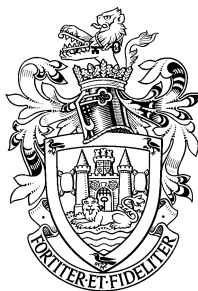


# GUILDFORD BOROUGH COUNCIL



## MOSELEY MAYOR

Contact Officer:

John Armstrong,  
Democratic Services and Elections Manager

27 September 2021

To the Councillors of Guildford Borough Council

You are hereby summoned to attend a meeting of the Council for the Borough of Guildford to be held in the **Council Chamber, Millmead House, Millmead, Guildford, Surrey GU2 4BB** on **TUESDAY 5 OCTOBER 2021** commencing at 7.00 pm.



James Whiteman  
Managing Director

Millmead House  
Millmead  
Guildford  
Surrey GU2 4BB

[www.guildford.gov.uk](http://www.guildford.gov.uk)

### 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.

## 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:

- |                     |  |
|---------------------|--|
| <b>Place-making</b> | 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   |
| <b>Community</b>    | Supporting older, more vulnerable and less advantaged people in our community  |
|                     | Protecting our environment   |
|                     | Enhancing sporting, cultural, community, and recreational facilities   |
| <b>Innovation</b>   | 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.

<b>Time limits on speeches at full Council meetings:</b>	
Public speaker:	3 minutes
Response to public speaker:	3 minutes
Questions from councillors:	3 minutes
Response to questions from councillors:	3 minutes
Proposer of a motion:	10 minutes
Seconder of a motion:	5 minutes
Other councillors speaking during the debate on a motion:	5 minutes
Proposer of a motion's right of reply at the end of the debate on the motion:	10 minutes
Proposer of an amendment:	5 minutes
Seconder of an amendment:	5 minutes
Other councillors speaking during the debate on an amendment:	5 minutes
Proposer of a motion's right of reply at the end of the debate on an amendment:	5 minutes
Proposer of an amendment's right of reply at the end of the debate on an amendment:	5 minutes

## **AGENDA**

### **1. APOLOGIES FOR ABSENCE**

### **2. DISCLOSURES OF INTEREST**

To receive and note any disclosable pecuniary interests from councillors. 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 - 20)**

To confirm the minutes of the meeting of the Council held on 28 July 2021.

### **4. MAYOR'S COMMUNICATIONS**

To receive any communications or announcements from the Mayor.

### **5. LEADER'S COMMUNICATIONS**

To receive any communications or announcements from the Leader of the Council.

### **6. PUBLIC PARTICIPATION**

To receive questions or statements from the public.

### **7. QUESTIONS FROM COUNCILLORS**

To hear questions (if any) from councillors of which due notice has been given.

### **8. CAPITAL AND INVESTMENT OUTTURN REPORT 2020-21 (Pages 21 - 90)**

9. **COUNCILLOR EMAIL SIGNATURE GUIDANCE** (Pages 91 - 96)
10. **PROTOCOL ON THE APPOINTMENT, ROLE, STATUS, RIGHTS AND OBLIGATIONS OF HONORARY FREEMEN AND HONORARY ALDERMEN**  
(Pages 97 - 108)
11. **APPOINTMENTS TO EXTERNAL ORGANISATIONS: VACANCY FOR TRUSTEE ON GUILDFORD POYLE CHARITIES** (Pages 109 - 114)
12. **MINUTES OF THE EXECUTIVE** (Pages 115 - 118)  
To receive and note the attached minutes of the meeting of the Executive held on 20 July 2021.
13. **COMMON SEAL**  
To order the Common Seal to be affixed to any document to give effect to any decision taken by the Council at this meeting.

## GUILDFORD BOROUGH COUNCIL

Draft Minutes of a meeting of Guildford Borough Council held at Council Chamber, Millmead House, Millmead, Guildford, Surrey GU2 4BB on Wednesday 28 July 2021

\* The Mayor, Councillor Marsha Moseley (Mayor)

\* The Deputy Mayor, Councillor Dennis Booth (Deputy Mayor)

- |                                  |                               |
|----------------------------------|-------------------------------|
| Councillor Paul Abbey            | * Councillor Ted Mayne        |
| * Councillor Tim Anderson        | * Councillor Julia McShane    |
| * Councillor Jon Askew           | * Councillor Ann McShee       |
| * Councillor Christopher Barrass | * Councillor Bob McShee       |
| * Councillor Joss Bigmore        | * Councillor Masuk Miah       |
| * Councillor David Bilbé         | * Councillor Ramsey Nagaty    |
| * Councillor Richard Billington  | Councillor Susan Parker       |
| * Councillor Chris Blow          | * Councillor George Potter    |
| * Councillor Ruth Brothwell      | Councillor Jo Randall         |
| * Councillor Colin Cross         | * Councillor John Redpath     |
| * Councillor Guida Esteves       | * Councillor Maddy Redpath    |
| * Councillor Graham Eyre         | * Councillor John Rigg        |
| Councillor Andrew Gomm           | * Councillor Tony Rooth       |
| * Councillor Angela Goodwin      | Councillor Will Salmon        |
| * Councillor David Goodwin       | * Councillor Deborah Seabrook |
| * Councillor Angela Gunning      | * Councillor Pauline Searle   |
| * Councillor Gillian Harwood     | * Councillor Paul Spooner     |
| * Councillor Jan Harwood         | * Councillor James Steel      |
| Councillor Liz Hogger            | * Councillor Cait Taylor      |
| * Councillor Tom Hunt            | Councillor James Walsh        |
| * Councillor Diana Jones         | Councillor Fiona White        |
| * Councillor Steven Lee          | * Councillor Keith Witham     |
| * Councillor Nigel Manning       | * Councillor Catherine Young  |

\*Present

### **CO28 APOLOGIES FOR ABSENCE**

Apologies for absence were submitted on behalf of Councillors Paul Abbey, Andrew Gomm, Liz Hogger, Susan Parker, Jo Randall, Will Salmon, James Walsh, and Fiona White.

### **CO29 DISCLOSURES OF INTEREST**

There were no disclosures of interest.

### **CO30 MINUTES**

The Council confirmed, as a correct record, the minutes of the combined Annual Meeting and Selection Meeting held on 19 May and the extraordinary meeting held on 6 July 2021. The Mayor signed the minutes.

### **CO31 MAYOR'S COMMUNICATIONS**

The Mayor reported that, since the last Council meeting, the Borough had continued to open up and highlighted a few of the events that she had had the privilege of attending:

On Thursday 8 July, along with the Deputy Mayor, the Mayor visited Oakleaf Enterprise, a charity based in the town whose aim was to transform the lives and futures of adults managing their mental health and help them secure the skills, confidence and training needed to return to

the workplace. Notwithstanding the huge impact of Covid on their operations, the Mayor congratulated them for adapting so quickly and being able to help and support their most vulnerable clients during the pandemic.

On Saturday 17 July 2021 the Mayor was a judge in the Children's Business Fair held in the High Street, which gave young entrepreneurs aged between 7 and 17 the opportunity to launch their very own business, sell to real customers and make their own money. There were over 40 stands with a wide variety of products and judging was tough in the four categories: Best Product, Best Stand, Best Sales Presentation and Judge's Choice.

On 21 July, the Mayor had the honour of re-opening the refurbished Clubhouse at Burpham Bowling Club, in the company of at least 16 Chelsea Pensioners. Following the formalities, the Pensioners went on to bowl impressively in the very extreme heat.

On 23 July, the Mayor attended the 25<sup>th</sup> anniversary AGM of the Friends of Guildford Museum. The Friends were a local Group who had supported the Museum with volunteers and fund raising. Over the years, they had experienced waves of excitement and disappointment as plans for the museum had fallen through. However, the reopening of the museum after the pandemic, and the appointment of a new Heritage Manager had offered a fresh start. They had already met with the Heritage Team to discuss how they could help support the creation of a lively programme that will attract visitors.

### **CO32 LEADER'S COMMUNICATIONS**

The Leader reported that the vaccination centre at G Live closed in the previous week with a new centre opening at George Abbot School, Burpham later this week. The Leader noted that more than 80 percent of the people in the Borough had now been vaccinated and urged those who had not yet been vaccinated to visit the NHS website and to book an appointment.

The Leader was pleased to see the recent data that coronavirus cases were falling, both locally and nationally, but still reminded everyone to respect the guidelines.

The Leader informed the Council that this week was Keep Britain Tidy's *Love Parks Week*, which was a chance to celebrate the Council's award-winning parks and green spaces and to remember the importance of looking after them. The Leader thanked the Parks and Countryside Team for maintaining them all year round so that residents and visitors could enjoy the mental and physical health benefits of using the parks.

Councillors noted that the Farmers' Market returned to Guildford High Street on 3 August 2021 from 10.30 am to 3.30 pm with up to 50 local producers selling fresh fruit and vegetables, poultry and meats, and handmade crafts.

The Leader informed the Council that a new online housing register had been launched this week.

Finally, the Leader reported that he had agreed to clarify the portfolio responsibilities of the Lead Councillor for Climate Change, by including Air Quality in his portfolio.

### **CO33 PUBLIC PARTICIPATION**

No members of the public had given notice of their wish to ask a question or make a statement.

At this point, a member the public interrupted proceedings and the Mayor adjourned the meeting. Following a short delay, the meeting resumed.

**CO34 QUESTIONS FROM COUNCILLORS**

- (a) Councillor Ramsey Nagaty asked the Leader of the Council, Councillor Joss Bigmore, the following question:

*“Following the press release issued by the Council on 17 May 2021, which stated that ‘We have started to review the Guildford Local Plan and the evidence behind it’, may I please ask the Leader of the Council:*

- (1) To provide an update on progress with the review, and in particular progress with the appointment of a top level experienced independent Planning Expert or Barrister, who will take a fresh view and approach to this review, and to assist objectively and advise the best ways forward; and*
- (2) To put in place a working group to progress the review urgently.”*

The Leader’s response was as follows:

- “(1) Officers have undertaken initial work reflecting the steps to be followed in order to review the Local Plan. This is based on published Planning Advisory Service guidance. I have agreed with our Strategic Services Director that this work should be expanded to incorporate a ‘roadmap’ reflecting the appropriate route to not only review the Local Plan, but also update the Plan’s Evidence Base. In parallel, the process of reviewing the Local Plan transport evidence base, as part of the wider review process, is being progressed with Surrey County Council and Highways England. Independent expertise will be drawn on as and when necessary during the process.*
- (2) Councillors Jan Harwood, John Rigg, and Tim Anderson have been providing input to this process. I will take under consideration whether to invite a formal working group to consider the ‘roadmap’ when it is delivered in the week commencing 6 September”.*

In response to a supplementary question, asking whether the Council needed a strongly motivated chairman, together with an experienced independent planning expert to plan the route of the “roadmap” without further delay, the Leader of the Council stated that he was confident that the strong leadership required was already in place and that he would be calling on independent experts whenever necessary.

The Leader was also asked to whom the roadmap would be delivered and whether it would include a scope of what the review would look like and the level of priority to be given to the review of the Local Plan, notwithstanding the forthcoming consideration of the Local Plan Development Management Policies (DMP). The Leader confirmed that the DMP would be considered by the Joint EAB in September 2021, and that the timetable allowed the roadmap to

be produced and delivered to him in early September. The Leader would take into consideration who then should consider it further, and that until the roadmap was produced, he could not add any further detail about timescales or urgency but gave an assurance that the Council would be updating the Local Plan, to include a Town Centre Masterplan, as soon as possible.

In response to a further question as to what impact, if any, does the review of the Local Plan have on the scheduling and timing of the remainder of the Local Plan, the Leader stated that he could not answer the question until he saw the roadmap.

- (b) Councillor Ramsey Nagaty asked the Deputy Leader and Lead Councillor for Climate Change, Councillor Jan Harwood, the question set below. (Councillor Harwood's response to each element of the question is set out in red type below.)

*"There is considerable concern from residents of Shalford regarding progress with managing the Air Quality Management Area (AQMA) in Shalford. Could the Lead Councillor for Environment kindly confirm:*

- (1) *what actions have been taken to address the air quality issues so far?*  
*"The Council understands the residents' concerns about air quality within the AQMA in Shalford and wants to work with local residents, ward councillors, Surrey County Council and the Parish Council in achieving compliance with air quality limits. This is a really challenging issue to solve as the predominant source of emissions is domestic cars as they drive along the main road through the village.*

*The Council has an Air Quality Action Plan for Shalford which details the actions the Council is planning on taking to address the AQMA. A number of measures and initiatives, which will improve air quality, or raise awareness, are already being implemented in the Guildford area. These are not focussed specifically in Shalford but assist in reducing emissions more generally and increasing awareness of air quality, travel choice and choice of vehicle. These include easitGUILDFORD and an Electric Vehicle charging network pilot study.*

*Officers have started some early discussions on some of the Shalford specific measures such as improvements to cycle paths plus bus and train improvements and hope to make more progress this year. These are really challenging measures and will require support from partners to deliver improvements."*

- (2) *what impact has this had on the air quality within the AQMA?*  
*"The impact is unknown at this stage particularly as air quality at this time is not representative of normal traffic patterns".*
- (3) *what actions will be taken going forward in light of the current pollution levels recorded as may be adjusted for the reduced traffic during the Pandemic?*  
*"The reduction in traffic during the height of the pandemic was reflected in our air quality monitoring across the Borough and therefore monitoring data during this period alone will not be used to make any key decisions about air quality. More recent results suggest traffic levels are starting to increase in parallel with the easing of restrictions".*
- (4) *when will the monitoring information to date, and any plans covering both Shalford and the wider Guildford area, be published for residents to see?"*

*"Our air quality monitoring results for the whole Borough are published on the Council's website. Please note that this is the raw data, and a valid bias factor must be applied for interpretation purposes.*

<https://www.guildford.gov.uk/article/19807/Find-out-how-we-monitor-air-quality-and-pollution>

*The 'Annual Status Report' submitted to DEFRA reviews the previous year's air quality monitoring and follow up actions. Once approved by DEFRA this year's report will be available on the Council's website".*

In response to a supplementary question asking the Lead Councillor to consider urgently the proposal for a park and ride facility at Stonebridge Wharf, which assist greatly in resolving some of the town centre traffic and air quality issues, the Lead Councillor stated



that the Council was working with Highways England and Surrey County Council on a range of short and longer-term solutions.

- (c) Councillor Paul Spooner asked the Lead Councillor for Resources, Councillor Tim Anderson, the question set below. (Councillor Anderson's response to each element of the question is set out in **red type** below.)

*"The Council acquired Liongate in 2013 following the financial crisis and during a period when investment in property still enabled significant return on investment for rental properties, as demonstrated by the significant rental income obtained over the period the Council retained ownership of the property.*

*However, the Council disposed of this asset in 2020 at a significant loss on the apparent basis that the Executive were informed that a conversion to residential could not be obtained, and the property was sold through private treaty (not public auction as claimed by the Leader) on an unconditional basis, without overage or any other clause to enable best value to be obtained should a new owner be successful in obtaining planning permission from the Local Planning Authority (GBC). In a very short period after disposal the new owners were able to obtain not one but two planning permissions for residential conversion and this has left the Council with a substantial loss to the residents of Guildford and no opportunity to use the site for affordable rent or social rent for the many residents who could have benefitted from retention and investment in the site, and a significant increase in book value for the Council Tax-payers of the Borough.*

*I ask that the Executive launch an urgent and thorough independent investigation into how this occurred. The decisions made are difficult to understand on so many levels and we need to understand what went wrong that resulted in a £3m loss between purchase and sale value and the lost opportunity for much needed Council housing.*

*In particular, I would like to ask the Lead Councillor for Resources:*

- 1. Why was this property disposed of and not regenerated by the Council for much needed housing? Permitted Development rights would show that residential use would be readily obtained (as it was)?*

*"In September 2018, pre-empting the tenant actioning their break, the Council commissioned Lambert Smith Hampton (LSH) to prepare an Options Appraisal for Liongate on the potential future uses of the site.*

*The report reviewed the relative merits of each option and provided a high-level range values for each and their view on demand/risk factors. To inform this a site survey, Flood Risk assessment and pre-planning advice were also commissioned.*

- Refurbishment by GBC for continued office use - **£4.0 - £5.0 million***
- Sale for residential with prior approval for PD - **£8.5 - £9.5 million***
- Sale for residential use - **£7.0 - £8.0 million***
- Sale for retirement living/care home – Extra Care: **£8.5- £9.5 million**, Retirement: **£7.5- £8.5 million***
- Sale/pre-let as a hotel - **£5.0 - £5.5 million***
- Sale for retail use - **£5.0 - £5.5 million***
- Sale for self-storage use - **£4.0 - £5.0 million***

*The option to redevelop the site for housing internally was discussed with the Director of Community Services but dismissed due to the complexities of the site and the lack of in-house expertise."*

2. *On what basis was the property considered for use by the Council (if at all)?*

*“See above. In addition, the Council did consider relocating its operations to the site and releasing Millmead, but it was agreed that the site was unsuitable”.*

3. *Why wasn't a Permitted Development Planning Certificate put in place before the property was offered in the market, with the clear added value if that had happened?*

*“In September 2018, pre-empting the tenant actioning their break, the Council commissioned LSH to prepare an Options Appraisal for Liongate on the potential future uses of the site.*

*The report reviewed the relative merits of each option and provided a high-level range values for each and their view on demand/risk factors. To inform this a site survey, Flood Risk assessment and pre-planning advice were commissioned. The flood risk assessor was in dialogue with the EA to produce their report. However, the EA was not very forthcoming with information.*

*The pre-planning advice stated:*

*“Sale for residential with prior approval for Permitted Development. The building is located within flood zone 3b. Residential uses fall within 'more vulnerable' as identified in the Flood Risk Vulnerability Classification of the NPPG. In Flood Zone 3b residential development should not be permitted. As such there is an in-principle objection. Any prior approval application would need to be accompanied by a site-specific flood risk assessment. We would consult the Environment Agency on any prior approval application. However, I must advise it is unlikely that prior approval would be granted, given the identified flood risk and 'more vulnerable' use.”*

*After commissioning a new and more involved flood risk assessment (using a different Assessor who had had success at Stoke Mill and a good dialogue with the EA) we received further advice from planning including the following statement from Planning dated 17 October 2019:*

*“As discussed, I'm not aware the LPA has considered any office to resi PD prior approvals in flood zone 3 so we don't have a lot of precedents to draw on. What I can say is that we have strongly resisted resi and student schemes in flood zone 3 where these have been subject to applications for planning permission. I think it would be hard for a scheme to pass the sequential and exception tests for resi on this site if planning permission was sought, but this will be something that needs to be considered and demonstrated by the applicant.”*

*Given the issues around planning and to take advantage of any interest, it was decided not to try to obtain prior approval but perform a full marketing campaign on an 'any offer' basis and asked potential purchaser to rely on the advice given in the new FRA (attached as Appendix 1 to this Order Paper) which stated that:*

*“Based on the modelling the site is concluded to be outside the Functional Floodplain (i.e. the 1 in 20-year event). As such the policy within Guildford Borough Council's Local Plan that states that development within Flood Zone 3b should not increase the existing vulnerability classification does not apply. A proposed change of use application in this location can therefore be considered acceptable provided suitable flood resilience and resistant approaches be included within the scheme.”*

*This enabled the Council to obtain the full value for the site without the risk and cost of applying for PD approval and it being rejected which would have significantly reduced the value of the site”.*

4. *Who authorised the property being sold at a £3m loss? I am not aware of any similar property that was valued in 2013 and then again in 2020 that ‘achieved’ such a loss in property value?*

*“The matter was approved by the Executive on 29 November 2019 - minute EX65.*

*The property was recorded in accounts as being sold for £10,820,000 (£10,170,000 + £700,000- £50,000 deposit). £108,463 of costs (legal, marketing, security, dilaps surveys) was deducted. This made a total capital receipt in accounts of **£10,711,536.93**. £850k was written out to I&E on disposal – investment properties hit I&E each year - both upward and downward.*

*For information, valuation history is:*

*2013-14 purchase £13m*

*2014-15 £13.865m*

*2015-16 £14m*

*2016-17 £14.35m*

*2017-18 £14.42m*

*2018-19 £13m*

*2019-20 £12.15m*

*The void also led to a loss of rental of £980,000pa. Whilst the property remained vacant there was empty premises business rates liability of £125,000, meaning that the budgeted income shortfall was £1.105m per annum. There were also escalating costs around utilities and security.*

*Please also see best consideration letter from agent (attached as Appendix 2 to this Order Paper).”*

5. *Why was the Council apparently so concerned by EA speculation that flood risk would make Residential conversion impossible given residential permission was so readily given by the same Council as LPA?*

*“Pre-application advice highlighted that the site is located within Flood Zone 3b which carries significant constraints in terms of planning policies and flood risk concern. Consent was sought through the Prior Approval route and therefore only specific matters could be considered. The first two Prior Approval applications (19/W/00109 and 19/W/00110) were both refused on these grounds carrying objections from the Environment Agency. Therefore, this would highlight that the initial concerns were valid.*

*The following application, 20/W/00021, included a significant amount of additional information in respect of this matter and changes to the scheme as result the Environment Agency raised no objection to this application and as a result the Prior Approval application was approved.”*

6. *Why didn’t the Council write in an overage clause?*

*“The purchaser was buying the site for residential conversion and was, in their view, paying a price based on the assumption they would obtain prior approval for that use.*

The next highest (i.e. lower) residential bid was in fact conditional on getting prior approval.

An overage clause is generally included in a commercial property/land sale contract and is used by the selling party for them to receive additional funds after the sale has been completed and an agreed 'trigger event' has taken place. The Council did request an overage payment but as the price already was a full price based on the assumption that they would obtain planning, an overage clause was unacceptable to the bidder”.

*Given this Council’s decision to hold independent enquiries on small matters such as Burchatts Farm Barn, this certainly justifies a formal and extensive investigation and report to the Council Tax payers in Guildford.”*

*“In this case, I believe an independent investigation is unnecessary. Previous investigations were seen to be necessary to uncover information to better understand the circumstances which led to a particular situation and the decision-making process. This time we are in possession of many committee meeting papers which were presented and minutes documenting conclusions. Additionally, we have reports from consultants on a wide range of options which were analysed and considered before decisions were made. The response to the six parts of the question above is comprehensive and has provided an opportunity to present an accurate picture which corrects assertions made in a political leaflet. Lastly, I do not question the original decision to acquire Liongate, but others may well do.”*

In a supplementary question, the Lead Councillor was asked whether he would reconsider the request for an investigation, even if it was an investigation that involved an internal working group or the Executive, in order to understand this process and how the Council ended up in the current situation. The Lead Councillor’s response was that a great deal of information on this matter had already been made public, including two supplementary reports from consultants, to provide extensive answers to the original question.

In response to a further question as to:

- (a) whether or not, once rent was taken into account, a net loss was made to the tax payer as a result of this property investment and
- (b) whether at the time of the sale the Overview and Scrutiny Committee expressed any interest in exercising its right to call in the decision to sell the property and whether that Committee could, if it wished, look at this further if it felt that further scrutiny was appropriate

the Lead Councillor responded by stating that there had been ten bidders for the property and the highest bid was taken which was a little over £10 million, which removed the building from our books. If it had stayed on our books, the Council would have had an empty property incurring substantial costs such as rates and security and would have had to forgo a loss of nearly £1 million in rent. The decision to sell at the time had been the right decision. The Lead Councillor did not know whether it was in his power to agree to further scrutiny of the decision but stated that he could not see any merit in doing this.

In response to a question on whether the Lead Councillor would organise a meeting for the Lead Councillor for Regeneration to meet with interested councillors to explain to them how investment property worked, the Lead Councillor stated that if Lead Councillor for Regeneration was willing to do this, then he would like to join that meeting.

Finally, in response to a further question which asked why, bearing in mind the expert report which stated that permitted development rights could be secured for the building for residential use, the Council did not pursue that course of action, the Lead Councillor responded by stating

that permitted development had been applied for twice and refused and the third time it was obtained so getting permitted development was never going to be easy because the building was in a flood plain. The property was in an extremely poor position and buying it to refurbish it into residential would have been an extremely risky and speculative proposition.

### **CO35 LOCAL GOVERNMENT COLLABORATION UPDATE**

Councillors were reminded that following consideration of opportunities for greater partnership working with Waverley Borough Council, the Council at its extraordinary meeting on 6 July 2021 had resolved:

- (1) to pursue the option of creating a single management team with Waverley Borough Council, comprised of statutory officers (Head of Paid Service; Chief Finance Officer; Monitoring Officer), directors and heads of service as the most appropriate means for bringing forward business cases for future collaboration;
- (2) to begin making arrangements for a recruitment and selection of a single joint Chief Executive (acting as Head of Paid Service for both Guildford and Waverley Borough Councils); and
- (3) to submit to the Council at this meeting a report on the following matters:
  - (a) heads of terms for the proposed inter-authority agreement to establish governance arrangements for joint working;
  - (b) the proposed job description and terms and conditions in respect of the appointment of a Joint Chief Executive; and
  - (c) the establishment of a joint appointments committee, including its composition and terms of reference.

The Council considered a report which provided an update on the collaboration and had set out the information referred to above for further agreement.

The Council noted that at its meeting on 22 July, the Employment Committee had agreed to commend the proposed role profile (job description) in respect of the appointment of a Joint Chief Executive (Appendix 2 to the Council report) and also the proposed terms of reference and composition of the Joint Appointments Committee for approval by the Council (Appendix 4 to the Council report).

Since the publication of the agenda on 20 July, a revised version of the draft Heads of Terms for the proposed Inter Authority Agreement had been drafted, a copy of which had been circulated to all councillors on 22 July.

The Leader of the Council, Councillor Joss Bigmore proposed, and the Deputy Leader, Councillor Jan Harwood seconded the following motion:

- “(1) To note the revised early draft of the Heads of Terms of the Inter Authority Agreement contained in Appendix 1 to the report submitted to the Council, and that significant further work is necessary to clarify the detail required to agree the Heads of Terms, and that a further report will be submitted to the Council to agree the final Heads of Terms.
- (2) To approve the draft job description, subject to consultation, in respect of the appointment of a Joint Chief Executive as set out in Appendix 2 to the report; and to agree the following as recommended by South East Employers in their paper outlining human resources issues, as set out in Appendix 3:

- (a) That the title of the new role be Joint Chief Executive (rather than Joint Managing Director).
  - (b) That the employing authority should be the existing employer if an internal candidate is appointed.
  - (c) That the salary for the new Joint Chief Executive post be a spot salary of £150,000 p.a. including all allowances, duties, and statutory responsibilities with the exception of election duties.
  - (d) That the new Joint Chief Executive post is ring-fenced for recruitment from the internal pool of affected employees in the first instance and that if no internal appointment is made then the role shall be advertised externally.
  - (e) That, subject to final approval by the Joint Appointments Committee the terms and conditions of employment for an internal appointment will be the existing terms and conditions of the employing authority.
- (3) To approve the establishment of a Joint Appointments Committee and its proposed composition and terms of reference, as set out in Appendix 4.
- (4) Subject to paragraph (3) above, to confirm the following appointments to the Joint Appointments Committee:
- The Leader of the Council, Councillor Joss Bigmore
  - The Deputy Leader of the Council, Councillor Jan Harwood
  - Councillor Paul Spooner
- (5) To agree that redundancy and any settlement costs incurred as a result of moving to a Joint Chief Executive shall be shared equally between the Councils and that any pension strain costs (if applicable) will remain the responsibility of the employing authority of the affected officer. It is noted that the cost sharing arrangement for the remainder of the collaboration project will form part of the Inter Authority Agreement.
- (6) To agree that the costs referred to in paragraph (5) above be funded from General Fund reserves.”

Under Council Procedure Rule 15 (o), Councillor Bigmore as the mover of the original motion, indicated that, with the consent of his seconder and of the meeting, he wished to alter his motion as follows:

Insert the following in the first line of paragraph (2) of the motion after “*subject to consultation*”:

*“...and to the inclusion of the following additional line in the person specification under the heading ‘Experience’:*

***‘Strong level of digital literacy and proficiency, including traditional office software suites (e.g. M/S Office packages) and modern ways of working (e.g. video conferencing, remote working); a proven track record of embracing digital approaches and new ways of working to meet organisational needs. (listed as ‘E’ Essential)’***”

The Council agreed to accept the alteration to the original motion, as indicated above. The motion, as altered, therefore became the substantive motion for debate.

During the debate, as it was necessary to discuss the information contained in the “Not for Publication” appendices to the report, the Council, upon the motion of the Mayor, Councillor Marsha Moseley, seconded by the Deputy Mayor, Councillor Dennis Booth

RESOLVED: That under Section 100A (4) of the Local Government Act 1972 (as amended), the public be excluded from the meeting for consideration of Appendices 1, 2, and 3 to the report submitted to the Council on the grounds that they involved the likely disclosure of exempt information, as defined in paragraphs 3 and 4 of Part 1 of Schedule 12A to the 1972 Act.

Following discussion of the information contained in the exempt appendices and having considered the advice of Jennifer McNeil of South East Employers in that regard the Council moved back into public session.

Following the debate on the substantive motion, the Council

RESOLVED:

- (1) To note the revised early draft of the Heads of Terms of the Inter Authority Agreement contained in Appendix 1 to the report submitted to the Council, and that significant further work is necessary to clarify the detail required to agree the Heads of Terms, and that a further report will be submitted to the Council to agree the final Heads of Terms.
- (2) To approve the draft job description, subject to consultation and to the inclusion of the following additional line in the person specification under the heading 'Experience':

**'Strong level of digital literacy and proficiency, including traditional office software suites (e.g. M/S Office packages) and modern ways of working (e.g. video conferencing, remote working); a proven track record of embracing digital approaches and new ways of working to meet organisational needs.**  
(listed as 'E' Essential)

in respect of the appointment of a Joint Chief Executive as set out in Appendix 2 to the report; and to agree the following as recommended by South East Employers in their paper outlining human resources issues, as set out in Appendix 3:

- (a) That the title of the new role be Joint Chief Executive (rather than Joint Managing Director).
  - (b) That the employing authority should be the existing employer if an internal candidate is appointed.
  - (c) That the salary for the new Joint Chief Executive post be a spot salary of £150,000 p.a. including all allowances, duties, and statutory responsibilities with the exception of election duties.
  - (d) That the new Joint Chief Executive post is ring-fenced for recruitment from the internal pool of affected employees in the first instance and that if no internal appointment is made then the role shall be advertised externally.
  - (e) That, subject to final approval by the Joint Appointments Committee the terms and conditions of employment for an internal appointment will be the existing terms and conditions of the employing authority.
- (3) To approve the establishment of a Joint Appointments Committee and its proposed composition and terms of reference, as set out in Appendix 4.
  - (4) To confirm the following appointments to the Joint Appointments Committee:
    - The Leader of the Council, Councillor Joss Bigmore
    - The Deputy Leader of the Council, Councillor Jan Harwood
    - Councillor Paul Spooner
  - (5) To agree that redundancy and any settlement costs incurred as a result of moving to a Joint Chief Executive shall be shared equally between the Councils and that any

pension strain costs (if applicable) will remain the responsibility of the employing authority of the affected officer. It is noted that the cost sharing arrangement for the remainder of the collaboration project will form part of the Inter Authority Agreement.

- (6) To agree that the costs referred to in paragraph (5) above be funded from General Fund reserves.

Reason:

To approve the initial documents and governance required to progress the collaboration with Waverley Borough Council.

**CO36 PERIODIC ELECTORAL REVIEW OF GUILDFORD BOROUGH COUNCIL - WARDING PATTERNS SUBMISSION**

The Council considered a report setting out the product of the work of the Electoral Review Working Group in respect of the Council's proposed submission to the Local Government Boundary Commission for England (LGBCE) on ward patterns.

The purpose of an electoral review was to consider the total number of councillors elected to the council, the names, number and boundaries of the wards, and the number of councillors to be elected to each ward.

The Council at its extraordinary meeting held on 17 December 2021 had approved a submission on a future council size of 48 councillors to the LGBCE. The LGBCE had announced on 19 January 2021 that it was minded to make a recommendation that the Council's future size remained at 48 councillors.

As part of the next process of the Electoral Review, the LGBCE began a consultation on ward patterns for a council size of 48 councillors on 26 January 2021, ending on 2 August 2021.

The Working Group had met on eight occasions to produce and refine the warding patterns submission together with the accompanying maps. An informal briefing of all councillors was held on 7 July 2021 to enable the Working Group to share their initial proposals, including maps showing proposed alterations to ward boundaries and a discussion of the approach taken by the Working Group in arriving at their proposals. All councillors had been sent a link to the recording of the briefing, together with a link to view the various maps, and asked to submit any comments or proposals to the working group for consideration. A number of suggested adjustments to boundaries had been suggested and these were investigated further by the Working Group and had resulted in a modification of the proposed pattern of wards.

The Chairman of the Working, Councillor Tony Rooth proposed, and Councillor Colin Cross seconded the following motion:

"That the Warding Patterns Submission, attached at Appendix 1 to the report submitted to the Council, be approved, and presented to the Local Government Boundary Commission for England, together with the accompanying maps at Appendix 2."

Under Council Procedure Rule 15 (o), Councillor Rooth as the mover of the original motion, indicated that, with the consent of his seconder and of the meeting, he wished to alter his motion as follows:

Insert the following as paragraph (2) of the motion:

- "(2) That a Working Group be formed to consider and make long term recommendations (beyond 2026) regarding the suitable redrawing of borough and parish ward boundaries including the possible creation of new parish councils, taking account of implementation of*



*new housing development on Local Plan Strategic Sites, and that such recommendations be used as follows:*

- (a) *to consider in respect of borough ward boundaries, seat allocations, and associated arrangements whether to request a further electoral review by the Local Government Boundary Commission for England, and*
- (b) *to consider whether the Council should conduct a community governance review of relevant parished areas with a view to identifying appropriate revisions to existing parish boundaries and possible creation of new parish councils.”*

The Council agreed to accept the alteration to the original motion, as indicated above. The motion, as altered, therefore became the substantive motion for debate.

Following the debate on the substantive motion, the Council

RESOLVED:

- (1) That the Warding Patterns Submission, attached at Appendix 1 to the report submitted to the Council, be approved, and presented to the Local Government Boundary Commission for England, together with the accompanying maps at Appendix 2.
- (2) That a Working Group be formed to consider and make long term recommendations (beyond 2026) regarding the suitable redrawing of borough and parish ward boundaries including the possible creation of new parish councils, taking account of implementation of new housing development on Local Plan Strategic Sites, and that such recommendations be used as follows:
  - (a) to consider in respect of borough ward boundaries, seat allocations, and associated arrangements whether to request a further electoral review by the Local Government Boundary Commission for England, and
  - (b) to consider whether the Council should conduct a community governance review of relevant parished areas with a view to identifying appropriate revisions to existing parish boundaries and possible creation of new parish councils.

Reasons:

- (1) To respond to the LGBCE's invitation to make a Warding Patterns submission as part of the periodic electoral review of Guildford Borough Council.
- (2) To ensure the Council is able to respond appropriately to changing circumstances beyond 2026.

### **CO37 OVERVIEW & SCRUTINY ANNUAL REPORT 2020-21**

The Council considered a report which outlined the work undertaken by overview and scrutiny during the past municipal year and its future work programme as thus far developed.

Decisions taken during the past municipal year under the 'urgency' provisions and the use of 'call-in' were also detailed within the report. In 2020-21, four decisions had been taken under the urgency provisions of the Overview and Scrutiny Procedure Rules, and no Executive decisions had been called-in.

The report had also been considered by the Overview and Scrutiny Committee at its meeting on 13 July 2021. The Committee had commended the Annual Report to Council.

Upon the motion of Councillor Paul Spooner, seconded by Councillor Deborah Seabrook, the Council

RESOLVED:

- (1) That the report be commended as the annual report of the Overview and Scrutiny Committee for 2020-21.
- (2) That the current rules relating to call in or urgency provisions remain unchanged.

Reasons:

- Article 8.2(d) of the Council's Constitution required the Council's Overview and Scrutiny Committee to report annually to Full Council on the work undertaken during the year, its future work programme, and amended working methods if appropriate.
- Overview and Scrutiny Procedure Rule 16(i) required the operation of the provisions relating to call-in and urgency to be monitored annually and a report submitted to Full Council with proposals for review if necessary.

**CO38 APPOINTMENT OF HONORARY ALDERMEN**

The Council considered a report on five nominations received for appointment of Honorary Aldermen of the Borough. Councillors were reminded that, under the Council's adopted Protocol on the appointment, role, status, rights and obligations of Honorary Freemen and Honorary Aldermen, a person shall be deemed eligible for appointment as an honorary alderman provided that they met all of the following requirements:

The person shall:

- not be a serving councillor
- have served as a Guildford Borough councillor for an aggregate total period of at least 12 years; and
- have given eminent service to the Council during that period.

Full details of the eminent service to the Council by the five nominees was set out in the report submitted to the Council.

Upon the motion of the Mayor, Councillor Marsha Moseley, seconded by Councillor Julia McShane, the Council

RESOLVED: That a special meeting of the Council be convened on Thursday 2 December 2021 at 7pm at the Guildhall, High Street, Guildford for the purpose of conferring the title of Honorary Alderman on Vas Kapsalis, Tony Phillips, Keith Taylor, Jenny Wicks, and David Wright.

Reason:

To recognise formally the eminent service to the Council of former councillors.

**CO39 MINUTES OF THE EXECUTIVE/EXECUTIVE DECISIONS**

The Council received and noted the minutes of the meeting of the Executive held on 20 April 2021, together with the respective statements of executive decisions taken by the Leader on 25 May, by the Deputy Leader in the absence of the Leader on 22 June, and by the Leader on 6 July 2021.

**CO40 COMMON SEAL**

The Council

RESOLVED: That the Common Seal of the Council be affixed to any documents to give effect to any decisions taken by the Council at this meeting.

The meeting finished at 8.16 pm

Signed .....  
Mayor

Date .....

This page is intentionally left blank

Council Report

Ward(s) affected: n/a

Report of the Director of Resources

Author: Vicky Worsfold

Tel: 01483 444834

Email: victoria.worsfold@guildford.gov.uk

Lead Councillor responsible: Tim Anderson

Tel: 07710 328560

Email: tim.anderson@guildford.gov.uk

Date: 5 October 2021

## Capital and Investment outturn report 2020-21

### Executive Summary

This annual outturn report includes capital expenditure, non-treasury investments and treasury management performance for 2020-21.

#### Capital programme

In total, expenditure on the General Fund capital programme was £29.4 million against the original budget of £171.5 million, and revised budget of £28.8 million. Details of the revised estimate and actual expenditure in the year for each scheme are given in **Appendix 3**.

The budget for Minimum Revenue Provision (MRP) was £1.64 million and the outturn was £1.29 million. This was due to slippage in the capital programme in 2019-20.

Councillors will be aware that one of the strands of the Council's savings strategy is to review the projects in the capital programme. There are three schemes that officers had recommended were removed due to the length of time they have been in the programme, and as such the original proposal was no longer relevant and a new business case would need to be prepared if any of the schemes are to come forward in the future. These were:

- Guildford Gyrotory and Approaches - £10.967 million on the provisional capital programme in 2024-25
- Stoke Park Office Accommodation - £665,000 on the provisional programme in 2024-25
- Stoke Park – Home Farm redevelopment - £4 million on the provisional programme in 2024-25

#### Non-treasury investments

The Council's investment property portfolio stood at £155 million at the end of the year. Our rental income was £8.1 million, and our income return 5.8% against the benchmark of 4.6%.

Treasury management

The Council's cash balances have built up over several years, and reflect our strong balance sheet, with considerable revenue and capital reserves. Officers carry out the treasury function within the parameters set by the Council each year in the Capital and Investment Strategy. As at 31 March 2021, the Council held £159.1 million in investments, £310.5 million in long-term borrowing of which £118.5 million is short-term borrowing, and £192 million is long term borrowing (related to HRA) so net debt of £151.4 million.

We borrowed short-term from other local authorities for cash flow purposes and aim to minimise any cost of carry on this. We did not take out any additional long-term borrowing during the year.

This report (section 8) confirms that the Council complied with its prudential indicators, treasury management policy statement and treasury management practices (TMPs) for 2020-21. The policy statement is included and approved annually as part of the Capital and Investment Strategy, and the TMPs are approved under delegated authority.

The treasury management performance over the last year, compared to estimate, is summarised in the table below. The report highlights the factors affecting this performance throughout the report, and in **Appendix 1**.

	Estimate %	Actual %	Estimate (£000)	Actual (£000)
General fund Capital Financing Requirement (CFR)			207,109	116,524
Housing Revenue Account CFR			217,024	199,204
<b>Total CFR</b>			<b>424,133</b>	<b>315,728</b>
Return on investments	2.18	1.05	1,685	2,435
Interest paid on external debt			5,650	5,274
<b>Total net interest paid</b>			<b>3,965</b>	<b>2,839</b>

There was slippage in the capital programme which resulted in a lower CFR than estimated (more information in **Appendix 1**, section 3).

Interest paid on debt was lower than budget, due to less long-term borrowing taken out on the general fund because of slippage in the capital programme.

The yield returned on investments was lower than estimated, but the interest received was higher due to more cash being available to invest in the year – a direct result of the capital programme slippage. Officers have been reporting higher interest receivable and payable and a lower charge for MRP during the year as part of the budget monitoring when reported to councillors during the year.

Detailed information on the return on investments, and interest paid on external debt can be found in section 7 of this report.

This report was considered by the Corporate Governance and Standards Committee at its meeting on 29 July 2021. The Committee commended the report to the Executive. At its meeting on 24 August 2021, the Executive agreed to the removal of the following schemes from the General Fund Capital Programme:

- (1) Guildford Gyratory and Approaches
- (2) Stoke Park office accommodation
- (3) Stoke Park – Home Farm redevelopment

The Executive also commended the recommendation to the Council below for adoption.

**Recommendation to Council:**

- (1) That the Treasury Management Annual Report for 2020-21 be noted.
- (2) That the actual prudential indicators reported for 2020-21, as detailed in **Appendix 1** to this report, be approved.

Reason for Recommendation:

To comply with the Council's treasury management policy statement, the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on treasury management and the CIPFA Prudential Code for Capital Finance in Local Authorities.

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

**1. Purpose of Report**

- 1.1 The Local Government Act 2003 states that the Council has a legal obligation to have regard to both the CIPFA code of practice on treasury management and the Ministry of Housing, Communities, and Local Government (MHCLG) investment guidance.
- 1.2 The CIPFA treasury management code of practice, and the MHCLG investment guidance requires public sector authorities to produce an annual capital strategy (incorporating capital expenditure, non-treasury investments and treasury management activity).
- 1.3 This report covers the outturn of the elements of the strategy and the requirement to report on the prudential and treasury indicators for the year. The position of the Council's investment property portfolio is also presented along with progress on the capital programme.
- 1.4 The Council borrows and invests substantial sums of money and is, therefore, exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risks. The Council holds a substantial amount of investment property and has a large capital programme, all of which have risk.

- 1.5 Treasury management is a highly complex, technical, and regulated aspect of local government finance. We have included a glossary of technical terms (**Appendix 10**), to aid the reading of this report.

## **2. Strategic Priorities**

- 2.1 Treasury management and capital expenditure are key functions in enabling the Council to achieve financial excellence and value for money. It underpins the achievement of all the Corporate Plan 2018-2023 themes.
- 2.2 This report details the activities of the treasury management function and the effects of the decisions taken in the year in relation to the best use of its resources. It also presents the outturn position for the year of the capital programme, and the performance on non-treasury investments.

## **3. Background**

- 3.1 Treasury management is defined by CIPFA as:

*“the management of the council's investments, borrowing 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”*

- 3.2 The Council has overall responsibility for treasury management. Treasury management contains a number of risks. The effective identification and management of those risks are integral to the council's treasury management objectives, as is ensuring that borrowing activity is prudent, affordable and sustainable.
- 3.3 The Council has a statutory requirement, under the Local Government Act 2003, to adopt the CIPFA Prudential Code and produce prudential indicators.
- 3.4 The objectives of the prudential code are to ensure, within a clear framework, that capital investment plans are affordable, prudent and sustainable, and the treasury management decisions are taken in accordance with good professional practice.
- 3.5 The Council has a large capital programme and a large investment property portfolio on its balance sheet. These, together with treasury management, are the management of the Council's cash and assets.
- 3.6 The Council operates its treasury management function in compliance with this Code and the statutory requirements.
- 3.7 This annual report, and the appendices attached to it, set out:
- a summary of the economic factors affecting the approved strategy and counterparty updated (sections 4 and 5 with details in **Appendix 5**)
  - a summary of the approved strategy for 2020-21 (section 6)



- a summary of the treasury management activity for 2020-21 (section 7 with detail in **Appendix 1**)
- compliance with the treasury and prudential indicators (section 8 with detail in **Appendix 1**)
- non-treasury investments (section 9)
- capital programme (section 10)
- risks and performance (section 11)
- Minimum Revenue Provision (MRP) (section 12)
- details of external service providers (section 13)
- details of training (section 14)

#### 4. Economic Environment

4.1 This section includes the key points of the economic environment for 2020-21, to show the treasury management activity in context. **Appendix 5** contains more detail.

- Coronavirus dominated 2020-21, leading to vastly reduced economic activity across the world.
- Bank of England cut bank rate to 0.1%
- UK Government provided a range of fiscal stimulus measures
- A Brexit trade deal was agreed
- Quantitative easing extended by £150 billion in November 2020 to £895 billion
- Unemployment rose, despite furlough
- Inflation has remained low

4.2 The key points relevant to investment property are:

- Industrial sector remained resilient
- Office supply declining in Guildford, there has been a departure of key corporate occupiers, which has not helped the office market
- There has been a shift in the demand for High Street retail premises, leading to declining rents and increased vacancy levels.
- Retail was the weakest category going into lockdown and is anticipated to be the worst affected.

#### 5. Regulatory Changes

5.1 A new accounting standard – IFRS16 – accounting for leases was due to be implemented on 1 April 2020. This means that the Council needs to account for its leases differently, as operating leases are no longer an applicable category for lessees. This will impact on the Council's CFR and asset base as all these assets will need to be included on the Council's balance sheet. The Government decided to delay the implementation until 1 April 2021.

## 6. Approved strategy and budgets for 2020-21 – a summary

- 6.1 Council approved the Capital and Investment strategy for 2020-21 in February 2020.
- 6.2 The strategy showed an underlying need to borrow in 2020-21 for the General Fund (GF) capital programme of £145.8 million.
- 6.3 The strategy set out how we would manage our cash. It allowed for internally managed investments for managing cash flow and externally managed and longer-term investments for our core cash (cash not required in the short or medium term). See **Appendix 9** for background.
- 6.4 It highlighted the need to continue to diversify our investment portfolio to reduce credit risk. The approved strategy set the minimum long-term credit rating of A- (or equivalent) for investments in counterparties to be determined as 'high credit' using the lowest denominator principal for the three main credit rating agencies.
- 6.5 Investment property risks were examined in the strategy.

## 7. Treasury management activity in 2020-21

- 7.1 The treasury position at 31 March 2021, compared to the previous year is:

		31 March 2020 (£'000)	Average Rate	31 March 2021 (£'000)	Average Rate
Fixed Rate Debt	PWLB	147,665	3.22%	147,435	3.22%
	Market	0	0.00%	0	0.00%
Variable Rate Debt	PWLB	45,000	0.96%	45,000	0.48%
	Market	0	0.00%	0	0.00%
Long-term	LAs	0	0.00%	0	0.00%
Temporary borrowing	LAs	44,000	0.83%	118,500	0.51%
<b>Total Debt</b>		<b>236,665</b>	<b>2.43%</b>	<b>310,935</b>	<b>2.00%</b>
Fixed Investments		(66,600)	1.40%	(94,100)	1.02%
Variable Investments		(28,023)	0.82%	(47,545)	0.23%
Externally managed		(12,988)	4.17%	(17,728)	3.94%
<b>Total Investments</b>		<b>(107,611)</b>	<b>1.56%</b>	<b>(159,372)</b>	<b>1.05%</b>
<b>Net Debt / (Investments)</b>		<b>129,054</b>		<b>151,563</b>	

- 7.2 PWLB is the Public Works Loans Board and is a statutory body operating as an executive of HM Treasury. Its function is to lend money from the National Loans Fund to local authorities and other prescribed bodies.
- 7.3 The above table shows investments have increased by £51.7 million and loans by £74 million. Therefore, net debt has increased by £22.5 million. Short-term borrowing has increased due to uncertain cash flows during the year, and to fund the capital programme. We were able to take advantage of some very low borrowing rates from other authorities in the year. We have a range of maturities in 2021-22 to keep cash flows smooth.

- 7.4 We budgeted a return of 2.18% for the year and achieved 1.08%.
- 7.5 The Council's budgeted investment income was £1.68 million, and actual interest was £2.17 million (£490,000 higher). This is mostly due to interest received as a result of paying 3-year pension contributions upfront and a reduction in the amount of interest on investments payable to the HRA due to the very low interest rate environment.
- 7.6 Our budgeted debt interest payable was £5.6 million. £5.05 million relates to the HRA. The outturn was £5.23 million (£4.9 million for the HRA).
- 7.7 All our external funds are distributing funds, and they achieved an overall weighted average return of 4.17%, split as follows:

Fund	Balance at 31 March £000	Average return	Type of fund
M&G	3,528,656	4.45%	Equity focussed
Schroders	697,631	7.04%	Equity focussed with at least 80% on FTSE all share companies
Funding Circle	504,603	6.51%	Investments in SMEs up to a max of £2,000
UBS	2,203,598	3.95%	Multi asset
RLAM	2,332,194	2.19%	Global bond fund
Fundamentum	1,970,000	0.85%	Supported housing
CCLA	6,491,179	4.81%	Property

- 7.8 The only movements in fund value in the year is the change in fair value
- 7.9 Our external fund portfolio is diverse, and we invest in a range of products and markets. The capital value of the funds can go up as well as down. Across all funds still held at the end of the year, there was a capital gain of £424,000 recovering part of the £1.4 million lost at the end of March 2020 due to the pandemic.
- 7.10 We are invested in bond, equity, multi-asset, and property funds. During the initial phase of the pandemic in March 2020, the sharp falls in corporate bond and equity markets had a negative impact on the value of the Council's pooled fund holdings and was reflected in the 31 March 2020 fund valuations with every fund / most funds registering negative capital returns over a 12-month period. Since March 2020 there has been improvement in market sentiment which is reflected in an increase in capital values of these short-dated, strategic bond, equity and multi-asset income funds in the Authority's portfolio. The recovery in UK equities has lagged those of US and European markets.
- 7.11 Similar to many other property funds, dealing (i.e. buying or selling units) in the CCLA Local Authorities' Property Fund was suspended by the fund in March 2020 and lifted in September. There was also a change to redemption terms for the CCLA Local Authorities Property Fund; from September 2020 investors are required to give at least 90 calendar days' notice for redemptions.
- 7.12 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 medium to long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three to five-year period total returns will exceed cash interest rates.

- 7.13 Following the cut in Bank rate from 0.75% to 0.1% in March 2020, the Authority had expected to receive significantly lower income from its cash and short-dated money market investments, including money market funds in 2020-21, as rates on cash investments are close to zero percent. Income from most of the Authority's externally managed funds will also be lower than in 2019-20 and earlier years. Whilst the arrival and approval of vaccines against COVID-19 and the removal of Brexit uncertainty that had weighed on UK equities were encouraging developments, dividend and income distribution was dependent on company earnings in a very challenging and uncertain trading environment as well as enforced cuts or deferral required by regulatory authorities.
- 7.14 The Council also invested more in our subsidiaries and now holds £10.157 million of equity investment in Guildford Borough Council Holdings Ltd and £8.418 million of loans in North Downs Housing Ltd.
- 7.15 The Council agreed an interest rate of base rate plus 5% (currently 5.1%) on the investment in North Downs Housing Ltd. This is higher than the treasury investments held as it reflects the risk associated with holding such investments. The interest is currently rolled up in the loan of the company.
- 7.16 The equity investment in Guildford Borough Council Holdings Ltd will be subject to a dividend if a profit is achieved.
- 7.17 The Council has received various grants from Government related to Covid-19. Those not spent at the end of the financial year have been invested as part of our overall investment portfolio.

*Capital programme*

- 7.18 The actual underlying need to borrow for the year, and the amount of internal borrowing actually taken, for the GF capital programme was £13.05 million, which is lower than budgeted of £102.8 million because of slippage in the capital programme, and also unbudgeted for capital contributions received. We will continue to support service managers with the scheduling of schemes in the capital programme to ensure it is kept up to date when project timescales change.
- 7.19 The Council must charge a Minimum Revenue Provision (MRP) on its internal borrowing, which is setting aside cash from council tax to repay the internal borrowing. MRP charged to the revenue account for the year was £1.288 million, against an original budget of £1.639 million.
- 7.20 Our overall underlying need to borrow, as measured by the Capital Financing Requirement (CFR) was £315.7 million (£116.5 million relates to the GF).

**Benchmarking and performance indicators**

- 7.21 Arlingclose also provide benchmarking data across their clients (“client universe”). It highlights the effect of changes in our investment portfolio and compares the basis of size of investment, length of investment and the amount of credit risk taken.
- 7.22 The benchmarking shows a snapshot of our average running yield on all investments, also split between internally managed and externally managed. The latest benchmarking data (at 31 March 2021), shows our average rate of investments for our total portfolio as being 0.94% against the client universe of 0.90%. The table shows that we have outperformed our internally managed investments of the client universe by quite some margin.

Benchmark	Guildford	Client Universe
Internally managed return	0.54%	0.15%
Externally managed (return only)	3.37%	3.85%
Total Portfolio	0.94%	0.90%
% of investments subject to bail in	28%	63%
No. of counterparties/funds	42	13

- 7.23 The difference in our return as part of the benchmarking (0.94%) and our own return (1.08%) is due to a different calculation in the way Arlingclose put the benchmarking return together.
- 7.24 The table above shows how far the Council has come to mitigate bail in risk – closing the year at 28% of investments subject to bail in. This percentage will change during the course of the year depending on the level of cash we have and what we are invested in.
- 7.25 One of our key areas in our treasury strategy has been to increase diversification in the portfolio. The number of counterparties and funds we are investing in are far higher than the client universe and shows that we have achieved our aim. Again, this level of diversification will change at different points in the year.

**8. Non-treasury investments**

- 8.1 **Appendix 2** sets out the Council investment property fund portfolio report for 2020-21. The key points are summarised below.
- 8.2 The current portfolio is:

Sector	No. of assets	Sub-category	No. of assets
Office	9		
Industrial	134		
Retail	8	Shops	6
		Shopping centres	2

Sector	No. of assets	Sub-category	No. of assets
Leisure	6	Restaurants Nightclubs	5 1
Other Commercial	10	Educational Theatre Barn Petrol station Sui Generis Car Park Water treatment works	3 1 2 1 1 1 1
<b>TOTAL</b>	<b>167</b>		

8.3 Fund statistics are:

Fund Performance (total return) *					
<b>Rental income</b>					
	Industrial	Office	All Retail	Alternatives	All
2015/16	2,679,571	1,831,900	1,750,254	885,636	7,147,361
2016/17	3,057,302	1,858,638	1,447,672	1,062,137	7,425,749
2017/18	3,493,405	3,186,048	1,426,317	1,080,786	9,186,556
2018/19	3,619,808	3,038,548	1,459,048	1,129,361	9,246,765
2019/20	3,369,452	2,135,460	1,459,548	1,139,397	8,103,857
2020/21	3,565,449	2,112,620	1,284,638	1,139,397	8,102,104
<b>Capital value**</b>					
	Industrial	Office	All Retail	Alternatives	All
2015/16	39,077,755	19,227,500	34,270,000	11,233,500	103,808,755
2016/17	42,922,450	25,915,000	25,908,500	15,963,500	110,709,450
2017/18	51,509,000	49,574,000	26,065,000	17,471,500	144,619,500
2018/19	66,970,000	49,159,000	26,097,000	18,843,000	161,069,000
2019/20	72,295,790	35,609,000	26,097,000	18,143,000	152,144,790
2020/21	77,670,905	34,165,000	24,527,000	18,540,500	154,903,405
<b>Income return</b>					
	Industrial	Office	All Retail	Alternatives	All
2015/16	8.0%	7.5%	5.6%	7.5%	6.8%
2016/17	7.1%	7.2%	5.6%	6.7%	6.7%
2017/18	8.0%	7.4%	5.2%	5.8%	6.6%
2018/19	6.8%	6.6%	5.9%	5.8%	6.3%
2019/20	6.9%	5.3%	5.9%	5.9%	6.0%
2020/21	6.5%	5.4%	5.6%	5.8%	5.8%
<b>Benchmark return</b>					
	Industrial	Office	All Retail	Alternatives	All
2015/16	6.1%	4.7%	5.4%	4.7%	5.2%
2016/17	5.4%	4.1%	5.0%	5.5%	4.8%
2017/18	4.9%	4.1%	5.1%	5.3%	4.8%
2018/19	4.4%	4.0%	5.1%	5.0%	4.6%
2019/20	4.4%	4.0%	5.4%	5.1%	4.7%
2020/21	4.4%	4.0%	5.6%	4.8%	4.6%

\* Excludes Finance leases  
\*\*Capital Values as at 31/01/2020

8.4 The performance shows that our portfolio has performed better than our benchmark.

- 8.5 In response to the PWLB’s new rules we have amalgamated the asset investment fund into the strategic acquisition fund and will be assessing all potential acquisitions against the strategic property acquisition procedure approved by the Executive in January 2021. We are only looking to invest in the Borough as per our policy.

**9. General Fund Capital programme**

9.1 **Appendix 3** sets out the actual expenditure on capital schemes, compared to the updated estimates, together with reasons for variances. Overall, we spent £142 million (83%) less on capital schemes than we originally estimated and £164 million (85%) less than the revised estimate, the schemes with more than £1 million variance to budget relate to:

- Vehicle replacement (they are on order and being delivered in 2021-22),
- Museum and Castle development (now cancelled),
- investment in NDH and Guildford Borough Council Holdings – (slightly fewer purchases in year),
- Midleton Industrial Estate (delays due to Covid),
- Strategic property purchases (delayed due to Covid),
- Westfield/Moorfield Road resurfacing (links in with WUV and new timescale to be arranged),
- Guildford West (feasibility study delayed due to resources being allocated to other projects) and
- Guildford Gyratory and Approaches (scheme now removed from the capital programme).

There are significant variations on other approved schemes under £1 million, as detailed in the appendix.

9.2 The table below summarises our capital expenditure and variances in the year:

	<b>Original estimate (£m)</b>	<b>Revised estimate (£m)</b>	<b>Actual (£m)</b>	<b>Variance to revised (£m)</b>
GF approved programme	84.2	102.3	27.7	(92.6)
GF provisional programme	83.3	64.3	0.0	(64.3)
GF Schemes financed from reserves	4.0	8.9	1.7	(7.2)
<b>Total</b>	<b>171.5</b>	<b>193.5</b>	<b>29.4</b>	<b>(164.1)</b>

9.3 Councillors will recall that the Executive, at its meeting held on 26 January 2021, approved the removal of the following schemes from the capital programme:

- Museum £18.26 million
- Public realm £1.6 million
- Bike Share £530,000

- Town centre gateway regeneration £3.473 million

9.4 As part of the Council's savings strategy, one of the strands is to review the schemes on the capital programme. The cost of capital schemes on the general fund revenue account includes borrowing costs – interest and debt repayment and potential ongoing maintenance costs (for example). Whilst reviewing the schemes on the capital programme is an ongoing exercise, there has been a lot of change with the new governance processes the Council has implemented, and a change in the Corporate Plan and strategic priorities. At its meeting on 24 August 2021, the Executive agreed to the removal of the following schemes from the GF capital programme because the original business case was either no longer relevant, was being included in a wider scheme, or was no longer coming forward. If the schemes are reinvigorated in future, a new mandate and business case will be produced and resubmitted for approval. These schemes are set out below. Please note that they were all re-profiled into 2024-25 because we were uncertain as to whether they were going to be delivered and we did not want to overinflate the impact of the capital programme in the short-term:

- P14(p) Guildford Gyrotory and Approaches (£10.967 million on the provisional programme) – in the programme since 2016-17. The aim was to remove the gyrotory and open up the riverside to the town centre. This project will now be part of the GER project with this business case no longer applicable in its own right.
- PL41(p) Stoke Park office accommodation (£665,000 on the provisional programme) – in programme since 2016-17 – review of storage facilities and office accommodation. As a result of Future Guildford, the structure of the service has changed, and the requirements covered in this bid are under review.
- PL51(p) Stoke Park – Home Farm redevelopment (£4 million on the provisional programme) – bid put in for 2013-14 financial year for a 2015-16 main start. Was for infrastructure improvements to maximise potential funding and opportunities to maximise the attractiveness of the Park. The Stoke Park Masterplan superseded this project but did not progress. The original business case is therefore no longer relevant. If a scheme is to progress in future, it will need to follow the new governance process and be re-submitted for approval.

## **10. Compliance with treasury and prudential indicators**

10.1 The CIPFA prudential code and treasury management code of practices require local authorities to set treasury and prudential indicators.

10.2 The objectives of the Prudential Code, and the indicators calculated in accordance with it, provide a framework for local authority capital finance that will ensure

- capital expenditure plans are affordable
- all external borrowing and other long-term liabilities are within prudent and sustainable limits



- treasury management decisions are taken in accordance with professional good practice and
  - in taking the above decisions, the Council is accountable by providing a clear transparent framework
- 10.3 The Prudential Code requires the Council to set a number of prudential indicators for the following and two subsequent financial years, and to monitor against the approved indicators during the year. We can revise these indicators during the year but need full Council approval.
- 10.4 Officers can confirm that the Council has complied with its prudential indicators for 2020-21, (see **Appendix 1** for the outturn figures), its treasury management policy statement and its treasury management practices.
- 10.5 Section 6 outlines the approved treasury management strategy. We have adhered to the strategy by:
- financing of capital expenditure from government grants, usable capital resources, revenue contributions and cash flow balances rather than from external borrowing
  - taking a prudent approach in relation to the investment activity in the year, with priority given to security and liquidity over yield
  - maintaining adequate diversification between counterparties
  - forecasting and managing cash flow to preserve the necessary degree of liquidity

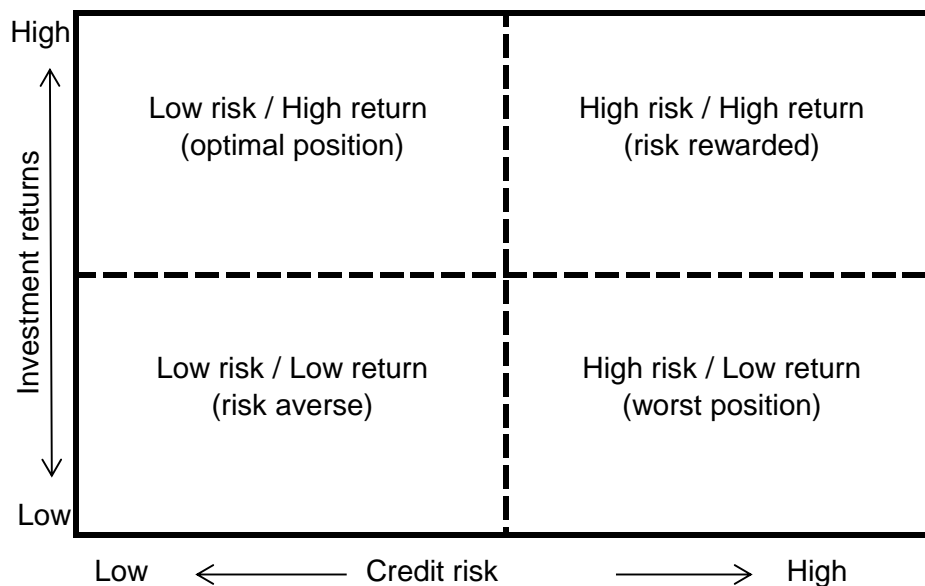
## **11. Risk and performance**

- 11.1 The Council considers security, liquidity, and yield, in that order, when making investment decisions.
- 11.2 The Council has complied with all the relevant statutory and regulatory requirements, which limit the level of risk associated with its treasury management activities. In particular, its adoption and implementation of both the prudential code and treasury management code of practice means our capital expenditure is prudent, affordable, and sustainable, and our treasury practices demonstrate a low-risk approach.
- 11.3 Short-term interest rates and likely movements in these rates, along with our projected cash balances, determine our anticipated investment return. These returns can be volatile and whilst, loss of principal is minimised through the annual investment strategy, accurately forecasting future returns can be difficult.
- 11.4 If the Council were to lose any of its investments, the GF will carry the loss, even if the cash lost is HRA cash. Therefore, to compensate the GF for this, we apply a credit risk adjustment to the rate of interest we apply on the HRA balances and reserves and SPA reserves. Therefore, a lower interest rate is applied than the weighted average investment return for the year. For 2020-21 this is the DMO (Debt management office investment with the Government and is the base “risk-free” investment rate) which is 0.01%

- 11.5 The Council invests in externally managed funds. These are more volatile than cash investments but can come with a higher return. Officers continually review our funds to ensure they still have a place in the portfolio. We view most of our funds over a three to five-year time horizon to take account of their potential volatility – they are not designed to be short-term investments, despite being able to get the money from them quickly.

**Credit developments and credit risk management during the year**

- 11.6 Security of our investments is our key objective when making treasury decisions. We therefore manage credit risk through the limits and parameters we set in our annual treasury management strategy. One quantifiable measure of credit quality we use is to allocate a score to long-term credit ratings. **Appendix 8** explains the scoring in more detail.
- 11.7 This is a graphical representation used in the Arlingclose benchmarking.



- 11.8 Typically, we should aim to be in the top left corner of the chart where we get a higher return for lower risk. In the actual benchmarking, for average rate versus credit risk (value weighted) we were above the average of all clients and were in the top left box towards the middle vertical line. For time weighted we are well within the top left box (see **Appendix 6** for the two charts).
- 11.9 We set our definition of high credit quality as a minimum long-term credit rating of A-, which attracts a score of 7. The lower the score, the higher the credit quality of the investment portfolio.
- 11.10 The table below shows that at each quarter date, the weighted average score of our investment portfolio, on a value weighted and a time weighted basis is well within our definition of high credit quality, ending the year at 3.95 (AA-) and 2.04 (AA-).

Date	Value Weighted Avg Credit Risk Score	Value Weighted Avg Credit Rating	Time Weighted Avg Credit Risk Score	Time Weighted Avg Credit Rating	Average Life (days)
31-03-20	3.95	AA-	2.04	AA+	261
30-06-20	4.04	AA-	2.46	AA+	292
30-09-20	4.20	AA-	2.82	AA	185
31-12-20	4.50	A+	2.90	AA	146
31-03-21	4.63	A+	4.06	AA-	199

11.11 We have maintained security throughout the year within the portfolio on a value weighted basis. We also have a lower risk score on the time weighted average than the Arlingclose client universe (4.63/AA- and 4.53/A+). We do, however, have a much longer duration (ours is 199 days compared to the universe of 14 days) and this is due to us having a large portion of investments of covered bonds in the portfolio, which can be sold on the secondary market if required. The longer duration is with AAA rated covered bonds, so this has enhanced the security of the portfolio.

## 12. Minimum Revenue Provision (MRP)

12.1 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2003 (SI 2003 No 414) place a duty on local authorities to make a prudent provision for debt redemption. Making an MRP reduces the Capital Financing Requirement (CFR) and leaves cash available to replenish reserves used for internal borrowing or making external debt repayments. There are three options for applying MRP available to us:

- asset life method
- depreciation method
- any other prudent method

12.2 Any other prudent method means we can decide on the most appropriate method depending on the capital expenditure.

12.3 The latest MRP policy was approved by Council in February 2020, and stated that:

- the Council will use the asset life method as its main method, but will use annuity for investment property
- in relation to expenditure on development, we may use the annuity method starting in the year after the asset becomes operational
- 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, and will not charge MRP during construction, refurbishment or redevelopment
- We will apply a life of 50 years for the purchase of land and schemes which are on land (for example transport schemes)
- 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

- 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

12.4 The unfinanced capital expenditure in 2020-21 of £13.05 million related to Weyside Urban Village project and loan/equity to North Downs Housing Ltd.

### **13. External service providers**

13.1 The Council reappointed Arlingclose as our treasury management advisers in March 2015. The contract is for a period of 7 years and will be re-tendered during 2021-22 for a new contract starting 1 April 2022. The Council is clear what services it expects and what services Arlingclose will provide under the contract.

13.2 The Council is clear that overall responsibility for treasury management remains with the Council.

### **14. Training**

14.1 CIPFA's revised treasury management code of practice suggests that best practice is achieved by all councillors tasked with treasury management responsibilities, including scrutiny of the treasury management function, receiving appropriate training relevant to their needs and that they should fully understand their roles and responsibilities.

14.2 The MHCLG's revised investment guidance also recommends that a process is in place for reviewing and addressing the needs of the Council's treasury management staff for training in investment management.

14.3 Following the revised CIPFA code of practice and the stated requirement that a specified body be responsible for the implementation and regular monitoring of the treasury management policies, we use the Corporate Governance and Standards Committee to scrutinise the treasury management activity of the Council.

14.4 Training on treasury management will be given to new councillors and in particular the group leaders and members of the Corporate Governance and Standards Committee.

14.5 Officer training is undertaken on a regular basis, by attending workshops held by Arlingclose, and seminars or conferences held by other bodies, such as CIPFA. On the job training and knowledge sharing are undertaken when required. Those involved in treasury management are either a fully qualified accountant, or AAT qualified. The Lead Specialist for Finance, and Deputy s151 officer holds the 'Certificate in International Treasury Management for Public Finance'

qualification, which is a joint qualification between the ACT (Association of Corporate Treasurers) and CIPFA.

- 14.6 Certain officers of the Council are deemed professional by the financial industry and therefore demonstrate the level of skill and expertise in the treasury function to ensure the Council retains professional status under the MiFID II regulations.

## 15. Consultations

- 15.1 Officers have consulted with the Lead Councillor for Resources about the contents of this report.

### Corporate Governance & Standards Committee – 29 July 2021

- 15.2 This report was considered by the Corporate Governance and Standards Committee at its meeting on 29 July 2021. The Committee commended the report to the Executive, subject to the comments below and endorsed the recommendations set out in this report:
- (a) In response to a request for an explanation as to the reasons why the short-term debt at the end of the year had been substantially higher than the end of the previous year, the Deputy Chief Finance Officer confirmed that the Council had substantial internal borrowing for the capital programme, which had been externalised by way of short-term borrowing, which was why borrowing had increased. Officers were also aware that we were going to need to use our reserves for Covid expenditure. The Council had also been required to borrow from the PWLB in the current financial year through the local infrastructure rate funding subsidy which would start the long-term borrowing for capital programme in 2021-22.
  - (b) Officers clarified that the rental income referred to in the report, which had been the same as the previous year, was rental income due. It was expected that, as most tenants paid their rent promptly and there had been very few repayment plans, the Council would receive a substantial proportion of the rent due.
  - (c) In response to a question as to the impact of a possible increase in inflation on the capital and investment programme, it was not anticipated that any increase in inflation would have much impact on returns on the Council's investment portfolio.
  - (d) In response to a question as to the benefits of a strategy of holding £160 million of investments and increasing borrowing, which costs £1.5 million, the Deputy Chief Finance Officer confirmed that the fixed rate debt of £147 million and the variable rate debt of £45 million related to the Housing Revenue Account, the cost of which was charged directly charge to the Housing Revenue Account. For the remainder of the investment portfolio, the Council yielded 1.08% and the temporary borrowing was 0.51% so there was no cost of carry on that short-term borrowing overall.

- (e) In response to an enquiry as to the impact on the Council and associated costs of the slippage in the capital programme over the last four or five years, the Committee noted that the main financial impact was the Minimum Revenue Provision, which was the repayment of internal borrowing which impacted on the General Fund and Council Tax. It was also noted that a review of the Council's balance sheet and capital programme had been undertaken approximately four years ago and we identified over the previous three years that although there had been a consistent 64% slippage in the capital programme, it had generally been the same schemes that had been delayed, for example, the Weyside Urban Village scheme. Part of the reason for this was that at the time, the Council did not have some of the delivery mechanisms in place that we have now. This was being addressed and new governance procedures and project management tools had been introduced. The Leader of the Council acknowledged that there had been issues in programme management and that a 64% slippage rate was not acceptable. Whilst a number of the schemes had been particularly complex, the Council was determined to improve performance.
- (f) It was confirmed that the rental income from investment property was £3.1 million and expenditure on repairs and maintenance of £600,000, and in relation to industrial estates we had expenditure of £210,000 against £4.7 million income.

#### Executive – 24 August 2021

- 15.3 The Executive considered this report at its meeting held on 24 August 2021. The Leader considered that investments for the period had been restrained demonstrating caution and prudence during a challenging period and commended officers for careful budgetary management. The Executive agreed to the removal of the following schemes from the General Fund Capital Programme:

- (1) Guildford Gyrotory and Approaches
- (2) Stoke Park office accommodation
- (3) Stoke Park – Home Farm redevelopment

#### **16. Equality and Diversity Implications**

- 16.1 There are no equality and diversity implications

#### **17. Financial Implications**

- 17.1 The detailed financial implications are summarised above and in **Appendix 1**.

#### **18. Legal Implications**

- 18.1 A variety of professional codes, statutes and guidance regulate the Council's treasury management activities. These are:
- the Local Government Act 2003 ("the Act") provides the powers to borrow and invest. It also imposes controls and limits on these activities

- the 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. There are no current restrictions
- statutory instrument 3146 (2003 (“The SI”), as amended, develops the controls and powers within the Act
- the SI requires the council to undertake any borrowing with regard to the prudential code. The prudential code requires indicators to be set – some of which are limits – for a minimum of three forthcoming years
- the SI also requires the council to operate the treasury management function with regard to the CIPFA treasury management code of practice
- 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.

## **19. Human Resource Implications**

- 19.1 There are no human resource implications arising from this report other than the training discussed in section 14, which is already in place.

## **20. Summary of Options**

- 20.1 We could have invested in lower credit quality investments, but this would have increased our risk exposure.
- 20.2 We could have borrowed longer-term for our capital programme, but would have suffered a cost of carry due to the slippage in the programme.

## **21. Conclusion**

- 21.1 The Council has complied with the objectives of the CIPFA treasury management code of practice by maintaining the security and liquidity of its investment portfolio.
- 21.2 We maintained the security of our investment portfolio, and did not borrow long-term in advance of need.
- 21.3 We have also complied with the requirements of the prudential code by setting, monitoring and staying within the prudential indicators set, except the variable limit on net investments due to higher investment balances than when the indicator was set.

## **22. Background Papers**

- CIPFA Treasury Management in the Public Services – Code of Practice and Cross Sectoral Guidance Notes (2018 edition)
- CIPFA Treasury Management in the Public Services – Guidance Notes for Local Authorities including Police Authorities and Fire Authorities (2018 edition)
- CIPFA the Prudential Code for Capital Finance in Local Authorities (2018 edition)

- CIPFA the Prudential Code for Capital Finance in Local Authorities – Guidance Notes for Practitioners (2018 edition)
- Treasury management annual strategy report 2020-21

### **23. Appendices**

Appendix 1: Treasury management activity, treasury and prudential indicators 2020-21

Appendix 2: Investment property fund portfolio report 2020-21

Appendix 3: capital programme

Appendix 4: schedule of investments at 31 March 2021

Appendix 5: economic background – a commentary from Arlingclose

Appendix 6: benchmarking graphs

Appendix 7: credit score analysis

Appendix 8: credit rating equivalents and definitions

Appendix 9: background to externally managed funds

Appendix 10: glossary



## **Treasury Management activity and treasury and prudential indicators 2020-21**

### **1. Introduction**

- 1.1 The treasury management service is an important part of the overall financial management of the council. Whilst the prudential indicators consider the affordability and impact of capital expenditure decisions, the treasury service covers the effective funding of these decisions.
- 1.2 Strict regulations, such as statutory requirements and the CIPFA treasury management code of practice (the TM Code) govern the council's treasury activities, and the Prudential Code and MHCLG Investment Guidance non-treasury investments.
- 1.3 The Council holds a substantial amount of Investment property (non-treasury investment) and has a large capital programme which directly impacts on the treasury management decisions the Council may make.

### **2. Treasury management activity**

- 2.1 The council has an integrated capital and investment strategy and manages its cash as a whole in accordance with its approved strategy. Therefore, overall borrowing may arise because of all the financial transactions of the council (for example, borrowing for cash flow purposes) and not just those arising from capital expenditure reflected in the Capital Financing Requirement (CFR).

#### **Investments**

- 2.2 The Ministry of Housing, Communities and Local Government (MHCLG) Investment Guidance requires local authorities to focus on security and liquidity rather than yield.
- 2.3 Both the CIPFA Code and government guidance requires local authorities to invest funds prudently, and to have regard to the security and liquidity of investments before seeking the highest rate of return, or yield. The main objective, therefore, 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 unsuitable low investment income.
- 2.4 Continued downward pressure on short-dated cash rate brought net returns on sterling low volatility net asset value money market funds (LVNAV MMFs) close to zero even after some managers have temporarily lowered their fees. At this stage net negative returns are not the central case of most MMF managers over the short-term, and fee waivers should maintain positive net yields, but the possibility cannot be ruled out.
- 2.5 Security of capital remains our main objective when placing investments. We maintained this during the year by following our investment policy, as approved in our

Agenda item number: 8  
Appendix 1

treasury management strategy 2020-21, which defined “high credit quality” counterparties as those having a long-term credit rating of A- or higher.

2.6 Investments during the year included:

- investments in AAA rated constant net asset money market funds
- call accounts and deposits with banks and building societies systemically important to each country’s banking system. We do have some investments with overseas banks, but in sterling
- other local authorities
- corporate bonds
- non-rated building societies
- covered bonds
- pooled funds without a credit rating, but only those subject to an external assessment

2.7 We divided our investments into three types

- short-term (less than one-year) internally managed cash investments
- long-term internally managed investments
- externally managed funds

2.8 Cash balances consisted of working cash balances, capital receipts, and council reserves.

2.9 The table below shows our investment portfolio, at 31 March 2021, compared to 31 March 2020. **Appendix 4** contains a detail schedule of investments outstanding at the end of the year.

Investment details	Balance at 31-03-20 £m	Weighted Avg Return for Year	Balance at 31-03-21 £m	Weighted Avg Return for Year
<b>Internally Managed Investments</b>				
Fixed Investments < 1 year to cover cash flow	20.00	0.99%	57.50	0.89%
Corporate bonds	1.00	1.26%	2.00	0.17%
Long term bonds	18.10	1.06%	16.10	0.00%
Notice Accounts	8.00	0.90%	3.00	0.39%
Call Accounts	0.53	0.40%	0.33	0.07%
Money Market Funds	14.50	0.74%	39.22	0.13%
Revolving credit facility	5.00	1.26%	0.00	1.47%
Long term investments > 1 year	27.50	1.65%	18.50	1.21%
<b>Externally Managed Funds</b>				
Funding circle	0.53	6.35%	0.50	6.51%
CCLA	6.51	4.41%	6.49	4.81%
RLAM	2.23	2.42%	2.33	2.19%
M&G	1.13	2.54%	3.53	4.45%
Schroders	0.57	7.31%	0.70	7.04%
UBS	2.02	4.71%	2.20	3.95%
City Financials	0.00	0.00%	1.97	0.85%
<b>Total Investments</b>	<b>107.61</b>	<b>1.03%</b>	<b>159.37</b>	<b>1.05%</b>

2.10 Our level of investments increased during 2020-21, and we achieved a higher return than last year. Interest rates continue to be at an all time low.

- 2.11 The Councils also holds £10.157 million equity investments in Guildford Holdings Ltd and £8.418 million in North Downs Housing Ltd.
- 2.12 We are earning an interest return of base rate plus 5% (currently 5.10%) on the investment in North Downs Housing. This is higher than the return earned on treasury investments but reflects the additional risks to the Council of holding the investment.

#### **Security of investments**

- 2.13 Counterparty credit quality was assessed and monitored with reference to credit ratings; financial institutions analysis of funding structure and susceptibility to bail-in, credit default swap prices; financial statements; information on potential government support and reports in the quality financial press.
- 2.14 We also considered the use of secured investment products that provide collateral in the event that the counterparty cannot meet its obligations for repayment.
- 2.15 The minimum long-term counterparty credit rating for 'high quality counterparties' approved for 2020-21 was A-/A3 across all three main credit rating agencies (Fitch, S&P, and Moody's).
- 2.16 The overall minimum long-term credit rating in the treasury strategy is BBB+. The strategy set different limits for different counterparty credit ratings both in maximum duration and exposure in monetary terms.
- 2.17 We also can invest in non-rated institutions subject to due diligence.

#### **Liquidity of investments**

- 2.18 In keeping with the MHCLG's Guidance on Investments, the council maintained a sufficient level of liquidity using money market funds, call accounts, the maturity profile of fixed investments and short-term borrowing from other local authorities.
- 2.19 We use PSlive as our daily cash flow forecasting software to determine the maximum period for which funds may prudently be committed.

#### **Yield of investments**

- 2.20 The council sought to optimise returns commensurate with its objective of security and liquidity. The Bank of England base rate decreased to 0.10% in March 2020, and it has remained at that level throughout the year.
- 2.21 We invested in longer-term covered bonds, which increased the return of the portfolio and the duration. Bonds can be sold in the secondary market should we need the liquidity.
- 2.22 The council's budgeted investment income for the year was £1.684 million and actual interest was £2.376 million, at a weighted average yield of 1.08%.

### **Externally managed funds**

- 2.23 We estimate to have cash balances over the medium-term (our “core” cash as identified in the Councils liability benchmark), and as such we have continued investing in pooled (cash-plus, bond, equity, multi-asset and property) funds. These funds have allowed us to diversify into asset classes other than cash without the need to own and manage the underlying investments. These funds operate on a variable net asset value (VNAV) basis offer diversification of investment risk, coupled with the services of a professional fund manager; they also offer enhanced returns over the longer term but are more volatile in the short term. All of our pooled funds are in the respective funds distributing share class, which pay out the income generated. They have no defined maturity date, but are available for withdrawal, some with a notice period.
- 2.24 We regularly monitor all our external funds’ performance and continued suitability in meeting our investment objectives.

### **Borrowing and debt management**

- 2.25 The council’s debt portfolio is detailed in the table below. Our loan portfolio increased by £74 million due to more short-term loans at the end of the year.

Interest calc	Lender	Loan type	Principal £'000	Initial loan period (yrs)	Period remaining years	Maturity date	Rate
<b>Long-term</b>							
Variable	PWLB	Maturity	45,000	10	1.0	28/03/2022	0.48%
Fixed	PWLB	Maturity	10,000	12	3.0	28/03/2024	2.70%
Fixed	PWLB	Maturity	10,000	13	4.0	28/03/2025	2.82%
Fixed	PWLB	Maturity	10,000	14	5.0	28/03/2026	2.92%
Fixed	PWLB	Maturity	10,000	15	6.0	28/03/2027	3.01%
Fixed	PWLB	Maturity	25,000	17	8.0	28/03/2029	3.15%
Fixed	PWLB	Maturity	25,000	20	11.0	28/03/2032	3.30%
Fixed	PWLB	Maturity	25,000	25	16.0	28/03/2037	3.44%
Fixed	PWLB	Maturity	15,000	29	20.0	28/03/2041	3.49%
Fixed	PWLB	Maturity	17,435	30	21.0	28/03/2042	3.50%
<b>Short-term</b>							
Fixed	West Yorkshire CA	Maturity	10,000	0.76	0.0	06/04/2021	0.60%
Fixed	Cardif Pinnacle Insurance PLC	Maturity	5,000	0.83	0.0	15/04/2021	0.37%
Fixed	Hampshire Fire And Rescue Authority	Maturity	1,000	0.84	0.1	04/05/2021	0.29%
Fixed	PCC Hampshire & IOW - Winchester	Maturity	2,500	0.84	0.1	04/05/2021	0.29%
Fixed	Hampshire County Council	Maturity	1,500	0.84	0.1	04/05/2021	0.29%
Fixed	Cardif Pinnacle Insurance PLC	Maturity	5,000	0.83	0.1	06/05/2021	0.37%
Fixed	London Borough of Tower Hamlets	Maturity	5,000	0.88	0.2	28/05/2021	0.30%
Fixed	West Yorkshire CA	Maturity	5,000	0.75	0.2	02/06/2021	0.50%
Fixed	Local Government Assocoation	Maturity	1,500	1.00	0.2	08/06/2021	0.40%
Fixed	North of Tyne Combined Authority	Maturity	10,000	1.00	0.3	02/07/2021	0.78%
Fixed	London Borough of Newham	Maturity	5,000	1.00	0.3	02/07/2021	0.35%
Fixed	St Helens Metropolitan BC	Maturity	10,000	1.00	0.3	12/07/2021	0.40%
Fixed	Wokingham BC	Maturity	10,000	1.00	0.3	19/07/2021	0.40%
Fixed	North Yorkshire CC	Maturity	5,000	0.41	0.3	26/07/2021	0.10%
Fixed	Cambridge City Council	Maturity	5,000	0.50	0.4	09/08/2021	0.05%
Fixed	Merseyside Fire & Rescue	Maturity	2,000	1.00	0.4	18/08/2021	0.30%
Fixed	LB Wandsworth	Maturity	5,000	0.92	0.9	22/02/2022	0.12%
Fixed	North Yorkshire CC	Maturity	5,000	1.00	0.9	25/02/2022	0.15%
Fixed	Warwickshire CC	Maturity	10,000	1.00	0.9	28/02/2022	0.15%
Fixed	Sheffield CC	Maturity	10,000	1.00	1.0	15/03/2022	0.12%
Fixed	LB Wandsworth	Maturity	5,000	1.00	1.0	25/03/2022	0.20%
<b>Total</b>			<b>310,935</b>				

- 2.26 Our primary objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should our long-term plans change being a secondary objective.
- 2.27 The rate on the variable rate loan is the average for the year.
- 2.28 We also have short-term loans outstanding at the end of the year which we took out for cash flow purposes, from other local authorities. Temporary and short-dated loans borrowed during the year from other local authorities remained affordable and attractive.
- 2.29 Affordability and the “cost of carry” remained important influences on our long-term borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would be invested at rates of interest significantly lower than the cost of borrowing. As short-term interest rates have remained low, and are likely to remain low at least over the forthcoming two years, lower than long-term

rates, the council determined it was more cost effective in the short-term to use internal resources and borrow short-term to medium-term instead.

- 2.30 The Councils borrowing position is monitored regularly as to whether it is more beneficial to externalise borrowing now or whether to continue internal borrowing based on predicted future borrowing costs (which are likely to be higher). Arlingclose assist us with this 'cost of carry' and break-even analysis.
- 2.31 The PWLB raised the cost of the certainty borrowing rate by 1% to 1.8% above UK Gilt yields as HM Treasury were concerned about the overall level of local authority debt. PWLB borrowing remains available, but at a margin of 180bp above gilts appear expensive. Market alternatives are available and new products will be developed but the financial strength of individual authorities will be scrutinised by investors and commercial lenders.
- 2.32 The Chancellor's March 2020 Budget statement included significant changes to Public Works Loan Board (PWLB) policy and launched a wide-ranging consultation on the PWLB's future direction. Announcements included a reduction in the margin on new HRA loans to 0.80% above equivalent gilt yields. The value of this discount is 1% below the rate at which the authority usually borrows from the PWLB), available from 12th March 2020 and £1.15 billion of additional "infrastructure rate" funding at gilt yields plus 0.60% to support specific local authority infrastructure projects for England, Scotland and Wales for which there is a bidding process. We made a successful bid for access to the Local Infrastructure Rate for WUV and have a £100 million facility at gilts plus 0.60% to help fund the project.
- 2.33 In November 2020 the PWLB published its response to the consultation on 'Future Lending Terms'. From 26th November the margin on PWLB loans above gilt yields was reduced from 1.8% to 0.8% providing that the borrowing authority can confirm that it is not planning to purchase 'investment assets primarily for yield' in the current or next two financial years. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing. As part of the borrowing process authorities will now be required to submit more detailed capital expenditure plans with confirmation of the purpose of capital expenditure from the Section 151 officer. The PWLB can now also restrict local authorities from borrowing in unusual or large amounts.
- 2.34 Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management. Misuse of PWLB borrowing could result in the PWLB requesting that Authority unwinds problematic transactions, suspending access to the PWLB and repayment of loans with penalties.
- 2.35 Competitive market alternatives may be available for authorities with or without access to the PWLB. However, the financial strength of the individual authority and borrowing purpose will be scrutinised by commercial lenders

### **3. Treasury and prudential indicators**

- 3.1 The Local Government Act 2003 requires local authorities to have regard to the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment

plans of local authorities are affordable, prudent and sustainable, and that treasury decisions are taken in accordance with good professional practice. To demonstrate the Council has fulfilled these objectives, the Prudential Code sets various indicators that must be set and monitored each year.

- 3.2 The CFO confirms that we have complied with our prudential indicators for 2020-21, which were approved in February 2020 as part of the treasury management strategy statement. The CFO also confirms that we have complied with our treasury management policy statement and treasury management practices during 2020-21.

**Balance sheet and treasury position prudential indicator**

- 3.3 The capital financing requirement (CFR) measures the council's underlying need to borrow for a capital purpose. Over the medium-term, borrowing must be only for a capital purpose, although in the short-term, we can borrow for cash flow purposes, which does not affect the CFR.

- 3.4 The Council's CFR for 2020-21 is shown in the following table

<b>Capital Financing Requirement</b>	<b>2020-21 Approved Estimate £000</b>	<b>2020-21 Revised Estimate £000</b>	<b>2020-21 Actual £000</b>
<b>HRA</b>			
Opening balance (01 Apr 20)	207,024	207,024	197,024
Movement in year: Unfinanced cap exp	10,000	10,000	2,180
<b>Closing balance (31 Mar 21)</b>	<b>217,024</b>	<b>217,024</b>	<b>199,204</b>
<b>General Fund</b>			
Opening balance (01 Apr 20)	130,464	105,100	106,939
Movement in year: Unfinanced cap exp	78,285	60,270	11,000
Movement in year: MRP	(1,640)	(1,640)	(1,288)
<b>Closing balance (31 Mar 21)</b>	<b>207,109</b>	<b>163,730</b>	<b>116,651</b>
<b>Total</b>			
Opening balance (01 Apr 20)	337,488	312,124	303,963
Movement in year: Unfinanced cap exp	88,285	70,270	13,180
Movement in year: MRP	(1,640)	(1,640)	(1,288)
<b>Closing balance (31 Mar 21)</b>	<b>424,133</b>	<b>380,754</b>	<b>315,855</b>
Balances and Reserves	(188,850)	(188,850)	(133,189)
<b>Cumulative net borrowing requirement / (investments)</b>	<b>235,283</b>	<b>191,904</b>	<b>182,666</b>

- 3.5 The GF unfinanced capital expenditure mainly relates to WUV and loan / equity to North Downs housing. This is lower than budgeted because of the slippage in the capital programme – we projected some slippage during the year, which is shown by the revised estimate (as in the strategy report presented to Council in February 2021).
- 3.6 We budgeted an underlying need to borrow of £42.8 million for 2020-21, and our actual underlying need to borrow was £13.1 million because of slippage in the capital programme and also a higher amount of capital receipts than anticipated.

- 3.7 We also appropriated the remaining 2/3 of land from the GF to the HRA for the Guildford Park Car Park project which has led to an increase in the HRA CFR and a reduction in the GF CFR. This land appropriation cannot be used against the 141 Right to Buy scheme.

**Gross debt and the CFR**

- 3.8 We monitor the CFR to gross debt continuously to ensure that, over the medium term, borrowing is only for a capital purpose and does not exceed the CFR. This is a key indicator of prudence. We will report any deviations to the CFO for investigation and appropriate action. The following table shows the council is in a net internal borrowing position and gross debt does not exceed the CFR over the period.

<b>Gross Debt and the CFR</b>	<b>2020-21 Actual £000</b>
General Fund CFR	116,651
HRA CFR	199,204
<b>Total CFR (at 31 March)</b>	<b>315,855</b>
Gross External Borrowing	(310,935)
<b>Net (external) / internal borrowing position</b>	<b>4,920</b>

- 3.9 Actual debt levels are monitored against the operational boundary and authorised limit for external debt, detailed in paragraph 3.20 to 3.25.
- 3.10 We are showing as being internally borrowed up to £5 million in at the end of March 2021.

**Capital expenditure prudential indicator**

- 3.11 This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits, and, in particular, to consider the impact on council tax or housing rent levels for the HRA.
- 3.12 The following table shows capital expenditure in the year, compared to the original estimate approved by the Executive in January 2020.



<b>Projects</b>	<b>Original Estimate (£'000)</b>	<b>Actual (£'000)</b>	<b>Variance (£'000)</b>
<u>Housing Revenue Account</u>			
HRA Capital Programme	27,387	12,685	(14,702)
<b>Total Housing</b>	<b>27,387</b>	<b>12,685</b>	<b>(14,702)</b>
<u>General Fund</u>			
Vehicles purchase	4,220	3,144	(1,076)
Museum project	1,020	0	(1,020)
Town centre gateway regeneration	3,480	0	(3,480)
SMC	2,975	374	(2,601)
A331 hotspots	3,146	82	(3,064)
Ash road bridge & Foorbridge	21,154	1,006	(20,148)
NDH/GHL	7,500	4,932	(2,568)
Midleton redevelopment	5,500	3,424	(2,076)
Strategic property	20,000	1,285	(18,715)
WUV	860	11,450	10,590
Provisional schemes	83,301	0	(83,301)
Other General Fund Projects	18,372	3,744	(14,628)
<b>Total General Fund</b>	<b>171,528</b>	<b>29,440</b>	<b>(142,088)</b>
<b>Total Capital Programme</b>	<b>198,915</b>	<b>42,125</b>	<b>(156,790)</b>

3.13 The table shows that there was a lot of slippage in the capital programme. This was mainly over a few larger schemes including:

- provisional schemes were re-profiled during the year, and include:
  - various transport schemes
  - ash road bridge
  - Guildford park car park
  - Midleton redevelopment

3.14 The following table shows the financing of capital expenditure in the year, compared with the original approved estimate.

<b>CAPITAL EXPENDITURE - SUMMARY</b>	<b>Original Estimate (£'000)</b>	<b>Actual (£'000)</b>
<b>General Fund Capital Expenditure</b>		
- Main programme	166,719	26,951
- Reserve & s106 Capital Schemes	3,984	1,730
- General Fund Housing	825	759
<b>HRA Capital expenditure</b>		
- Main programme	27,387	12,685
<b>Total Capital Expenditure</b>	<b>198,915</b>	<b>42,125</b>
<b>CAPITAL EXPENDITURE - SUMMARY</b>	<b>Original Estimate (£'000)</b>	<b>Actual (£'000)</b>
<b>General Fund Capital Expenditure Financed by:</b>		
- Borrowing/Use of Balances	(118,907)	(13,053)
- Capital Receipts	0	(6,295)
- Capital Grants/Contributions	(41,368)	(7,070)
- Capital Reserves/Revenue	(11,253)	(3,022)
<b>HRA Capital Expenditure Financed by:</b>		
- Capital Receipts	(6,783)	(2,607)
- Capital Reserves/Revenue	(20,604)	(8,479)
<b>Financing - Totals</b>	<b>(198,915)</b>	<b>(42,125)</b>

- 3.15 GF borrowing was less than budgeted because of slippage in the capital programme, and an increase in the opening of available capital resources which reduced the need for internal borrowing in the year.

**Ratio of financing costs to the net revenue stream prudential indicator**

- 3.16 This is an indicator of affordability and highlights the revenue impact of capital expenditure by identifying the proportion of the revenue budget required to meet the financing costs associated with capital spending. Financing costs include interest on borrowing, MRP, premium or discount on loans repaid early, investment income and depreciation where it is a real charge.
- 3.17 Depreciation is not a real charge to the GF but has been to the HRA since April 2012.
- 3.18 The ratio is based on costs net of investment income.
- 3.19 The net revenue stream for the GF is the total budget requirement and for the HRA is total income. Where the figure is negative, it is because there is a net investment position (more investments than debt). The total budget requirement for the GF used is the 2020-21 budget.

	<b>2020-21 Original Estimate</b>	<b>2020-21 Actual</b>
General Fund	10.61%	-8.20%
HRA	33.09%	33.52%

- 3.20 The figure for the GF is negative because interest received is higher than financing costs (interest payable, debt management costs and MRP). The budget assumed a

large amount of external borrowing for the capital programme which was not required and was reported throughout the year as part of budget monitoring.

**The authorised limit prudential indicator**

- 3.21 The Local Government Act 2003 requires the council to set an affordable borrowing limit, irrespective of the indebted status. This is a statutory limit, which we cannot breach.
- 3.22 The limit is the maximum amount of external debt we can legally owe at any one time. It is expressed gross of investments and includes capital expenditure plans, the CFR and cash flow expenditure. It also provides headroom over and above for unexpected cash movements.
- 3.23 The limit was set at £531 million for the year and the highest level of debt was £311 million.
- 3.24 We measure the levels of debt on an ongoing basis during the year for compliance. The CFO confirms there were no breaches to the authorised limit in 2020-21.

**The operational boundary prudential indicator**

- 3.25 The operational boundary, based on the same estimates as the authorised limit, reflects the most likely, prudent but not worst case scenario. It does not allow for additional headroom included in the authorised limit.
- 3.26 The limit was set at £577 million for the year and the highest level of debt was £311 million.

**Maturity structure of fixed rate borrowing treasury indicator**

- 3.27 The aim of this indicator is to control our exposure to refinancing risk (large concentrations of fixed rate debt needing refinancing at once). We calculate this as the amount of fixed rate borrowing maturing in each period as a percentage of fixed rate borrowing.

	Upper Limit	Lower Limit	Actual at 31 March 2021	Value of loans maturing
Under 12 months	15%	0%	44.56%	118,500,000
1-2 years	20%	0%	0.00%	0
3 to 5 years	25%	0%	3.76%	10,000,000
6 to 10 years	50%	0%	20.68%	55,000,000
11-15 years	100%	0%	9.40%	25,000,000
16-20 years	100%	0%	9.40%	25,000,000
21-25 years	100%	0%	12.20%	32,435,000
Over 26 years	100%	0%	0.00%	0

- 3.28 The above table shows the amount of debt maturing in each period and its percentage of total fixed rate loans. The targets were set to give us flexibility for drawing down new loans on a fixed or variable rate basis. If a lower upper limit for fixed rate debt were set, the council would be giving itself a greater exposure to interest rate changes by having more variable rate debt. The upper limit for under 12

months was set to cover any short-term borrowing for cash flow purposes and for allowing for the principal loan repayments falling in that period.

- 3.29 The limit for that maturing within 12 months is higher due to short-term borrowing levels. 69% of our fixed rate debt matures within the next 10 years, with the majority of long-term loans being in years 6-10. This gives the council stability in its interest payments over that time, and time to consider refinancing options. The first fixed rate loan matures in 2024.

**Actual external debt treasury indicator**

- 3.30 This indicator comes directly from our balance sheet. It is the closing balance for actual gross borrowing (short and long term) plus other deferred liabilities. It is measured in a manner consistent for comparison with the authorised limit and operational boundary.

- 3.31 Actual external debt (as per 3.7) stood at £311 million.

**Upper limit for total principal sums invested over 1 year**

- 3.32 The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the council having to seek early repayment of the sums invested.

- 3.33 Our limit was set at £50 million, we ended the year with exposure of £35 million.

- 3.34 As mentioned earlier in the report, many of our long-term investments are covered bonds, which can be sold on the secondary market. There could be a price differential if they were sold, but it is unlikely to be material.

# GBC INVESTMENT PROPERTY FUND PORTFOLIO ANNUAL REPORT

## Current Fund Summary – 2020/21

### OBJECTIVE OF FUND

The Investment Property Fund aims to provide a high and secure level of income with the prospect of income growth and to maintain the capital value of the properties held in the Fund. This is achieved by keeping vacancy and associated costs to a minimum and by generating income growth through rental increases, refurbishments, active asset management and new lettings, as well as investing in a diversified commercial property portfolio.

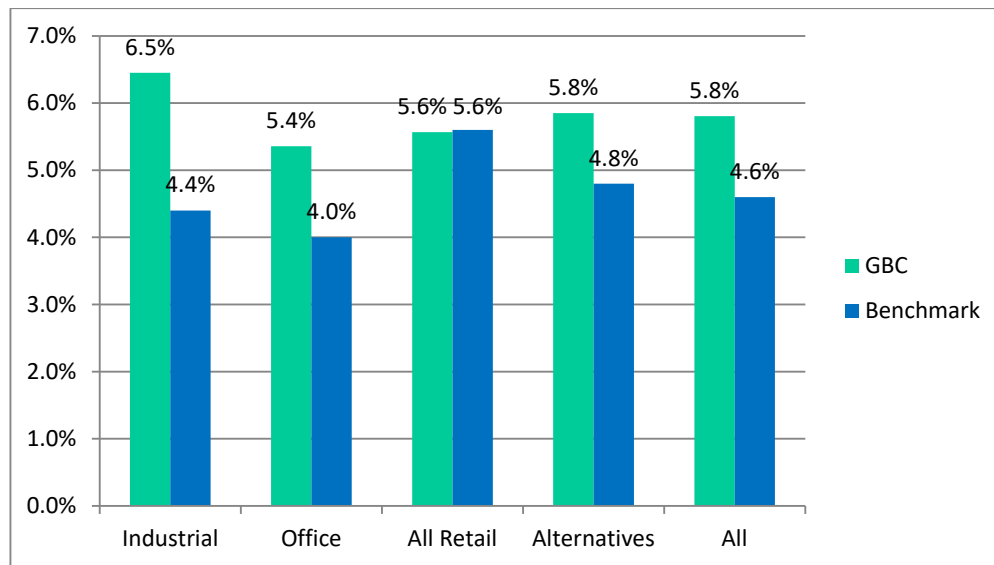
### KEY POINTS – 31 MARCH 2021

- Fund size c.£155 million.
- Rental income of £8.1 million pa.
- 168 properties over the 4 main sectors
- High yielding (5.8% net of costs/voids)
- Low vacancy rate (5.76%)
- Long average unexpired lease terms

### TOP FIVE SINGLE INVESTMENTS

1. Wey House, Farnham Rd
2. The Billings, Walnut Tree Clse
3. Moorfield Point, Slyfield
4. Friary Street, West Side
5. Friary Centre

### FUND PERFORMANCE AGAINST UK BENCHMARK 2020/21



### KEY ACQUISITIONS/DISPOSALS 2020/21



#### 1 Midleton Industrial Estate

Acquired in September 2020 for £500,000 this prominent motor trade property with frontage to the A25 Woodbridge Road, is the gateway to Midleton Industrial Estate and will allow GBC to erect signage up for the new development. Currently let on a short-term lease, representing a GIY of over 8% whilst planning redevelopment.



#### Aldershot Rd 121B (The Co-Op) (HRA account)

Long lease to Co-operative Group at £200pa, sold in August 2020 for £250,000 with a restrictive covenant requiring the provision a food retail store on the site with a net sales area of not less than 3,000 sq.ft.

**Property Investment Fund – 2020/21**

**FUND STRATEGY**

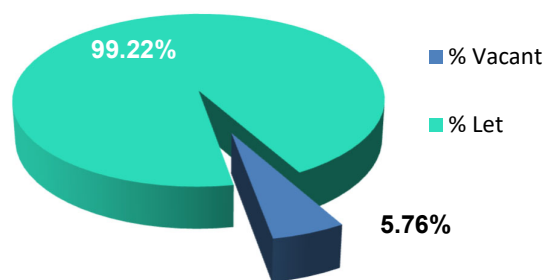
The Fund comprises the principal commercial property sectors: office, retail, industrial and alternatives (hotels, car showrooms, petrol stations, leisure, etc.).

Officers aim to achieve an above average income return by keeping vacancy and associated costs (such as empty rates, service charges, repairs and insurance) to a minimum and by generating income growth through rental increases, refurbishments, active asset management and new lettings. The vacancy rate is currently 5.76%<sup>1</sup>.

**VACANCY RATE**

Based on days per property

Qtr 1	Qtr 2	Qtr 3	Qtr 4	Year
5.34%	7.02%	5.93%	4.70%	5.76%



**PERFORMANCE**

The fund was valued at c.£155 million at the beginning of 2020. This is up from last year by over £2.7million mainly due to the increase in industrial values across the portfolio and the acquisition of 1 Midleton (Fox’s). Rental held level with a total rent roll of £8.1 million per annum, representing a total net return of 5.8%.

Factors that affected the portfolio in 2020/21 include:

- COVID-19** – The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020, led to national and international lockdowns and impacted global financial markets. Market activity was impacted in many sectors. Despite this the impact on overall performance of the portfolio was minimal for several reasons. The Council’s asset valuation date preceded the deepening of the Coronavirus epidemic and therefore only had a small impact on asset values. However, the Council’s Valuers did report that given the unprecedented events it was felt that future impact that COVID-19 might have on the real estate market was unknown. The valuations were therefore reported on the basis of ‘material valuation uncertainty’. Consequently, less certainty, and a higher degree of caution, should be attached to the valuation than would normally be the case.

In terms of income, in general only rent deferments were granted<sup>2</sup>. In exceptional cases, for the worst affected commercial tenants, rent concessions were agreed but many of these have yet to be documented and, as such, did not affect the bottom line for 2020/21. Officers are taking steps to ensure that any knock-on effect in 2021/22 is minimised.

<sup>1</sup> Excluding intentional voids and Finance leases.

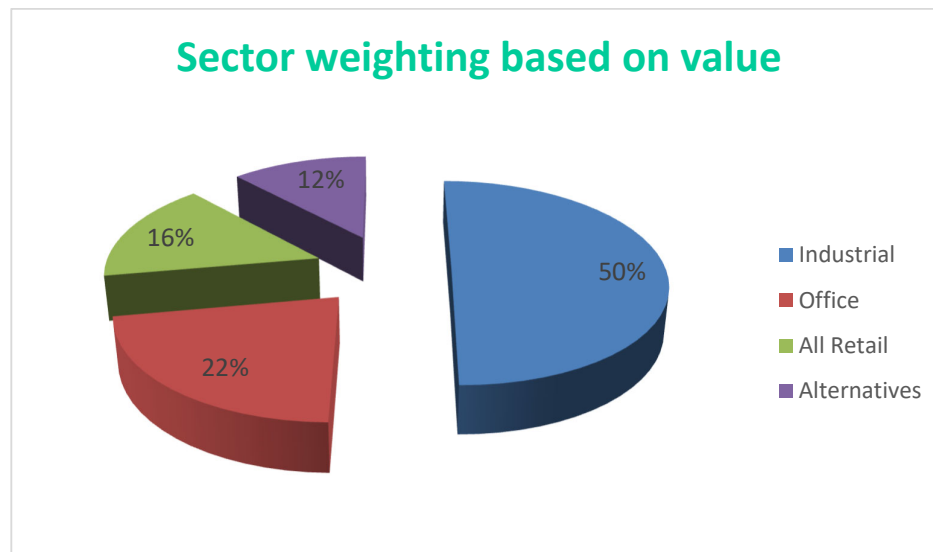
<sup>2</sup> As this report is based on a high-level snapshot view of performance rent deferments don’t affect the bottom-line.

<b>Fund Performance (total return) *</b>					
<b>Rental income</b>					
	<b>Industrial</b>	<b>Office</b>	<b>All Retail</b>	<b>Alternatives</b>	<b>All</b>
2015/16	2,679,571	1,831,900	1,750,254	885,636	7,147,361
2016/17	3,057,302	1,858,638	1,447,672	1,062,137	7,425,749
2017/18	3,493,405	3,186,048	1,426,317	1,080,786	9,186,556
2018/19	3,619,808	3,038,548	1,459,048	1,129,361	9,246,765
2019/20	3,369,452	2,135,460	1,459,548	1,139,397	8,103,857
2020/21	3,565,449	2,112,620	1,284,638	1,139,397	8,102,104
<b>Capital value**</b>					
	<b>Industrial</b>	<b>Office</b>	<b>All Retail</b>	<b>Alternatives</b>	<b>All</b>
2015/16	39,077,755	19,227,500	34,270,000	11,233,500	103,808,755
2016/17	42,922,450	25,915,000	25,908,500	15,963,500	110,709,450
2017/18	51,509,000	49,574,000	26,065,000	17,471,500	144,619,500
2018/19	66,970,000	49,159,000	26,097,000	18,843,000	161,069,000
2019/20	72,295,790	35,609,000	26,097,000	18,143,000	152,144,790
2020/21	77,670,905	34,165,000	24,527,000	18,540,500	154,903,405
<b>Income return</b>					
	<b>Industrial</b>	<b>Office</b>	<b>All Retail</b>	<b>Alternatives</b>	<b>All</b>
2015/16	8.0%	7.5%	5.6%	7.5%	6.8%
2016/17	7.1%	7.2%	5.6%	6.7%	6.7%
2017/18	8.0%	7.4%	5.2%	5.8%	6.6%
2018/19	6.8%	6.6%	5.9%	5.8%	6.3%
2019/20	6.9%	5.3%	5.9%	5.9%	6.0%
2020/21	6.5%	5.4%	5.6%	5.8%	5.8%
<b>Benchmark return</b>					
	<b>Industrial</b>	<b>Office</b>	<b>All Retail</b>	<b>Alternatives</b>	<b>All</b>
2015/16	6.1%	4.7%	5.4%	4.7%	5.2%
2016/17	5.4%	4.1%	5.0%	5.5%	4.8%
2017/18	4.9%	4.1%	5.1%	5.3%	4.8%
2018/19	4.4%	4.0%	5.1%	5.0%	4.6%
2019/20	4.4%	4.0%	5.4%	5.1%	4.7%
2020/21	4.4%	4.0%	5.6%	4.8%	4.6%

\* Excludes Finance leases  
\*\*Capital Values as at 31/01/2020

- **Sector Weighting** – Industrial was the strongest sector going into the lockdown and the sector expected to hold up best. Officers have worked hard over the years to ensure that the investment fund has a high weighting of industrial investments in comparison to and office retail and alternatives. This helped to mitigate the effect of the pandemic with industrial values increasing, enabling the portfolio as a whole to not only hold its value, but increase despite the fall in value on other sectors. Due to the increase in value, the weighting of industrial now represents 50% of the portfolio.
- **Midleton Redevelopment** – Whilst the increased demand for industrial property and lack of supply led to an increase in value for the Council's industrial assets across the board, sites required for the Midleton redevelopment were temporarily de-valued as they were vacated and demolished to make way for developments. This also affected

income; whilst some rent was collected for units in 2020/21 at the time of this snapshot report rent was recorded as nil return.



- **Revaluation of High Street Assets** – The shift away from High Street retailing was accelerated in 2020/21 due to COVID-19 lockdowns resulting in rents declining further and vacancy levels increasing in the market. This led to some of the assets having to be marginally de-valued. However, longer leaseholds with secure income retained their value. Income was affected on the High Street assets but elsewhere the Council managed to produce small uplifts in rent.
- **Rent reviews** – Several rents that were due for review during the pandemic were put on hold to assist tenants during this unprecedented time. These will be reviewed in 2021/22.
- **Voids/Lettings** – A number of properties that became void in 2019/20 remained so due to the pandemic, this included 126 High Street, two floors at 2 The Billings (one now under-offer), 2 Thornberry Way (now under-offer), 126 High Street (now re-let) and 40A Castle Street (moth balled for disposal - awaiting Museum review). However, these were off-set by successful new lettings despite the difficult market (see key 5 transactions).

Whilst the income of the portfolio has stayed level this year as a result of the above, due to mitigating income generation through rent reviews, new lettings and active asset management the fund continues to perform well and significantly above benchmark.






**ASSET INVESTMENT FUND 2020-23**

A new Asset Investment Fund of £40 million was approved by the Executive in January 2020 as part of the Capital and Investment Strategy 2020-21 to 2024-2025. The Asset Investment Strategy which was due to go to the Executive in March 2020 was delayed due to COVID-19 but finally approved by the Executive in September 2020. However, due to the pandemic there has been a lack of suitable stock in the market which resulted in only one acquisition taking place in 2020/21. It is hoped that with the relaxation of the COVID-19 restrictions the markets may open-up more in 2021/22 to allow further acquisitions. The Council’s ability to source the right investment stock at the right price continues to be the biggest driver of performance.



## GBC INVESTMENT PROPERTY FUND PORTFOLIO ANNUAL REPORT

### KEY 5 TRANSACTIONS

	Property	Transaction
	10 Midleton	Void since 2019. New 15-year lease from 14/10/2020 at £326,729pa.
	The Hub, 1 Thornberry Way, Slyfield	Acquired in August 2019. New 10-year lease from 27/01/21 at £233,200pa.
	Fox's Garage, Midleton	Acquired in Sept 2020 for £500,000. New 5-year lease from 25/01/2021 at £40,600pa (GIY of 8%).
	1 North Moors, Slyfield	Surrendered at nil cost to Council in October 2019. New 20-year lease from 16/09/2020 at £40,000pa (100% increase in rental).
	23 Woodbridge Meadows	New 125-year lease from 26/10/2020 at £15,000pa to allow redevelopment of this and adjoining site.

### LOCAL PROPERTY MARKET 2020/21 REVIEW

Activity across the UK commercial property sector ended a tumultuous year with capital values and rents becoming increasingly divergent at the sector level. Industrial uses strengthening while retail and office vacancy rates rose at record pace; a trend exacerbated by the response to the COVID-19 pandemic.

#### Industrial

Strong investment demand for industrial drove yields down to new levels. This was mainly due to the UK logistics market which witnessed a record year; the pandemic and ensuing lockdowns accelerated the shift to online. This led to a surge in demand from Ecommerce and Post & Parcel operators (e.g. Amazon). Despite not having a large logistics offering, industrial property within Guildford continued to perform well. A scarcity of supply, particularly for smaller sub-10,000 sq. ft. units, limited new build and strong levels of take up resulted in rental and capital value growth during the year.

The Council's redevelopment of Midleton (see section 'Major Projects' below) is one of very few pipeline developments in the Borough with the only other notable development being Aviva Investors' refurbishment of a 30,000 sq ft unit at Slyfield, to be launched in Q2 2021. Further news is awaited regarding land at Burnt Common which was released as employment land in the recent Local Plan and is the subject of a planning application.

#### Office

The trend for companies downsizing/reducing overheads, increasing tech / decreasing office numbers and increasing home working was intensified by COVID-19 and home working. Whilst many people started to return to the office in some form at the end of 2020/21, office

occupiers were (and still are) unsure about space requirements and what they may need going forward. As a result, the availability of office space rose, seeing the strongest rate of increase since the global financial crisis<sup>3</sup>. Take-up in Guildford was at an all-time low in 2020, reported to be under 50,000 sq. ft, less than half the annual average take-up level in Guildford since the 2008 crash and almost a third of the pre-2008 average. The largest recorded deal in 2020 was the acquisition of the 29,170 sq ft Riverworks office for educational purposes by Department for Education generating a sale of £12.7m.

The absence of transactional evidence suggests that top rents are unchanged yet increasing incentives could be masking the falling effective rental levels. That said, there has been a slow increase in requirements which will hopefully transition to take-up later in the year (e.g. Unit 2, The Billings which is under offer at full market rent).

On a positive note, there is more interest in prime office demand, especially at the smaller suite end, where companies are downsizing or seeking to extract themselves from the capital but looking more for quality. Guildford has proven popular with gaming companies; Wargaming let additional space in 2020 in order to establish their UK Headquarters.

### **Retail**

Retail property was undoubtedly strongly affected COVID-19 but this simply accelerated the existing structural challenges around online and omni-channel retailing. The crisis gripping the high street saw more retailers filing for CVAs and administrations, with Debenhams and Arcadia among the most notable casualties. Multiple/chain retailers were relatively inactive with Landlords favouring independent retailers looking for opportunities to open. However, these occupiers have a maximum rent and Guildford saw a reduction in rental levels from over £300psf ITZA in 2018 to c.£175 psf ITZA in 2020/21. Unsurprisingly, the online sector continued to perform strongly. Out of town retail warehousing was arguably the most defensive part of UK retailing against the rise of online retail sales, driven by affordability and stronger demands from retailers. There continued to be occupational activity particularly at the value end of the market (e.g. Lidl, Aldi, The Range, Home Bargains, etc.).

### **PROPERTY MARKET – OUTLOOK**

There continues to be a range of forecasts, but recovery is expected to be strong as the economy gets back in gear, bolstered by the UK's highly successful vaccination programme. That's not to dismiss the still significant challenges faced by some sectors though, with structural forces set to considerably impact the way office and retail space is utilised over the longer term.

It is felt the office market will have a greater emphasis on health & wellbeing with fewer desks (but more desk space) alongside a greater share of collaboration and meeting space. Outdoor areas, amenities and fit-out will be top priorities and investment in environmental, social and governance (ESG) will accelerate with smart building technology and net zero carbon upgrades.

The speed of recovery in retail will depend on how quickly consumers spend the savings amassed during the pandemic. The next months will also provide a gauge on the propensity of some consumers to keep shopping online post-lockdown. However, many within the industry continue to advocate a wider reform of the business rates system.

The re-purposing of retail assets, the future demand for offices, and the growing importance of ESG issues and the evolving impact of Brexit are likely to be key issues for 2021.

---

<sup>3</sup> RICS UK Commercial Market Survey, Q4 2020

# GBC INVESTMENT PROPERTY FUND PORTFOLIO ANNUAL REPORT

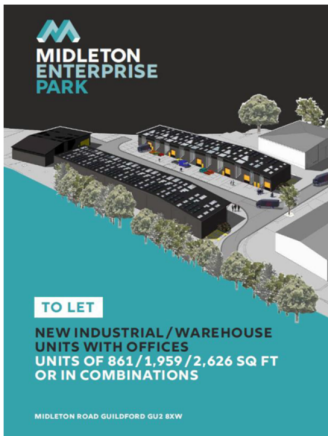
## MAJOR PROJECTS

### Midleton Industrial Estate Redevelopment

The Council progressed the phased redevelopment of Midleton Industrial Estate during 2020/21 despite the issues regarding the pandemic.



**Phase 1** – This phase, the development of a pair of semi-detached industrial/warehouse units c. 10,000 sq.ft, with offices, was completed in 2020/21. Both units were let to a single tenant (new to Guildford) in April 2021 on a 10-year lease at £126,063pa.



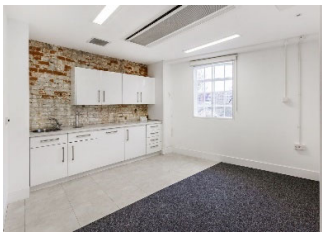
**Phase 2/3** - Demolition works of plots 12-15 were completed in 2020/21 and construction works are progressing at pace. It is hoped works will be completed in Autumn with some units already under offer.



**Phase 4** - Design work for plots 3-5 and 9 got underway and a planning application was submitted and has subsequently been approved. It is hoped that the Council will be going out to tender for the works in Summer 2021.



### Unit 2, The Billings, Walnut Tree Close



During 2020 the Council undertook a full refurbishment of Unit 2, including full internal redecoration to first, ground and lower ground floors, communal area and roof works. The refurbishment works successfully attracted two good lettings in a very difficult market. The lower ground floor let in November 2020 at a rent of £39,500 pa; and the first-floor accommodation is under offer.

### The Hub, 1 Thornberry Way, Slyfield

In 2020 a refurbishment of The Hub was completed which included, stripping out the mezzanine floor and full warehouse racking, undertaking repairs to the concrete slab where necessary, and a full refurbishment of the office and kitchen area. The property was then successfully let in January 2021 at £233,200 pa.



This page is intentionally left blank

Service Unit / Scheme	Original Estimate	Outturn Estimate	Actual	Variance
	£	£	£ p	(o/s = overspend) £
<b>1. APPROVED CAPITAL PROGRAMME SCHEMES</b>				
<b>COMMUNITY DIRECTORATE</b>				
Mandatory DFG	605,000	635,985	339,701.74	(296,282.90)
Better Care Fund	-	0	254,569.41	254,569.41
Home Improvement Grants (w.e.f. 2003)	-	0	8,199.79	8,199.79
Solar Energy Loans	-	0	6,000.00	6,000.00
BCF TESH project	-	0	0.00	-
BCF Prevention grant	-	0	27,513.70	27,513.70
SHIP: Equity Loans Scheme Imps	-	0	-	-
General	100,000	0	-	-
General	120,000	122,769	-	(122,768.82)
Bright Hill CP	0	0	35,063.20	35,063.20
Garage Sites - General	0	0	1,837.50	1,837.50
Japonica Court/Shawfield Day Centrw	0	1,633	1,633.24	-
Site B10b Feasibility	0	0	501.00	501.00
Redevelopment bid 13	0	0	83,733.88	83,733.88
Void investment property refurbishment works	170,000	0	-	-
Unit 2 The Billings void works (complete)	0	47,786	47,786.10	-
5 High Street void works	0	5,854	5,854.17	-
1 Midleton void works	0	5,619	5,618.50	-
10 Midleton void works	0	214,930	214,929.98	-
Energy efficiency compliance - Council owned properties	137,000	313	312.80	-
Bridges -Inspections and remedial works	0	4,433	-	(4,432.80)
Bridges - Millmead Lattice	0	0	3,112.80	3,112.80
Bridges - general	0	0	1,320.00	1,320.00
Electric Theatre - new boilers (complete)	0	120,000	120,000.00	-
The Billings roof	175,000	1,975	1,975.00	-
Broadwater cottage	0	206,271	206,270.92	-
Gunpowder mills - scheduled ancient monument(complete)	52,000	186,539	186,538.63	-
Guildford House Exhibition lighting	50,000	0	0.00	-
Rodboro Buildings - electric theatre through road and parking	280,000	10,135	10,134.78	-
Cladding of Ash Vale units (no longer reqd)	92,000	0	0.00	-
Tyting Farm Land-removal of barns and concrete hardstanding(complete)	0	135,378	135,378.39	-
Foxenden Tunnels safety works	0	5,601	5,600.64	-
Holy Trinity Church boundary wall	0	43,219	43,219.25	-
SMP Ph1 Calorifer replacement	28,000	0	-	-
SMP Main pavilion amenity club	50,000	3,135	3,135.00	-

Service Unit / Scheme	Original Estimate	Outturn Estimate	Actual	Variance
	£	£	£ p	(o/s = overspend) £
SMP cricket pavilion	120,000	3,740	3,740.00	-
<b>COMMUNITY DIRECTORATE - Totals</b>	<b>1,979,000</b>	<b>1,755,314</b>	<b>1,753,680.42</b>	<b>-1,633.24</b>
<b>ENVIRONMENT DIRECTORATE</b>				
Flood resilience measures (use in conjunction with grant funded schemes)	21,000	0		-
Vehicles, Plant & Equipment Replacement Programme	4,220,000	3,143,519	3,143,519.00	-
Flood resilience measures (use in conjunction with grant funded schemes)	0	100,000		(100,000.00)
Litter bins replacement (complete)	153,000	0		-
Merrow lane grille & headwall construction	57,000	0		-
Spectrum Roof replacement	0	102,985	102,985.29	-
Infrastructure works: Guildford Commons	0	836	836.00	-
Westnye Gardens play area (complete)	0	5,271	5,271.43	-
Redevelopment of Westborough and Park barn play area	295,000	0		-
Stoke cemetry re-tarmac	47,000	0		-
Woodbridge rd sportsground replace fencing(complete)	0	15,659	15,658.79	-
Pf-sang costs	0	6,250	6,250.00	-
Museum and castle development (no longer reqd)	1,020,000	0	0.00	-
Parks and Countryside - repairs and renewal of paths,roads and car parks	0	29,529	29,529.31	-
Kings college astro turf (complete)	0	17,821	17,820.90	-
Shalford Common - regularising car parking/reduction of encroachments	99,000	4,300	4,300.00	-
Allen House Pavillion - Roof Works	0	30,000	30,000.00	-
Traveller encampments - Bellfields Green	10,000	20,000	20,000.00	-
Traveller encampments	5,000	0		-
Traveller encampments - Christchurch Spectrum	5,000	5,000		(5,000.00)
<b>ENVIRONMENT DIRECTORATE - Totals</b>	<b>5,932,000</b>	<b>3,481,171</b>	<b>3,376,170.72</b>	<b>-105,000.00</b>
<b>FINANCE DIRECTORATE</b>				
Capital contingency fund	5,000,000	0	0.00	-
<b>FINANCE DIRECTORATE- Totals</b>	<b>5,000,000</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>
<b>DEVELOPMENT - INCOME GENERATING ETC</b>				
Guildford Park - Housing for Private and infrastructure works (move to HRA)	3,462,000	-2,844,608	-2,844,607.80	-
Investment in North Downs Housing (60%)	4,500,000	2,958,627	2,958,627.01	-
Equity shares in Guildford Holdings Ltd (40%)	3,000,000	1,973,418	1,973,418.00	-
Middleton Ind Est Redevelopment	5,500,000	3,423,945	3,423,945.24	-
Property acquisitions	20,000,000	1,284,845	1,284,844.64	-

G. F. CAPITAL PROGRAMME - EXPENDITURE

2020-21

21.06.21

Service Unit / Scheme	Original Estimate	Outturn Estimate	Actual	Variance
	£	£	£ p	(o/s = overspend) £
Walnut Bridge replacement	1,593,000	1,279,857	1,279,856.98	-
Rebuild Crematorium	0	528,315	528,315.46	-
Internal Estate Road - CLLR Phase 1	0	342,724	342,724.21	-
Slyfield Area Regeneration Project (SARP)	700,000	3,217,486	3,217,486.03	-
WUV - Allotment relocation	160,000	454,118	454,118.49	-
WUV - New GBC Depot	0	59,142	59,141.98	-
WUV - Thames Water relocation	0	6,628,326	6,628,325.77	-
WUV - Land Purchase	0	1,090,590	1,090,589.75	-
North Street Development / Guild Town Centre regeneration	736,000	275,251	275,250.99	-
Town Centre Gateway Regeneration(no longer reqd)	3,480,000	0		-
SMC(West) Phase 1	2,975,000	374,371	374,371.00	-
A331 hotspots	3,146,000	81,788	81,788.20	-
Town Centre Approaches	816,000	446,436	446,435.59	-
Ash Road Bridge	20,654,000	976,584	976,584.19	-
Ash Road Footbridge	500,000	29,420	29,420.00	-
<b>DEVELOPMENT INCOME GENERATING ETC - Totals</b>	<b>71,222,000</b>	<b>22,580,636</b>	<b>22,580,635.73</b>	<b>0</b>
<b>Approved programme total</b>	<b>84,133,000</b>	<b>27,817,120</b>	<b>27,710,486.87</b>	<b>-106,633</b>
<b>COMMUNITY DIRECTORATE</b>				
Old Manor House - replacement windows (no longer reqd)	193,000	0		-
Guildford Museum (no longer reqd)	16,810,000	0		-
Methane gas monitoring system	150,000	0		-
Energy efficiency compliance - Council owned properties	950,000	0		-
Bridges	370,000	0		-
Westfield/Moorfield rd resurfacing	3,152,000	0		-
New House works ( no longer reqd)	416,000	0		-
Energy & CO2 reduction in Council non HRA properties	268,000	0		-
<b>COMMUNITY DIRECTORATE - Totals</b>	<b>22,309,000</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>
<b>ENVIRONMENT DIRECTORATE</b>				
Vehicles, Plant & Equipment Replacement Programme	780,000	0		-
Stoke pk office accomodation & storage buildings	665,000	0		-
Stoke Park Masterplan enabling costs	100,000	0		-
Parks and Countryside - repairs and renewal of paths,roads and car parks	400,000	0		-
Sports pavillions - replace water heaters	28,000	0		-
Traveller encampments moved to approved as new named	115,000	0		-

Agenda item number: 8  
Appendix 3

Service Unit / Scheme	Original Estimate	Outturn Estimate	Actual	Variance
	£	£	£ p	(o/s = overspend) £
<b>ENVIRONMENT DIRECTORATE - Totals</b>	<b>2,088,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>DEVELOPMENT - INCOME GENERATING ETC</b>				
Guildford Park - Housing for Private and infrastructure works	4,380,000	0	0.00	-
Redevelop Midleton industrial estate	5,557,000	0	0.00	-
North Street development	29,090,000	0	0.00	-
Bright Hill Development	500,000	0	0.00	-
Guildford West (PB) station	1,700,000	0	0.00	-
Property acquisitions	9,492,000	0	0.00	-
Guildford Gyratory & approaches	3,500,000	0	0.00	-
Bus station relocation	500,000	0	0.00	-
Ash Road Footbridge	4,300,000	0		-
<b>DEVELOPMENT - INCOME GENERATION - Totals</b>	<b>59,019,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Provisional total</b>	<b>83,416,000</b>	<b>0</b>	<b>0.00</b>	<b>0</b>
<b>3.0 ENERGY PROJECTS FUNDED FROM RESERVES etc.</b>				
<u>ENERGY PROJECTS per SALIX RESERVE:(PR220)</u>	0	0		-
LED lighting	44,000	70,050		(70,050.00)
MILLMEAD HOUSE & FARNHAM ROAD CP - PV	0	70,050	70,273.39	223.39
Park Barn Day Centre - air source heat pump ( complete)			2,884.66	
SMP - air source heat pump	28,000	320	0.00	(320.00)
<b>ENERGY RESERVES - Totals</b>	<b>72,000</b>	<b>140,420</b>	<b>73,158.05</b>	<b>-70,146.61</b>
<b>BUDGET PRESSURES RESERVE</b>				
Future Guildford implementation team	1,600,000	0		-
<b>BUDGET PRESSURES RESERVE TOTAL</b>	<b>1,600,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>FINANCE DIRECTORATE</b>				
<b>IT Renewals</b>				
Hardware / software budget	500,000	652,874		(652,874.24)
Hardware	0	0	13,491.90	13,491.90
Software	0	0	609,821.06	609,821.06
ICT infrastructure improvements	0	0		28,289.25
Hardware	0	0	1,272.03	1,272.03
Software	50,000	375	28,289.25	27,914.25



G. F. CAPITAL PROGRAMME - EXPENDITURE

2020-21

21.06.21

Service Unit / Scheme	Original Estimate	Outturn Estimate	Actual	Variance
	£	£	£ p	(o/s = overspend) £
Future Guildford ICT	0	545,486	108,922.92	(436,563.08)
Salesforce			436,772.94	436,772.94
<b>BUSINESS SYSTEMS - IT Renewals Reserve - Totals</b>	<b>550,000</b>	<b>1,198,735</b>	<b>1,198,570.10</b>	<b>28,124.11</b>
<b>CAR PARKS RESERVE</b>				
- Deck Millbrook car park(no longer reqd)	1,000,000	0		-
Lift replacement (PR000293)	187,000	368,974	369,322.82	348.82
Additional barriers Farnham Rd	15,000	0		-
Deck surface replacement (stair cores)Farnham Rd	70,000	0		-
Deck surface replacement Leapale Rd	400,000	8,000	7,500.00	(500.00)
Signage replacement Leapale Rd(no longer reqd)	30,000	0		-
Structural repairs roof turret timbers Castle St	60,000	0		-
<b>Car Park Reserves- Totals</b>	<b>1,762,000</b>	<b>376,974</b>	<b>376,822.82</b>	<b>-151.18</b>
<b>Reserves total</b>	<b>3,984,000</b>	<b>1,716,129</b>	<b>1,648,550.97</b>	<b>-42,174</b>
<b>4.0 PROJECTS FUNDED FROM S106</b>				
<b>ENVIRONMENT DIRECTORATE</b>				
Gunpowder mills - signage, access and woodland imp	0	748	1,380.00	632.00
Chantry Wood Campsite	0	0		-
Foxenden Quarry	0	2,728	2,800.00	72.00
SMP outdoor gym equipment COMPLETE	0	395	395.00	-
Fir Tree Garden	0	1,235	587.93	(647.07)
Boardwalk Heathfield Nature Reserve	0	244		(244.00)
Albury Playground Equip (PC)	0	17,000	17,393.56	393.56
West Horsley Planters		6,748	6,748.00	-
Worplesdon Office accom		51,528	51,528.46	0.46
<b>ENVIRONMENT DIRECTORATE - Totals</b>	<b>0</b>	<b>80,626</b>	<b>80,833</b>	<b>207</b>
<b>S106 total</b>	<b>0</b>	<b>80,626</b>	<b>80,833</b>	<b>207</b>

G. F. CAPITAL PROGRAMME SCHEMES - EXPENDITURE

2020-21

SERVICE UNIT - SUMMARY	Original Estimate	Updated Estimate	Actual	Variance (o/s = overspend)
------------------------	-------------------	------------------	--------	----------------------------

## G. F. CAPITAL PROGRAMME - EXPENDITURE

2020-21

21.06.21

Service Unit / Scheme	Original Estimate	Outturn Estimate	Actual	Variance
	£	£	£ p	(o/s = overspend) £
	£	£	£ p	£
<b>GRAND TOTALS (INCL PROVISIONAL)</b>				
COMMUNITY	24,288,000	1,755,314	1,753,680.42	(1,633)
ENVIRONMENT	8,020,000	3,561,797	3,457,003.67	(104,793.05)
FINANCE	5,000,000	-	0.00	-
DEVELOPMENT INCOME GENERATING ETC	130,241,000	22,580,636	22,580,635.73	-
ENERGY RESERVES	72,000	140,420	73,158.05	(67,261.95)
IT Reserve	550,000	1,198,735	1,198,570.10	(165.14)
Car Parks Reserve	1,762,000	376,974	376,822.82	(151.18)
Capital Reserve	1,600,000	-	0.00	-
<b>TOTAL</b>	<b>171,533,000</b>	<b>29,613,875</b>	<b>29,439,870.79</b>	<b>-174,004.56</b>

Agenda item number: 8  
Appendix 3

## Schedule of investments at 31 March 2021

Counterparty	Principal £	Rate	Start	End
<b>Fixed investments</b>				
LA - LB Islington	5,000,000	1.0000%	07-Apr-20	06-Apr-21
LA - Birmingham City Council	5,000,000	1.1000%	27-Apr-20	26-Apr-21
Metropolitan Housing Trust	2,000,000	1.5000%	28-May-20	28-May-21
LA - Plymouth Council	5,000,000	0.1200%	05-Jan-21	05-Jul-21
LA - Wokingham BC	5,000,000	0.2700%	10-Nov-20	09-Nov-21
LA - Thurrock Council	2,000,000	0.3800%	04-Jan-21	04-Jan-22
LA - Thurrock Council	4,000,000	0.3800%	13-Jan-21	12-Jan-22
LA - Aberdeen City	5,000,000	0.1000%	18-Jan-21	17-Jan-22
LA - IOW	5,000,000	0.1000%	20-Jan-21	19-Jan-22
LA - Thurrock Council	4,000,000	0.3800%	02-Feb-21	01-Feb-22
LA - Warrington BC	10,000,000	0.3000%	12-Mar-21	11-Mar-22
LA - PCC Sussex	4,000,000	0.0500%	30-Mar-21	28-May-21
	<b>56,000,000</b>			
<b>Short-term Bonds</b>				
London Stock Exchange	2,000,000	0.1720%	19-Jan-21	02-Nov-21
	<b>2,000,000</b>			
<b>Long-term Covered bonds</b>				
National Australia Bank	2,000,000	1.1250%	10-Nov-16	10-Nov-21
Commonwealth Bank of Australia	2,000,000	1.1250%	18-Jan-17	22-Dec-21
CIBC	2,000,000	1.1250%	17-Jul-17	30-Jun-22
Santander UK plc	1,000,000	0.3034%	16-Nov-17	16-Nov-22
Barclays Bank UK PLC	1,000,000	0.4771%	23-Oct-18	09-Jan-23
Nationwide	850,000	0.4729%	12-Apr-18	12-Apr-23
United Overseas Bank	1,000,000	0.3040%	01-Feb-19	28-Feb-23
Santander UK plc	1,000,000	0.7850%	12-Feb-19	12-Feb-24
Nationwide	1,500,000	0.6070%	10-Jan-20	10-Jan-25
Leeds BS	750,000	0.5967%	15-Jan-20	15-Jan-25
Coventry BS	500,000	0.5767%	15-Jan-20	15-Jan-25
Lloyds	1,500,000	0.4255%	03-Feb-20	03-Feb-23
National Australia Bank	1,000,000	0.5555%	04-Feb-20	04-Feb-25
	<b>16,100,000</b>			

Agenda item number: 8  
Appendix 4

Counterparty	Principal £	Rate	Start	End
<b>Long-term investments</b>				
Staffordshire Moorlands	1,500,000	1.3000%	20-May-20	20-May-22
LB Croydon	5,000,000	0.9500%	05-May-20	04-May-21
Highland Council	5,000,000	2.0000%	14-Apr-20	14-Apr-21
Rugby Borough Council	2,000,000	2.0500%	15-Apr-20	15-Apr-21
Southern Housing Group Ltd (	6,000,000	1.4500%	09-Mar-21	09-Sep-21
Uttlesford DC - Saffron Walde	3,000,000	0.4500%	24-Nov-20	24-May-22
	<b>22,500,000</b>			
<b>Notice Accounts</b>				
Barclays	3,000,000			
	<b>3,000,000</b>			
<b>Call Account</b>				
HSBC	325,500			
	<b>325,500</b>			
<b>Money market funds</b>				
Aberdeen	7,029,000			
BNP	5,203,000			
Aviva	8,466,000			
CCLA	7,000,000			
Federated	11,521,000			
	<b>39,219,000</b>			
<b>Total internally managed</b>	<b>139,144,500</b>			
<b>Externally managed</b>				
CCLA	6,491,179			
Federated Cash Plus	5,000,000			
Royal London	2,332,194			
M&G	3,528,656			
Schroders	697,631			
Fundamentum (REIT)	1,970,000			
UBS	2,203,598			
Funding Circle	508,476			
<b>Total Externally managed</b>	<b>22,731,734</b>			
<b>Total investments</b>	<b>161,876,234</b>			

## Economic background – a commentary from Arlingclose

**Economic background:** The coronavirus pandemic dominated 2020/21, leading to almost the entire planet being in some form of lockdown during the year. The start of the financial year saw many central banks cutting interest rates as lockdowns caused economic activity to grind to a halt. The Bank of England cut Bank Rate to 0.1% and the UK government provided a range of fiscal stimulus measures, the size of which has not been seen in peacetime.

Some good news came in December 2020 as two COVID-19 vaccines were given approval by the UK Medicines and Healthcare products Regulatory Agency (MHRA). The UK vaccine rollout started in earnest; over 31 million people had received their first dose by 31<sup>st</sup> March. A Brexit trade deal was agreed with only days to spare before the 11pm 31<sup>st</sup> December 2020 deadline having been agreed with the European Union on Christmas Eve.

The Bank of England (BoE) held Bank Rate at 0.1% throughout the year but extended its Quantitative Easing programme by £150 billion to £895 billion at its November 2020 meeting. In its March 2021 interest rate announcement, the BoE noted that while GDP would remain low in the near-term due to COVID-19 lockdown restrictions, the easing of these measures means growth is expected to recover strongly later in the year. Inflation is forecast to increase in the near-term and while the economic outlook has improved there are downside risks to the forecast, including from unemployment which is still predicted to rise when the furlough scheme is eventually withdrawn.

Government initiatives supported the economy and the Chancellor announced in the 2021 Budget a further extension to the furlough (Coronavirus Job Retention) scheme until September 2021. Access to support grants was also widened, enabling more self-employed people to be eligible for government help. Since March 2020, the government schemes have helped protect more than 11 million jobs.

Despite the furlough scheme, unemployment still rose. Labour market data showed that in the three months to January 2021 the unemployment rate was 5.0%, in contrast to 3.9% recorded for the same period 12 months ago. Wages rose 4.8% for total pay in nominal terms (4.2% for regular pay) and was up 3.9% in real terms (3.4% for regular pay). Unemployment is still expected to increase once the various government job support schemes come to an end.

Inflation has remained low over the 12 month period. Latest figures showed the annual headline rate of UK Consumer Price Inflation (CPI) fell to 0.4% year/year in February, below expectations (0.8%) and still well below the Bank of England's 2% target. The ONS' preferred measure of CPIH which includes owner-occupied housing was 0.7% year/year (1.0% expected).

After contracting sharply in Q2 (Apr-Jun) 2020 by 19.8% q/q, growth in Q3 and Q4 bounced back by 15.5% and 1.3% respectively. The easing of some lockdown measures in the last quarter of the calendar year enabled construction output to continue, albeit at a much slower pace than the 41.7% rise in the prior quarter. When released, figures for Q1 (Jan-Mar) 2021 are expected to show a decline given the national lockdown.

After collapsing at an annualised rate of 31.4% in Q2, the US economy rebounded by 33.4% in Q3 and then a further 4.1% in Q4. The US recovery has been fuelled by three major pandemic relief stimulus packages totalling over \$5 trillion. The Federal Reserve cut its main interest rate to between 0% and 0.25% in March 2020 in response to the pandemic and it has remained at the same level since. Joe Biden became the 46<sup>th</sup> US president after defeating Donald Trump.

The European Central Bank maintained its base rate at 0% and deposit rate at -0.5% but in December 2020 increased the size of its asset purchase scheme to €1.85 trillion and extended it until March 2022.

**Financial markets:** Monetary and fiscal stimulus helped provide support for equity markets which rose over the period, with the Dow Jones beating its pre-crisis peak on the back of outperformance by a small number of technology stocks. The FTSE indices performed reasonably well during the period April to November, before being buoyed in December by both the vaccine approval and Brexit deal, which helped give a boost to both the more internationally focused FTSE 100 and the more UK-focused FTSE 250, however they remain lower than their pre-pandemic levels.

Ultra-low interest rates prevailed throughout most of the period, with yields generally falling between April and December 2020. From early in 2021 the improved economic outlook due to the new various stimulus packages (particularly in the US), together with the approval and successful rollout of vaccines, caused government bonds to sell off sharply on the back of expected higher inflation and increased uncertainty, pushing yields higher more quickly than had been anticipated.

The 5-year UK benchmark gilt yield began the financial year at 0.18% before declining to -0.03% at the end of 2020 and then rising strongly to 0.39% by the end of the financial year. Over the same period the 10-year gilt yield fell from 0.31% to 0.19% before rising to 0.84%. The 20-year declined slightly from 0.70% to 0.68% before increasing to 1.36%.

1-month, 3-month and 12-month SONIA bid rates averaged 0.01%, 0.10% and 0.23% respectively over the financial year.

The yield on 2-year US treasuries was 0.16% at the end of the period, up from 0.12% at the beginning of January but down from 0.21% at the start of the financial year. For 10-year treasuries the end of period yield was 1.75%, up from both the beginning of 2021 (0.91%) and the start of the financial year (0.58%).

German bund yields continue to remain negative across most maturities.

**Credit review:** After spiking in March 2020, credit default swap spreads declined over the remaining period of the year to broadly pre-pandemic levels. The gap in spreads between UK ringfenced and non-ringfenced entities remained, albeit Santander UK is still an outlier compared to the other ringfenced/retail banks. At the end of the period Santander UK was trading the highest at 57bps and Standard Chartered the lowest at 32bps. The other ringfenced banks were trading around 33 and 34bps while Nationwide Building Society was 43bps.

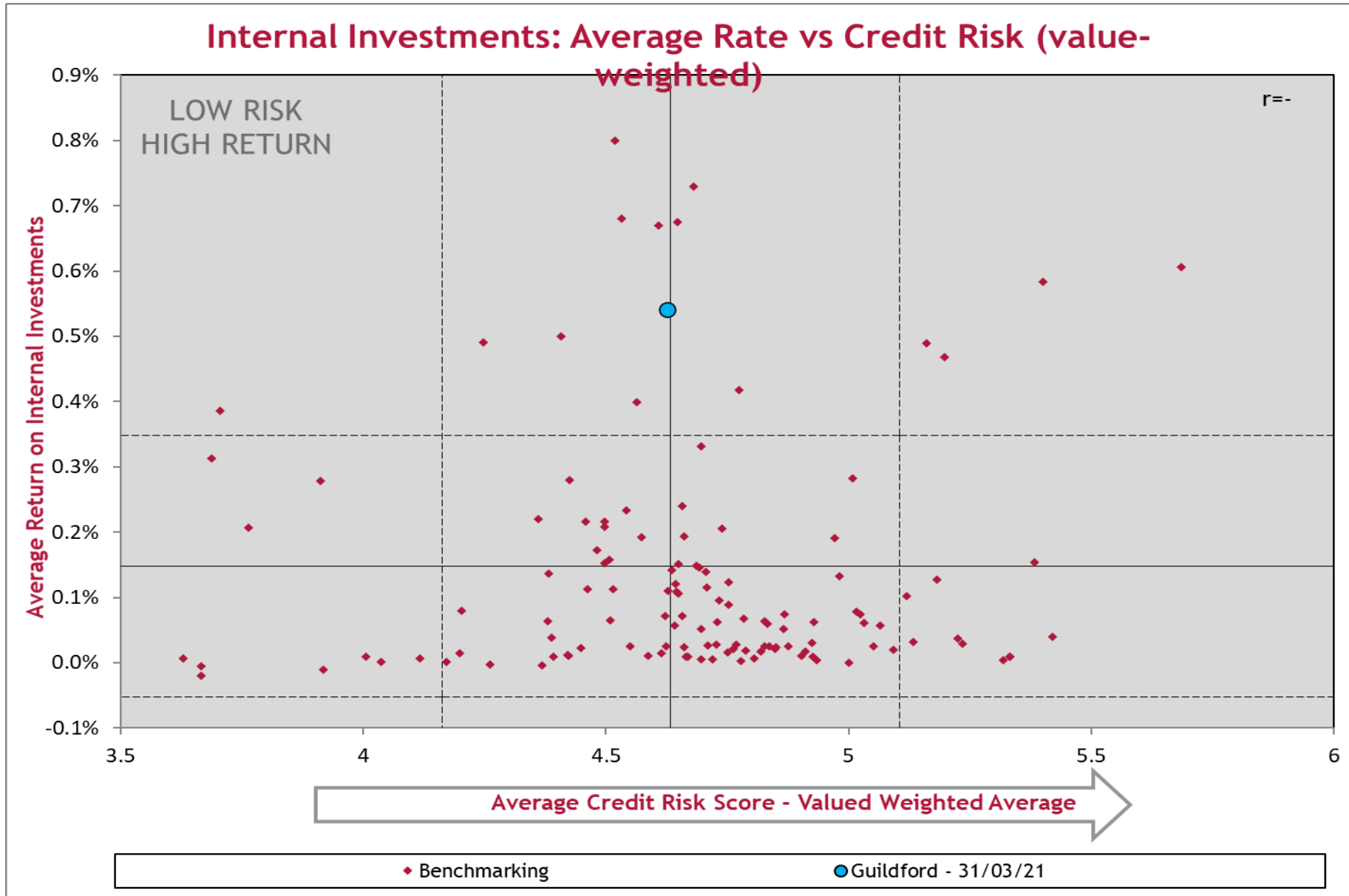
Credit rating actions to the period ending September 2020 have been covered in previous outturn reports. Subsequent credit developments include Moody's downgrading the UK sovereign rating to Aa3 with a stable outlook which then impacted a number of other UK institutions, banks and local government. In the last quarter of the financial year S&P upgraded Clydesdale Bank to A- and revised Barclay's outlook to stable (from negative)

while Moody's downgraded HSBC's Baseline Credit Assessment to baa3 whilst affirming the long-term rating at A1.

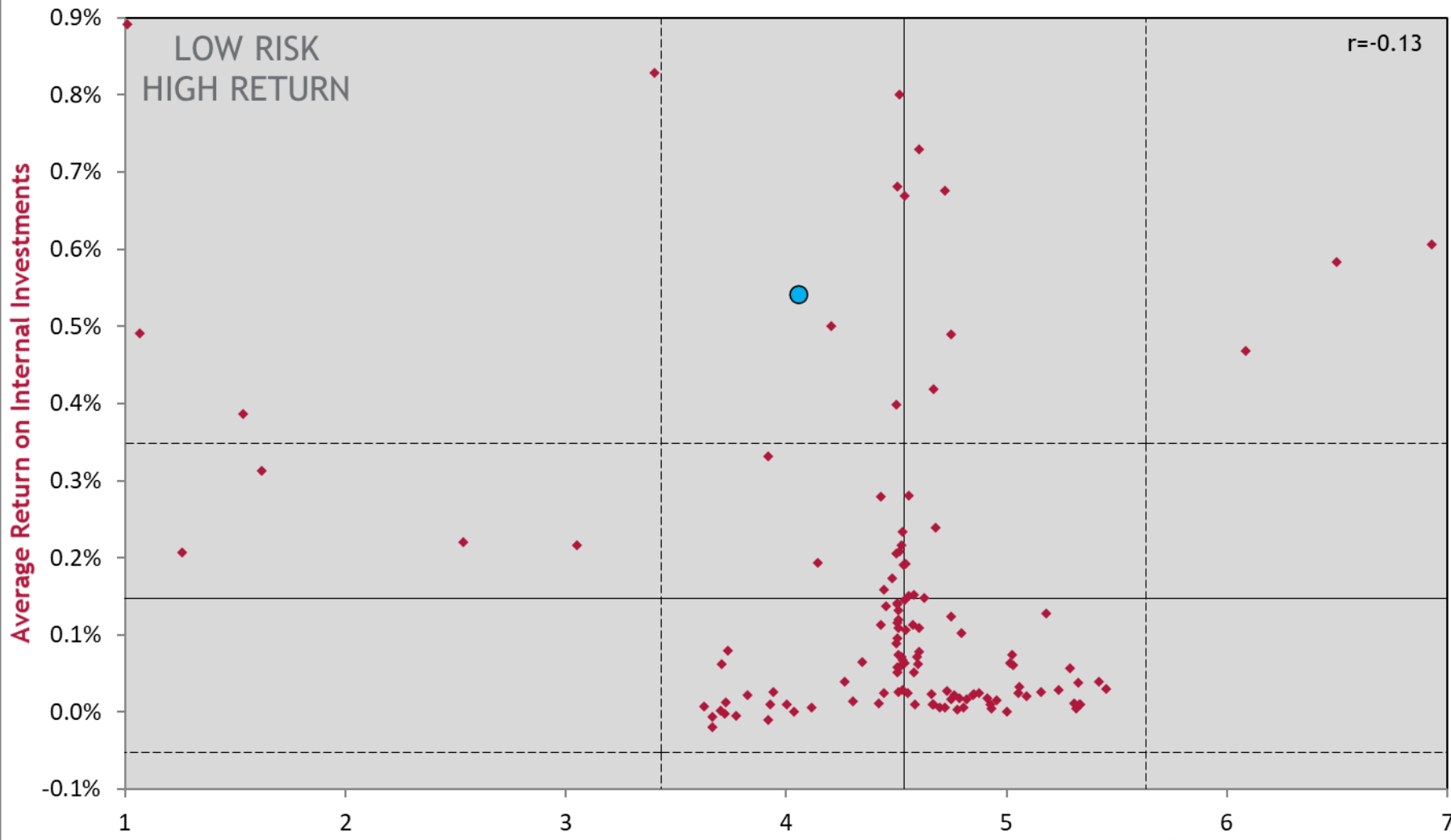
The vaccine approval and subsequent rollout programme are both credit positive for the financial services sector in general, but there remains much uncertainty around the extent of the losses banks and building societies will suffer due to the economic slowdown which has resulted due to pandemic-related lockdowns and restrictions. The institutions and durations on the Authority's counterparty list recommended by treasury management advisors Arlingclose remain under constant review, but at the end of the period no changes had been made to the names on the list or the recommended maximum duration of 35 days.

This page is intentionally left blank





### Average Rate vs Credit Risk (time-weighted)



## Credit score analysis

Scoring:

<b>Long-Term Credit Rating</b>	<b>Score</b>
AAA	1
AA+	2
AA	3
AA-	4
A+	5
A	6
A-	7
BBB+	8
BBB	9
BBB-	10

The value-weighted average reflects the credit quality of investments according to the size of the deposit. The time-weighted average reflects the credit quality of investments according to the maturity of the deposit

The Authority aimed to achieve a score of 7 or lower, to reflect the council’s overriding priority of security of monies invested and the minimum credit rating of threshold of A- for investment counterparties.

This page is intentionally left blank

### Credit Rating Equivalents and Definitions

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

Fitch	Moody's	Standard & Poor's
<p><b>AAA</b></p> <p>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.</p>	<p><b>Aaa</b></p> <p>Obligations rated Aaa are judged to be of the highest quality, with minimal credit risk.</p>	<p><b>AAA</b></p> <p>An obligator rated 'AAA' has extremely strong capacity to meet its financial commitments. 'AAA' is the highest issuer credit rating assigned by Standard &amp; Pools.</p>
<p><b>AA</b></p> <p>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.</p>	<p><b>Aa</b></p> <p>Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.</p>	<p><b>AA</b></p> <p>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.</p>
<p><b>A</b></p> <p>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.</p>	<p><b>A</b></p> <p>Obligations rated A are considered upper-medium grade and are subject to low credit risk.</p>	<p><b>A</b></p> <p>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.</p>
<p><b>BBB</b></p> <p>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.</p>	<p><b>Baa</b></p> <p>Obligations rated Baa are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics.</p>	<p><b>BBB</b></p> <p>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.</p>

This page is intentionally left blank

## Background to externally managed funds

### CCLA – The Local Authorities Property Fund

The fund's objective is to generate long-term growth in capital and a high and rising income over time.

The aim is to have high quality, well-diversified commercial and industrial property portfolio, in the UK, focussing on delivering attractive income and is actively managed to add value.

The fund will maintain a suitable spread between different types of property and geographical location. Importance will be attached to location, standard of construction and quality of covenant with lease terms preferably embodying upwards only rent reviews at intervals of not more than five years.

### M&G Global Dividend Fund

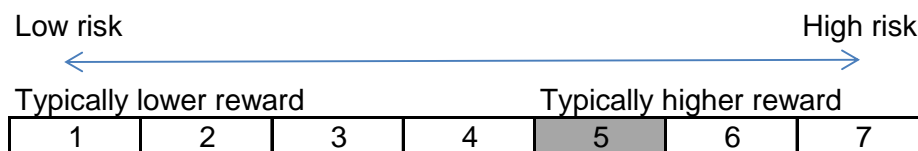
The fund aims to deliver a dividend yield above the market average, by investing mainly in a range of global equities. It aims to grow distributions over the long-term whilst maximising total return (a combination of income and growth of capital).

Exposure to global equities may be gained by using derivatives. The fund may invest across a wide range of geographies, sectors and market capitalisations. It may also invest in other assets including collective investment schemes, other transferrable securities, cash and near cash, deposits, warrants, money market instruments and derivatives.

The fund employs a bottom-up stockpicking approach, driven by the fundamental analysis of individual companies. The fund seeks to invest in companies that understand capital discipline, have the potential to increase dividends over the long-term and are undervalued by the stock market. Dividend yield is not the primary consideration for stock selection.

The fund manager aims to create a diversified portfolio with exposure to a broad range of countries and sectors designed to perform well in a variety of market conditions. It usually holds around 50 stocks with a long-term investment view and a typical holding period of 3-5 years.

### Risk and reward profile



The fund's risk factor based on historical data and may not be the same moving forward. It is rated a 5 because of the investments the fund makes:

- Value of investments, and income from them, will fluctuate and will cause the fund price to rise or fall
- Currency exchange rate fluctuations will impact the value of the investment

- There is a risk that a counterparty may default on its obligations or become insolvent, which may have a negative impact on the fund
- Investments in Emerging markets tend to have larger price fluctuations than more developed countries.
- There is a risk that one or more countries will exit the Euro and re-establish their own currencies. There is an increased risk of asset prices fluctuating or losing value. It may also be difficult to buy and sell securities and issuers may be unable to repay the debt. In addition, there is a risk that disruption in Eurozone markets could give rise to difficulties in valuing the assets of the fund.

### **Schroder Income Maximiser Fund**

The funds objective is to provide income with potential capital growth primarily through investment in equity and equity related securities of UK companies. The fund will also use derivative instruments to generate income.

The manager may selectively sell short dated call options over securities or portfolios of securities held by the fund or indicies, in order to generate additional income by setting target 'strike' prices at which those securities may be sold in the future. The manger may also, for the purpose of efficient management, use derivative instruments which replicate the performance of a basket of short dated call options or a combination of equity securities and short dated call options. Investment will be in directly held transferable securities. The fund may also invest in collective investment schemes, derivatives, cash, deposits, warrants and money market transactions.

The fund aims to deliver a target yield of 7% per year, although this is an estimate and is not guaranteed. There are four quarterly distributions in a year, each calculated by dividing the quarterly distribution amount by the unit price at the start of that quarter.

### **UBS Multi-Asset Income Fund**

The fund seeks to provide income, through a diversified portfolio of investments. Capital growth will not be a primary consideration, although opportunities for growth may occur if market conditions are favourable.

The fund will invest in a mix of transferrable securities including domestic and international equities and bonds, units in collective investment schemes, warrants, money market instruments, deposits, and cash or near cash, as the Investment Manager deems appropriate. There are no geographical restrictions on the countries of investment.

The Fund may use a range of derivative instruments which include foreign exchange, forward and futures contracts, swaps and options and other derivatives for investment purposes and / or to manage interest rate and currency exposures.

Index futures and other derivatives are used to manage market exposure inherent in an invested portfolio. Increasing or reducing market and currency exposure will entail the use of long or net short positions in some derivative instruments.

### Risk profile

The main risks arising from the funds instruments are market price risk and foreign currency risk. Market price risk is the uncertainty about future price movements of the financial instruments the fund is invested in. Foreign currency risk is the risk that the value in the funds investments will fluctuate as a result in foreign exchange rates. Where the fund invests in overseas securities, the balance sheet can be affected by these funds due to movements in foreign exchange rates.



Investments in less developed markets may be more volatile than investments in more established markets. Less developed markets may have additional risks due to less established market practices. Poor liquidity may result in a holding being sold at a less favourable price, or another holding having to be sold instead.

Bonds carry varying levels of underlying risk, including default risk, dependent upon their type. These range from gilts, which carry limited levels, to speculative/non-investment grade corporate bonds, that carry higher levels of risk but with the potential for greater capital growth.

Over 35% of the fund may be invested in securities issued by any one body.

The fund will use derivatives as part of its investment capabilities. This allows it to take 'short positions' in some investments and it can sell a holding they do not own, on the anticipation that its value will fall. These instruments carry a material level of risk and the fund could potentially experience higher levels of volatility should the market move against them.

In order to trade in derivative instruments they enter into an agreement with various counterparties. Whilst they assess the credit worthiness of each counterparty, the fund is at risk that it may not fulfil its obligations under the agreement.

In aiming to reduce the volatility of the fund they utilise a risk management process to monitor the level of risk taken in managing the portfolio, however there is no guarantee that this process will work in all instances

This page is intentionally left blank

## Glossary

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

**Arlingclose** – the Council's treasury management advisors

**Asset Quality Review (AQR)** – a review conducted by the ECB and national competent authorities examine whether assets were properly valued on a banks' balance sheet at 31 December 2013. It made banks comparable across national borders, by applying common definitions for previously diverging concepts and a uniform methodology when assessing balance sheets. The review provides the ECB with substantial information on the banks that will fall under its direct supervision and will help its efforts in creating a level playing field for supervision in future.

**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 of England** – the central bank for the UK. It has a wide range of responsibilities, including act as the Government's bank and the lender of last resort, it issues currency and, most importantly, oversees monetary policy.

**Bank Rate** – the Bank of England base rate

**Bank Recovery and Resolution Directive (BRRD)** – this directive ensures that EU member states have a harmonised toolkit to deal with the failure of banks and investment firms. It will make the EU financial system less vulnerable to shocks and contagion

**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 regulator 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

**CCLA** – the local authority property investment fund

**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 of Communities and Local Government

**Consumer Price Index (CPI)** – measures changes in the price level of a market basket of consumer goods and services purchased by households.

**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

**Deposit Guarantee Scheme Directive (DGSD)** – directive which requires EU member states to introduce at least one deposit guarantee scheme in their jurisdiction to provide protection for depositors and to reduce the risk of bank runs.

**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.

**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'.

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

**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 Central Bank (ECB)** – the central bank responsible for the monetary system of the European Union (EU) and the euro currency. Their responsibilities include to formulate monetary policy, conduct foreign exchange, hold currency reserves and authorise the issuance of bank notes.

**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.

**Federal Reserve Bank (Fed)** – the central bank of the US and the most powerful institution of the world.

**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.

**FTSE** – a company that specialises in index calculation. Co-owners are the London Stock Exchange and the Financial Times. The FTSE 100 is an index of blue chip stocks on the London Stock Exchange.

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

**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.

**Gross Domestic Product** – the monetary value of all finished goods and services produced within a country's borders in a specific time period, although it is usually calculated on an annual basis.

**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.

**M&G** – M&G Global Dividend fund. The fund invests mainly in global equities.

**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

**Moody's** - a credit rating agency. They provide international financial research on bonds issued by commercial and government entities. They rank the creditworthiness of borrowers using a standardised ratings scale which measures expected investor loss in the event of default. They rate debt securities in several markets related to public and commercial securities in the bond market.

**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:

- Constant net asset value (CNAV) 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.
- Variable net asset value (VNAV) 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

**Monetary Policy Committee** – the regulatory committee of the Central Bank that determine the size and rate of growth of the money supply, which in turn, affects interest rates.

**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 worst 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

**Prudential Regulation Authority (PRA)** – is responsible for the prudential regulation and supervision of around 1,700 banks, building societies, credit unions, insurers, and major investment firms. It sets standards and supervises financial institutions at the level of the individual firm.

**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.

**Quantitative easing (QE)** – a type of monetary policy used by central banks to stimulate the economy when standard monetary policy has become ineffective. It is implemented by buying specified amounts of financial assets from commercial banks and other private institutions, raising the prices of those financial assets and lowering their yield, while simultaneously increasing the monetary base.

**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.

**SME (Small and Midsize Enterprises)** – a business that maintains revenue or a number of employees below a certain standard.

**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

**Standard & Poors (S&P)** – a credit rating agency who issues credit ratings for the debt of public and private companies, and other public borrowers. They issue both long and short term ratings.

**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

**SWIP** – SWIP Absolute Return Bond fund. They invest in fixed income securities, index linked securities, money market transactions, cash, near-cash and deposits.

**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 (VRP)** – 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)

This page is intentionally left blank

Council Report

Ward(s) affected: N/A

Report of the Monitoring Officer

Author: Diane Owens

Tel: 07890 592232

Email: [diane.owens@guildford.gov.uk](mailto:diane.owens@guildford.gov.uk)

Lead Councillor responsible: Joss Bigmore

Tel: 07974 979369

Email: [joss.bigmore@guildford.gov.uk](mailto:joss.bigmore@guildford.gov.uk)

Date: 5 October 2021

## Councillor Email Signature Guidance

### Executive Summary

Following a councillor misconduct complaint which had been referred for investigation, the investigator identified an issue that needed to be addressed by the Council. The issue was the apparent confusion around the email signatures used by some councillors who tended to list various non-Council roles in their signature, resulting in confusion in respect of the capacity in which a councillor was communicating with a correspondent. The matter was referred to the Corporate Governance Task Group for consideration.

The Task Group considered the matter initially on 12 April and, more recently, on 16 August 2021 and drafted the guidance for councillors. The Task Group recommended that the guidance be adopted and that all councillors be advised to apply the template, content, and format as set out so as to provide clear communication when conversing with residents and other correspondents. The draft guidance was subsequently considered by the Corporate Management Team (CMT), and then by the Executive at its meeting held on 21 September 2021. The Executive approved the guidance, incorporating a number of amendments, which is set out in Appendix 1 to this report.

The Task Group also recommended, and the Executive agreed, that it should be a requirement in the Councillors' Code of Conduct that councillors comply with this guidance, in the same way that it was agreed last year that the Code of Conduct should include a requirement for councillors to comply with the adopted Social Media Guidance for Councillors.

Any amendments to the Code of Conduct can only be approved by full Council.

### Recommendation to Council

That the Council be requested to agree the following amendment to paragraph 9 of the Councillors' Code of Conduct:

"9. In addition to compliance with this Code of Conduct, you are also expected to comply with:

- (i) the relevant requirements of the Protocol on Councillor/Officer Relations, the Social Media Guidance for Councillors, [the Councillor Email Signature Guidance](#), and the Probity In Planning – Councillors’ Handbook, and
- (ii) any reasonable request by the Council that you complete a related party transaction disclosure.”

Reason for Recommendation:

To ensure clarity for the recipients of emails sent by ward councillors in which capacity they are writing.

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

**1. Purpose of Report**

- 1.1 To ask the Council to agree to include in the Councillors’ Code of Conduct a requirement for councillors to comply with the relevant requirements of the Councillor Email Signature Guidance, which was approved by the Executive on 21 September 2021.

**2. Strategic Priorities**

- 2.1 The Council strives to be efficiently run using innovation, technology and new ways of working to improve value for money and efficiency in Council services.

**3. Background**

- 3.1 Following a councillor misconduct complaint from a resident about the lack of clarity regarding the capacity in which a member was corresponding there was an investigation. The investigator raised an issue with the Council that ought to be investigated further. This matter was the way in which some councillors used Borough Council email addresses to correspond on matters that were separate from Council business and that the councillors’ Borough Council email signatures listed various appointments and responsibilities that were separate to the business of the Borough Council. The Corporate Governance Task Group<sup>1</sup> was asked to investigate the matter and provide recommendations as a way forward.
- 3.2 The Task Group met on 12 April 2021, and more recently on 16 August 2021, to consider draft guidance prepared by the Monitoring Officer, which contained a number of guiding principles for councillors. In considering the guidance, the Task Group suggested to avoid the risk of confusion, non-Council roles (such as residents’ associations or companies to which they are appointed in their personal capacity) should not be included in email signatures or on paper correspondence.

---

<sup>1</sup> The Task Group currently comprises Councillors Deborah Seabrook (Chairman), Will Salmon, Nigel Manning, Ramsey Nagaty, and James Walsh, together with Julia Osborn and Murray Litvak (Parish Council Representative and Independent Member respectively on the Corporate Governance and Standards Committee)

- 3.3 It should also be noted that councillors should not use personal email addresses to conduct Council business.
- 3.4 It should be further noted that Council officers have been issued with a style template with which to create an email signature. The current template is set out below and may form a further example of how councillors might design their email signature to be in line with a cohesive corporate style which includes links to the Council's website and social media information points in Calibri 11 font.

**Officer name**

**Job title**

**Service area**

Contact telephone number

Guildford Borough Council

Twitter | Facebook | Instagram

**Have you registered for your new MyGuildford account?**

Your MyGuildford account gives you personalised access to a range of our services in one place. You can make requests, track progress, view your balance or bills and update your details. For more information or to register go to <https://my.guildford.gov.uk/customers/s/login/SelfRegister>

- 3.5 The Task Group recommended that the guidance be adopted and that all councillors be advised to apply the template, content, and format as set out so as to provide clear communication when conversing with residents and other correspondents. The draft guidance was subsequently considered by the Corporate Management Team (CMT), and then by the Executive at its meeting held on 21 September 2021. The Executive approved the guidance, incorporating a number of amendments, which is set out for information in Appendix 1 to this report.
- 3.6 The Task Group also recommended, and the Executive agreed, that it should be a requirement in the Councillors' Code of Conduct that councillors comply with this guidance, in the same way that it was agreed last year that the Code of Conduct should include a requirement for councillors to comply with the adopted Social Media Guidance for Councillors.

#### **4. Financial Implications**

- 4.1 No financial implications apply.

#### **5. Legal Implications**

- 5.1 Section 28 (13) of the Localism Act 2011 provides that the function of adopting, *revising*, or replacing a code of conduct may be discharged only by the authority (i.e., by way of a decision of full Council).

**6. Human Resource Implications**

6.1 No human resource implications apply.

**7. Equality and Diversity Implications**

7.1 Public authorities are required to have due regard to the aims of the Public Sector Equality Duty (Equality Act 2010) when making decisions and setting policies. 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.

**8. Climate Change/Sustainability Implications**

8.1 No Climate Change or sustainability implications apply.

**9. Summary of Options**

9.1 The Council may follow the Executive's recommendation to include in the Councillors' Code of Conduct, a requirement that councillors comply with the Email Signature Guidance approved by the Executive or decline to include such requirement.

**10. Background Papers**

Minutes of the private meetings of the Corporate Governance Task Group held 12 April 2021 and 16 August 2021.

**11. Appendices**

Appendix 1: Councillor Email Signature Guidance as agreed by the Executive on 21 September 2021

## **Guidance for Councillors on email signatures and email communications**

### **Purpose of the guidance**

Email is the predominant form of communication for Councillors. In most cases, no problems will arise from this form of communication, but it is important to bear in mind that, whilst it can be an informal means of communication, you should ensure that any Council emails maintain an appropriate level of formality and are not open to misinterpretation.

Councillors may hold a number of different roles within the community, and this can create scope for confusion as to the capacity in which they are sending emails. Following this guidance should ensure that there is no risk of confusion and that emails relating to Council business are clearly identified as such.

### **Guidance**

1. Councillors may refer to their Borough Ward Councillor status and any other relevant council appointments (including membership of other councils) in their Council email signatures dependent on the nature and relevance of the correspondence. To avoid the risk of confusion, non-Council roles (such as membership of residents' associations, companies, or other organisations to which they are appointed in their personal capacity) should not be included in email signatures or on paper correspondence.
2. Councillors should only use their Guildford Borough Council email address for Council business. The only exception to this is that Councillors who are also Parish Councillors may use their GBC email address where the matter they are dealing with concerns both Borough and Parish Council business as long as the email clearly identifies the separation between the two roles.
3. Councillors should not use personal email addresses for Council business. This is to protect the security of the data contained within the emails. In addition, the information contained in the email may need to be disclosed as part of a data protection subject access request or a freedom of information request and therefore needs to be available on the Council's systems for this purpose. Any email relating to Council business received on a councillor's personal email account, must be forwarded to the councillor's Council email address, and deleted from their personal email account. Councillors must not send confidential or 'part 2' council documents to their personal email address or to members of the public.
4. In drafting emails, councillors should avoid using ALL CAPITAL LETTERS, as they can be construed as shouting.
5. When responding to an email sent to many recipients, councillors should consider whether 'Reply All' is appropriate.

### **Creating an email signature**

To create an email signature, open a new email. Select Signature > Signatures. Under Select signatures to edit, select New. Type your chosen name for the signature in the box that appears. Type your chosen signature in the Edit signature box and save it.

### **Example signature**

The following wording is suggested as a template signature.

Agenda item number: 9  
Appendix 1

Name

Councillor for [Ward]

Council appointments (Optional)

Member of Political Group (optional)

Guildford Borough Council

Millmead House, Millmead, Guildford, GU2 4BB

Telephone no:



Council Report

Ward(s) affected: N/A

Report of the Strategic Services Director

Author: John Armstrong, Democratic Services and Elections Manager

Tel: 01483 444102

Email: john.armstrong@guildford.gov.uk

Lead Councillor responsible: Joss Bigmore

Tel: 07974 979369

Email: joss.bigmore@guildford.gov.uk

Date: 5 October 2021

## **Review of the Protocol on the appointment, role, status, rights and obligations of Honorary Freemen and Honorary Aldermen**

### **Executive Summary**

In 2014, the Council adopted a Protocol on the appointment, role, status, rights and obligations of Honorary Freemen and Honorary Aldermen.

Attached as Appendix 1 to this report is an extract from the Council's website entitled "Honorary freemen, aldermen and officers", which sets out the history of these honorary appointments and also lists currently appointed Honorary Freemen and Aldermen.

Councillors will recall that the Council at its meeting held on 28 July considered the nominations of five former councillors, who had given eminent service to the Council, for appointment as Honorary Aldermen, and agreed to convene a special meeting of the Council for the purpose of conferring upon them the title of Honorary Alderman on Thursday 2 December 2021 at 7pm at the Guildhall.

At the Council meeting, the Leader of the Council reiterated a comment he had made previously regarding the need for the Council to review the Protocol, particularly in relation to the requirement that Honorary Freemen and Aldermen refrain from making public statements which are critical of the Council. The Corporate Governance Task Group was asked to review the Protocol to enable any amendments to be approved by full Council, at this meeting, before the Council meets formally on 2 December to confer the title of Honorary Alderman on the five nominees.

The Task Group met on 20 September 2021 and made a number of suggested changes to the Protocol, which were considered by the Corporate Governance & Standards Committee at its meeting on 23 September 2021.

The Committee agreed with the Task Group's suggested changes and has recommended that the Council adopts the revised Protocol, which is set out as Appendix 2 to this report.

**Recommendation to Council**

That the revised Protocol on the appointment, role, status, rights and obligations of Honorary Freemen and Honorary Aldermen, as set out in Appendix 2 to this report, be adopted.

Reason for Recommendation:

To bring the Protocol up to date, including for the purpose of clarifying the rights and obligations placed upon Honorary Freemen and Honorary Aldermen.

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

**1. Purpose of Report**

- 1.1 To provide the Council with the findings and recommendations of the Corporate Governance Task Group and Corporate Governance and Standards Committee in respect of the review of the Protocol on the appointment, role, status, rights and obligations of Honorary Freemen and Honorary Aldermen.

**2. Strategic Priorities**

- 2.1 The review of the Protocol is consistent with the Council's desire to be open and accountable, and delivering improvements and enabling change.

**3. Background**

- 3.1 Under Section 249 of the Local Government Act 1972, the Council may, by a resolution passed by not less than two-thirds of the members voting at a meeting of the Council specially convened for that purpose:

- (a) admit to be Honorary Freemen of the Borough to those persons of distinction (including organisations) who have, in the opinion of the Council, rendered eminent services to the borough; and
- (b) confer the title of Honorary Aldermen on persons who have, in the opinion of the Council, rendered eminent services to it as past members

- 3.2 The current list of Honorary Freemen (including Honorary Freedoms in respect of organisations), and Honorary Aldermen is included in Appendix 1 to this report. Appendix 1 is an extract from the Council's website entitled "Honorary freemen, aldermen and officers", which also sets out the history of these honorary appointments.

- 3.3 Prior to 2014, it was acknowledged that the Council had, over the years, admitted as Honorary Freemen a very small number of persons and bestowed the title of Honorary Alderman on a small number of former councillors, but the question as to what constituted "eminent services" had never been defined. The introduction of the Protocol clarified the criteria for the appointment of both honorary freemen and aldermen and to define their respective roles, status, rights and obligations.

- 3.4 Councillors will recall that the Council at its last meeting held on 28 July considered the nominations of five former councillors, who had given eminent service to the Council, for appointment as Honorary Aldermen, and agreed to convene a special meeting of the Council for the purpose of conferring upon them the title of Honorary Alderman on Thursday 2 December 2021 at 7pm at the Guildhall.
- 3.5 At that meeting, the Leader of the Council reiterated a comment he had made previously regarding the need for the Council to review the Protocol, particularly in relation to the requirement that Honorary Freemen and Aldermen refrain from making public statements which are critical of the Council. The Corporate Governance Task Group<sup>1</sup> was asked to review the Protocol to enable any amendments to be approved by full Council, at this meeting, before the Council meets formally on 2 December to confer the title of Honorary Alderman on the five nominees.
- 3.6 The Task Group met on 20 September 2021 and made a number of suggested changes to the Protocol, which were considered by the Corporate Governance and Standards Committee at its meeting on 23 September 2021.
- 3.7 The Committee agreed with the Task Group's suggested changes and has recommended that the Council adopts the revised Protocol, which is set out as Appendix 2 to this report.

#### **4. Financial Implications**

- 4.1 No financial implications apply.

#### **5. Legal Implications**

- 5.1 These are stated on paragraph 3.1 above.

#### **6. Human Resource Implications**

- 6.1 No human resource implications apply.

#### **7. Equality and Diversity Implications**

- 7.1 Public authorities are required to have due regard to the aims of the Public Sector Equality Duty (Equality Act 2010) when making decisions and setting policies. 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.

#### **8. Climate Change/Sustainability Implications**

- 8.1 No Climate Change or sustainability implications apply.

---

<sup>1</sup> The Task Group currently comprises Councillors Deborah Seabrook (Chairman), Will Salmon, Nigel Manning, Ramsey Nagaty, and James Walsh, together with Julia Osborn and Murray Litvak (Parish Council Representative and Independent Member respectively on the Corporate Governance & Standards Committee)

**9. Summary of Options**

- 9.1 The Council may decide to adopt the revised Protocol, to make further amendments to the Protocol, or to make no changes to the Protocol.

**10. Conclusion**

- 10.1 The Protocol has not been reviewed since it was introduced in 2014. This review has provided an opportunity to bring the Protocol up to date and address any perceived anomalies or inconsistencies.

**11. Background Papers**

None

**12. Appendices**

Appendix 1: "Honorary freemen, aldermen and officers" – extract from GBC website  
Appendix 2: Proposed revised Protocol on the appointment, role, status, rights and obligations of Honorary Freemen and Honorary Aldermen

## Extract from the Council's website:

# Honorary freemen, aldermen and officers

## Freedom of Entry

Freedom of Entry dates from the Middle Ages. It allowed special armed forces inside the boundaries of other towns as a mark of mutual trust. Today, Freedom of Entry is granted to military units for noticeable service and who are closely associated with the town.

Guildford had its first permanent barracks after the army reforms of 1871 and 1881. It became home to the Queen's Royal West Surrey Regiment at Stoughton. The successor regiment - the Queen's Royal Regiment - was granted the Freedom of Guildford in 1945. It exercised its right to march through the town for the first time on 29 September 1945.

The Queen's and the East Surrey Regiment amalgamated in 1959. The civic honours granted to them were extended to the successor Queen's Royal Surrey Regiment. They marched through Guildford on 28 April 1960, and again in 1966 on the formation of the Queen's Regiment. It was continued in 1992 following the formation of the Princess of Wales's Royal Regiment (PWRR).

On 22 June 1988, the Women's Royal Army Corps, based at Stoughton, was granted the Freedom of the Borough. The Corps was disbanded four years later.

On 6 March 2017, we granted the Freedom of the Borough to the Army Training Corps (Pirbright). Like the PWRR, they have the right to march through the town with "drums beating, colours flying, and bayonets fixed".

## Honorary Freemen

As a council, we can give honorary titles to individuals who have made a contribution to the borough. In the past, the Freedom of the Borough of Guildford gave important privileges. For example, only freemen had a parliamentary vote and a tradesman had to be a freeman to set up a business in the town.

To become a freeman, a person had to be either:

- apprenticed to an existing freeman of the borough for at least seven years, or
- the eldest son of a freeman

Another way was by entry into the Corporation. This involved several years' unpaid service as a borough official or the payment of a fee. John Aylward, a London clockmaker, received freedom to trade in Guildford in 1683 by donating the Guildhall clock.

The Reform Act of 1832 and the Municipal Corporations Act of 1835 removed the benefits enjoyed by freemen. The Honorary Freedom of Boroughs Act 1885 introduced awarding the Freedom of a Borough as an honour.

In 1972, the Local Government Act gave councils power to make 'persons of distinction and persons who have rendered eminent services' Honorary Freemen. The decision had to be made by two-thirds of councillors passing a resolution at a specially convened meeting.

In recent years, the council has awarded the Freedom of the Borough to:

- the late Bill Bellerby MBE - past Mayor (twice), and councillor from 1953 to 1995
- the late Doreen Bellerby MBE - past Mayor, and councillor from 1954 to 1995
- David Watts - former Chief Executive of the council from 1984 to 2002
- Andrew Hodges - past Mayor, former leader of the council, and councillor from 1976 to 2011
- Jen Powell - past Mayor, and councillor from 1987 to 2015

### **Honorary Aldermen**

The title 'alderman' comes from the Old English word *ealdorman*, meaning 'elder man'. The ealdorman was chief royal representative and presiding judge of the Anglo-Saxon shires. Often related to the king, the ealdorman became known as the *eorl* or earl. However, the role of earl became a title rather than an appointment. As the government of the City of London developed, the Court of Aldermen became the main governing body. Most of its powers were later taken over by the Court of Common Council.

In 1835, local government reform led to the Municipal Corporations Act. The act adopted the City of London as its model for all English corporations. Before 1835, Guildford had no aldermen - except for the years 1686-1688. In 1686, James II issued new charters to boroughs, giving them a constitution of mayor, aldermen and councillors. The charters gave the king the right to dismiss any member who displeased him.

James's borough charters were revoked in 1688. Guildford then went back to its old corporation of Mayor and Approved Men. The scarlet gowns now worn by the Honorary Aldermen are inspired by the 1686 charter. After 1835, one quarter of the council were aldermen, elected by the council. They did not represent specific wards and served a six-year term. Half of them were elected every third year at the council's annual meeting. It was thought that the councillors would choose people from outside the council. In practice, aldermen were usually long-serving councillors.

The Local Government Act of 1972 did away with aldermen. But, Section 249 of the act states that a council may:

"by a resolution passed by not less than two-thirds of the members voting at a specially-convened meeting, confer the title of Honorary Aldermen on persons who have 'rendered eminent services to the council as past members.'"

Honorary Aldermen do not have the right to attend meetings of the council. They can take part in civic ceremonies as an acknowledgement of esteem.

### **Current Honorary Aldermen**

- Mrs T Baker MBE, councillor from 1991 to 2007
- Mr K Childs, councillor from 1991 to 2007
- Mrs C Cobley, councillor from 1979 to 1999
- Mrs S Creedy, councillor from 2003 to 2015
- Mrs V Johnson, councillor from 1991 to 2007
- Mrs J D Marks, councillor from 1986 to 2007
- Mr T Patrick, councillor from 2003 to 2015
- Mrs L Strudwick, councillor from 1983 to 2007
- Mr N Sutcliffe, councillor from 1999 to 2015
- Mr M A H M Williamson, councillor from 1979 to 1995

## **Protocol on the appointment, role, status, rights and obligations of Honorary Freemen and Honorary Aldermen as approved by Council on ~~10 April 2014~~ 5 October 2021**

The Council may, in accordance with Section 249 of the Local Government Act 1972, and the provisions of this protocol, admit a person of distinction as an honorary freeman of the borough in recognition of their eminent services to the borough; or confer the title of honorary alderman upon a past member of the Council in recognition of their eminent services to the Council.

### **1. Procedure for nomination and appointment**

a) Any person nominated for appointment as honorary freeman or honorary alderman must be proposed by a serving councillor and seconded by at least one other councillor. ~~and any s~~Such nomination must be put to the Democratic Services and Elections Manager in writing.

b) The nomination referred to in a) above shall provide evidence that the person nominated:

- (i) meets the eligibility requirements referred to in paragraph 2 of this protocol, and
- (ii) will accept the appointment

(The 'person' nominated in respect of an appointment as honorary freeman may be an organisation.)

c) Upon receipt of a nomination, the Democratic Services and Elections Manager shall prepare a report for the next appropriate ordinary Council meeting which shall set out details of the nomination and invite the Council:

- (i) to give formal consideration to the nomination and
- (ii) if so minded, to agree to arrange a meeting of the Council specially convened for the purpose of either admitting the nominee as an honorary freeman of the borough or conferring upon the nominee the title of honorary alderman, as appropriate.

d) The formal admission of a person of distinction as an honorary freeman or conferment of the title of honorary alderman upon a past member of the Council shall be by a resolution of the Council passed by not less than two thirds of the councillors present and voting thereon.

### **2. Qualifications required for appointment**

#### Honorary Freeman

A person shall be deemed eligible for appointment as an honorary freeman provided that they meet ~~all of~~ the following requirements:

The person shall:

- be a person of distinction

- have given eminent service to the borough during that for a substantial period. “Eminent service” in this context includes but is not limited to any of the following:
  - public service (including past distinguished service as a councillor or officer of the Council)
  - artistic and/or cultural endeavours
  - business, economic growth and prosperity
  - charitable work
  - improvement to the built and natural environment
  - political activities
  - religious and spiritual life
  - sporting activities
- have a strong and continuing connection with and commitment to the borough of Guildford, or have made a major contribution to national life and in doing so have enhanced the reputation of the borough

#### Honorary Alderman

A person shall be deemed eligible for appointment as an honorary alderman provided that they meet all of the following requirements:

The person shall:

- not be a serving councillor
- have served as a Guildford Borough councillor for an aggregate total period of at least 8-12 years
- have given eminent service to the Council during that period. “Eminent service” in this context includes but is not limited to holding during their period of service as a councillor any of the following offices:
  - Mayor
  - Leader of the Council
  - Executive member/Lead Councillor
  - committee chairman

### **3. Rights and Privileges**

#### Honorary Freeman

An honorary freeman shall be entitled to the following rights and privileges:

- To enjoy the courtesy title of Honorary Freeman and to be so addressed.
- To have their name inscribed on the "Roll of Honorary Freemen of the Borough" kept at the Guildhall.
- To wear the robes of an honorary freeman at meetings of the Council held at the Guildhall and on other appropriate civic occasions and processions.
- To enjoy such other privileges as the Council may confer upon them from time to time.



### Honorary Alderman

An honorary alderman shall be entitled to the following rights and privileges:

- To enjoy the courtesy title of Honorary Alderman and to be so addressed.
- To have their name inscribed on the "Roll of Honorary Aldermen of the Borough" kept at the Guildhall.
- To wear the robes of an honorary alderman at meetings of the Council held at the Guildhall and on other appropriate civic occasions and processions.
- To enjoy such other privileges as the Council may confer upon them from time to time.

#### **4. Restrictions on rights and privileges**

~~The restrictions set out in this part of this protocol apply only when the person concerned acts in their capacity as an honorary freeman or honorary alderman, as appropriate.~~

### Honorary Freeman

Honorary freemen will be expected to conduct themselves in such a manner so as to not bring the office of honorary freeman or the Council into disrepute. ~~not to use the title or allow it to be associated with any matter of public controversy or any matter which is in any way political in nature. The Council also expects honorary freemen to refrain from making public statements which are critical of the Council.~~

### Honorary Alderman

The role of Alderman is an honorary one, but to the public is perceived to be representative of the Council. Part of this perception is historic and part because in the City of London the role of an Alderman is very active.

In taking up this role all Aldermen must agree and adhere to the protocol laid down by this Council. There are three key points:

- (1) That the person becoming an Alderman does so in the full knowledge that they are perceived to be representative of the civic element of the Council and must act to the highest standards.
- (2) ~~In taking this role, the Alderman becomes apolitical in public; knowing that any views expressed may be interpreted as views of the Council.~~ Aldermen are not to speak on behalf of the Council in any way whatsoever.
- (3) The Alderman is to seek to use the honorary title for civic events, which should be attended wherever possible, and in the furtherance of community activities for the benefit of society.

The role is an honour bestowed by Full Council and the recipient is aware that this honour can also be removed, either through transgression of this protocol or

because the individual wishes to ~~engage or~~ re-engage in an active political agenda (see section 5 below).

Section 249 of the Local Government Act 1972 provides that:

- (i) whilst an honorary alderman may attend and take part in such civic ceremonies as the Council may from time to time decide, they shall not, as such, have the right
  - to attend meetings of the Council or a committee of the Council in any capacity other than as a member of the public; or
  - to receive any allowances or other payments as are payable to councillors.
- (ii) No honorary alderman shall, while serving as a councillor, be entitled to be addressed as honorary alderman or to attend or take part in any civic ceremonies of the council as an honorary alderman.

Honorary aldermen will be expected to conduct themselves in such a manner so as to not bring the office of honorary alderman or the Council into ~~disrepute-disrepute. nor to use the title or allow it to be associated with any matter of public controversy or any matter which is in any way political in nature. The Council also expects honorary aldermen to refrain from making public statements which are critical of the Council.~~

## 5. Withdrawal of honorary titles

- a) The offices of honorary freeman and honorary alderman are awarded for eminent service to the Borough and Council, respectively, and are deemed by the Council to be non-political roles. ~~As such, the Council considers that it is inconsistent for an honorary freeman or honorary alderman to be politically active.~~ In the event of an honorary freeman or honorary alderman seeking election to the Council, or to any other principal local authority, or to Parliament ~~or the European Parliament~~, he or she shall cease to hold the office of honorary freeman or honorary alderman (as the case may be) if he or she is still standing as a candidate immediately following the deadline for withdrawal of candidature. At that time, the entitlement to the rights and privileges referred to in paragraph 3 of this protocol shall cease automatically. The Democratic Services and Elections Manager shall delete the name of the person concerned from the Roll of Honorary Freemen of the Borough or Roll of Honorary Aldermen of the Borough, as appropriate, and advise that person accordingly.
- b) ~~If this protocol is breached and Subject-subject~~ to paragraph f) below, the Council may withdraw the title of honorary freeman or honorary alderman from ~~on~~ a person, together with the associated rights and privileges. ~~The question as to whether the respective title should be withdrawn~~ The proposal to withdraw a title shall be put by way of formal notice of motion, which must be submitted to the Monitoring Officer. The motion shall contain the reasons for such withdrawal. The Monitoring Officer shall ensure that the motion is included on the agenda for the next available meeting of the full Council. The formal withdrawal of the title of honorary freeman or honorary alderman from a person shall be confirmed only following a resolution of the Council passed by not less than two-thirds of the councillors present and voting thereon.
- c) The honorary freeman or honorary alderman who is the subject of a motion referred to in paragraph b) above shall be entitled, if they wish, to make

representations to the Council when the motion is considered, for which they shall have five minutes immediately following the proposer and seconder's speeches. The honorary freeman or honorary alderman shall be granted a right of reply for a further period of five minutes at the end of the debate and before a final decision or vote is taken.

- d) On the passing of such resolution in accordance with paragraph b) above, the Democratic Services and Elections Manager shall delete the name of the person concerned from the Roll of Honorary Freemen of the Borough or Roll of Honorary Aldermen of the Borough, as appropriate, and advise that person accordingly.
- e) ~~Notwithstanding paragraph a) above, a person appointed as an honorary alderman and subsequently re-elected as a councillor before the adoption of this protocol by the Council shall be entitled to be known as an honorary alderman once they cease to be a councillor. In all other cases, any~~ Further to paragraph a) above, any person appointed as an honorary freeman or honorary alderman, who is not elected or re-elected ~~subsequently re-elected as a councillor~~ shall not automatically re-assume the title and status of honorary freeman or honorary alderman. ~~once they cease to be a councillor.~~ The Council may, however, re-confer such title on the person concerned.
- f) Before the Council considers the formal withdrawal of an honorary title from an individual whom, it is alleged, has transgressed this protocol, the Monitoring Officer shall, subject to being satisfied that there is evidence of such transgression, contact them to remind them of the protocol and warning them that they risk censure by the Council and possible withdrawal of their title.

## 6. Resignation from the office of honorary freeman or honorary alderman

- a) An honorary freeman or honorary alderman may, at any time, ~~tender their resignation~~ resign from the ~~ir office. respective offices of honorary freeman or honorary alderman which.~~ The resignation shall be given in writing to the Democratic Services and Elections Manager.
- b) Upon receipt by the Democratic Services and Elections Manager of the written notice of resignation referred to in a) above, the entitlement to the rights and privileges described in paragraph 3 of this protocol shall cease automatically. The Democratic Services and Elections Manager shall delete the name of the person concerned from the Roll of Honorary Freemen or the Roll of Honorary Aldermen of the Borough, as appropriate.

A copy of this protocol shall be sent to all honorary freemen and honorary aldermen and shall be posted on the Council's website.

This page is intentionally left blank

Council Report

Ward(s) affected: All

Report of Strategic Services Director

Author: John Armstrong, Democratic Services and Elections Manager

Tel: 01483 444102

Email: john.armstrong@guildford.gov.uk

Lead Councillor responsible: Joss Bigmore

Tel: 07974 979369

Email: joss.bigmore@guildford.gov.uk

Date: 5 October 2021

## **Appointments to External Organisations: vacancy for trustee on Guildford Poyle Charities**

### **Executive Summary**

The Council appoints councillors to a number of local external organisations for which they undertake a range of governance or advisory roles. In July 2019, following the last Borough Council elections, a number of councillors were appointed to these roles for a four-year period ending in 2023.

Councillor Tony Rooth had been appointed by the Council as trustee of the Guildford Poyle Charities, but has recently indicated that he can no longer continue. All councillors were notified of the vacancy on 20 September and nominations invited to fill the vacancy. Councillors were also provided with a copy of the 'person profile' completed by Guildford Poyle Charities, which assists in ensuring that the appointment is a suitable match to the requirements of the organisation and the capacity of the individual councillor in terms of skills, experience, and time commitment. The 'person profile' form includes details of the organisation in terms of:

- Accessibility to meetings
- Frequency and location of meetings
- Role of the appointee
- Main tasks and responsibilities of the organisation
- Required skills, abilities, qualities, and experience of appointee
- Induction, training, and support provided by the organisation
- Whether safeguarding checks are required and provided

A councillor nominated for appointment must complete the last page of the form which invites them to set out their relevant experience, skills and qualities that they would bring to the appointment taking into account the requirements of the organisation.

The Guildford Poyle Charities helps vulnerable people in need or distress in Guildford and distributes around 250 grants annually to help people in need with items they would not

otherwise be able to afford. The charity also gives grants to organisations working with such people in Guildford.

At the time the agenda for this meeting was published one nomination had been received – from Councillor Ruth Brothwell.

Councillor Brothwell's completed person profile is attached as **Appendix 1** to this report

Any further nominations and person profiles that are received will be reported on the Order Paper for the meeting.

If, by the date of the Council meeting, only one nomination is received, the appointment will be determined by the Democratic Services and Elections Manager under existing delegated authority, and this matter will be withdrawn from the Council agenda.

If the appointment is contested, the Council will determine the matter and each nominee shall have the opportunity to make either a written or an oral personal statement to the meeting in support of their nomination before the vote is taken, with any oral statement taking no longer than three minutes.

#### **Recommendation to Council**

That full Council, after due consideration of any presentations provided by nominated members, appoints a councillor as the Council's trustee on the Guildford Poyle Charities until May 2023.

#### Reason for Recommendation:

To ensure that the Council maintains a trustee appointment in respect of the Guildford Poyle Charities.

EXTERNAL ORGANISATION APPOINTMENT PROFILE  
Appendix 1

ORGANISATION NAME: Guildford Poyle Charities

CONTACT NAME: Caroline Hill ORGANISATION TYPE: Charity

EMAIL: caroline@guildfordpolyecharities.org TEL: 01483 303678

Appointee Role Title:	Trustee
Responsible to:	Trustee board
Where (Location):	Guildford
Is full access available? (Meetings and documents - mobility/hearing or visually impaired)	There are stairs to the office and some meetings are held at the office. Other venues include Guildford BC offices and the Guildhall. Most documents are sent by email but paper copies can be provided. However, if someone had access requirements we could hold meetings at a different venue and provide information in a different format.
Time commitment (frequency of meetings, time of day etc.):	This would depend on which committee the Trustee sits on. During the year there are the following. Trustees are expected to attend Trustee meetings, AGM and away day and to sit on one other committee. Individual grant meetings = Approximately 8 per year Organisation Grant meeting = 4 Trustee board meetings = 4 Finance and General Purpose meetings = 4 AGM = 1 Away Day = 1  Meetings are held in the day most starting about 10am and take about 2 hours. But this does vary dependent on the meeting and agenda.
Role description (eg, trustee, director, advisor etc.)	See attached.
Main tasks and responsibilities (including any budgetary and financial matters)	<ul style="list-style-type: none"> <li>See Job Description.</li> </ul>
Required skills, abilities, qualities and experience	<ul style="list-style-type: none"> <li>We have a mix of skills/experience on the Trustee board including, legal, finance, knowledge of the local area, surveyors, charity experience.</li> </ul>
Induction, training and support available	<ul style="list-style-type: none"> <li>Induction provided which covers the aims and objectives of the role and explanation of Trustee responsibilities, shadowing an individual grants committee meeting. Email/telephone/face to face support from the Manager.</li> </ul>

Return completed form to: John Armstrong, Democratic Services Manager, Guildford Borough Council, Millmead, Guildford GU2 4BB Tel: 01483 444102 Email:john.armstrong@guildford.gov.uk

Are safeguarding checks for vulnerable people required and provided? (DBS)	<ul style="list-style-type: none"> <li>• Not required because the role does not have any direct contact with applicants for grants.</li> </ul>
Any other requirements of the organisation from the appointee	<ul style="list-style-type: none"> <li>• None</li> </ul>
Any restrictions on information sharing between the organisation and the council	Due to data protection we would not share any details which are confidential or personal details of anyone working/volunteering/client details unless prior agreement from those concerned.
Any personal liabilities, accountabilities or legal responsibilities involved in the role	Any legal responsibility is provided by legal representation on the Trustee board or we will pay for legal advice. Trustees are required to work within charity governance as set out by the Charity Commission.
Is the councillor insured/indemnified by the organisation? <b>If yes, please forward a copy of the insurance documentation.</b>	Guildford Poyle Charity is a company limited by guarantee and this provides a limited liability framework for all of the trustees
Is your organisation in compliance with equalities legislation and in agreement with Guildford Borough Council's Equalities Statement?	Yes. One of our objects is with regards to equality.



**TO BE COMPLETED BY THE COUNCILLOR**

NAME: Ruth Brothwell ORGANISATION: Guildford Borough Council

Please set out below the relevant experience, skills and qualities that you would bring to this appointment taking into account the requirements of the organisation.

Skills	<p>Leadership</p> <ul style="list-style-type: none"> <li>- Ability to lead and inspire</li> <li>- Ability to inspire the fulfilment of targets and objectives</li> </ul> <p>Management</p> <ul style="list-style-type: none"> <li>- Of teams of people</li> </ul> <p>Public Speaking</p> <p>Needs understanding (People and Organisational) and how these can be delivered</p> <p>MS Office – enjoy use of email, Reasonably expert in MS Powerpoint</p> <p>Knowledge of the benefits of technical expertise on processes</p> <p>Delivery of own targets and objectives</p> <p>Personal counselling</p> <p>Knowledge and application of law regarding Localism Act 2011 and Equalities Act 2010 in particular.</p> <p>Enhanced DBS</p>
Experience	<p>Head of Business Engagement for London 2012/Olympic Delivery Authority dept. of the Cabinet Office.</p> <p>Represented business engagement at Board level including the review and understanding of papers and delivery of the expectations of government.</p> <p>Worked with City Hall, London engaging them in projects</p> <p>Worked with various London Borough’s Economic Regeneration Departments delivering their KPIs through the programmes</p> <p>Manager of European Regional Development Funded programmes (ERDF) supporting businesses in London</p> <ul style="list-style-type: none"> <li>- Staff management of up to 9 people in various London companies including Enterprise agencies including Greater London Enterprise and Limited organisations(self employed) e.g. Building for Growth</li> <li>- Setting of individual performance targets for staff and self</li> <li>- Staff performance appraisals</li> <li>- Achieving on-target and on-budget KPIs</li> <li>- Developed a model for achieving targets through networking</li> <li>- As a member of a church PCC (Charity) took responsibility along with others of the peoples’ money /financial giving and the use of this for the common good</li> </ul> <p>Personal counselling emanating from Priestly work with individuals</p> <p>-</p>
Qualities	<p>Empathic</p> <p>Understanding</p> <p>Leader</p> <p>Networker</p>

Return completed form to: John Armstrong, Democratic Services Manager, Guildford Borough Council, Millmead, Guildford GU2 4BB Tel: 01483 444102 Email:john.armstrong@guildford.gov.uk

	<p>Door opener for opportunities Public speaker where required</p>
Other comments	<p>My role as a Self-Supporting Priest in the Church of England enables an empathic understanding of needs in both people and organisations. Training in this area affirms confidentiality and provides the experience of working with voluntary groups and people who aspire to help others. This role is in the context of everyday working life – I am part of a team within a parish but not in any form of ‘vicar’ role.</p> <p>Training in Management during my career has covered many areas involved in the fulfilling of KPIs both for myself but also through team members. Additionally this has brushed HR skills particularly those involved in recruitment and retention, TUPE and staff discipline measures.</p> <p>I am politically aware – both through my work as a local councillor and also through placement in the House of Commons during Ordination Training</p>

## EXECUTIVE

20 July 2021

- \* Councillor Joss Bigmore (Chairman)
- \* Councillor Jan Harwood (Vice-Chairman)

- |                            |                           |
|----------------------------|---------------------------|
| * Councillor Tim Anderson  | * Councillor John Redpath |
| Councillor Tom Hunt        | * Councillor John Rigg    |
| * Councillor Julia McShane | * Councillor James Steel  |

\*Present

Councillors Chris Blow, Angela Gunning, Ramsey Nagaty, and Paul Spooner, were also in attendance.

### **EX1 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Tom Hunt.

### **EX2 LOCAL CODE OF CONDUCT - DISCLOSABLE PECUNIARY INTEREST**

There were no disclosures of interest.

### **EX3 MINUTES**

The minutes of the meeting held on 20 April 2021 were confirmed as correct record. The Chairman signed the minutes.

### **EX4 LEADER'S ANNOUNCEMENTS**

The Leader commented that having spent some time in Guildford High Street yesterday, both shopping and dining, he had been reassured to see most people still adhering to behaviour limiting the spread of Coronavirus. As at 16 July, Guildford had 235 Covid cases per 100,000 people – which was lower than the Surrey average of 294 and the national average of 386. Hospital admissions remained low but were increasing - averaging 7 admissions per day in the county over the last week.

As announced last week, the vaccination centre at G Live would close on 31 July having vaccinated 170,000 people; a temporary facility would open at George Abbot School before the opening of a new centre at the Artington Park and Ride site in August.

The Leader urged everyone to be vaccinated, as it was our best defence against the virus, and noted that there were still drop-in slots available.

The Leader reported that the Council was asking all residents to submit the names of loved ones who lost their lives in active service since the end of WWII to go on a special Memorial for Guildford. Further information could be obtained from [civicsecretary@guildford.gov.uk](mailto:civicsecretary@guildford.gov.uk).

MyGuildford was the new one-stop-shop to access a range of our services in one place on our website. Subscribers can make requests, track progress, view bills and update details. Over 5,500 resident had joined already. Information on how to register was available via [my.guildford.gov.uk](http://my.guildford.gov.uk).

Our Park Barn Community Centre had been relaunched as The Hive and everyone was welcome – it was noted there was a fantastic café and amazing cakes, a Community Fridge with free fresh food, and our ‘Thrive at the Hive’ service had pre-loved clothes, toys and homeware available to buy. Further details were available via our Community Wellbeing Team on social media, call 01483 444150 or email [Community.Wellbeing@guildford.gov.uk](mailto:Community.Wellbeing@guildford.gov.uk).

The Leader also informed councillors that Keep Britain Tidy’s ‘Love Parks Week’ would begin on 23 July and, as schools break up, and residents were encouraged to use our award-winning parks and green spaces to enjoy the good weather and help their physical and mental health, but were requested to ensure that they either use the litter bins provided or take their rubbish home.

## **EX5 COMMUNITY SPONSORSHIP PROGRAMMES**

The Executive considered a report seeking authorisation to progress community sponsorship applications under the Community Sponsorship Scheme as introduced by the Home Office. The intention of the Scheme was to support local community groups to take responsibility to welcome and resettle refugees from Syria and the surrounding region directly into their communities. This initiative complemented the resettlement work undertaken by local authorities as part of the Vulnerable Persons Resettlement Scheme (VPRS) that was designed to support refugee families resettle in the UK within a 5-year support window.

A local community group, Resettle@Guildford, had prepared an application to the Home Office for Community Sponsorship of one household and sought the Council’s support in line with Home Office requirements to resettle a vulnerable family. Consent was required from both Surrey County Council (SCC) and Guildford Borough Council for any community sponsorship scheme’s application. SCC had given their consent to the community sponsors Resettle@Guildford’s application via delegation to the Executive Director of Children, Families and Lifelong Learning.

The Executive was in unanimous support of the recommendations and it was hoped the application would be swiftly expedited.

### **RESOLVED**

- (1) To delegate authority to the Director of Service Delivery in consultation with the Lead Councillor for Housing and Community to give consent to future community sponsorship applications as part of the vulnerable persons resettlement scheme, subject to them meeting Home Office criteria.
- (2) To authorise the Head of Community Services to progress arrangements for consented community sponsorship with the Home Office and with Resettle@Guildford.

### **Reasons:**

- The resettlement of refugee households in Guildford adds to the diversity of the area and the household will have the opportunity in the long term to contribute to the local economy through employment and voluntary work. This results in a vibrant local economy with thriving towns and villages. The VPRS and Community Sponsorship Scheme present opportunities to promote community spirit, to encourage individuals and families to welcome and support refugee households and to be more resilient in times of need.
- In granting delegated authority to the Director of Service Delivery in consultation with the Lead Member to give consent to community sponsors (such as Resettle@Guildford) alongside authorisation to the Head of Community Services to progress applications

with the Home Office, this process can work efficiently and swiftly for the benefit of our communities.

**EX6 PRIORITY LIST OF HIGHWAY AND TRANSPORT SCHEMES CRITICAL TO LOCAL PLAN DELIVERY**

A report was submitted to the Executive setting out five highway and transport schemes highlighted by the Council's Corporate Programmes Team as likely to be critical to the Local Plan maintaining its housing trajectory.

The Lead Councillor, following consultation with the Leader and other Executive colleagues requested that consideration of the report be deferred to the next meeting of the Executive on 24 August 2021 to enable the report to be considered by the Strategy and Resources EAB possibly on 9 August.

RESOLVED:

That consideration of this matter be deferred to the next meeting of the Executive to be held on 24 August 2021.

Reason:

To enable the matter to be considered by the Strategy and Resources EAB on 9 August 2021.

**EX7 ANNUAL GOVERNANCE STATEMENT 2020-21**

The Executive considered the draft Annual Governance Statement (AGS) that was required under the Accounts and Audit Regulations 2015. The AGS detailed the governance framework and procedures that had operated at the Council during the year, a review of their effectiveness, significant governance issues that had occurred and a statement of assurance. The AGS was supported by the Annual Opinion Report (April 2020 to March 2021) as prepared by KPMG, the Council's internal audit managers. The draft AGS would be included in the Council's statement of accounts for 2020-21. The report would be considered by the Corporate Governance and Standards Committee at its meeting on 29 July 2021, and any comments from the Executive would be reported to that meeting. The Corporate Governance and Standards Committee had the authority to approve the AGS.

It was noted that 2020-21 had been an extraordinary challenging year for the Council in terms of addressing the Covid Pandemic, implementing Future Guildford with significant staff structural changes and an ongoing budgetary shortfall. The challenges had affected the governance of the Council which was reflected in the internal audit report's recommendation of 'partial assurance with improvement's required'. The Leader of the Council reflected on the reasons for improvement and with close monitoring looked forward to an improved audit report next year. The Leader requested that there be an interim report halfway through the year to provide an indication of progress and improvement.

The matter of email signature guidance as referred to the Corporate Governance and Standards Committee Task Group would be considered by that Committee in the near future. It was proposed that reference be made in the table setting out the principles of good governance within the AGS to the Council's petition scheme, which enabled anyone who lives, works, or studies in the borough to create paper petitions, or use the e-petition facility, to ask the Council to take action in respect of any matter on which we have functions, powers, or duties.

Agenda item number: 12

RESOLVED:

That the Council's Annual Governance Statement for 2020-21, as set out in Appendix 1 to the report submitted to the Executive, be commended to the Corporate Governance and Standards Committee for adoption at its meeting on 29 July 2021, subject to the following comments:

- (a) In Part A of the table in Section 3 of the AGS, the Corporate Governance & Standards Committee does not appear to have considered the Email Signature Guidance for Councillors proposed by the Corporate Governance Task Group.
- (b) In Part B of the table in Section 3 of the AGS, add the following:
  - "The Council has a petition scheme to enable anyone who lives, works, or studies in the borough to create paper petitions, or use the e-petition facility, to ask the Council to take action in respect of any matter on which we have functions, powers, or duties."
- (c) The Corporate Governance and Standards Committee to receive a mid-year update report on significant governance issues that arose in the financial year relating to the AGS.

Reason:

To comply with the Accounts and Audit Regulations 2015, the Council must prepare, approve, and publish an Annual Governance Statement.

The meeting finished at 7.24 pm

Signed .....

Chairman

Date .....