Council significant finance for its existing HRA capital programme and offers an opportunity to significantly expand its housing development and regeneration programme.

10.9 The General Fund revenue balance (working balance) is maintained at £3.75 million, and the HRA working balance is maintained at £2.5 million which are considered adequate levels. The level of available reserves held by the Council's general fund will significantly decrease between April 2020 and March 2022 however, they are still considered sufficient to cover the financial risks identified on the financial risk register shown at **Appendix 4** and are also sufficient to cover the medium term projected budget gap if the actions identified at paragraph 8.11 are not progressed.

11. Budget risks

11.1 The Council faces many risks to the successful delivery of a balanced budget. The Financial Risk Register at **Appendix 4** quantifies the risks and demonstrates that the general reserves and those held for risk management purposes are adequate to cover the risks. The major risks are explained in more detail below.

11.2 **National economic volatility**. Particular consideration will need to be given to the following in the budget proposals:

- Loss of rental income on investment properties
- Loss of interest from investments arising from bank base rates remaining at a low level for longer than expected
- Increase in housing benefit claimants and bad debts
- Potential increase in homelessness
- Loss of income from Fees and Charges, particularly parking

11.3 **Delivery of savings and income**. The Council has embarked on transformation programme to deliver savings and income generation required to balance the budget over the medium term. If the programme is not be delivered on target it will affect the Council's ability to contain expenditure within budget in year, thus potentially reducing reserves and will increase the budget gap in future years of the medium term financial plan.

11.4 **Regeneration.** The Council is likely to promote regeneration of parts of the town centre where we are a landowner, in order to promote better use of our assets and better transportation links. All will necessitate the identification and acceptance of an appropriate level of risk and return. There are three major capital regeneration schemes during the medium term budget period; North Street, Weyside Urban Village and parts of the town centre along the river corridor. These schemes are schemes that only happen once in a generation and we would not normally expect the Council's on-going capital programme to include schemes of this size under normal operating cycles. Taking these schemes forward will have significant financial risks for the Council but are expected to deliver significant benefits in terms of housing, economic growth and potential income for the Council. Officers are currently looking at alternative legal structures and delivery mechanisms to help us manage those risks. In particular, the Weyside Urban Village Scheme will carry significant financial risk to the Council. The scheme requires the Council to undertake significant upfront investment and the time lag between the investment and the eventual sale of land or property will be a number of years meaning that inflation and interest costs have a significant impact on the scheme viability. The Council will seek to understand the level of risk and mitigate wherever possible.

11.5 **Capital Programme**. As a consequence of the corporate plan, the Council has an ambitious capital programme, in order to invest in the Borough, and Council services, to deliver the targets within the corporate plan. The decision on how each individual scheme is funded will be taken as part of a further, more detailed, business case for each scheme, than that submitted as part of the bids included within the capital programme report.

11.6 The capital programme for 2021-22 to 2025-26 shows the Council has an underlying need to borrow of £400 million. The revenue impact of borrowing includes:

- borrowing costs
- interest
- on-going operating costs and
- where known, income associated with each scheme.

11.7 The revenue implications of the capital programme are included within the Council's general fund revenue budget and contribute towards its medium term financial plan budget gap.

11.8 To meet its medium to long-term financial commitments, the Council will need to generate further capital receipts, transformation efficiencies, additional revenue income and capital grant income and contributions.

11.9 **Business rates retention scheme**. There continues to be volatility in our business rate income due to voids, appeals, revaluations and bad debts. This uncertainty makes it difficult to accurately budget for business rate income and close monitoring through the year is crucial to identify any shortfalls at an early stage. If a large business chose to close or relocate away from Guildford, it would adversely affect our income.

11.10 As outlined in Section 3, the Government are proposing to introduce significant changes to local Government finance in future which adds considerable uncertainty in projecting the medium term financial position for the Council. I expect that the Council's settlement funding assessment will be reduced by Government as part of the fair funding review, as Government will look to re-allocate resources into high demand services such as social care and will continue to expect local authorities to contribute towards meeting national austerity targets. This is likely to mean that the baseline need to spend for the Council will reduce and the tariff payable by the Council under the business rates retention scheme could increase. In addition, on implementation of business rate reform all previous business rate growth which the Council has benefitted from since 2013-14 will be lost as part of 'resetting' the business rate baseline. The impact of increasing the tariff adjustment is that Guildford will retain less business rates locally than it does now. The Council currently keeps approximately 3-5% of the business rates collected.

12. Conclusion

12.1 The Council faces many challenges over the medium term. We have an exciting and ambitious Corporate Plan and will continue to have a high demand for some of our services, particularly relating to welfare and environmental services. Continued reductions in Government funding mean that we have a gap between projected expenditure and funding that we will have to address and which we intend to address through continuing to implement our Future Guildford transformation programme and savings strategy presented agreed by Executive in November 2020.

12.2 The Council started the 2020-21 financial year in a good financial position, we have a strong balance sheet, with a high asset base, significant level of reserves, good diversity in our income streams, significant level of liquidity and a reasonable gearing ratio. However, COVID-19 has had a significant impact on the Council's level of reserves during the year and those reserves are significantly lower as we move into 2021-22. In order to maintain our strong financial position and financial stability into the future the Council needs to ensure that it pushes forward with the remainder of the Future Guildford transformation project and its newly adopted savings strategy to deliver the efficiencies necessary to balance our budget in the medium term. I recommend that the Council seeks to avoid any further reduction in general fund reserves over the medium term.

Claire Morris, BEng (Hons), FCPFA, Cert IPSFR

Director of Resources and Chief Finance Officer

APPENDIX 2

Council (5 Feb 2020) Red rows need to be updated before Budget Council

GENERAL FUND SUMMARY	Estimate 2020-21 £	Projection 2021-22 £	Projection 2022-23 £	Projection 2023-24 £	Projection 2024-25 £	Projection 2025-26 £
Directorates - Net Expenditure						
Strategy Directorate						
Services Directorate						
Resources Directorate						
Community Services	**(314,990)**	(791,000)	(890,000)	(896,000)	(931,840)	(969,114)
Corporate Services	**0**	0	0	0	0	0
Development	**0**	0	0	0	0	0
Planning and Regeneration	**3,142,170**	3,518,000	3,525,000	3,583,000	3,726,320	3,875,373
Environment	**11,556,920**	11,788,000	11,581,000	11,390,000	11,845,600	12,319,424
Managing Director	**783,410**	(560,000)	(555,000)	(549,000)	(570,960)	(593,798)
Resources	**0**	0	0	0	0	0
Finance	**11,820,880**	6,364,000	6,395,000	8,404,000	8,740,160	9,089,766
Total Directorate Level	**26,988,390**	**20,319,000**	**20,056,000**	**21,932,000**	**22,809,280**	**23,721,651**
Provisional Growth bids not yet included in Directorate budgets	**964,000**	3,114,327	2,072,206	2,300,792	1,964,168	1,964,168
Provisional savings not yet removed from Directorate budgets	**(2,406,425)**	(4,840,400)	(5,523,650)	(6,034,550)	(6,627,300)	(6,627,300)
Potential increase in Pension contributions following valuation		0	0	0	0	0
Prepayment of Secondary pension Fund contributions						
Depreciation (contra to directorate budgets)	**(8,813,830)**	(8,791,000)	(8,791,000)	(8,791,000)	(8,791,000)	(8,791,000)
Directorate level excluding depreciation	**16,732,135**	**9,801,927**	**7,813,556**	**9,407,242**	**9,355,148**	**10,267,519**
External interest (receivable)/payable (net)	**(1,172,935)**	(682,726)	497,515	465,649	355,909	127,824
Interest payable to Housing Revenue Account	**531,550**	481,700	450,450	450,450	450,450	450,450
Minimum Revenue Provision	**1,639,171**	1,534,915	2,553,942	3,340,805	4,134,636	7,632,947
Revenue income from sale of assets	**0**	0	0	0	0	0
Revenue Contributions to Capital Outlay (RCCO)						
Met from: Capital Schemes reserve	**0**	0	0	0	0	0
Other reserves	**537,000**	537,000	537,000	537,000	537,000	537,000
General Fund	**0**	0	0	0	0	0
Total before transfers to and from reserves	**18,266,921**	**11,672,816**	**11,852,463**	**14,201,146**	**14,833,143**	**19,015,740**
Transfers to and from reserves						
Capital Schemes reserve						
Funding of Revenue Contribution to Capital Outlay	**0**	0	0	0	0	0
Contribution in year	**0**	0	0	0	0	0
Budget Pressures Reserve	**0**	0	0	0	0	0
Business Rates Equalisation reserve	**(946,454)**	2,229,566	1,974,920	(3,906)	(5,544)	(5,544)
Car Park Maintenance reserve	**272,950**	63,000	168,000	225,000	283,000	283,000
Election Costs reserve	**62,500**	63,000	63,000	63,000	63,000	63,000
Insurance reserve	**0**	0	0	0	0	0
IT Renewals reserve	**542,710**	543,000	543,000	543,000	543,000	543,000
Invest to Save reserve	**(10,000)**	250,000	250,000	250,000	250,000	250,000
Energy Management reserve	**0**	0	0	0	0	0
New Homes Bonus reserve	**351,019**	(298,000)	113,000	0	0	0
On Street Parking reserve	**(260,070)**	(260,000)	(260,000)	(260,000)	(260,000)	(260,000)
Pensions Reserve (Statutory)	**0**	0	0	0	0	0
Recycling Reserve	**0**	0	0	0	0	0
Spectrum reserve	**188,843**	193,000	196,000	200,000	204,000	204,000
Carry Forward Items	**0**	0	0	0	1	1
Other reserves	**(477,090)**	112,000	115,000	118,000	118,000	118,000
Total after transfers to and from reserves	**17,991,329**	**14,568,382**	**15,015,383**	**15,336,240**	**16,028,600**	**20,211,197**
Business Rates Retention Scheme payments						
Business Rates tariff payment	**33,119,290**	31,844,000	30,119,000	30,714,000	31,309,000	31,935,000
Business Rates - levy / (safety net) payment to/ (From) MHCLG	**810,933**	(246,000)	0	0	0	0
Non specific government grants						
s31 grant re BRR scheme	**(1,959,000)**	(1,809,190)	0	0	0	0
s31 grant re Council Tax	**0**	(100,000)	0	0	0	0
Reduction to SFA following fair funding review	**0**	0	441,460	588,641	735,760	735,760
COVID Funding		(622,690)	0	0	0	0
Other grant - SFA multiplier compenation & lower tier services	**0**	(389,546)	0	0	0	0
New Homes Bonus grant	**(851,019)**	(192,251)	(113,000)	0	0	0
GUILDFORD BOROUGH COUNCIL NET BUDGET	**49,111,533**	**43,052,705**	**45,462,843**	**46,638,881**	**48,073,360**	**52,881,957**
Parish Council Precepts	**1,876,544**					
TOTAL NET BUDGET	**50,988,077**	**43,052,705**	**45,462,843**	**46,638,881**	**48,073,360**	**52,881,957**
Business Rates - retained income	**(34,713,245)**	(32,630,000)	(33,088,000)	(33,742,000)	(34,396,000)	(35,084,000)
Revenue support grant	**0**	0	0	0	0	0
Collection Fund (surplus)/deficit - Business Rates	**(4,140,430)**	0	0	0	0	0
Collection Fund (surplus)/deficit - Council Tax	**0**	(30,274)	43,020	43,020	0	0
COUNCIL TAX REQUIREMENT	**12,134,402**	**10,392,431**	**12,417,863**	**12,939,901**	**13,677,360**	**17,797,957**
Council tax requirement excluding Parish Precepts	**10,257,858**	10,392,431	12,417,863	12,939,901	13,677,360	17,797,957
Tax base	**57,645.39**	57,159.40	57,902.44	58,812.32	59,706.72	60,446.32
Band D Tax (Borough Only)	**177.95**	181.81	214.46	220.02	229.08	294.44
% Increase	**3.57%**	2.17%	17.96%	2.59%	4.12%	28.53%
Band D Tax (incl Parishes)	**210.50**	181.81	214.46	220.02	229.08	294.44
Target increase per annum	**1.90%**	**2.83%**	**1.94%**	**1.94%**	**1.94%**	**1.94%**
Council tax @ target increase	**176.82**	181.82	185.35	188.94	192.61	196.35
Borough Council demand for target tax rise	**10,192,858**	**10,392,720**	**10,732,060**	**11,112,180**	**11,500,020**	**11,868,340**
Current demand	**10,257,858**	10,392,431	12,417,863	12,939,901	13,677,360	17,797,957
Cumulative Budget Gap	**65,000**	**0**	**1,686,000**	**1,828,000**	**2,177,000**	**5,930,000**
In year budget gap	**65,000**	0	1,686,000	142,000	349,000	3,753,000

APPENDIX 3 - SUMMARY OF GROWTH AND SAVINGS INCLUDED ON THE GENERAL FUND SUMMARY

NAME	DESCRIPTION	Revenue Costs 2020/21	Revenue Savings 2020/21	Revenue Costs 2021/22	Revenue Savings 2021/22	Revenue Costs 2022/23	Revenue Savings 2022/23	Revenue Costs 2023/24	Revenue Savings 2023/24	Revenue Costs 2024/25	Revenue Savings 2024/25
River Control flood emergencies (B8111 D9437)	The saving was discussed as part of the FG process and was agreed the Director - emergency budget to be viewed as revenue contingency		(10,000)		(10,000)		(10,000)		(10,000)		(10,000)
Snow and Ice- salt (K1555 B1296)	The saving was discussed as part of the FG process and was agreed by the Director - budget to be viewed as revenue contingency		(10,000)		(10,000)		(10,000)		(10,000)		(10,000)
Future Guildford - phase A	Savings from the staff restructure under taken in FG Phase A		(1,300,000)		(1,300,000)		(1,300,000)		(1,300,000)		(1,300,000)
Future Guildford - Phase B	Savings from the staff restructure undertaken in FG Phase B. 90% of saving assumed to impact on the general fund rest has been allocated to HRA		(1,110,625)		(2,656,300)		(2,656,300)		(2,656,300)		(2,656,300)
Reduce vacancy factor	An adjustment of -4% is made to staff establishment budgets to account for vacancies during the year, following the FG restructure this has been reduced to 2% as anticipate lower vacancy levels			177,000		177,000		177,000		177,000	
Legal Services	From FG service challenge process. Reduce external Legal Services costs		(42,000)		(42,000)		(42,000)		(42,000)		(42,000)
Traveller Transit Site	Growth bid to contribute an annual contribution to Surrey Wide transit site - report to be agreed by Executive in Feb 2021			7,000		7,000		7,000		7,000	
Street Cleansing	Reduced Transport related expenditure of £20,000 as a result of service challenge /service plan review / work done for the TECKAL.				(20,000)		(20,000)		(20,000)		(20,000)
Hard to reach properties	From service challenge process. Relates to reducing waste collection costs through changing service to hard to reach properties		(45,000)		(45,000)		(45,000)		(45,000)		(45,000)
Reduction in Printing costs	Service Challenge Saving - reduction in printing costs as a result of removing printed version of About Guildford (£40k saving) and a reduction in printing committee agendas (£45k saving)				(85,000)		(85,000)		(85,000)		(85,000)
Mayoralty Service Challenge Review	Removal of budgets for Mayors Car & Chauffeur (net £25k savings after additional mileage claim accounted for) and removal of mayor's theme budget				(45,000)		(45,000)		(45,000)		(45,000)
Park and Ride Service Challenge Review	Savings resulting from removing the weekend service at Spentrum P&R site and corresponding reduction in Bus Subsidy. Further £300k savings to be achieved in 2022-23 onwards as per project mandate				(40,000)		(340,000)		(340,000)		(340,000)
Asset Management Strategy & Plan	Part of FG Commercial income saving - additional Investment property income from new asset investment strategy approved in 2020-21				(350,100)		(544,350)		(677,250)		(826,000)

NAME	DESCRIPTION	Revenue Costs 2020/21	Revenue Savings 2020/21	Revenue Costs 2021/22	Revenue Savings 2021/22	Revenue Costs 2022/23	Revenue Savings 2022/23	Revenue Costs 2023/24	Revenue Savings 2023/24	Revenue Costs 2024/25	Revenue Savings 2024/25
Strategy and Communiactions	Staff restructure as per paper to CMT on 24th November 2020; Deletion of Senior Policy Officer (Performance and Programme Governance) and regrading of two other Senior POlicy officerss from Band 8 to Band 9 & PMO officer from Band 5 to Band 6.				(46,000)		(46,000)		(46,000)		(46,000)
Gypsy Site management	Transfer site management to SCC		(1,000)		(2,000)		(2,000)		(2,000)		(2,000)
Procurement savings	FG Procurement Strategy & Plan savings		(37,800)		(189,000)		(378,000)		(756,000)		(1,200,000)
Procurement temp staff	Temp Staff costs to implement the procurement savings action plan as per procurement strategy		150,000	150,000		150,000		150,000		150,000	
Town Centre Management Master plan	Growth bid approved as part of 2020-21 Budget relating to work on the TCMP - funded from New Homes Bonus reserve	500,000		460,000							
Carbon Emissions Footprint & zero emissions trajectory	Growth bid approved as part of 2020-21 Budget	186,000		131,000		115,000		115,000		115,000	
Drinking water filling points	Growth bid approved as part of 2020-21 Budget	58,000								0	
Oak Processionary Moth	Growth bid approved as part of 2020-21 Budget	30,000		30,000		30,000		30,000		30,000	
ICT annual license fees	Increase in the ICT annual revenue licensing budget for the technology brought in under FG - eg, SalesForce, BusinessWorld, Open Revenues. As per FG Blueprint business case approved by Council in Feb 2019.			393,707		631,000		631,000		631,000	
Car Parks Maintenance reserve	One-off reduction as per 2020-21 Budget	190,000									
Salary increments	growth for salary increments (assume 1% pay). Need to keep in budget until detailed salaries budget completed for each year then can be removed to ensure not double counted.					299,573		305,562		305,562	
COVID Contingency Budget - income loss	Assume income losses will continue to be covered by SFC scheme in 2021-22 based on 2020-21 budgets but that GBC needs to cover the first 5% income loss (excl property rents) for the first 3 months. Assume 2% ongoing loss 2022-23 reducing to 1% in 2024-25 as per budget assumptions approved by Executive November 2020.			1,142,930		662,633		673,248		336,624	

NAME	DESCRIPTION	Revenue Costs 2020/21	Revenue Savings 2020/21	Revenue Costs 2021/22	Revenue Savings 2021/22	Revenue Costs 2022/23	Revenue Savings 2022/23	Revenue Costs 2023/24	Revenue Savings 2023/24	Revenue Costs 2024/25	Revenue Savings 2024/25
COVID - ongoing pandemic costs contingency budget	Figure matches the COVID grant announcement from government - contingency budget to deal with additional service costs as a result of COVID 19. Anticipate needing to use most of it to continue to fund support for the Leisure management Contract, COVID marshalls and food parcels etc			622,690							
Leisure Partnership Agreement Contingency budget	The LPA is due to be retendered in Nov 21. Current working assumption is that the current arrangement will be extended by 2 years. With revised arrangements to be put in place for 2023-24			0		0		211,982		211,982	
Total		**964,000**	**(2,406,425)**	**3,114,327**	**(4,840,400)**	**2,072,206**	**(5,523,650)**	**2,300,792**	**(6,034,550)**	**1,964,168**	**(6,627,300)**

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FINANCIAL RISK REGISTER 2021-22

Appendix 4

	Category	Risk Score	Action	Action Owner	TOTAL Financial Risk Estimate
	Finance				
	Funding delayed or unavailable, income reduced or costs increased or reserves used because ...				
O 01	Unable to achieve additional meter income built into Budget in respect of Off Street Parking Charges.	112.00	•Monitor income against budget and consider other charging options to meet potential shortfall. •Reduce operating costs •Town centre development, business development	Waste, Parking and Fleet Services Manager	**£ 1,502,333**
O 02	Unable to recover arrears from investment property and industrial estates tenants.	120.00	•Review rents •Agree payment plans • Actively pursue recovery of all arrears. Take swift action against non-payers to prevent large arrears building up.	Head of Assets	**£ 519,980**
O 03	Business Rates liabilities for investment assets exceed estimates	32.00	•Market vacant properties quickly. Look at alternative lettings for void properties, e.g. short term lets, charity lets etc., to avoid rates liability •	Head of Assets	**£ 20,000**

	Category	Risk Score	Action	Action Owner	TOTAL Financial Risk Estimate
	Finance				
O 04	Underachievement of Future Guildford Transformation savings	72.00		Director of Resources	**£ 339,999**
O 05	Serious case reviews on behalf of other authorities. Risk of incurring the costs of investigation regarding a serious case review. It is difficult to predict if and when this may occur	64.00	•unable to mitigate	Director of Service Delivery	**£ 16,667**
O 06	Collapse of major contractor eg, Leisure Services, Parking Services (Pay by Phone) or Cultural Services	16.00	Due diligence and credit checking of major contractors. Contract monitoring. Step in rights on the Leisure contract by GLL. Officer step in rights on Glive contract. Weekly cash transfer on pay by phone contract	Leisure Services Manager	**£ 1,194,214**

	Category	Risk Score	Action	Action Owner	TOTAL Financial Risk Estimate
	Finance				
O 07	SCC provision and funding of Park and Ride, both existing and new sites or termination of the agency agreement with SCC for on-street parking enforcement in Waverley.	48.00	Effective liaison with local committee. Seek bus contract savings and alternative income sources	Waste, Parking and Fleet Services Manager	**£ 524,246**
O 08	Risk of additional administration costs of new legislation and fines arising as a result of breaches in legislative duties (eg, data protection, information management, corporate manslaughter, air quality management)	16.00	The Board is moving on with GDPR preparations, no costs have been planned for this during 2018-19. Civica will certainly charge for changes and if we multiply this across all the GBC systems it could be a substantial sum.	Director of Resources	**£ 1,255,254**
O 09	Loss of external funding from Enterprise M3 or Homes and Community Agency (HCA) due to project slippage or government reducing funding to EM3 / HCA - revenue impact of capital schemes	32.00	Monthly budget monitoring of capital grant claim income by accountants and project managers. Representation at LEP board and working groups. Regular Liaison meetings with HCA.	Director of Resources	**£ 514,781**

	Category	Risk Score	Action	Action Owner	TOTAL Financial Risk Estimate
	Finance				
O 10	Loss of income from external grounds maintenance contracts with SCC highways and Kings College	8.00	SCC contract renewed for another 4 years, Kings college contract being reviewed in 2016	Parks and landscape manager	**£ 8,071**
O 11	Housing benefit processing errors leading to DWP claim qualification	14.00	Have extra checking in place since 2014-15, and we are being very careful and checking the work of resources from Civica OnDemand. New assessors will be trained and will have their work checked	Exchequer services manager	**£ 5,381**
O 12	Increased risk of judicial reviews and the legal costs associated with defending the council. Risk of JR due to opposition to strategic development sites within local plan.	60.00	•Detailed project planning and following due process, use of legal planning expertise •	Director of Service Delivery	**£ 33,333**

	Category	Risk Score	Action	Action Owner	TOTAL Financial Risk Estimate
	Finance				
O 13	Reduction in the council's baseline need to spend following the fair funding review and introduction of 75% business rates retention in 2021	12.00	•Medium term financial plan that is based on prudent assumptions, sensitivity testing of future budget assumptions to be introduced , consider targetting transformation programme to overachieve by 20%	Director of Resources	**£ 6,667**
O 14	Treasury Management Counter Party Bail in	16.00	Effective treasury management strategies, policies and controls. Use of Professional Advisors.	Financial Services Manager	**£ 20,000**
O 15	S106 Clawback and/or collection risk	54.00	we don't tend to add a claw back clause on monies for applicants on new section 106 agreements and where these types of clauses do exist there tends to be wording along the lines of where the monies is unallocated, committed or unspent	Financial Services Manager	**£ 83,333**

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	Category	Risk Score	Action	Action Owner	TOTAL Financial Risk Estimate
	Finance				
O 16	Increased cost of planning appeals due to applications arising on unplanned sites in the Local Plan	54.00		Planning Development Manager	**£ 16,667**
O 17	Major Emergency / Civil Incident or Severe Weather event	256.00	Effective Emergency Planning and Government Bellwin Scheme. Adequate general fund balances.	Director of Service Delivery	**£ 3,834,295**
O 18	Capital programme & Regeneration schemes - unavoidable scheme costs that can't be met by capital contingency fund or cost escalation due to complexity of regeneration schemes (revenue implications due to low capital balances)	64.00	Business planning process and training of Budget / Capital Project managers. Effective capital programme monitoring and oversight group.	Financial Services Manager	**£ 666,665**

	Category	Risk Score	Action	Action Owner	TOTAL Financial Risk Estimate
	Finance				
O 19	Capital Programme & Regeneration scheme - impact of projects on capital vision coming forward earlier than expected (revenue implications due to low capital balances)	8.00	•Business planning process and training of Budget / Capital Project managers. Effective capital programme monitoring and oversight group.	Financial Services Manager	**£ 100,000**
O 20	Capital programme & Regeneration schemes - revenue impact of slippage in programme by 12 months (MRP / Interest cost reduction)	64.00	Business planning process and training of Budget / Capital Project managers. Effective capital programme monitoring and oversight group.	Financial Services Manager	**£ 166,666**

	Category	Risk Score	Action	Action Owner	TOTAL Financial Risk Estimate
	Finance				
O 21	Implementation of the Community Infrastructure Levy - impact of reduced S106 income	72.00	Draft scheme consulted on during 2014.15 but implementation delayed along with local plan. Seek identification of alternate funding options for openspace, sports and recreation space or play spaces prior to implementation. CIL may produce more money than S106 and it does provide greater flexibility in terms of what it can be spent on but the vast majority will go to highways, schools.	Planning Policy Manager	**£ 18,832**
O 22	SCC Financial Sustainability; possible impact of local government re-organisation should SCC not be sustainable beyond 2020.	48.00	Representation on work streams to ascertain early warning of changes and cost pressures. Process requires political support.	Director of Resources	**£ 66,666**
O 23	Increase in benefit claimants and bad debts	84.00	•unable to mitigate	Exchequer services manager	**£ 188,318**

	Category	Risk Score	Action	Action Owner	TOTAL Financial Risk Estimate
	Finance				
O 24	Potential increase in homelessness	84.00	•Review homelessness management and consider outsourcing •Consider buying properties to increase housing stock •Investigating alternative methods of provision for emergency accommodation to reduce cost	Housing Advice Manager	**£ 33,333**
O 25	Loss of interest from investments arising from bank base rates remaining at a low level for longer than expected	256.00	•Treasury Management Strategy focussed on investment diversification, risk management and control of investments and borrowing	Financial Services Manager	**£ 126,119**
O 26	1 % Loss of income from Fees and Charges	48.00	•Budget monitoring and corrective action	Director of Resources	**£ 350,096**
O 27	Inability to achieve savings required to close the medium term budget gap	256.00	Tight Monitoring of savings strategy and plans	Director of Resources / CMT	**£ 390,532**

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	Category	Risk Score	Action	Action Owner	TOTAL Financial Risk Estimate
	Finance				
O 28	Business Rates Retention Scheme (BRRS) volatility; impact of higher than anticipated appeals	48.00	•Use of BRRS reserve	Director of Resources	**£ 433,834**

Level of Reserves required as per risk register	**£ 12,436,281**

Level of Expected Reserves Available 31st March 2021

General Fund (GF) reserve	£ 3,748,000
GF earmarked reserves available to manage financial risks (and would not necessarily have to be replaced)	£ 8,811,000
GF earmarked reserves that would need to be replaced if used (eg, sinking funds, SPA endowments, renewals & maintenance funds etc)	£ 21,997,000
	£ 34,556,000

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Appendix 5

Guildford Borough Council

Budget Survey 2021

Report (V02)
January 2021

Prepared by

Contents

Headline Findings

As local authorities and people respond and adapt to the current Coronavirus pandemic, residents across Guildford are most concerned about its impact on the wider economy. More than 9 in every 10 residents responding to a telephone consultation, representative of the Borough, stated they are worried to some degree about this impact together with 8 in every 10 respondents who responded to an online consultation, open to all residents across Guildford.

Residents revealed they are also worried about the impact of the pandemic on the health and wellbeing of family and friends with more than two-thirds of telephone respondents (71%) and 65% of online respondents showing concern for this aspect. Residents also harbour anxieties about the effect on the local community; a concern shared by more than three-fifths (63%) of telephone respondents and three-quarters (79%) of online respondents.

Residents across both cohorts tended to be less worried, overall, about the personal impact of the pandemic with less than a fifth (17%) of telephone respondents and a third (36%) of online respondents stating they were worried about their own mental health and wellbeing.

When taking into account all residents who responded to the consultation, 4% said that either themselves or their family had accessed support provided by Guildford Borough Council during the pandemic (3% telephone respondents and 5% online respondents). Residents who accessed support tended to be older or identified as having a disability; the main form of support accessed tended to be food parcels and deliveries, advice and financial support.

When asked to consider council services in terms of importance, priority and spending, residents across both consultations were almost unanimous in rating services to the elderly and vulnerable highest for each aspect. On average, telephone respondents attributed a score of 8.90 out of 10 to this service in terms of importance whereas online respondents agreed on an average of 8.33, placing environmental services as slightly more important (8.90). Both cohorts rated services to the elderly and vulnerable their highest priority on average when scoring on a scale of ten (telephone 9.10, online 8.68) and also felt funding for this service area should be most protected when scoring on a scale of ten (telephone 9.24, online 8.68).

Other services that scored highly in terms of the three aspects of importance, priority and spending were public health and safety, economic services and environmental services, the latter being more prevalent amongst online respondents.

Arts and heritage and tourism services were consistently attributed the lowest scores on average by respondents who participated in the survey, the two provisions making up the lowest ranked services for each aspect of importance, priority and spending within both strands of the consultation. Transport and parking and public facilities were also perceived as less important services by residents across both consultations.

Introduction

Background

Guildford Borough Council are committed to providing high quality and good value services to meet the needs of the local community.

Guildford Borough Council have been working for some years to make sure they deliver these services in the most cost-effective way. This has already resulted in efficiency savings of £9million and £6.8 million of additional income since 2013-14 and further efforts will continue to reduce the cost of services. However, reductions in central government funding and the coronavirus pandemic have had a major impact on the Council's finances and will continue to do so.

Guildford Borough Council are currently working on the basis that another £3 million needs to be saved next year, rising to £4.2 million by 2023-24. As part of that process, the Council would like to understand residents' views on where they think savings should be made and what the Council's priorities for spending should be. Guildford Borough Council wants to find out which services are important to residents and which are not so important.

The Council would also like to understand how the coronavirus pandemic has impacted on residents, so that they can continue to support those in need and plan for the recovery of the local community and economy.

In addition to an online consultation, hosted on the council's website, SMSR Ltd, an independent research company was commissioned to undertake a telephone survey with residents to help the Council understand their views.

Report structure

This report includes headline findings for each question combined with insight on differences between the two strands of the consultation – telephone and online. It should be noted that when the results are discussed within the report, often percentages will be rounded up or down to the nearest one per cent. Therefore, occasionally figures may add up to 101% or 99%. Due to multiple responses being allowed for the question, some results may exceed the sum of 100%.

Trends identified in the reporting are statistically significant at a 95% confidence level. This means that there is only 5% probability that the difference has occurred by chance (a commonly accepted level of probability), rather than being a 'real' difference. Unless otherwise stated, statistically significant trends have been reported on.

Sample / Methodology

It was important that the methodological approach to the consultation was robust and wide-reaching and therefore it was decided that a combination of methodologies would be utilised to ensure representation and inclusivity.

An interviewer led, CATI telephone questionnaire was designed by SMSR in conjunction with staff from Guildford Borough Council. The survey script was mirrored and adapted for an online consultation open to all residents in the Borough via an online link located on the council's website. A copy of the survey can be found in the appendices.

A total of 1,100 residents participated by telephone; a further 381 residents completed the questionnaire online. The breakdown for each sample is as follows:

Telephone Methodology – Breakdown

To ensure the research was robust and reflected the profile of the local community, a representative sample of 1100 residents was completed via telephone methodology which included members of the Guildford Borough Council Citizens' Panel. This representative sample provides a confidence level of 95% with a confidence interval of +/- 3%. An explanation of confidence intervals can be found in the appendices.

Telephone interviews were conducted using random quota sampling to maximise representation across the borough. Sample data was drawn from several, GDPR compliant sources, including the Council's Citizens' Panel, to extend the scope of potential participants as much as possible. Target quotas for age, gender and ethnicity were set using the most recent ONS figures available and the sample included representation from each of the wards within the borough. Telephone interviewing took place between November 2020 and January 2021. The full breakdown of the sample is set out below:

Gender	Number	Percentage
Male	535	49%
Female	565	51%
Transgender	0	0%
Other	0	0%

Age	Number	Percentage
16-24	164	15%
25-34	191	17%
35-44	187	17%
45-54	195	18%
55-64	156	14%
65+	207	19%

Ethnicity	Number	Percentage
White	1053	96%
BAME	45	4%
Prefer not to say	2	0%

Disability	Number	Percentage
Yes	108	10%
No	990	90%
Prefer not to say	2	0%

Online Methodology – Breakdown

An online version of the questionnaire was also made available to local residents, with the council promoting the link via its website and various social media platforms. A total of 381 residents participated in the online consultation, this sample provides an overall confidence level of 95% with a confidence interval of +/- 5%. However, the consultation was open to all residents and is less robust statistically and representative of the Borough than the telephone consultation. The results of the online consultation have been presented separately in the report. The online survey link was open from November 2020 to January 2021. The full breakdown of the sample is set out below:

Gender	Number	Percentage
Male	190	50%
Female	172	45%
Transgender	2	1%
Other	1	0%
Prefer not to say	16	4%

Age	Number	Percentage
16-24	7	2%
25-34	28	7%
35-44	78	20%
45-54	66	17%
55-64	79	21%
65+	105	28%
Prefer not to say	18	5%

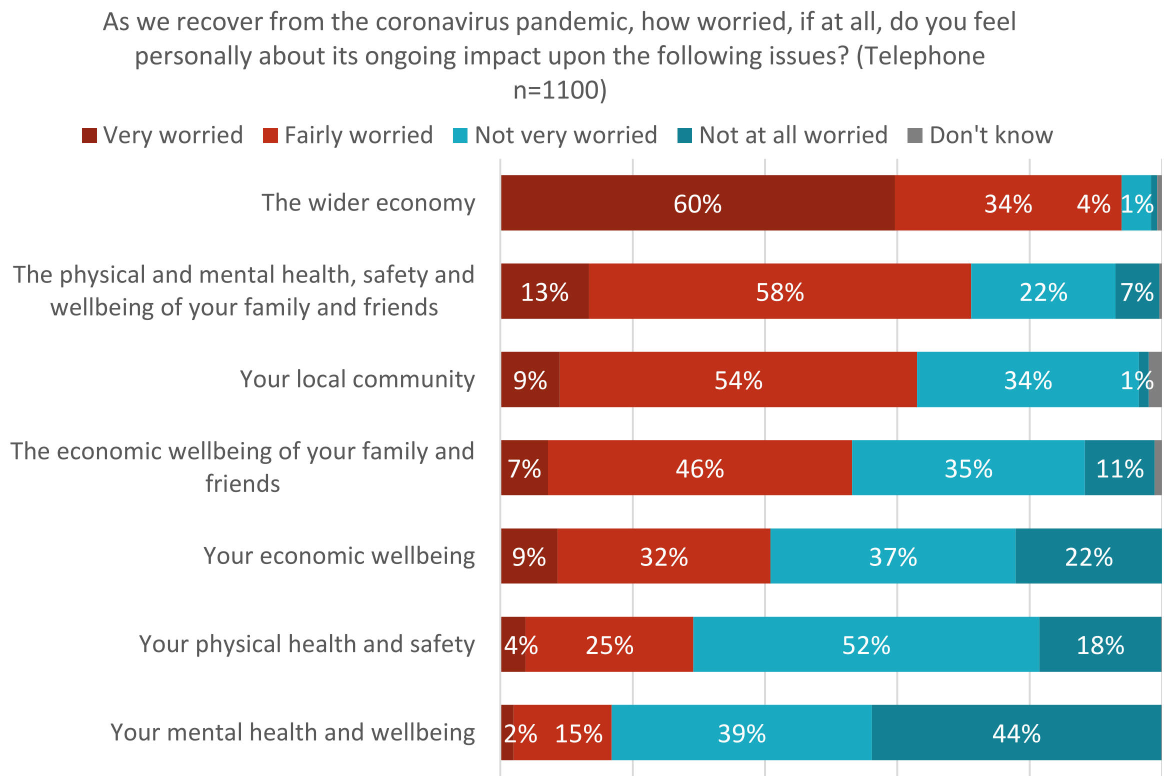
Ethnicity	Number	Percentage
White	334	88%
BAME	6	2%
Prefer not to say	41	11%

Disability	Number	Percentage
Yes	54	14%
No	303	80%
Prefer not to say	24	6%

Main Findings

Concerns and support

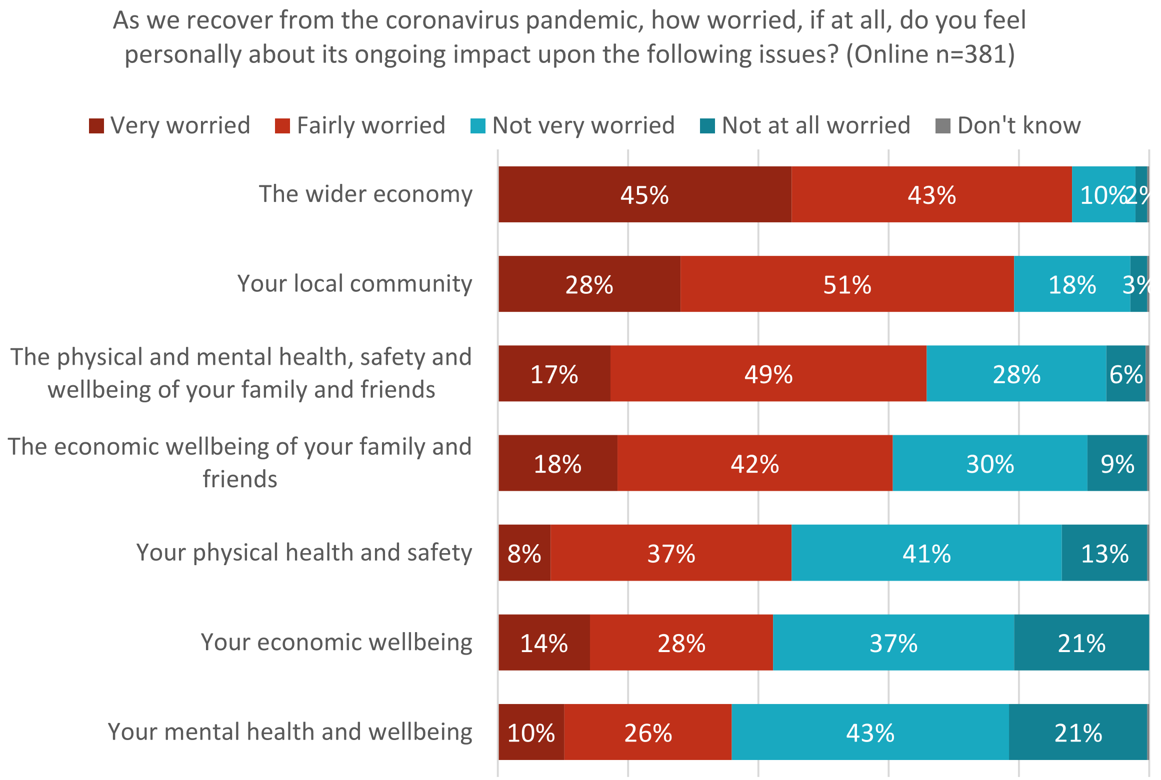
Respondents were initially asked to state how worried they feel personally about the coronavirus pandemic and its ongoing impact upon a number of important issues.



Those interviewed as part of the representative telephone survey felt most worried about the wider economy with 9 in every 10 stating they were worried to some degree and three-fifths (60%) revealing they were very worried. More than two-thirds (71%) admitted they were worried about the health, safety and wellbeing of family and friends and more than three-fifths (63%) had concerns about their local community.

Despite concerns about family and friends, less than a fifth (17%) said they were worried about their own mental health and wellbeing. A slightly higher percentage (29%) felt worried about their own physical health and safety and two-fifths (41%) had fears about their economic wellbeing. In general, residents tended to show more concern for the wider community and family and friends as opposed to personally.

Similar findings were extracted from the sample of residents who responded online:

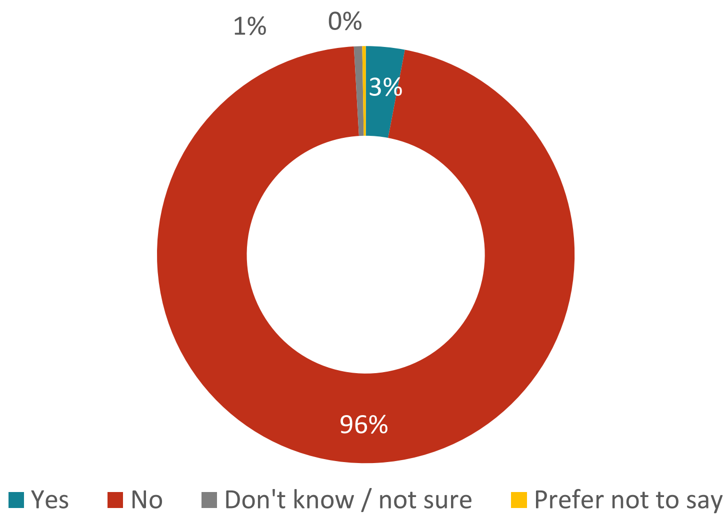


The vast majority of those who responded to the online consultation said they were worried about the impact of Coronavirus on the wider economy with more than 8 in every 10 sharing these concerns. More emphasis on concerns about the impact on the local community was recorded amongst this cohort with more than three quarters (79%) stating they were worried about this aspect.

Moreover, personal concerns were again outweighed by fears for the wider impact of the pandemic and family and friends amongst online respondents. However, slightly higher levels of concern were recorded for mental health and wellbeing (36%), economic wellbeing (42%) and physical health and safety (45%) amongst this group.

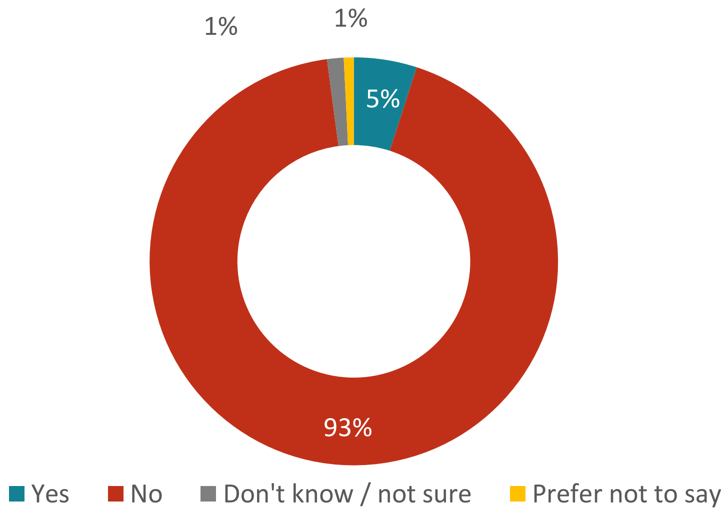
Respondents were asked if they had accessed any support provided by Guildford Borough Council during the pandemic:

Have you or your family accessed any support provided by the Council during the pandemic? (Telephone n=1100)



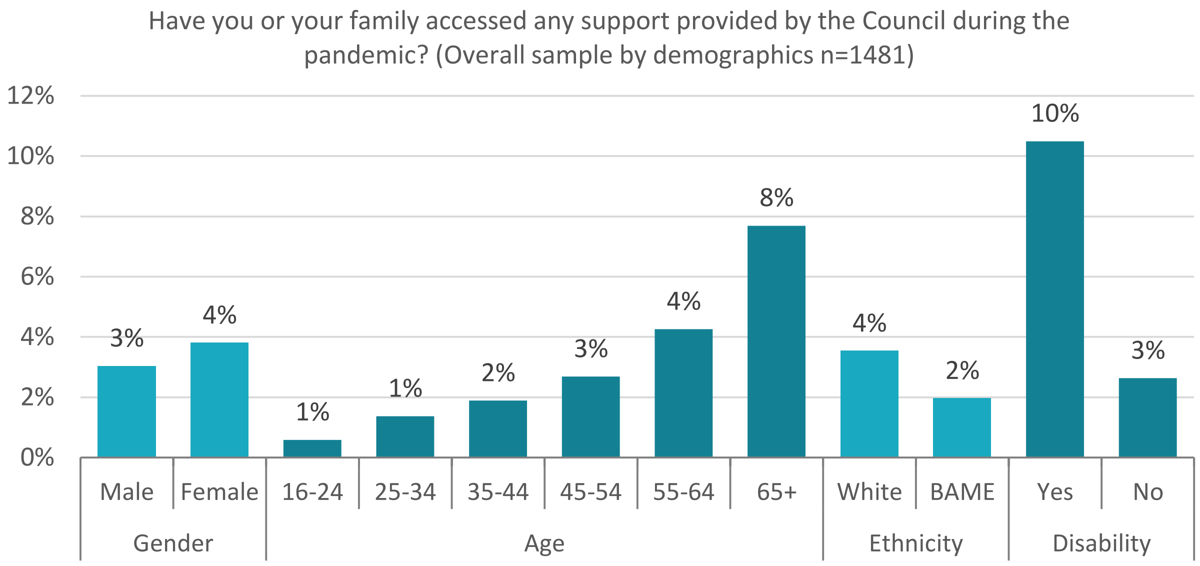
Just 3% of those who participated in the representative telephone survey confirmed they or their family had accessed support provided by the Council during the pandemic; the vast majority stating they had not accessed help.

Have you or your family accessed any support provided by the Council during the pandemic? (Online n=381)



A slightly higher percentage of online participants said they had sought support from Guildford Borough Council during the pandemic, however, access was still low at just 5%.

The two samples were compiled to view any relationships between specific demographics and accessing support:



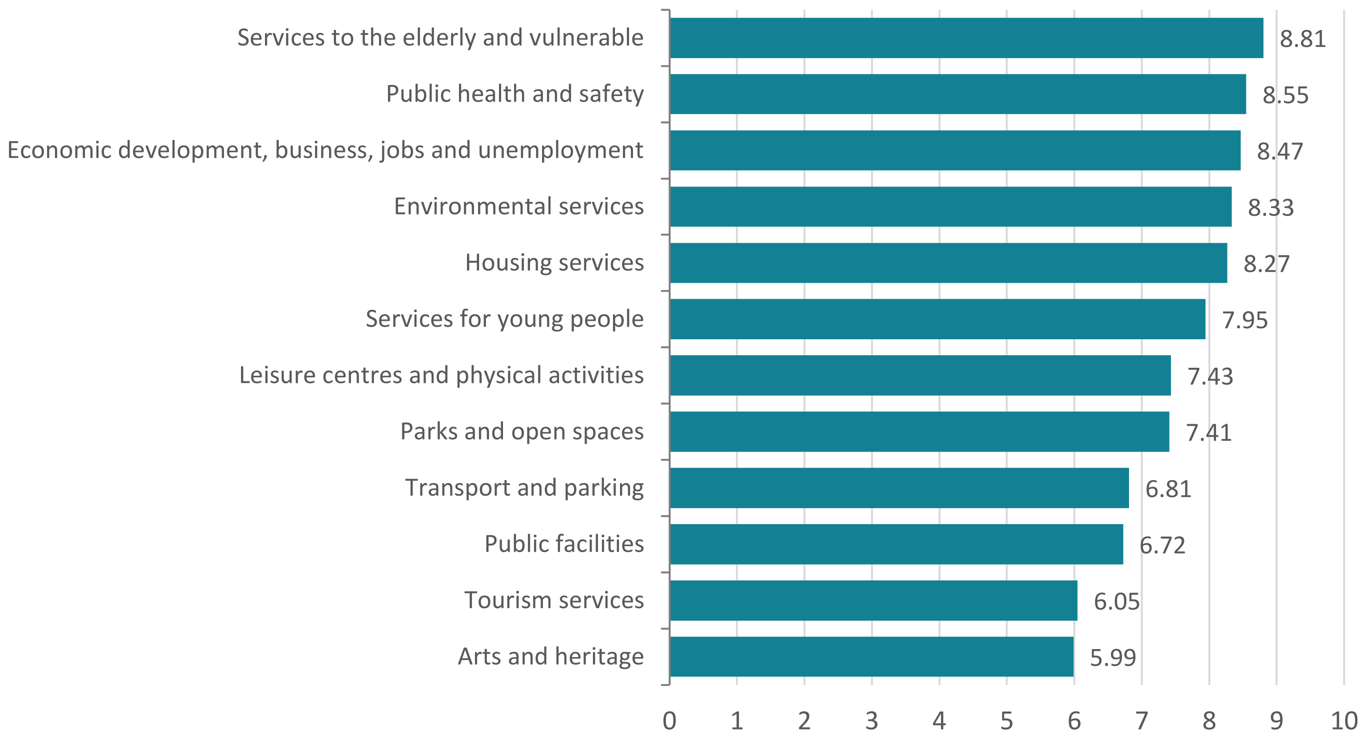
Although the overall sample of those accessing support was relatively low, it was found that older residents were more inclined to have accessed support from the Council during the pandemic (65+, 8%) together with respondents who identified as having a disability (10%).

Prevalent sources of support from the Council included food parcels and deliveries, advice, financial support, and prescription deliveries.

Council Services

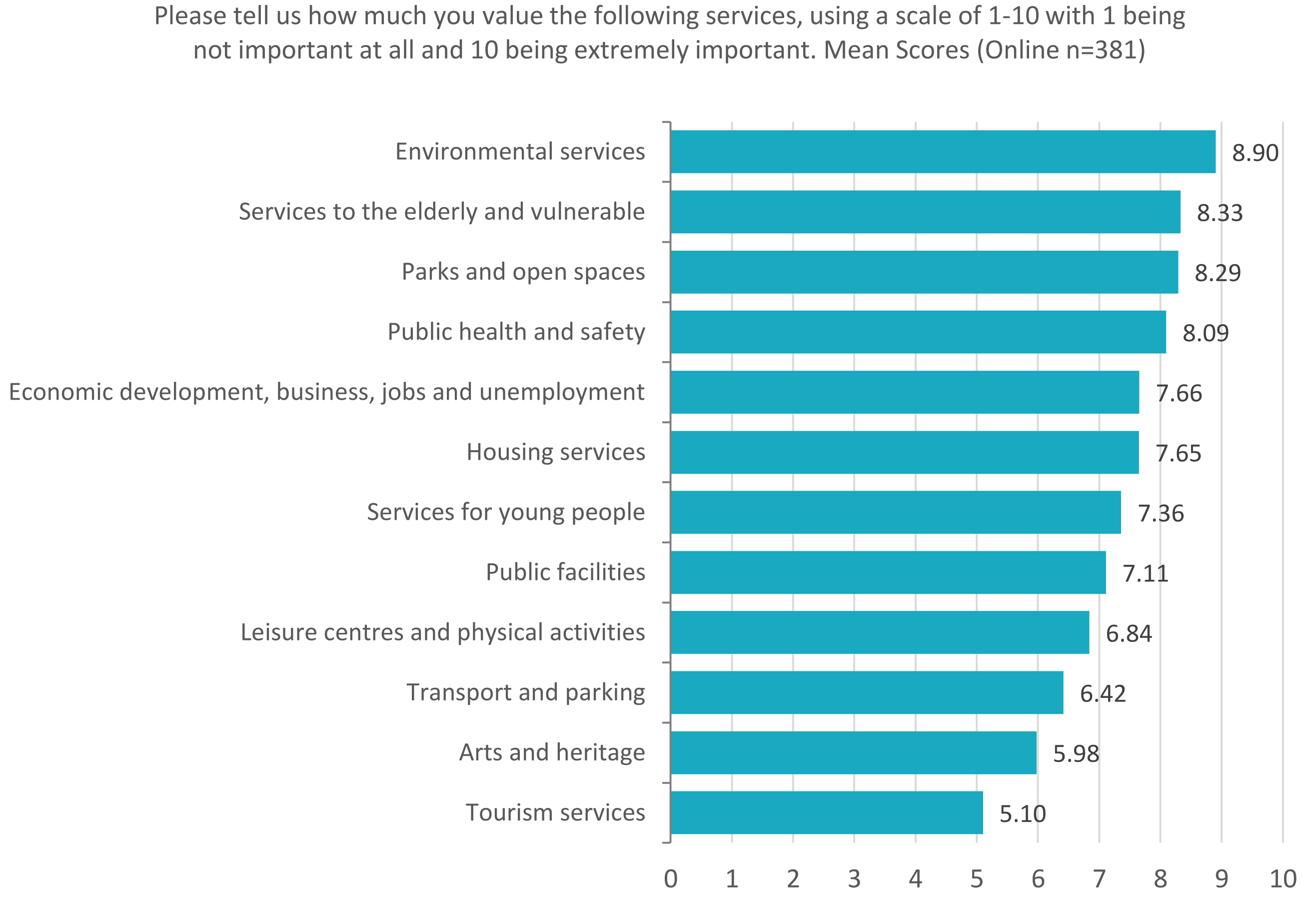
Respondents were then asked look at a series of council services and to use a scale to rate each service in terms of importance, priority, and spending, starting with importance:

Please tell us how much you value the following services, using a scale of 1-10 with 1 being not important at all and 10 being extremely important. Mean Scores (Telephone n=1100)



On average, respondents who participated in the representative telephone consultation valued services to the elderly and vulnerable (8.81), public health and safety (8.55) and economic development (8.47) as most important. Furthermore, environmental and housing services also scored higher than 8 (8.33 and 8.27 respectively). The levels of value placed on the top three services are, perhaps, foreseeable in light of the current pandemic and do seem to mirror concerns expressed earlier in the questionnaire around the economy and wellbeing.

The least value was placed upon arts and heritage (5.99) and tourism services (6.05), which perhaps could be considered less pertinent provisions amidst the current circumstances, together with public facilities (6.72) and transport and parking (6.81).

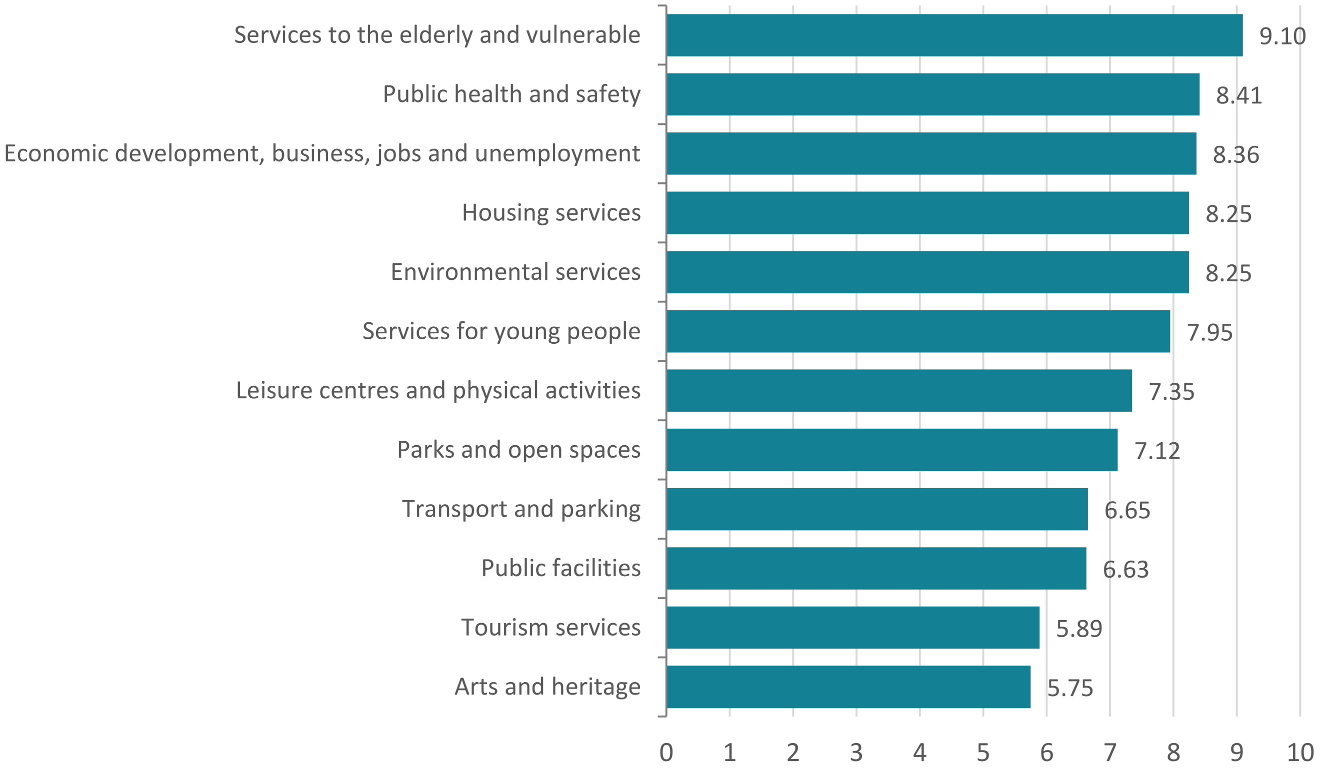


When observing results from the online consultation, services to the elderly and vulnerable (8.33) and public health (8.09) also scored highly, however, most importance was placed on environmental services (8.90). The provision of parks and open spaces also scored highly (8.29) at the expense of economic services (7.66).

Tourism services (5.10) together with arts and heritage services (5.98) were seen to be the least important by online respondents as also seen in the representative sample.

Respondents were then asked to prioritise the same list of services, using a similar scale of 1 to 10 with 10 being a high priority:

Which Council services do you think it is most important to prioritise? Please rate each service using a scale of 1-10 with 1 being not a priority at all and 10 being a high priority.
Mean Scores (Telephone=1100)

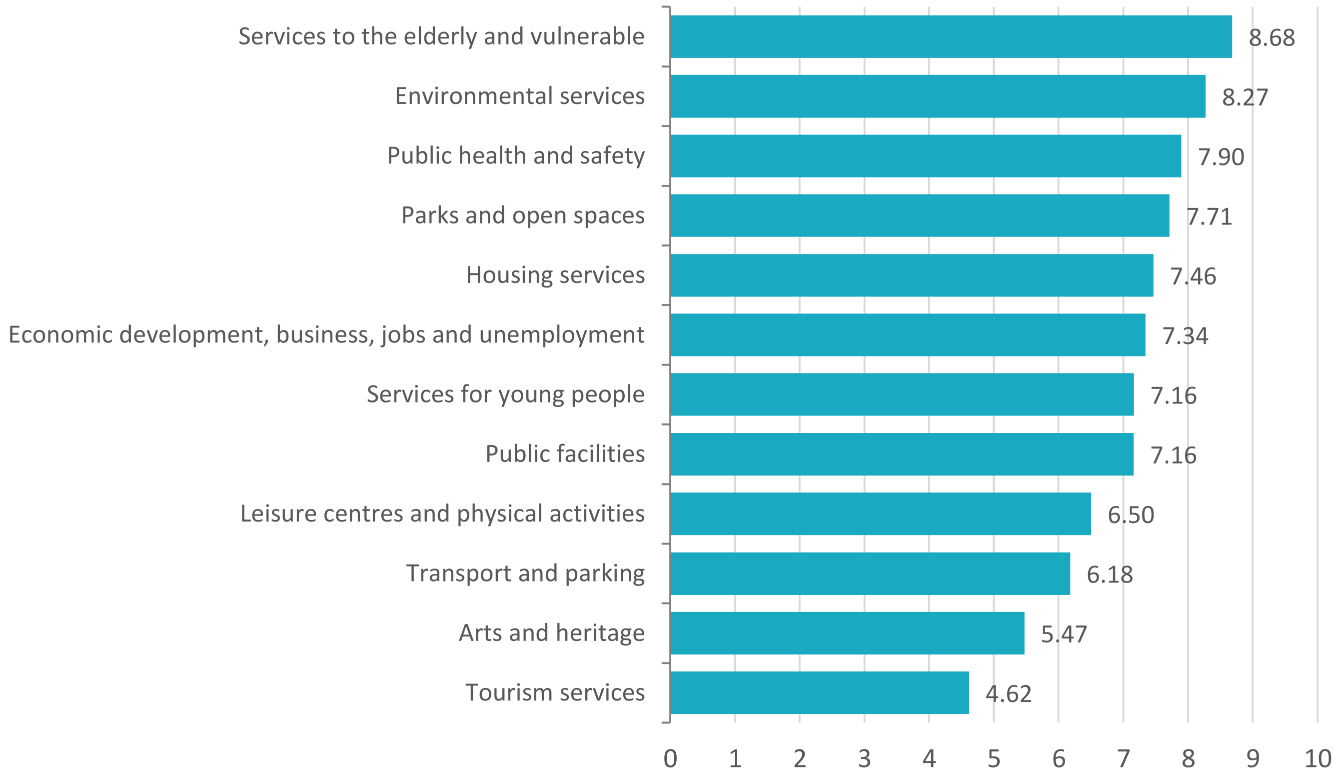


Services for the elderly and vulnerable were again deemed paramount, being the highest rated priority amongst the representative sample (9.10). Public health (8.41), economic services (8.36), housing services (8.25) and environmental services (8.25) were all perceived to be high priority services amongst residents.

Arts and heritage (5.75) and tourism services (5.89) were again rated lowest for this aspect (priority) compared with the previous question with public facilities (6.63) and transport and parking (6.65) also thought to be lower priorities.

The ranking of services in terms of priority was seen to be almost identical to the order in which residents responding to the telephone surveys valued each service.

Which Council services do you think it is most important to prioritise? Please rate each service using a scale of 1-10 with 1 being not a priority at all and 10 being a high priority.
Mean Scores (Online n=381)



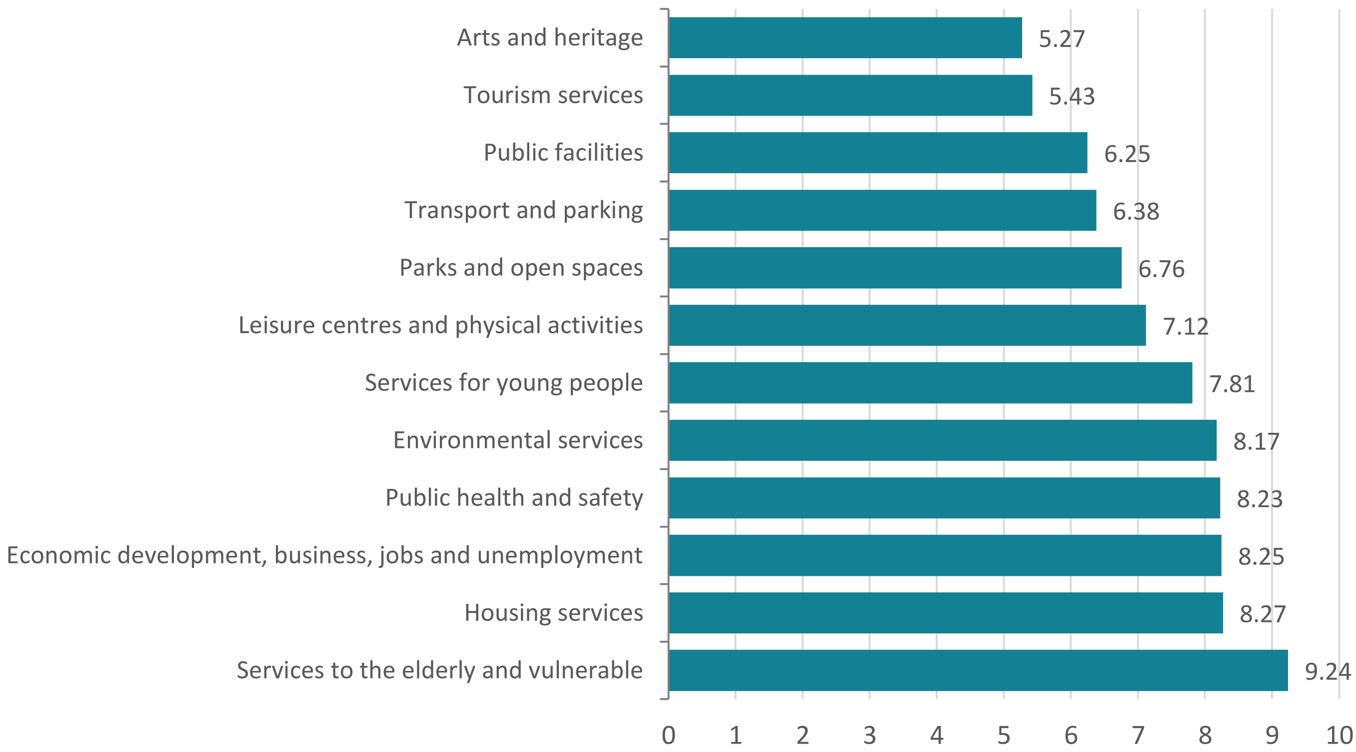
Services to the elderly and vulnerable were also deemed to be the top priority from the list by online respondents (8.68), reinforcing this provision as the highest priority amongst residents across the Borough. Environmental services (8.27) were also seen as a top priority amongst online respondents, reflecting the value placed on this issue amongst this cohort.

In line with previous trends, less emphasis was placed on tourism services (4.62), arts and heritage (5.47), transport and parking (6.18) and leisure centres and physical activity (6.50).

As found in the representative sample, the amount of value placed on each service amongst online respondents was reflected in the ranking of services as a priority. Online respondents tended to place more priority on services related to natural resources (environmental and open spaces) than residents responding via the telephone survey.

Lastly, residents were again asked to use a scale of 1 to 10 and rate to what extent, which services Guildford Borough Council should consider stopping or reducing spending on:

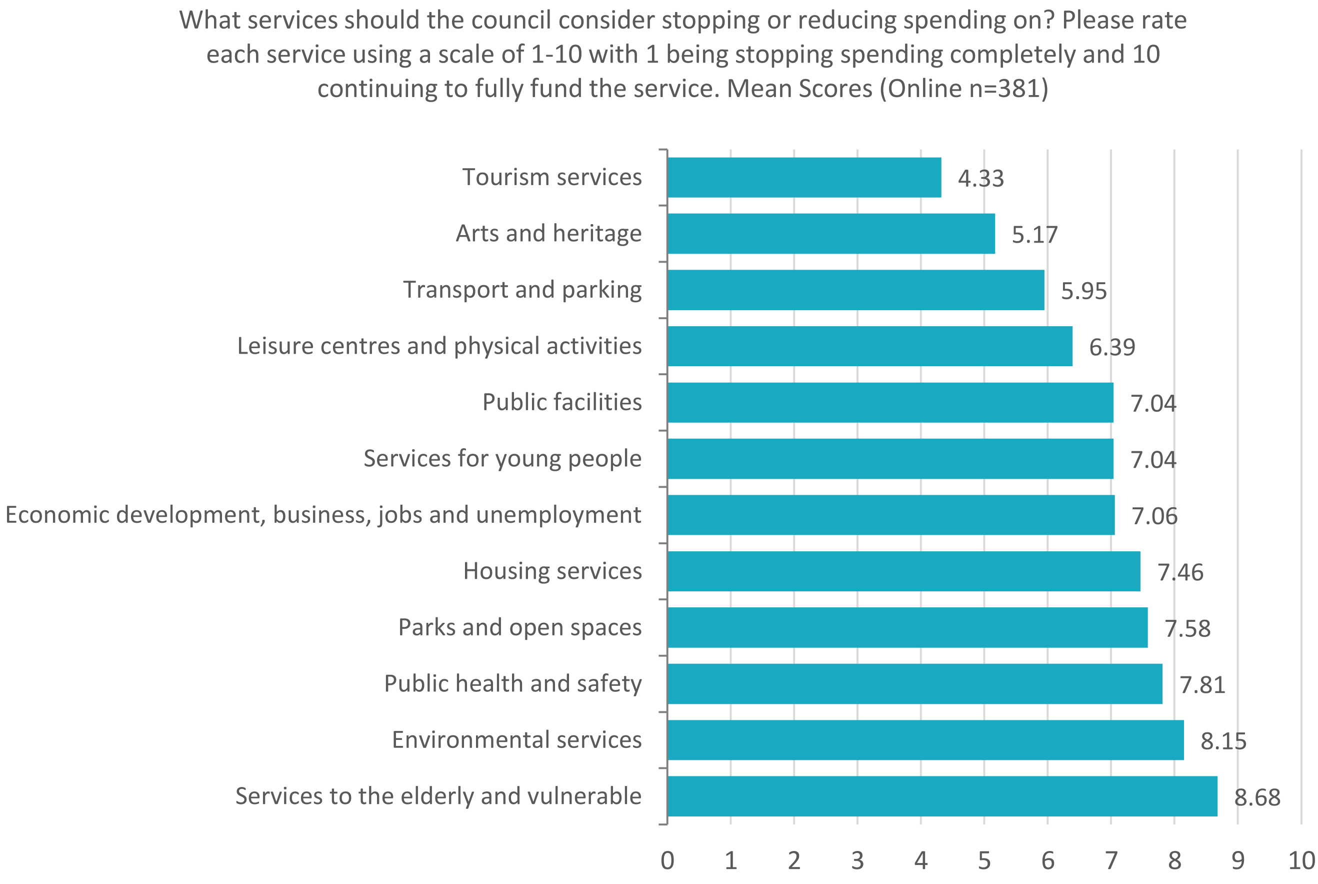
What services should the council consider stopping or reducing spending on? Please rate each service using a scale of 1-10 with 1 being stopping spending completely and 10 continuing to fully fund the service. Mean Scores (Telephone n=1100)



In keeping with lower levels of importance and prioritisation placed on arts and heritage and tourism services, residents responding to the representative consultation felt that spending could be retracted the most for these services. Where 10 represented fully funding a service, arts and heritage scored, on average, the lowest figure of 5.27, followed by tourist services (5.43). Public facilities (6.25) and transport and parking (6.38) also rated lower amongst this cluster of respondents.

Together with being ranked most important and the highest priority amongst telephone respondents, services to the elderly and vulnerable was rated highest in terms of funding, scoring 9.24 on average. Other services that residents felt deserved more funding protection were housing services (8.27), economic services (8.25), public health and safety (8.23) and environmental services (8.17).

The services that residents felt Guildford Borough Council could reduce spending on were largely reflective of earlier ratings attributed to services in terms of importance and priority.



Furthermore, online respondents further supported a reduction in spending on tourism services (4.33) and arts and heritage (5.17) together with transport and parking (5.95) and leisure centres and physical activities (6.39).

Services to the elderly and vulnerable were judged to be worthy or near full funding (8.68) with environmental services (8.15), public health and safety (7.81) and parks and open spaces (7.58) all receiving higher ratings.

When considering the overall sample of respondents, a clear steer emerges. Services to the elderly and vulnerable are considered vital by residents across the Borough for all aspects (importance, priority, spending) whereas arts and heritage and tourism services are perceived as least critical.

The table below sets out the combined results of the telephone and online consultation into rankings, based on the mean score provided for each service for each aspect. The services are ordered by the overall ranking – based on the total score in rank for each aspect. The lowest score being the highest ranked service, overall.

Service	Importance	Priority	Spending	OVR
Services to the elderly and vulnerable	1	1	1	1
Environmental services	2	3	2	2
Public health and safety	3	2	3	3
Economic development, business, jobs, and unemployment	4	4	5	4
Housing services	5	5	4	5
Services for young people	6	6	6	6
Parks and open spaces	7	7	7	7
Leisure centres and physical activities	8	8	8	8
Public facilities	9	9	9	9
Transport and parking	10	10	10	10
Arts and heritage	11	11	11	11
Tourism services	12	12	12	12

Appendices

Questionnaire

Guildford Borough Council

Budget Survey 2020

Introduction

Good afternoon / evening. My name's (use full name) …………….. . I'm calling on behalf of Guildford Borough Council from SMSR Ltd who have been commissioned to conduct an important survey about local service priorities in your area.

Guildford Borough Council are committed to providing high quality and good value services to meet the needs of the local community.

Guildford Borough Council have been working for some years to make sure that we deliver these services in the most cost-effective way. This has already resulted in efficiency savings of £9million and £6.8 million of additional income since 2013-14 and further efforts will continue to reduce the cost of our services. However, reductions in central government funding and the coronavirus pandemic have had a major impact on the Council's finances and will continue to do so.

Guildford Borough Council are currently working on the basis that we need to save another £3 million next year, rising to £4.2 million by 2023-24. As part of that process, The Council would like your views on where you think savings should be made and what our priorities for spending should be. They want to find out which services are important to you and which are not so important.

The Council would also like to understand how the coronavirus pandemic has impacted on you, so that we can continue to support those in need and plan for the recovery of the local community and economy.

In compliance with GDPR you are able to withdraw your consent at any point during or after the interview and we can provide contact details for both Guildford Borough Council and SMSR at any point if you so wish. The data is being collected in accordance with the MRS Code of Conduct and will only be used by Guildford Borough Council. Data collected will not be used for marketing purposes and the interview will take around ... minutes.

If respondent wishes to check validity of research, offer the following contact details: SMSR Ltd - Freephone 0800 1380845 and speak to Lee Atkinson (Project manager) or call the Market Research Society freephone on 0800 975 9596.

If you wish to speak to confirm the validity of this research with Guildford Borough Council - please contact .... during office hours.

Rec Interviews are recorded for monitoring and training purposes. Do you give your consent for this interview to be recorded?

Yes ☐
No ☐

Q1 As we recover from the coronavirus pandemic, how worried, if at all, do you feel personally about its ongoing impact upon the following issues?

	Very worried	Fairly worried	Not very worried	Not at all worried	Don't know
Your physical health and safety	☐	☐	☐	☐	☐
Your mental health and wellbeing	☐	☐	☐	☐	☐
The physical and mental health, safety and wellbeing of your family and friends	☐	☐	☐	☐	☐
Your economic wellbeing	☐	☐	☐	☐	☐
The economic wellbeing of your family and friends	☐	☐	☐	☐	☐
The wider economy	☐	☐	☐	☐	☐
Your local community	☐	☐	☐	☐	☐

Q2a Have you or your family accessed any support provided by the Council during the pandemic? This could include a community helpline, welfare calls, food parcels, meals on wheels, information or guidance.

- Yes ☐
- No ☐
- Don't know / not sure ☐
- Prefer not to say ☐

Q2b If yes, please state which services you or your family have accessed:

We're now going to ask for your views on a series of Council services, such as support for the elderly, waste and recycling, parks, public health, arts, heritage, physical activity and housing.

Q3 Please tell us how much you value the following services, using a scale of 1-10 with 1 being not important at all and 10 being extremely important.

	1	2	3	4	5	6	7	8	9	10
Services to the elderly and vulnerable *(Prompt: community transport, meals on wheels and day centres)*	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Environmental services *(Prompt: waste collection, recycling, street cleansing and dealing with litter)*	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Public facilities *(Prompt: public conveniences, street furniture, bus shelters, bins and signs)*	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Parks and open spaces *(Prompt: parks, countryside, open spaces and sports pitches)*	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Public health and safety *(Prompt: protecting public health, food standards, pollution and environmental control, pest control and animal welfare)*	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Economic development, business, jobs and unemployment *(Prompt: support for the local economy, business, jobs, unemployment and the town centre)*	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Tourism services *(Prompt: support for tourism, including the tourist information centre)*	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Arts and heritage *(Prompt: Guildford Museum, Guildford House Gallery and support for arts organisations such as the Yvonne Arnaud Theatre)*	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Housing services *(Prompt: housing advice, homelessness and emergency housing accommodation and managing council housing)*	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Leisure centres and physical activities *(Prompt: Guildford Spectrum, Ash Manor Sports Centre and Guildford Lido)*	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Services for young people *(Prompt: play areas, events and activities for young people, youth and community centres)*	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Transport and parking *(Prompt: park and ride services, car parks and parking)*	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

Q4 Which Council services do you think it is most important to prioritise? Please rate each service using a scale of 1-10 with 1 being not a priority at all and 10 being a high priority.

	1	2	3	4	5	6	7	8	9	10
Services to the elderly and vulnerable	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Environmental services	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Public facilities	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Parks and open spaces	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Public health and safety	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Economic development, business, jobs and unemployment	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Tourism services	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Arts and heritage	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Housing services	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Leisure centres and physical activities	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Services for young people	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Transport and parking	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

Q5 What services should the council consider stopping or reducing spending on? Please rate each service using a scale of 1-10 with 1 being stopping spending completely and 10 continuing to fully fund the service.

	1	2	3	4	5	6	7	8	9	10
Services to the elderly and vulnerable	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Environmental services	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Public facilities	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Parks and open spaces	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Public health and safety	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Economic development, business, jobs and unemployment	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Tourism services	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Arts and heritage	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Housing services	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Leisure centres and physical activities	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Services for young people	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Transport and parking	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

About you

Finally, a couple of questions about yourself, so that we can understand the views of a whole range of people...

Q6 What is your gender?

- Male ☐
- Female ☐
- Transgender ☐
- Other ☐
- Prefer not to say ☐

Q7 To which of the following age groups do you belong?

- 16-24 ☐
- 25-34 ☐
- 35-44 ☐
- 45-54 ☐
- 55-64 ☐
- 65+ ☐
- Prefer not to say ☐

Q8 Which of these activities best describes what you are doing at present?

- Employee in full-time job (30 hours or more a week) ☐
- Employee in part-time job (under 30 hours a week) ☐
- Self-employed ☐
- In full-time or part time education/training ☐
- Not currently working/unemployed (including if on long-term sickness or disability or looking after the home or family) ☐
- Retired ☐
- Doing something else ☐
- Prefer not to say ☐

Q9 Do you have any long-standing illness, disability or infirmity (long-standing means anything that has troubled you over a period of time or that is likely to affect you over a period of time)?

- Yes ☐
- No ☐
- Prefer not to say ☐

Q10 What is your ethnic group? Are you Asian, Black, or of a mixed background, White, or of another ethnic group?

- Asian or Asian British – Indian ☐
- Asian or Asian British – Pakistani ☐
- Asian or Asian British – Bangladesh ☐
- Asian or Asian British - Any other Asian background ☐
- Black or Black British - Caribbean ☐
- Black or Black British – African ☐
- Black or Black British – Any other Black background ☐
- Asian or Asian British – Chinese ☐
- Mixed –White and Black Caribbean ☐
- Mixed – White and Black African ☐
- Mixed – White and Asian ☐
- Mixed – Any other mixed background ☐
- White – English / Welsh / Scottish / Northern Irish ☐
- White – Irish ☐
- White – Any other white background ☐
- White – Gypsy or Traveller ☐
- Other ☐
- Prefer not to say ☐

Q11 What is your postcode

☐

Thank you for completing this survey

Quota Targets – Telephone Consultation

As part of the telephone consultation, quota targets were set, based on the latest Office of National Statistics data for the population of Guildford. Data for those aged 16 and under was removed before calculating the targets. Targets were set for Gender, Age and Ethnicity to ensure results were based on a sample, representative of the Borough.

The targets are set out below:

Gender	Number	Percentage
Male	544	49%
Female	556	51%

Age	Number	Percentage
16-24	180	17%
25-34	180	16%
35-44	191	17%
45-54	184	17%
55-64	152	14%
65+	210	19%

Ethnicity	Number	Percentage
White	1000	91%
BAME	100	9%

Respondents were selected by means of *stratified random sampling* alternatively known as *random quota sampling.* This method of sampling that involves the division of a population into smaller sub-groups known as strata. In stratified random sampling, or stratification, the strata are formed based on the population's shared attributes. Sample data was drawn from several, GDPR compliant sources, including the Council's Citizens' Panel, and randomised in a telephone dialler system to ensure each potential respondent in the data had an equal chance of being selected for interviewing.

Confidence level and interval overview

The confidence interval (also called margin of error) is the plus-or-minus figure usually reported in newspaper or television opinion poll results. For example, if you use a confidence interval of 4 and 47% percent of your sample picks an answer you can be "sure" that if you had asked the question of the entire relevant population between 43% (47-4) and 51% (47+4) would have picked that answer.

The confidence level tells you how sure you can be. It is expressed as a percentage and represents how often the true percentage of the population who would pick an answer lies within the confidence interval. The 95% confidence level means you can be 95% certain; the 99% confidence level means you can be 99% certain. Most researchers use the 95% confidence level.

When you put the confidence level and the confidence interval together, you can say that you are 95% sure that the true percentage of the population is between 43% and 51%. The wider the confidence interval you are willing to accept, the more certain you can be that the whole population answers would be within that range.

For example, if you asked a sample of 1000 people in a city which brand of cola they preferred, and 60% said Brand A, you can be very certain that between 40 and 80% of all the people in the city actually do prefer that brand, but you cannot be so sure that between 59 and 61% of the people in the city prefer the brand.

Agenda item number: 7
Appendix 5

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SMSR RESEARCH

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