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Contact Officer:

John Armstrong, Democratic Services &  
Elections Manager

19 October 2022

Dear Councillor

Your attendance is requested at a meeting of the **EXECUTIVE** to be held in the Council Chamber, Millmead House, Millmead, Guildford, Surrey GU2 4BB on **THURSDAY, 27 OCTOBER 2022** at 7.00 pm.

Yours faithfully

Tom Horwood  
Joint Chief Executive  
Guildford & Waverley  
Borough Councils

**MEMBERS OF THE EXECUTIVE**

Chairman:

Councillor Julia McShane (Leader of the Council)

Vice-Chairman:

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

Councillor Tim Anderson, (Lead Councillor for Resources)

Councillor Tom Hunt, (Lead Councillor for Development Management)

Councillor John Redpath, (Lead Councillor for Economy)

Councillor John Rigg, (Lead Councillor for Regeneration)

Councillor James Steel, (Lead Councillor for Environment)

Councillor Cait Taylor, (Lead Councillor for Climate Change)

**WEBCASTING NOTICE**

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

**QUORUM 3**

## **The Council's Strategic Framework (2021- 2025)**

### **Our Vision:**

A green, thriving town and villages where people have the homes they need, access to quality employment, with strong and safe communities that come together to support those needing help.

### **Our Mission:**

A trusted, efficient, innovative, and transparent Council that listens and responds quickly to the needs of our community.

### **Our Values:**

- We will put the interests of our community first.
- We will listen to the views of residents and be open and accountable in our decision-making.
- We will deliver excellent customer service.
- We will spend money carefully and deliver good value for money services.
- We will put the environment at the heart of our actions and decisions to deliver on our commitment to the climate change emergency.
- We will support the most vulnerable members of our community as we believe that every person matters.
- We will support our local economy.
- We will work constructively with other councils, partners, businesses, and communities to achieve the best outcomes for all.
- We will ensure that our councillors and staff uphold the highest standards of conduct.

### **Our strategic priorities:**

#### Homes and Jobs

- Revive Guildford town centre to unlock its full potential
- Provide and facilitate housing that people can afford
- Create employment opportunities through regeneration
- Support high quality development of strategic sites
- Support our business community and attract new inward investment
- Maximise opportunities for digital infrastructure improvements and smart places technology

#### Environment

- Provide leadership in our own operations by reducing carbon emissions, energy consumption and waste
- Engage with residents and businesses to encourage them to act in more environmentally sustainable ways through their waste, travel, and energy choices
- Work with partners to make travel more sustainable and reduce congestion
- Make every effort to protect and enhance our biodiversity and natural environment.

#### Community

- Tackling inequality in our communities
- Work with communities to support those in need
- Support the unemployed back into the workplace and facilitate opportunities for residents to enhance their skills
- Prevent homelessness and rough-sleeping in the borough



## Agenda

### ITEM NO.

**1 APOLOGIES FOR ABSENCE**

**2 LOCAL CODE OF CONDUCT - DISCLOSABLE PECUNIARY INTEREST**

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

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

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

**3 MINUTES (Pages 7 - 16)**

To confirm the minutes of the meeting of the Executive held on 22 September 2022.

**4 LEADER'S ANNOUNCEMENTS**

**5 TO CONSIDER ANY RECOMMENDATIONS FROM THE OVERVIEW AND SCRUTINY COMMITTEE (Pages 17 - 24)**

**6 CAPITAL AND INVESTMENT OUTTURN REPORT 2021-22 (Pages 25 - 104)**

**7 HOUSING REVENUE ACCOUNT - REVENUE OUTTURN REPORT 2021-22 (Pages 105 - 116)**

**8 GENERAL FUND REVENUE OUTTURN REPORT 2021-22 (Pages 117 - 148)**

**9 HOUSING INVESTMENT PROGRAMME - ACQUISITION OF LAND AND BUILDINGS FOR THE HOUSING REVENUE ACCOUNT (Pages 149 - 154)**

**10 FUTURE OF INTERNAL AUDIT (Pages 155 - 266)**

Key Decisions:

Any item on this agenda that is marked with an asterisk is a key decision. The Council's Constitution defines a key decision as an executive decision which is likely to result in expenditure

or savings of at least £200,000 or which is likely to have a significant impact on two or more wards within the Borough.

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

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

must be available for inspection by the public at the Council offices and on the Council's website at least 28 clear days before the key decision is to be made. The relevant notice in respect of the key decisions to be taken at this meeting was published as part of the Forward Plan on 29 September 2022.

## EXECUTIVE

- \* Councillor Joss Bigmore (Chairman)
- \* Councillor Julia McShane (Vice-Chair)

- |                           |                          |
|---------------------------|--------------------------|
| * Councillor Tim Anderson | * Councillor John Rigg   |
| * Councillor Tom Hunt     | * Councillor James Steel |
| * Councillor John Redpath | * Councillor Cait Taylor |

\*Present

The Deputy Mayor, Councillor Masuk Miah, and Councillors Christopher Barrass, Ruth Brothwell, Angela Gunning, Gillian Harwood, Ramsey Nagaty, George Potter, Tony Rooth, Will Salmon, Deborah Seabrook, and Pauline Searle were also in attendance.

### **EX30 APOLOGIES FOR ABSENCE**

There were no apologies for absence.

### **EX31 LOCAL CODE OF CONDUCT - DISCLOSABLE PECUNIARY INTEREST**

There were no disclosures of interest.

### **EX32 MINUTES**

The minutes of the meeting held on 25 August 2022 were confirmed as a correct record. The Chairman signed the minutes.

### **EX33 LEADER'S ANNOUNCEMENTS**

The Leader thanked everybody that helped organise and attend the events of the past 10 days as we mourned the passing of H M Queen Elizabeth II and mark the accession of King Charles III, with particular thanks to the Mayor, Kate Foxton, and the Civic team.

The Leader reminded councillors that the Household Support Fund was still open for applications until 30 September 2022. Residents could submit one application per household and a maximum grant of up to £300 pounds per household was available. Priority would be given to those with high needs such as households with children and pensioners. More information and how to apply could be found on the Council's website.

The Leader also reminded councillors that the deadline for applications to the next round of crowdfunding under Crowdfund Guildford was 28 September 2022. Most recently, this source of funding had been used to fund repairs to the war memorial in Merrow which hopefully should be completed in time for Remembrance Sunday.

The Leader noted that the Council would be promoting its second Car Free Day on Sunday 25 September from 10am to 4.30pm

Finally, the Leader commented that the Guildford Design Award exhibition scheduled to take place at the Guildhall had to be cancelled following the death of H M Queen Elizabeth II. The travelling exhibition of awards was now moving around the borough's villages on various dates in September and October.

#### **EX34 SHAPING GUILDFORD'S FUTURE (FORMERLY GERP) STAGE 3 FUNDING**

The Leader of the Council preferred to take the report as the first substantive item of business and referred the Executive to the Supplementary Information Sheet which confirmed that proposed decisions in the report to proceed to Stage 3, the transfer of £3.070 million from the provisional to the approved capital programme to enable the Council to deliver Stage 3 of the programme, together with the accompanying delegated authority were, appropriately and lawfully, decisions for the Executive, not full Council, to take.

Appendix 6 to the report (Stage 3 – Deliverables) which had been marked “to follow” in the report had been published the day before the meeting. A copy of Appendix 6 was attached to this Supplementary Information Sheet.

Before this matter was considered, a presentation was made to the Executive delivered by the Lead Councillor for Regeneration, Councillor John Rigg; the Joint Strategic Director of Place, Dawn Hudd; the Regeneration Lead Officer, Michael Lee-Dixon; along with private sector partners Andreas Markides and David Leonard Architects. A copy of the presentation had been circulated to all councillors earlier in the day.

The meeting heard from the Lead Councillor for Regeneration that the Shaping Guildford's Future (SGF) project was an holistic initiative designed to address the key challenges facing the town centre in terms of housing need, areas of flood risk, traffic congestion and opportunities for commercial growth. Over the past three years the Council had undertaken work to develop the masterplan including consultation with the community and stakeholders with the aim of reinvigorating the town by ‘opening up’ the riverside; improving alternative, sustainable and affordable transportation, as well as making the centre a more attractive place to live, work and visit. The masterplan included several separate workstreams that needed to be developed in a simultaneous and complementary way.

It was noted that, during recent years, major commercial partners had withdrawn from Guildford and in some circumstances had left buildings that were owned by the Council itself, such as Liongate. Guildford was described as not currently competitive enough to neither retain nor attract new business due to a combination of a lack of appropriate housing and commercial space. There was a lack of starter homes, bedsits, studios and 1 and 2-bedroom affordable homes. The masterplan could deliver up to 2,600 such homes within a 15-minute walk to the town centre with all its amenities and no need for car ownership in contrast to other greenbelt developments.

The masterplan strategy had identified four ‘zones’ in the town centre which might be delivered separately to one another as opportunities arose and with differing development timescales over a five to twenty-year period. It was noted that the masterplan could deliver the holistic benefit to the town that ad-hoc development could not. The Council itself owned much of the freehold land within the zoned areas but would work with partners to deliver its objectives. The Lead Councillor for Regeneration

stressed that the Council had a duty to protect the greenbelt areas of the borough by firstly maximising the potential of brownfield sites, especially in the town centre.

The Joint Strategic Director of Place, Dawn Hudd emphasised the positive attractions of Guildford as the county town with a unique character and a GDP contribution of £5.5 billion per year. The town was an attractive place to live and work, but the risk of stagnation had to be addressed. The Guildford economy had been flat lining for the past 5 years and it was important to take action to ensure this did not continue. It was important to address the health and wellbeing of residents, climate change impacts and the importance of biodiversity and the environment. Equally important was to build communities and not just houses. Those matters could only be addressed within a strategic plan that built in resilience, quality and sustainability. The masterplan was supported by extensive community and stakeholder consultation. Further development of the masterplan would be undertaken by the Council with the support of private sector partners. It was noted that collaboration was key to success and the Council would be working with other public sector bodies including the Environment Agency, National Rail, National Highways and Surrey County Council to move the masterplan forwards. Surrey County Council had appointed a designated officer to support the SGF Masterplan. The masterplan supported all the Council's corporate priorities.

Regeneration Lead Officer, Michael Lee-Dixon set out the scale of the consultation response which ran into many thousands through feed-back via various media. The responses were generally in favour of the Council's proposals and of 'opening up' the riverside, positive leadership with clear strategic ambition was also welcomed. The consultation feedback report was included in the appendices and available on the Shaping Guildford's Future website.

There had been extensive research into the potential strengths and weaknesses of the town centre undertaken in both Stage 1 and 2 by private sector partners JLL and the University of Surrey. A major commercial driver was affordable housing to buy or rent within a ten-minute walk of the train station. In addition, commercial units close to public transport links and amenities at a price that could attract a variety of suppliers was a key requirement. Co-working and flexible office was a rising demand following the pandemic and it was noted that a new town centre business district could accommodate a quarter of a million square feet of commercial office space. The pressure on retail following the pandemic was recognised and it was suggested that Guildford could nurture independent retailers and experience related offers. Again, it was noted that with regards to hospitality contracting following the pandemic, Guildford had a strong independent sector that should be encouraged. In terms of leisure, research indicated there was demand for a new four-star hotel and it was noted that budget operators had recovered well following the pandemic. Hotel demand would follow and not lead other development. Regarding traditional employment space there was strong demand and low vacancy rates in Guildford. The research outcomes report was included in the appendices and available on the Shaping Guildford's Future website.

David Leonard set out the vision for place. It was noted that several successful locations had utilised heritage and waterfront settings to key advantage such as Richmond, Cambridge and Amsterdam. A vision for Guildford could include new waterfront settings amongst new public squares and greened areas. The challenges facing Guildford included flooding, congestion, road traffic accidents, lack of town centre greenspace, lack of a civic square, limited cycle and pedestrian connectivity and lack of brownfield sites. Addressing those challenges would be strategic with supporting

policy to create the reality in which the vision of place could be realised. Guildford had a history of river flooding which affected around 160 homes and businesses. The meeting heard that the Council had entered into a collaboration with the Environment Agency to tackle the existing flood vulnerability and to create defences to protect any new development. An outline business case would be in place by the end of 2023. Flood protection had been set out on a zonal basis across the masterplan.

Andreas Markides set out the sustainable transport proposals for the masterplan. It was noted that a high quality of living attracted economic growth. Reducing the dominant congestion in the town centre was a key element of the masterplan. The transport strategy had three key objectives; to facilitate town centre growth, to reduce carbon emissions and to improve health. Guildford had the highest levels of road traffic accidents in the county and was the sixth most congested town centre nationwide. A wide range of data from destination surveys had been collected to inform the traffic modelling exercise. It was noted that 44% of those travelling to the town centre by car came from just 2.6 kilometres away. Should those travellers walk or cycle then a large amount of traffic would be removed. There were three options presented for consideration in terms of redesigning the gyratory. All three had the same objectives, to remove the one-way system, 'opening up' the river to the town centre, removal of certain lanes used by cars in favour of buses and cycle lanes. Finally, all three options would retain access to the key destinations in the town which were the centre itself, the bus station and the train station. To achieve those outcomes, strategic elements such as 'park and ride', park and walk', active travel, road charging mechanisms and traffic diversions. In conclusion, the masterplan proposals would need ongoing support from Surrey County Council and the public.

David Leonard developed the concept of the 'sustainable movement corridor' in terms of linking the town centre to the north, south, east and west of the town by bicycle and on foot which included the proposed new town squares and pedestrian bridges. Many of the routes would be focused on the 'Guildford Greenway' which was a greened route following the course of the river. The 'Greenway' would link the four new development zones, Millmead and Millbrook, Town Wharf, Bedford Wharf and Woodbridge Meadows. These zones would be protected from flooding. The proposals for each zone including new housing, squares and greening were described and set out in the accompanying slides. The social and community benefits, especially of a new town square for Guildford, were set out.

The presentation concluded with the next steps which were the Stage 3 deliverables. The funding required to achieve the strategic objectives would need grant funding. The role of the Council would be as an enabler working with private sector engagement to support the delivery of the masterplan over the coming 20-years. A more detailed area action plan would be developed by the Council's Planning team including retail and employment studies informed by emerging changes following the pandemic. The area action plan would focus growth in the areas where walking and cycling could be prioritised. The Stage 3 timeline would run from October 2022 to December 2023 to run in parallel with the development of the Environment Agency's business case.

The report before the Executive sought an endorsement of Stage 2 of the Shaping Guildford's Future (SGF) Masterplan Strategy and authorisation to proceed to Stage 3. Stage 3 required the transfer of provisional capital funding to approved; closer working relationships and agreements with partners and other agencies; collecting the evidence base for planning policy to reach a point at which external grant funding could be applied for.



There was a discussion regarding the detail of the public consultation undertaken to date in terms of the assumptions within the masterplan that development locations as set out would be acceptable to local people. The Leader of the Council commented that in due course there would be a Regulation 18 and 19 consultation process of the masterplan that would drill down to that level of detail. It was noted that future markets, national policies and other external factors could not be foreseen and could affect the plans as set out currently.

The Council was currently working to develop an Economic Development Strategy for Guildford in addition to the masterplan and it was confirmed that both pieces of work would inform one another and be completely aligned.

The meeting heard that any housing built as a part of the masterplan would be counted as a part of the delivery commitment in the Local Plan and was not additional to that number. There was concern expressed about water and electricity provision for any new development. It was considered that this challenge was likely be a matter for the developer of the site, rather than the Council.

Members of the Executive expressed support for the masterplan with recognition that it was a vision of what was possible rather than a picture of what would eventually happen given inevitable constraints that would arise. The importance of governance around the project was noted and it was suggested that during Stage 3 there should be a review of governance, an identification of key milestones at which progress could be measured and a calculation of the risk to the project. The Leader of the Council was content to add a recommendation to include this proposal. Consequently, the Executive

#### RESOLVED:

- (1) To endorse the Stage 2 Shaping Guildford's Future report and approve proceeding to Stage 3.
- (2) To approve the transfer of £3.070 million from the provisional to the approved capital programme to enable the Council to deliver Stage 3 of the programme.
- (3) To authorise the Joint Strategic Director of Place, in consultation with the Lead Councillor for Regeneration, to finalise Heads of Terms, Memorandums of Understanding, Terms of Reference, negotiate, sign and complete legal agreements relating to the Shaping Guildford's Future programme.
- (4) To authorise the Joint Strategic Director of Place, in Consultation with the Lead Councillor for Regeneration, to enter into contracts and legal agreements connected with the Shaping Guildford's Future project as may be necessary at reasonable costs within the approved budget.
- (5) To authorise the Joint Strategic Director of Place, in consultation with the Lead Councillor for Regeneration, to review all governance arrangements in relation to the Shaping Guildford's Future programme.

#### Reason(s):

- To support the delivery of the Council's Corporate Plan (2021-2025) priorities, by delivering a proactive strategy to address the economic and physical constraints facing the town.
- To ensure that governance arrangements around the Shaping Guildford's Future programme remain fit for purpose

**EX35 TO CONSIDER ANY RECOMMENDATIONS FROM THE OVERVIEW AND SCRUTINY COMMITTEE**

The intention of the report was to collate and track progress of all recommendations made by the Overview and Scrutiny Committee to the Executive throughout the year, and to log the Executive decisions on the submitted matters.

The Executive noted the report and that there had been no updates since the previous meeting.

**EX36 CORPORATE REGULATORY ENFORCEMENT POLICY**

The Executive considered a report detailing the review of the Corporate Enforcement Policy that was originally implemented in 2018. It was good practice for the Council to review and update the Policy periodically.

The main proposed change to the policy was reflected in Section 6 of the report which introduced a graduated enforcement approach to Public Space Protection Orders (PSPO).

The draft policy at Appendix 1 to the report had been out to public consultation during April 2022 for 3 weeks. The outcomes of the consultation were set out in Appendix 3 for the Executive's consideration. Having considered the report, the Executive

RESOLVED:

That the revised Regulatory Enforcement Policy, as set out in Appendix 1 to the report submitted to the Executive, be adopted.

Reason(s):

The policy provided a clear framework for the way the Council undertook its regulatory functions and was in line with The Legislative and Regulatory Reform Act 2006 which advocated that enforcement should be carried out in a transparent, accountable, proportionate and consistent manner that was targeted only where action was needed.

**EX37 EXPERIENCE GUILDFORD: BUSINESS IMPROVEMENT DISTRICT (BID) BALLOT**

A Business Improvement District (BID) was a defined area in which a levy was charged on all business rate payers in addition to the business rates bill. This levy was used to develop projects which would benefit businesses in the local area. The BID proposer in Guildford was Experience Guildford. Experience Guildford was required to develop a proposal and submit this to the Council, along with a business plan. The proposal set out the services to be provided and the size and scope of the BID. It also set out who was liable for the levy, the amount of levy to be collected and how it was calculated.

Experience Guildford was first successfully voted in by ballot in October 2012 and with strong support the BID was renewed at ballot again in 2017. The current term would come to an end on 31 January 2023, at which time all activities would cease if not renewed.

The next BID renewal ballot would take place in October 2022. Guildford Borough Council had 27 properties subject to business rates in the BID area and therefore had 27 votes in the ballot. The BID levy of 1%, would raise up to £600,000 per annum. The report before the Executive sought support to cast the Council's votes in favour of the BID renewal.

The Lead Councillor for Economy introduced the report and praised the Experience Guildford team for their work especially during and following the pandemic, and if successful, looked forward to working together again. The Executive agreed with the Lead Councillor's recommendations and consequently,

**RESOLVED:**

- (1) To endorse the Experience Guildford BID Business Plan 2023-28, as set out in Appendix 2 to the report submitted to the Executive.
- (2) To use the Council's 27 votes to vote in favour of the proposal to renew the experience Guildford Business Improvement District (BID) for Guildford town centre for 2023-2028.
- (3) To delegate the decision to vote in the BID ballot to the Leader of the Council.
- (4) To note the Council's business rates levy of £38,289 per annum for 2023-28, to be accommodated within the existing overall budget.

**Reason(s):**

To secure the long-term economic prosperity of the Town Centre and to continue the effective management partnership developed over the previous 10 years.

**EX38 BUDGET PRESSURES 2022-23 AND MEDIUM-TERM FINANCIAL PLAN**

The Executive considered a high-level summary report that set out the emerging financial position against the approved 2022/23 budget and highlighted pressures on the Medium-Term Financial Plan (MTFP). Several factors had affected the Council's budget since it was approved in February 2022, most of which had an adverse impact. The financial outturn in 2021/22 on the general fund and HRA was positive overall, however, there were some concerning cost pressures and income shortfalls that were likely to continue into future years. This, coupled with the significant inflationary pressure experienced since April, presented a very challenging position for the Council.

The Lead Councillor for Resources introduced the report which was described as a 'work in progress'. Officers were projecting a net overspend on the general fund revenue account of £3.1 million. A significant proportion related to inflationary and cost of living pressures, most of which was utilities costs. Reports that the National Insurance increases had been withdrawn by Government was welcomed, although detail about any specific support for councils was still awaited.

The report also noted that officers were investigating a potential discrepancy in the staff cost budget which appeared to have originated during the transition period of phase 2 of the Future Guildford programme. This could materially impact both the general fund and the HRA in 2022/23 and future years.

A more detailed financial monitoring report would be considered by the Corporate Governance and Standards Committee on 29 September and comments arising would help inform the mid-year review of the MTFP. A similar exercise was required in 2021/22 and was successful as the overall position at year end was £138,000 under budget.

Consequently, the Executive

RESOLVED:

- (1) To note the emerging position against the 2022/23 budget and the impact on the Council's finances in future years.
- (2) To approve the high-level action plan set out in the report and to identify any further measures that should be taken.
- (3) To instruct officers to undertake a comprehensive mid-year review of the 2022/23 budget and to present this, and a revised Medium Term Financial Plan, to Council at its meeting on 6 December 2022.

Reason(s):

To ensure councillors are aware of the emerging budget pressures.

### **EX39 REVIEW OF COUNCILLORS' ALLOWANCES - PROPOSED APPOINTMENT OF A JOINT INDEPENDENT REMUNERATION PANEL**

The Council was required to conduct the next review of councillors' allowances in 2023 following the local elections. Under The Local Authorities (Members' Allowances) (England) Regulations 2003 the Council must appoint an independent remuneration panel to make recommendations as to the type and level of allowances to be included in the next scheme of allowances for councillors. The Council had a duty to have regard to the panel's recommendations.

Waverley Borough Council was also committed to conduct a review of allowances for its councillors following next year's local elections.

The Executive considered a report setting out a proposal to establish a joint independent remuneration panel, and sought approval of its proposed terms of reference, a process for the recruitment of members to the Joint Independent Remuneration Panel (including the suggested re-appointment of three persons who had served previously on the independent remuneration panels for both Guildford and Waverley), level of honorarium to be paid to each panel member, and a proposed timetable for the appointment process and for the review itself next year.

It was noted that Waverley Borough Council had delegated authority to its Monitoring Officer to establish an Independent Remuneration Panel. Waverley's Monitoring Officer

would be invited to agree the process for the appointment of a Joint Independent Remuneration Panel as described in the report. The Executive

RESOLVED:

To recommend to Council (11 October 2022):

- (1) That the Council agrees to establish jointly with Waverley Borough Council a Joint Independent Remuneration Panel to conduct a review and make recommendations to each council on their respective scheme of allowances for councillors in 2023.
- (2) That the draft terms of reference of the Joint Independent Remuneration Panel, attached as Appendix 1 to the report submitted to the Executive, be approved.
- (3) That, subject to confirmation of their continued eligibility for appointment, Vivienne Cameron, Dennis Frost, and Gordon Manickam be appointed to the Joint Independent Remuneration Panel for a period of up to four years commencing with the 2023-24 municipal year.
- (4) That the Joint Executive Head of Legal and Democratic Services be authorised to advertise for candidates from the general public and a wide range of organisations, including the local business community and voluntary organisations, for the appointment of up to two other members of the Joint Independent Remuneration Panel to serve for a period of up to four years commencing with the 2023-24 municipal year, and together with the Leaders and Deputy Leaders of both councils to shortlist, interview, and recommend for selection up to two nominees for appointment to the Joint Independent Remuneration Panel.
- (5) That the nominees for appointment to the Joint Independent Remuneration Panel referred to in paragraph (4) above be subject to formal approval by the Council at its full council meeting in February 2023.
- (6) That the honorarium to be paid to each Panel member be set at £1,500, the cost of which shall be divided equally between the two councils.
- (7) That the proposed timetable for appointment of the Joint Independent Remuneration Panel and review of Guildford's allowances set out in paragraph 4.13 of the report, be approved.
- (8) That provision be made in the 2023-24 revenue budget of £6,200 for the review of councillors' allowances.
- (9) That the Joint Monitoring Officer be authorised to make all arrangements for the establishment and appointment of future independent remuneration panels, including approval of terms of reference, honoraria for panel members, and timetables for appointment and reviews of allowances.

Reason:

To comply with the requirements of The Local Authorities (Members' Allowances) (England) Regulations 2003.

**EX40 DRAFT TIMETABLE OF COUNCIL AND COMMITTEE MEETINGS FOR 2023-24**

The Executive considered the proposed timetable of meetings for the municipal year 2023-24. The dates had been shared with Waverley Borough Council to ensure there were no conflicts. Accordingly, the Executive

RESOLVED:

To recommend to Council (11 October 2022):

That the proposed timetable of Council and Committee meetings for the 2023-24 municipal year, as set out in Appendix 1 to the report submitted to the Executive, be adopted.

Reason:

To assist with the preparation of individual committee work programmes.

The meeting finished at 9.25 pm

Signed .....

Date .....

Chairman

## Recommendations to the Executive from the Overview and Scrutiny Committee

### Document Purpose

The intention of this document is to collate and track progress of all recommendations made by the Overview and Scrutiny Committee to the Executive throughout the year, and to log the Executive decisions on the submitted matters. The Executive's agreed response to the recommendations will be fed back to the Overview and Scrutiny Committee, and relevant officers.

### Explanatory note:

**Progress Status:** This column indicates individual progress status for each recommendation and will present one of three options:

- Awaiting Executive Consideration
- Accepted or Approved by the Executive
- Rejected by the Executive

**Suggested Response to Recommendation and Reasons:** This column indicates what action, if any, the Executive proposes to take or may already have been taken in response to the recommendation and the reasons) for the action, or no action.

### Approved Recommendations:

O&S Meeting Date /O&S Minute No.	O&S Agenda Item	O&S Recommendation	Considered by Executive on	Progress Status	Suggested Response to Recommendation and Reasons	Key Officer responsible for the item
2 March 2021 Reference OS63	Guildford Crematorium Redevelopment	That the Executive be requested to ensure that:	22 March 2022	Executive approved suggested response.	The Future Guildford Programme implemented the Council's transformation plan.	Abi Lewis/ Directors

O&S Meeting Date /O&S Minute No.	O&S Agenda Item	O&S Recommendation	Considered by Executive on	Progress Status	Suggested Response to Recommendation and Reasons	Key Officer responsible for the item
	Post Project Review	<p>1.Council projects are accurately scoped and well-defined at the outset and any extension of scope is assessed carefully.</p> <p>2.Council projects go beyond legal minimum standards and aspire to be the best possible.</p> <p>3.Senior officers be held accountable for ensuring that resources in place for projects are adequate.</p>			<p>As part of Phase A of the Programme, a new Project and Performance Management (PPM) Governance team was established in 2020 which has undertaken extensive work to implement a new PPM Governance Framework to improve the delivery of all GBC projects and programmes to achieve the strategic objectives set out in the Corporate and Local Plans. Now an Enterprise Portfolio Structure has been defined, work is underway to rationalise boards and clarify decision-making.</p> <p>The following specific processes implemented help to ensure the right project controls are in place from the outset:</p> <ul style="list-style-type: none"> <li>• A start-up process to control the number of projects initiated</li> <li>• A mandate being developed for each project for consideration by service leaders and Councillors helping to develop a common understanding of</li> </ul>	



O&S Meeting Date /O&S Minute No.	O&S Agenda Item	O&S Recommendation	Considered by Executive on	Progress Status	Suggested Response to Recommendation and Reasons	Key Officer responsible for the item
					<p>objectives and anticipated outcomes of projects.</p> <ul style="list-style-type: none"> <li>• The Business Case, developed from the Strategic, through the Outline Business Case and confirmed at Full Business Case is a clear statement of scope and baselines and a robust rationale for proceeding with the project.</li> <li>• Progress through the stages is controlled by gates, these are managed by the Corporate Governance Team.</li> </ul> <p>The project mandate will provide a broad definition of a project’s objectives, scope, constraints, benefits, risks and costs – which are further defined in the development of the business case. Aspirations to exceed minimum standards tends to come at the cost of time and money. The business case should recommend the option that provides best social value or best value for money and responds to any statutory requirements.</p>	

O&S Meeting Date /O&S Minute No.	O&S Agenda Item	O&S Recommendation	Considered by Executive on	Progress Status	Suggested Response to Recommendation and Reasons	Key Officer responsible for the item
					<p>The new PPM Governance Framework provides the opportunity for officers across the organisation to review project mandates and business cases, and to consider the potential impact of the proposals on their service area. This includes consideration of whether the project is achievable within the existing resources (financial and staffing) and whether mitigation is required to deliver the preferred option successfully. This might include highlighting a need to recruit to fill a specialist skillset that is necessary for the project and the required budget to enable this. The internal project governance structures ensure officers provide regular updates on the status of projects and provide the opportunity for risks and issues to be escalated to senior decision makers as necessary. An Enterprise Portfolio Board is being considered to ensure that resource constraints are understood across all GBC service areas before a project is initiated.</p>	

O&S Meeting Date /O&S Minute No.	O&S Agenda Item	O&S Recommendation	Considered by Executive on	Progress Status	Suggested Response to Recommendation and Reasons	Key Officer responsible for the item
9 November 2021 reference OS46	Guildford Crematorium Air Quality Audit	<p>That the following recommendations within section 3 of the SLR audit at Appendix 1 of the report submitted to the O&amp;S Committee be endorsed:</p> <ul style="list-style-type: none"> <li>• That measures or procedures are reviewed and where necessary improved, to allow Regulatory Services to satisfy themselves that work undertaken on their behalf has been undertaken in a comprehensive and technically robust manner, such as:</li> <li>• requiring evidence of the audit procedure, and documented audit trail; and</li> </ul>	22 March 2022	Executive approved suggested response.	<p>GBC's current Standard Selection Questionnaire (SSQ) - used at the outset of a procurement process to determine compliance of a potential supplier with any mandatory requirements - does not request confirmation of statutory or regulatory certification.</p> <p>However, the subsequent technical evaluation process is tailored according to the specifics of the project and the scope of services being procured. Where appropriate, confirmation and evidence of accreditation will be requested and evaluated. If works are procured via a framework e.g. construction works, the contractors are subject to significant scrutiny and vetting before being accepted onto the framework. If a project is particularly complex or technical, the Council will need to consider what specialist resource is needed to support the drafting of technical evaluation criteria</p>	Abi Lewis/ Directors

O&S Meeting Date /O&S Minute No.	O&S Agenda Item	O&S Recommendation	Considered by Executive on	Progress Status	Suggested Response to Recommendation and Reasons	Key Officer responsible for the item
		<ul style="list-style-type: none"> <li>requiring contractors to have a quality assurance system certified to a recognised standard (e.g., ISO 9001).</li> </ul>			<p>and the evaluation of tender responses. This would be established at the mandate stage.</p> <p>The Corporate Procurement Board acts as a gateway for projects that are above a certain financial threshold, or constitute high risk or sensitivity, providing further scrutiny over the most appropriate route to engage a supplier.</p> <p>The new project management and governance toolset, Verto, has the functionality to capture decisions made to ensure that there is an audit trail throughout the project lifecycle.</p>	
9 November 2021 reference OS47	Update on Project & Programme Management Governance	<ul style="list-style-type: none"> <li>That the Executive be requested to ensure that in relation to the closure and evaluation stages of Council projects the author of both the lessons learned report</li> </ul>	22 March 2022	Executive approved suggested response.	The Council's implemented PPM Governance Framework outlines the project lifecycle and approval gates that projects will ensure all lifecycle stages are undertaken for all projects, including closure, evaluation and lessons learned.	Abi Lewis/ Directors

O&S Meeting Date /O&S Minute No.	O&S Agenda Item	O&S Recommendation	Considered by Executive on	Progress Status	Suggested Response to Recommendation and Reasons	Key Officer responsible for the item
		<p>and the post-project evaluation be someone unconnected to the project.</p> <ul style="list-style-type: none"> <li>• That further training and information on the Council's project and programme management be organised for Councillors.</li> </ul>			<p>Going forward the governance team can provide independent review at project closure stage and report to the Enterprise Portfolio Board if that is established.</p> <p>A series of formal training sessions explaining the reasons for mandates and business cases was delivered in November 2020 to introduce the new PPM governance arrangements. Follow up sessions relating to improving their understanding of programme and project governance in order to streamline governance and improve reporting were held for Councillors in December 2021. These sessions outlined the work done on the development of the governance structure and provided a demonstration of the reporting deck that is presented at Major Projects Portfolio Board. Ongoing training is being provided to induct new</p>	

O&S Meeting Date /O&S Minute No.	O&S Agenda Item	O&S Recommendation	Considered by Executive on	Progress Status	Suggested Response to Recommendation and Reasons	Key Officer responsible for the item
					Councillors and keep all Councillors up to date with developments.	

Executive Report

Ward(s) affected: All

Report of Joint Section 151 Officer

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Date: 27 October 2022

## Capital and Investment outturn report 2021-22

### Executive Summary

This annual outturn report includes capital expenditure, non-treasury investments and treasury management performance for 2021-22.

#### Capital programme

In total, expenditure on the General Fund capital programme was £39.78 million against the original budget of £148.3 million, and revised budget of £141.9 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 £1.5 million and the outturn was £1.38 million. This was due to slippage in the capital programme in 2020-21.

Officers have reviewed the capital programme and have determined that the following schemes are no longer required:

- Albury closed burial grounds £57,000 in 2022/23
- Mill Lane Flood Protection works - £16,000 2022/23 and £200,000 2023/24
- Merrow & Burpham surface water study - £15,000 in 2022/23

This will reduce the Councils underlying need to borrow for capital purposes and will generate a saving to the revenue account in respect of MRP and Interest of approximately £10,000 over the life of the schemes.

#### Non-treasury investments

The Council's investment property portfolio stood at £174 million at the end of the year. Our rental income was £8.75 million, and our income return 5.3% against the benchmark of 4.7%.

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. At 31 March 2022, the Council held £152 million in investments, £309 million in borrowing of which £147 million is related to the HRA, and £134 million is short term borrowing so net debt of £157 million.

We borrowed short-term from other local authorities for cash flow purposes and aim to minimise any cost of carry on this. We took out 3 loans for Weyside Urban Village under the infrastructure rate. This interest is capitalised against the project and not charged to the GF as interest payable.

This report (section 8) confirms that the Council complied with its prudential indicators, treasury management policy statement and treasury management practices (TMPs) for 2021-22. 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)			227,024	157,218
Housing Revenue Account CFR			205,108	199,204
<b>Total CFR</b>			<b>432,132</b>	<b>356,422</b>
Return on investments	1.57	0.65	1,278	1,878
Interest paid on external debt			5,992	5,127
<b>Total net interest paid</b>			<b>4,714</b>	<b>3,249</b>
<b>Gain on sale of pooled fund</b>				<b>1,398</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.

Due to the council projecting an over-spend earlier in the year, we took the decision to sell a pooled fund that had accumulated a capital gain. This was redeemed in December at a gain of £1.398 million – this is income to the General Fund.

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

### **Recommendation to Executive**

**The Executive is asked to approve the removal of the following schemes from the capital programme:**

- Albury closed burial grounds £57,000 in 2022/23
- Mill Lane Flood Protection works - £16,000 2022/23 and £200,000 2023/24
- Merrow & Burpham surface water study - £15,000 in 2022/23

The Executive is asked to recommend to Council (6 December 2022)

- (1) That the capital and investment outturn report be noted
- (2) That the actual prudential indicators reported for 2021/22, as detailed in **Appendix 1** to this report, be approved

#### Reasons 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.
- As per the treasury management code although the scrutiny of treasury management (and indeed all finance) has been delegated to CGSC ultimate responsibility remains with full Council this report therefore fulfils that need.

**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 and the capital programme are intrinsically linked – the capital programme impacts whether the Council has investments or borrowing, which then informs the revenue budget. Providing the information to councillors in a joint report ensures the context of the two areas to be considered alongside each other.
- 3.2 Treasury management is defined by CIPFA as

*“the management of the organisations borrowing, investments and cash flows, including 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”*

- 3.3 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.
- 3.4 The Council has a statutory requirement, under the Local Government Act 2003, to adopt the CIPFA Prudential Code and produce prudential indicators.
- 3.5 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.
- 3.6 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.
- 3.7 The Council operates its treasury management function in compliance with this Code and the statutory requirements.
- 3.8 This annual report, and the appendices attached to it, set out:
- a summary of the economic factors affecting the approved strategy and counterparty updates (sections 4 and 5 with details in **Appendix 5**)
  - a summary of the approved strategy for 2021-22 (section 6)
  - a summary of the treasury management activity for 2021-22 (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 2021-22, to show the treasury management activity in context. **Appendix 5** contains more detail

- The major issues for the economy in the year were recovery from Coronavirus pandemic, the war in Ukraine, higher inflation and higher interest rates.
- The Bank of England bank rate was 0.1% at the start of the year, rising persistent inflation caused the bank to increase rates earlier than the market had predicted, up to 0.75% in March.
- UK CPI was 0.7% in March 2021, rising steadily to 6.2% in February 2022.
- Tightening labour market as furlough unwound
- High energy and commodity prices not helped by the war in Ukraine.
- Fitch and Moody's credit rating agencies revised the outlook on a number of UK banks and building societies up to stable, recognising their improved capital positions compared to 2020 and better economic growth prospects in the UK.

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 In August 2021, HM Treasury significantly revised guidance for the PWLB lending facility with more detail and 12 examples of permitted and prohibited use of PWLB loans. 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. Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management.
- 5.2 CIPFA published its revised Prudential Code for Capital Finance and Treasury Management Code in December 2021. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments.
- 5.3 The principles of the Prudential Code took immediate effect although local authorities could defer introducing the revised reporting requirements until the 2023-24 financial year if they wish. This was due to the late publication of the codes.

- 5.4 To comply with the Prudential Code, authorities must not borrow to invest primarily for financial return. The Code also states that it is not prudent for local authorities to make investment or spending decisions that will increase the CFR unless directly and primarily related to the functions of the authority. Existing commercial investments are not required to be sold; however, authorities with existing commercial investments who expect to need to borrow should review the options for exiting these investments.
- 5.5 Borrowing is permitted for cashflow management, interest rate risk management, to refinance current borrowing and to adjust levels of internal borrowing. Borrowing to refinance capital expenditure primarily related to the delivery of a local authority's function but where a financial return is also expected is allowed, provided that financial return is not the primary reason for the expenditure. The changes align the CIPFA Prudential Code with the PWLB lending rules.
- 5.6 The TM Code now includes extensive additional requirements for service and commercial investments.
- 5.7 The Council had removed the purchase of property primarily for yield some years ago, shifting the focus to strategic purchases and regeneration, and is, therefore, not affected by these changes in the Prudential Code.

## **6. Approved strategy and budgets for 2021-22 – a summary**

- 6.1 Council approved the 2021-22 Capital and Investment strategy in February 2021.
- 6.2 The strategy showed an underlying need to borrow in 2021-22 for the General Fund (GF) capital programme of £143 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 2021-22

7.1 The treasury position on 31 March 2022, compared to the previous year is

		31 March 2021 (£'000)	Average Rate	31 March 2022 (£'000)	Average Rate
Fixed Rate Debt	PWLB	147,435	3.22%	170,235	3.22%
Variable Rate Debt	PWLB	45,000	0.48%	0	0.00%
Long-term	LAs	0	0.00%	0	0.00%
Temporary borrowing	LAs	118,500	0.51%	133,500	0.17%
<b>Total Debt</b>		<b>310,935</b>	<b>2.00%</b>	<b>303,735</b>	<b>1.73%</b>
Fixed Investments		(94,100)	1.02%	(99,400)	0.41%
Variable Investments		(47,545)	0.23%	(42,150)	0.08%
Externally managed		(17,728)	3.94%	(15,079)	4.35%
<b>Total Investments</b>		<b>(159,373)</b>	<b>1.05%</b>	<b>(156,629)</b>	<b>0.65%</b>
<b>Net Debt / (Investments)</b>		<b>151,562</b>		<b>147,106</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

- loans decreased by £7.2 million
- investments have decreased by £2.7 million
- net debt has decreased by £4.5 million

7.4 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 before we need to take out longer term borrowing from PWLB. We have a range of maturities in 2022-23 to keep cash flows smooth.

7.5 We took out our first tranche of PWLB local infrastructure rate loan (LIR) for the WUV capital scheme of £22.8 million. The interest on these loans will be capitalised to the scheme so that the borrowing can be repaid from capital receipts generated on the sale of land as part of the scheme. The first tranche of HRA Reform loans became repayable and we decided to repay the £45 million loan based on the level of HRA reserves.

7.6 We budgeted an investment return of 1.57% for the year and achieved 0.65%.

7.7 The Council's budgeted investment income was £1.278 million, and actual interest was £1.878 million (£600,000 higher). This is mostly due to having more cash due to the slippage in the capital programme.

- 7.8 Our budgeted debt interest payable was £5.992 million. £5.052 million relates to the HRA. The outturn was £5.127 million (£4.878 million for the HRA).
- 7.9 All our external funds are distributing funds, and they achieved an overall weighted average return of 4.27%, split as follows

Fund	Balance at 31 March £000	Average return	Type of fund
M&G	0	3.25%	Equity focussed
Schroders	773,399	7.31%	Equity focussed with at least 80% on FTSE all share companies
Royal London	2,247,293	4.79%	Investments in SMEs up to a max of £2,000
Funding Circle	212,205	10.90%	Multi asset
RLAM	2,067,200	1.00%	Global bond fund
Fundamentum	2,113,163	4.71%	Supported housing
CCLA	7,665,284	4.41%	Property

- 7.10 Councillors will recall we made the decision to sell the M&G investment as part of the measures we put in place at Period 6 financial monitoring to mitigate a projected year end overspend on the general fund. The capital gain which we were able to recognise as revenue income during the year was £1.398 million.
- 7.11 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 £1.07 million, the biggest movement was on the CCLA fund with a gain of £1.17 million.
- 7.12 We are invested in bond, equity, multi-asset, and property funds. We invest what we call our “core cash” in these funds. Core cash is our cash backed reserves that we know we will not need for liquidity purposes, and we can therefore afford to keep the investment duration longer in a more volatile market to achieve good income returns
- 7.13 In the nine months to December improved market sentiment was reflected in equity, property and multi-asset fund valuations and, in turn, in the capital values of the Authority’s property, equity and multi-asset income funds in the Authority’s portfolio. The prospect of higher inflation and rising bond yields did however result in muted bond fund performance. In the January- March quarter the two dominant themes were tighter UK and US monetary policy and higher interest rates, and the military invasion of Ukraine by Russia in February, the latter triggering significant volatility and uncertainty in financial markets
- 7.14 In light of Russia’s invasion, Arlingclose contacted the fund managers of our Money Market Funds (MMF), cash plus and strategic funds and confirmed no direct exposure to Russian or Belarusian assets had been identified. Indirect exposures were immaterial. It should be noted that that any assets held by banks and financial institutions (e.g. from loans to companies with links to

those countries) within MMFs and other pooled funds cannot be identified easily or with any certainty as that level of granular detail is unlikely to be available to the fund managers or Arlingclose in the short-term, if at all.

- 7.15 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.
- 7.16 The Council also invested more in our subsidiaries and now holds £9.15 million of equity investment in Guildford Borough Council Holdings Ltd and £15.5 million of loans in North Downs Housing Ltd
- 7.17 The Council agreed an interest rate of base rate plus 5% (5.75% at 31 March 22) 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.
- 7.18 The equity investment in Guildford Borough Council Holdings Ltd will be subject to a dividend if a profit is achieved.

#### *Capital Programme*

- 7.19 The actual underlying need to borrow for the year, and the amount of internal borrowing actually taken, for the GF capital programme was £140 million, which is lower than budgeted of £150 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.
- 7.20 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 £1.381 million, against an original budget of £1.535 million.
- 7.21 Our overall underlying need to borrow, as measured by the Capital Financing Requirement (CFR) was £327 million (£140 million relates to the GF).
- 7.22 MRP is charged the year after the internal borrowing occurred. During the budget process we adjust the MRP to allow for slippage so as not to over budget.



**Benchmarking and performance indicators**

7.23 Arlingclose 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.

7.24 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 2022), shows our average rate of investments for our total portfolio as being 0.89% against the client universe of 0.97%. The table shows that we have outperformed our internally managed investments of the client universe by quite some margin, but overall lower which is due to the proportion of investments in external fund by the wider client base.

<b>Benchmark</b>	<b>Guildford</b>	<b>Client Universe</b>
Internally managed return	0.61%	0.46%
Externally managed (return only)	2.76%	3.41%
Total Portfolio	0.89%	0.97%
% of investments subject to bail in	34%	60%
No. of counterparties/funds	35	14

7.25 The difference in our return as part of the benchmarking (0.89%) and our own return (0.65%) is due to a different calculation in the way Arlingclose put the benchmarking return together.

7.26 The table above shows how far the Council has come to mitigate bail in risk – closing the year at 34% 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.

7.27 One of our key areas in our treasury strategy is to maintain 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. This level of diversification will change at different points in the year, however.

**8. Non-treasury investments**

8.1 **Appendix 2** sets out the Council investment property fund portfolio report for 2021-22. The key points are summarised below:

Sector	No. of assets	Sub-category	No. of assets
Office	6		
Industrial	114		
Retail	9	Shops Shopping centres	7 2
Leisure	6	Restaurants Nightclubs	5 1
Other Commercial	9	Educational Theatre Barn Petrol station Sui Generis Car Park Water treatment works	2 1 2 1 1 1 1
<b>TOTAL</b>	<b>144</b>		

8.2 Fund statistics: the fund was valued at circa £174 million with a rent roll of £8.75 million from 145 properties across 4 main sectors, representing a total return of 5.3% gross yield and a reduction in voids to 5.53%.

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

8.4 In response to the PWLB's new rules during 2020-21, which have been reaffirmed in the CIPFA codes of practice, 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 £106,331 million (73%) less on capital schemes than we originally estimated and £108,521 million (72%) less than the revised estimate, the schemes with more than £1 million variance to budget relate to:

- Ash Road Bridge and Footbridge (delays in programme)
- WUV (reprofiling of spend)
- Investment in NDH and Guildford Holdings – (slightly less purchases in year),
- Middleton Industrial estate (delays due to Covid),
- Strategic property purchases (delayed due to Covid),
- Guildford West (decision pending on scope of works)

- GER/SGF (capitalisation of programme delayed)
- SMC Phase 3 (now cancelled, new mandate required if scope changes)

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	92.7	88.1	38	50.1
GF provisional programme	53.5	53.7	0	53.7
GF Schemes financed from reserves	1.9	4	1.7	2.3
<b>Total</b>	<b>148.1</b>	<b>145.8</b>	<b>39.7</b>	<b>106.1</b>

## 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 2021-22, (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. Risks 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.

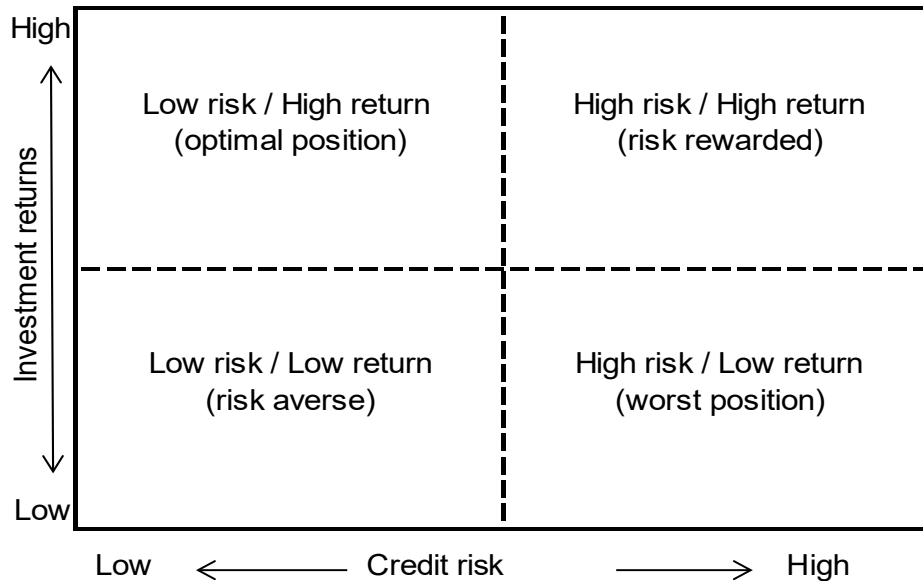
11.3 Short-term interest rates and likely movements in these rates, along with our projected cash balances, determine our anticipated investment return. These returns can be volatile and whilst, loss of principal is minimised through the annual investment strategy, accurately forecasting future returns 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 2021-22 this is the DMO (Debt management office investment with the Government and is the base "risk-free" investment rate) which is 0.11%.

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 4.39 (AA-) and 4.36 (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)
31-03-21	4.63	A+	4.06	AA-	199
30-06-21	4.69	A+	4.39	AA-	236
30-09-21	4.65	A+	3.92	AA-	201
31-12-21	4.66	A+	4.06	AA-	125
31-03-22	4.39	AA-	4.36	AA-	214

11.11 We have maintained security throughout the year within the portfolio on a value weighted basis. We also have a comparable risk score on the time weighted average than the Arlingclose client universe (4.39/AA- and 4.17/AA-). We do, however, have a much longer duration (ours is 214 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 2021, 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 2021-22 of £24.66 million related to Weyside Urban Village project, loan/equity to North Downs Housing Ltd, Middleton, Walnut Bridge, and transport schemes MRP will be chargeable to the revenue account the later of the next financial year or when the asset goes into use.

### **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, ending March 2022. This contract has been retendered and was awarded to Arlingclose on a 3+1+1 basis (ending on 31 March 2027). 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

- 15.2 Comments to be inserted

## **16. Key Risks**

- 16.1 This is a backward-looking report, and the mitigation of risks has been highlighted throughout the report

## **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. Equality and Diversity Implications**

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

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

- 21.1 There are no direct implications.

## **22. Summary of Options**

- 22.1 We could have invested in lower credit quality investments, but this would have increased our risk exposure.
- 22.2 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.

## **23. Conclusion**

- 23.1 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.

23.2 We maintained the security of our investment portfolio and did not borrow long-term in advance of need.

23.3 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.

## **24. 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 2021-22

## **25. Appendices**

Appendix 1: Treasury management activity, treasury and prudential indicators 2021-22

Appendix 2: Investment property fund portfolio report 2021-22

Appendix 3: capital programme

Appendix 4: schedule of investments at 31 March 2022

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 2021-22

### 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 then Ministry of Housing, Communities and Local Government (MHCLG) Investment Guidance requires local authorities to focus on security and liquidity rather than yield.
- 2.3 CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20 December 2021. These define treasury management investments as

*“investments that arise from the organisation’s cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business”.*

- 2.4 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.

- 2.5 Ultra-low short-dated cash rates, which were a feature since March 2020 when Bank Rate was cut to 0.1%, prevailed for much of the 12-month reporting period which resulted in the return on sterling low volatility net asset value (LVNAV) Money Market Funds being close to zero even after some managers have temporarily waived or lowered their fees. However, higher returns on cash instruments followed the increases in Bank Rate in December, February and March.
- 2.6 Similarly, deposit rates with the Debt Management Account Deposit Facility (DMADF) initially remained very low with rates ranging from 0% to 0.1% but following the hikes to policy rates increased to between 0.55% and 0.85% depending on the deposit maturity.
- 2.7 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 treasury management strategy 2021-22, which defined “high credit quality” counterparties as those having a long-term credit rating of A- or higher.
- 2.8 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
- 2.9 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
- 2.10 Cash balances consisted of working cash balances, capital receipts, and council reserves.
- 2.11 The table below shows our investment portfolio, at 31 March 2022, compared to 31 March 2021. **Appendix 4** contains a detail schedule of investments outstanding at the end of the year.

<b>Investment details</b>	<b>Balance at 31-03-21 £m</b>	<b>Weighted Avg Return for Year</b>	<b>Balance at 31-03-22 £m</b>	<b>Weighted Avg Return for Year</b>
<b>Internally Managed Investments</b>				
Fixed Investments < 1 year to cover cash flow	57.50	0.89%	41.00	0.46%
Corporate bonds	2.00	0.17%	4.00	0.13%
Long term bonds	16.10	0.00%	15.00	0.29%
Notice Accounts	3.00	0.39%	3.00	0.40%
Call Accounts	0.33	0.07%	0.00	0.01%
Money Market Funds	39.22	0.13%	31.90	0.07%
Revolving credit facility	0.00	1.47%		
Long term investments > 1 year	18.50	1.21%	37.40	0.40%
<b>Externally Managed Funds</b>				
Funding circle	0.50	6.51%	0.21	10.90%
Cash plus	0.00	0.00%	5.00	0.00%
CCLA	6.49	4.81%	7.67	4.41%
Fundamentum	5.00	0.00%	2.07	1.65%
RLAM	2.33	2.19%	2.25	4.79%
M&G	3.53	4.45%	0.00	3.25%
Schroders	0.70	7.04%	0.77	7.31%
UBS	2.20	3.95%	2.11	4.71%
City Financial	1.97	0.85%	0.00	0.00%
<b>Total Investments</b>	<b>159.37</b>	<b>1.05%</b>	<b>152.38</b>	<b>0.65%</b>

- 2.12 Our level of investments decreased during 2021-22, and we achieved a lower return than last year. Interest rates have started to increase to try and alleviate the impact of Inflation in the Economy. The portfolio will have lower rates until investments mature and can be reinvested at the higher rates. FRN Bonds in the main have a quarterly reset date and will increase sooner than maturity date.
- 2.13 The Councils also holds £9.15 million equity investments in Guildford Holdings Ltd and £15.5 million in North Downs Housing Ltd.
- 2.14 We are earning an interest return of base rate plus 5% (5.75% at 31 March 2022) 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**

- 2.15 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.
- 2.16 We also considered the use of secured investment products that provide collateral in the event that the counterparty cannot meet its obligations for repayment.
- 2.17 The minimum long-term counterparty credit rating for 'high quality counterparties' approved for 2021-22 was A-/A3 across all three main credit rating agencies (Fitch, S&P, and Moody's).
- 2.18 The strategy set different limits for different counterparty credit ratings both in maximum duration and exposure in monetary terms.

2.19 We also can invest in non-rated institutions subject to due diligence.

### **Liquidity of investments**

2.20 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.

2.21 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**

2.22 The council sought to optimise returns commensurate with its objective of security and liquidity. The Bank of England base rate has increased during the year:

- 16 Dec 2021 0.25%
- 3 Feb 2022 0.75%

2.23 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.

2.24 The council's budgeted investment income for the year was £1.278 million and actual interest was £1.878 million, at a weighted average yield of 0.65%.

### **Externally managed funds**

2.25 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.

2.26 In the nine months to December improved market sentiment was reflected in equity, property and multi-asset fund valuations and, in turn, in the capital values of the Authority's property, equity and multi-asset income funds in the Authority's portfolio. The prospect of higher inflation and rising bond yields did however result in muted bond fund performance. In the January- March quarter the two dominant themes were tighter UK and US monetary policy and higher interest rates, and the military invasion of Ukraine by Russia in February, the latter triggering significant volatility and uncertainty in financial markets.

2.27 In light of Russia's invasion, Arlingclose contacted the fund managers of our MMF, cash plus and strategic funds and confirmed no direct exposure to Russian or Belarusian assets had been identified. Indirect exposures were immaterial. It should be noted that any assets held by banks and financial institutions (e.g. from loans to companies with links to those countries) within MMFs and other pooled funds

cannot be identified easily or with any certainty as that level of granular detail is unlikely to be available to the fund managers or Arlingclose in the short-term, if at all.

- 2.28 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.
- 2.29 Due to the predicted over spend in year on the revenue account, the Executive agreed to sell the M&G Fund which was holding a capital gain. The net gain was £1.398 million.

### **Borrowing and debt management**

- 2.30 The council's debt portfolio is detailed in the table below. Our loan portfolio decreased by £2.2 million due to the repayment of the £45 million variable HRA loan, offset by an increase in temporary borrowing and £22 million of PWLB GF borrowing for the WUV project.
- 2.31 The schedule of borrowing is shown in the table below

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Appendix 1

Interest calc	Lender	Loan type	Principal £'000	Initial loan period (yrs)	Period remaining years	Maturity date	Rate
<b>Long-term</b>							
Fixed	PWLB	Maturity	10,000	12	2.0	28/03/2024	2.70%
Fixed	PWLB	Maturity	10,000	13	3.0	28/03/2025	2.82%
Fixed	PWLB	Maturity	10,000	14	4.0	28/03/2026	2.92%
Fixed	PWLB	Maturity	10,000	15	5.0	28/03/2027	3.01%
Fixed	PWLB	Maturity	25,000	17	7.0	28/03/2029	3.15%
Fixed	PWLB	Maturity	25,000	20	10.0	28/03/2032	3.30%
Fixed	PWLB	Maturity	25,000	25	15.0	28/03/2037	3.44%
Fixed	PWLB	Maturity	15,000	29	19.0	28/03/2041	3.49%
Fixed	PWLB	Maturity	17,435	30	20.0	28/03/2042	3.50%
Fixed	PWLB	Maturity	10,800	50	50.0	09/03/2072	1.82%
Fixed	PWLB	Maturity	5,000	10	10.0	29/03/2032	2.26%
Fixed	PWLB	Maturity	7,000	11	11.0	31/03/2033	2.06%
<b>Short-term</b>							
Fixed	Wokingham BC	Maturity	10,000	0.75	0.1	19/04/2022	0.08%
Fixed	Hampshire CC	Maturity	5,000	1.00	0.1	03/05/2022	0.09%
Fixed	Oxfordshire CC	Maturity	10,000	0.87	0.1	13/05/2022	0.10%
Fixed	Durham CC	Maturity	10,000	1.00	0.1	20/05/2022	0.12%
Fixed	Cheshire West & Chester Council	Maturity	10,000	0.22	0.2	30/05/2022	0.55%
Fixed	West of England Combined Authority	Maturity	1,500	1.00	0.2	07/06/2022	0.15%
Fixed	Local Government Association	Maturity	10,000	1.00	0.2	07/06/2022	0.10%
Fixed	North of Tyne Authority	Maturity	8,000	1.00	0.3	01/07/2022	0.17%
Fixed	Nottingham office of PCC	Maturity	10,000	1.00	0.3	04/07/2022	0.15%
Fixed	NORTH NORTHAMPTONSHIRE COUNCIL	Maturity	5,000	0.50	0.4	25/08/2022	0.70%
Fixed	Brighton & Hove CC	Maturity	10,000	1.00	0.4	26/08/2022	0.12%
Fixed	West Mids CA	Maturity	4,000	0.50	0.5	28/09/2022	0.85%
Fixed	Crawley BC	Maturity	5,000	1.00	0.6	01/11/2022	0.10%
Fixed	Oxfordshire CC	Maturity	5,000	0.76	0.7	05/12/2022	0.80%
Fixed	Portsmouth CC	Maturity	10,000	1.00	0.7	19/12/2022	0.20%
Fixed	NOTTINGHAM CITY COUNCIL	Maturity	10,000	1.00	0.9	27/02/2023	0.20%
Fixed	TAMESIDE MET BC	Maturity	5,000	1.00	1.0	13/03/2023	0.80%
Fixed	SHEFFIELD CITY COUNCIL	Maturity	10,000	1.00	1.0	14/03/2023	0.80%
<b>Total</b>			<b>308,735</b>				

- 2.32 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.
- 2.33 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.
- 2.34 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, 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.
- 2.35 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.

- 2.36 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 Council unwinds problematic transactions, suspending access to the PWLB and repayment of loans with penalties.
- 2.37 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 2021-22, which were approved in February 2021 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 2021-22.

#### **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 2021-22 is shown in the following table

<b>Capital Financing Requirement</b>	<b>2021-22 Approved Estimate £000</b>	<b>2021-22 Revised Estimate £000</b>	<b>2021-22 Actual £000</b>
<b>HRA</b>			
Opening balance (01 Apr 21)	217,024	199,204	199,204
Movement in year: Unfinanced cap exp	10,000	7,820	0
<b>Closing balance (31 Mar 22)</b>	<b>227,024</b>	<b>207,024</b>	<b>199,204</b>
<b>General Fund</b>			
Opening balance (01 Apr 21)	122,374	128,643	133,942
Movement in year: Unfinanced cap exp	84,269	29,667	24,656
Movement in year: MRP	(1,535)	(1,419)	(1,380)
<b>Closing balance (31 Mar 22)</b>	<b>205,108</b>	<b>156,891</b>	<b>157,218</b>
<b>Total</b>			
Opening balance (01 Apr 21)	339,398	327,847	333,146
Movement in year: Unfinanced cap exp	94,269	37,487	24,656
Movement in year: MRP	(1,535)	(1,419)	(1,380)
<b>Closing balance (31 Mar 22)</b>	<b>432,132</b>	<b>363,915</b>	<b>356,422</b>
Balances and Reserves	(176,489)	(155,204)	(185,016)
<b>Cumulative net borrowing requirement / (investments)</b>	<b>255,643</b>	<b>208,711</b>	<b>171,406</b>

- 3.5 The GF unfinanced capital expenditure mainly relates to WUV, transport schemes 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), and is reflected in the 2022/23 MRP budget.
- 3.6 We budgeted an underlying need to borrow of £83.5 million for 2021-22, and our actual underlying need to borrow was £24.6 million because of slippage in the capital programme and also a higher amount of capital receipts/grants than anticipated.

#### **Gross debt and the CFR**

- 3.7 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>2021-22 Actual £000</b>
General Fund CFR	125,871
HRA CFR	199,204
<b>Total CFR (at 31 March)</b>	<b>325,075</b>
Gross External Borrowing	(308,735)
<b>Net (external) / internal borrowing position</b>	<b>16,340</b>

3.8 Actual debt levels are monitored against the operational boundary and authorised limit for external debt, detailed in paragraph 3.20 to 3.25.

3.9 We are showing as being internally borrowed up to £16 million in at the end of March 2021.

### Capital expenditure prudential indicator

3.10 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.

3.11 The following table shows capital expenditure in the year, compared to the original estimate approved by the Executive in January 2021.

<b>Projects</b>	<b>Original Estimate (£'000)</b>	<b>Actual (£'000)</b>	<b>Variance (£'000)</b>
<u>Housing Revenue Account</u>			
HRA Capital Programme	52,105	15,739	(36,366)
<b>Total Housing</b>	<b>52,105</b>	<b>15,739</b>	<b>(36,366)</b>
<u>General Fund</u>			
Vehicles purchase	566	1,152	586
Weir	0	418	418
Infrastructure	3,336	4,080	744
Strategic Property	25,000	458	(24,542)
Ash road bridge & Footbridge	19,976	3,598	(16,378)
NDH/GHL	2,799	4,296	1,497
Midleton redevelopment	3,700	3,991	291
WUV	28,347	18,035	(10,312)
Other General Fund Projects	9,066	3,749	(5,317)
Provisional schemes	55,508	0	(55,508)
<b>Total General Fund</b>	<b>148,298</b>	<b>39,777</b>	<b>(108,521)</b>
<b>Total Capital Programme</b>	<b>200,403</b>	<b>55,516</b>	<b>(144,887)</b>

3.12 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 and infrastructure schemes
  - ash road bridge
  - WUV

- Strategic Property

3.13 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	146,323	38,096
- Reserve & s106 Capital Schemes	1,975	1,681
<b>HRA Capital expenditure</b>		
- Main programme	52,105	15,739
<b>Total Capital Expenditure</b>	<b>200,403</b>	<b>55,516</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	(94,593)	(23,512)
- Capital Receipts	(95)	(969)
- Capital Grants/Contributions	(51,415)	(12,936)
- Capital Reserves/Revenue	(2,195)	(2,360)
<b>HRA Capital Expenditure Financed by:</b>		
- Capital Receipts	(18,419)	(3,731)
- Capital Reserves/Revenue	(33,686)	(11,978)
<b>Financing - Totals</b>	<b>(200,403)</b>	<b>(55,516)</b>

3.14 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**

3.15 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.

3.16 Depreciation is not a real charge to the GF but has been to the HRA since April 2012.

3.17 The ratio is based on costs net of investment income.

3.18 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 2021-22 budget.

	<b>2021-22 Original Estimate</b>	<b>2021-22 Actual</b>
General Fund	8.07%	0.13%
HRA	31.03%	33.01%

- 3.19 The GF is lower than originally estimated because the long-term borrowing figure was lower than estimated as 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**

- 3.20 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.
- 3.21 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.
- 3.22 The limit was set at £531 million for the year and the highest level of debt was £331 million.
- 3.23 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**

- 3.24 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.
- 3.25 The limit was set at £477 million for the year and the highest level of debt was £331 million.

**Maturity structure of borrowing treasury indicator**

- 3.26 The aim of this indicator is to control our exposure to refinancing risk (large concentrations of debt needing refinancing at once).

		<b>Loans Maturity (Liquidity Risk)</b>	
<b>31 March 2021</b>			<b>31 March 2022</b>
<b>£'000</b>			<b>£'000</b>
	<b>Short Term Borrowing</b>		
163,500	Less than one year		134,136
	<b>Long Term Borrowing</b>		
45,000	Over 1 but not over 2 years		10,318
30,000	Over 2 but not over 5 years		32,227
35,000	Over 5 but not over 10 years		58,182
25,000	Over 10 but not over 15 years		25,636
40,000	Over 15 but not over 20 years		32,435
17,435	Over 45 years		10,800
<b>355,935</b>	<b>Total Borrowings</b>		<b>303,735</b>

- 3.27 The above table shows the amount of debt maturing in each period and its percentage of total fixed rate loans. That less than 12 months is mainly made up of short-term borrowing.

**Actual external debt treasury indicator**

- 3.28 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.
- 3.29 Actual external debt (as per 3.7) stood at £308 million.

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

- 3.30 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.
- 3.31 Our limit was set at £50 million we ended the year with exposure of £39 million.
- 3.32 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 – 2021/22**



**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.

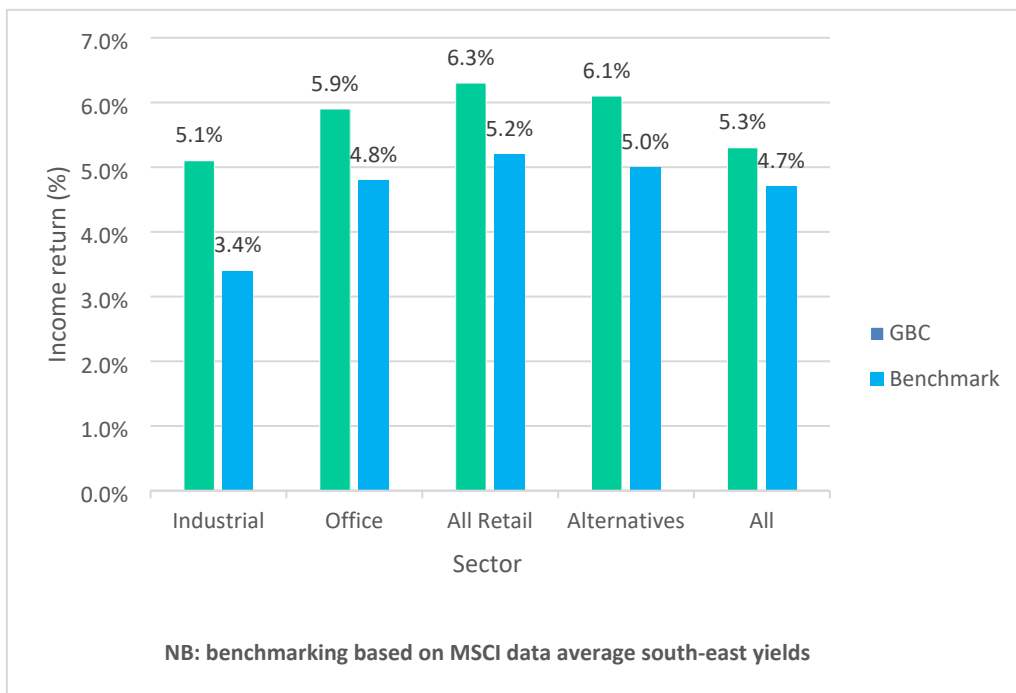
**KEY POINTS – 31 MARCH 2022**

- Fund size c.£174 million
- Rental income of £8.75 million p.a.
- 145 properties over 4 main sectors
- High yielding (5.3% gross yield)
- Low vacancy rate (5.53%)
- Long average unexpired lease terms

**TOP FIVE SINGLE INVESTMENTS**

1. Wey House, Farnham Rd 
2. Midleton Enterprise Park 
3. Moorfield Point, Slyfield 
4. The Billings, Walnut Close 
5. Friary Street, West Side 

**FUND PERFORMANCE AGAINST UK BENCHMARK 2020/21**



**KEY ACQUISITIONS/DISPOSALS 2021/22**

The Council’s ability to source the right investment stock at the right price continues to be the biggest driver of performance. However, the outbreak of COVID-19 led to national and international lockdowns and impacted global financial markets. Commercial property market activity was impacted across various sectors resulting in a lack of suitable stock in the market. With the relaxation of the COVID-19 restrictions, it was hoped that market activity would increase in 2021/22 and generate opportunities to acquire. However, it has continued to prove challenging for officers to source the appropriate quality of investment stock at the right price within the Borough. It should therefore be noted that the Council did not acquire or dispose of any investment assets in 2021/22.

## Property Investment Fund – 2020/21

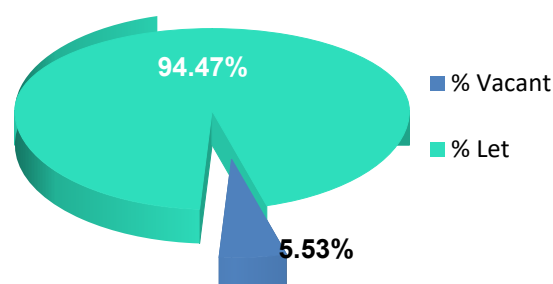
### FUND STRATEGY

The Fund comprises the principal commercial property sectors: industrial, office, retail and alternatives (petrol stations, leisure, food & beverage, educational centres 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 average vacancy rate over 21/22 was 5.53%<sup>1</sup>.

#### VACANCY RATE

Based on days per property

Qtr 1	Qtr 2	Qtr 3	Qtr 4	Year
5.34%	6.18%	5.93%	4.70%	5.53%



#### PERFORMANCE

In January 2022 the investment fund was valued at £174 million, increasing by £18.8 million from the previous financial year mainly due to a significant shift in industrial yields. In addition, rental income increased by £600,000 to £8.75 million per annum, representing a total return of 5.3%. The significant rental growth was predominantly a direct consequence of three key lettings at the newly redeveloped Midleton Industrial Estate as well as the completion of two key rent reviews that were put on hold from the previous financial year.

Factors that affected the portfolio in 2021/22 include:

- **Yield suppression** – the positive market indicators, particularly for industrial property with increased investor demand, have resulted in a shift in yields and this has significantly contributed to the increase in value from the previous year.
- **Midleton Redevelopment** – Five units on the Midleton Industrial Estate were demolished in 20/21 to make way for the redevelopment of the formerly obsolete assets, the income of which was therefore lost during the construction phase in the previous financial year. Practical Completion in March 2021 and January 2022 of Phases 1, 2 and 3 respectively, resulted in the successful lettings of three brand new units and the additional rent of £253,000 p.a. to the income received. This years' valuation includes all three phases. Phase 4 is in very early stages of construction and so this will be fully reflected in next years' valuation.

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



**GBC INVESTMENT PROPERTY  
FUND PORTFOLIO ANNUAL REPORT**

**2021/22**

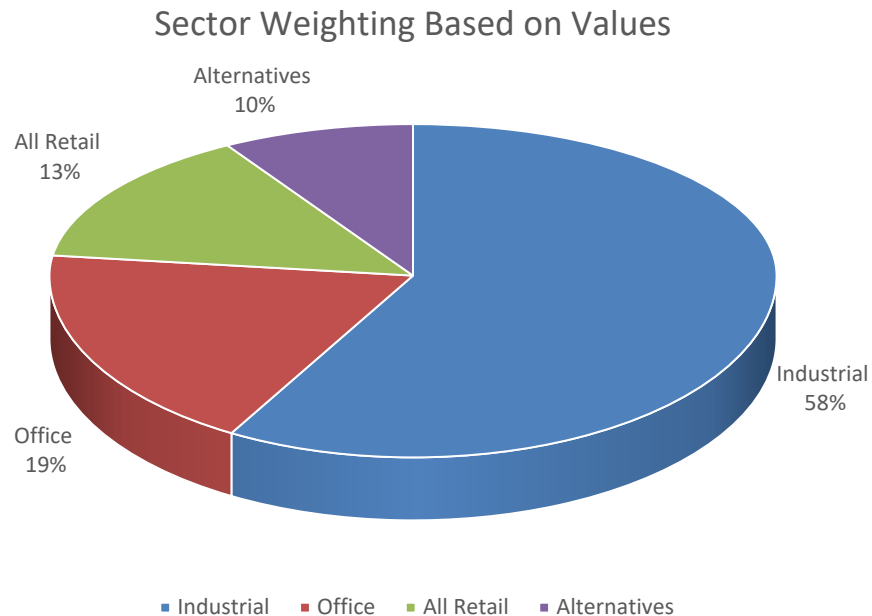
<b>Fund Performance (total return) *</b>					
<b>Rental income</b>					
	<b>Industrial</b>	<b>Office</b>	<b>All Retail</b>	<b>Alternatives</b>	<b>All</b>
2016/17	3,057,302	1,858,638	1,447,672	1,062,137	7,425,749
2017/18	3,493,405	3,186,048	1,426,317	1,080,786	9,186,556
2018/19	3,619,808	3,038,548	1,459,048	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
2021/22	4,224,693	2,135,460	1,293,038	1,100,322	8,753,513
<b>Capital value**</b>					
	<b>Industrial</b>	<b>Office</b>	<b>All Retail</b>	<b>Alternatives</b>	<b>All</b>
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
2021/22	101,459,000	32,095,000	23,252,000	17,150,500	173,956,500
<b>Income return</b>					
	<b>Industrial</b>	<b>Office</b>	<b>All Retail</b>	<b>Alternatives</b>	<b>All</b>
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%
2021/22	5.1%	5.9%	6.3%	6.1%	5.3%
<b>Benchmark return</b>					
	<b>Industrial</b>	<b>Office</b>	<b>All Retail</b>	<b>Alternatives</b>	<b>All</b>
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%
2021/22	3.4%	4.8%	5.2%	5.0%	4.7%

\* Excludes Finance leases

\*\*Capital Values as at 31/01/2022

- **Voids** – 40A Castle Street continues to be vacant and 40 Castle Street became vacant in January 2022 with a minor hit on the 21/22 budget, but which will be felt more severely in 22/23. Unit 2 at The Billings continues to struggle to let, meanwhile unit 4 became vacant in October 2021 equating to a loss of c.£39,000 pro-rated over 21/22. Since the Council’s acquisition of 2 Thornberry Way (The Rock) at Slyfield Industrial Estate in August 2019, the property has remained vacant due to the length of time to programme the major refurbishment works which are now complete, but also an abortive negotiation where the tenant withdrew negotiations.
- **Rent reviews** – Several rent reviews were put on hold during the pandemic to assist tenants during an unprecedented time. These were reviewed in 21/22 and added a further £174,000 p.a. to the income received.

- Sector Weighting** – Industrial remains the Council’s largest sector which continues to outperform the office and retail markets, primarily due to a considerable rise in Logistics and E-commerce demand. The upwards trend of industrial values helped mitigate the tail end effect of the pandemic, enabling the portfolio to sustain its value despite a fall in other sectors. Due to the increasing value of the industrial sector, its weighting now represents 58% of the portfolio.






- Continued decline in High Street Retailing** – the weakened performance of the Council’s retail assets reflects the continued impact of Covid-19 on the high street and food & beverage sectors. A decline in headline rents, lower turnover-based rents, rent waivers and increased risk around any upcoming lease renewals and rent reviews led to a marginal devaluation of the retail assets. Deferred rent and rent arrears repayments to be made at a future date over a 3-year period are also adding to increased uncertainty. Longer leaseholds with long-term income security however sustained their value.

As a result of these factors/market dynamics, the Fund performed well and significantly above benchmark. The Team continues to seek to maximise income generation through rent reviews, new lettings, and active asset management.

# GBC INVESTMENT PROPERTY FUND PORTFOLIO ANNUAL REPORT

## KEY 5 TRANSACTIONS

	Property	Transaction
	10 to 12 Moorfield Road Slyfield	Rent review effective from 07/05/2021 achieving an annual uplift of £145,200pa
	122, 124A & 124B High Street	New 5-year lease from 23/04/2021 at £149,500pa
	11A & 11B Midleton Industrial Estate Road	New 10-year lease from 26/04/2021 at £126,000pa immediately following Practical Completion
	Unit 29 Midleton Enterprise Park	New 15-year lease from 01/03/2022 at £113,000pa following successful redevelopment of the estate
	The Brinell Factory, Lysons Avenue, Ash Vale	Rent review effective from 15/04/2021 achieving an annual uplift of £23,000pa

## ASSET INVESTMENT FUND

The 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 2024-25. Due to a difficult post-Covid property market, changes in requirements for borrowing from the Public Works Loan Board (PWLB) and changes to the Minimum Energy Efficiency Standards (MEES), the Council decided at its Executive meeting on Tuesday 25 January 2022 to widen the remit of the fund to enable the Council to invest in its existing investment portfolio. The Council endorsed the development and procurement of an overall Industrial Estate Growth Strategy to include an overarching vision for the remaining estates. This will identify all redevelopment, acquisition, and disposal opportunities to enable the Council to protect and grow its financial returns, achieve its strategic objectives and financial excellence, and secure value for money.

## LOCAL PROPERTY MARKET 2021/22 REVIEW

The past 12 months have seen the local industrial property market continuing to strengthen, positive signs of a recovery in the local office market with most of the activity resulting from the expansion seen in the gaming sector. The retail market has generally remained subdued with little sign of rental values showing any sustained recovery post lockdown and take up of new space particularly from multiples continuing to be impacted by more sales moving online.

The risks to the economy stemming from the pandemic appear to be receding, but new challenges have emerged that will impact activity in the year ahead. Inflation and the rising costs of living/energy costs and doing business will put a squeeze on households and companies, while labour shortages will continue to constrain output.

## Industrial

Continued strong investment demand for industrial property drove yields down to new levels with the shift to online sales continuing to grow. This resulted in a surge in demand from E-commerce and third-party logistics operators. 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.

With limited supply, the local market demonstrated strong rental growth in 2021. Aviva Investors refurbished 30,000 sq. ft. at Opus Park, which let with a headline rent of £13.50 per sq. ft. Savills IM commenced their refurbishment of the Cathedral Hill estate and additional supply will come from planned schemes, including the forthcoming Burnt Common estate, where planning consent has now been granted on the first phase.

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, launched in Q2 2021.

## Office

The trend for home working continued during 21/22 and whilst staff started to return to the office in greater numbers, some occupiers continued to remain uncertain over longer term space requirements with a large proportion of staff continuing to work via a home/office hybrid approach. The Guildford office market did however perform well as one of the top performing South East markets with take up of space over the previous financial year trending well above average.

Activity was dominated by expansion of the gaming sector seen alongside a growing trend for existing corporates to consolidate their existing footprints. Demand for town centre Grade A space was reasonably robust and the strong expansion of the tech sector along with several conversions to residential limiting supply.

Q1 2022 saw strong take-up of 48,000 sq. ft. mainly by occupiers from the tech sector and made up entirely by grade A space. A lack of completions over 21/22 has however left the market starved of sizeable options, although several schemes are coming forward that will provide a substantial boost to Grade A supply.

## Retail

With retail sales volumes falling, the increasing cost of living and interest rates approaching 10% fuelling fears of the risk of a recession, demand for new space remained low. Whilst Guildford saw a fall in prime retail rents during COVID-19 from c.£300 psf ZA (2018) to c.£175 psf ZA in 2020/21 there are some limited signs of recovery with several CVA's e.g., New Look now coming to an end. As rents have fallen, greater viability is being seen for some independent retailers moving back into the town.

However, there remains a lack of demand for those units in the 2000-5000 sq. ft. range being the typical space requirement of multiple fashion retailers who have remained inactive. The changes in Class E planning use have provided some greater flexibility in use to occupiers and some new food & beverage offers taking space. Retailers such as those located in the Friary Centre are generally renewing expiring leases where rental levels are considered sustainable on leases typically 5 years or less with flexible terms of occupation.

# GBC INVESTMENT PROPERTY FUND PORTFOLIO ANNUAL REPORT

## PROPERTY MARKET – OUTLOOK

Despite growing challenges in the wider economy, limited availability of Office space, continued expansion in the gaming sector and an emphasis on Grade A quality accommodation will continue to fuel incremental growth in prime office rents. Guildford’s prime office headline rent is forecast to move to a new benchmark of £37.00 per sq. ft. by the end of 2022, while the delivery of new space in the town centre will drive further growth over the next two years.

The rising cost of living has become an increasing concern in recent months along with the ongoing conflict in Ukraine which is creating additional inflationary pressure primarily through its impact in oil and natural gas prices. Heightened global geopolitical tensions have added an unexpected and unwanted layer of uncertainty to the outlook. Nonetheless, the ending of COVID restrictions should underpin a healthy economic recovery in 2022 and the fundamentals underpinning the growth of the industrial and logistics sector in which demand is anticipated to continue strongly both by occupiers and investors.

The outlook for the retail sector is seeing some gradual improvement at a local level with Guildford having been able to perform better than many other Southeast towns due to its wealthy catchment. The speed of recovery in retail will depend on how quickly consumers spend the savings amassed during the pandemic but also how they react to fears of a recession with interest rates continuing to increase. The next months will also provide a gauge on the propensity of some consumers to keep shopping online post-lockdown. Many within the industry also continue to advocate a wider reform of the business rates system. The re-purposing of retail assets, the growing importance of ESG issues, the evolving impact of Brexit are likely to be key issues for 2022/23.

## MAJOR PROJECTS

### Midleton Industrial Estate Redevelopment

The Council progressed the phased redevelopment of Midleton Industrial Estate during 2021/22 despite issues regarding the pandemic.



**Phase 1** Following the completion of phase 1 in March 2021, both units were let for £126,063pa on a 10-year lease in April 2021. The semi-detached industrial/warehouse units provide c. 10,000 sq. ft. with offices.



**Phase 2/3** Construction completed in early 2022 with the first two units being let in March before the end of the financial year, bringing in £127,000pa. Subsequently all units went under offer within 6 months of Practical Completion.

**Phase 4** Construction of Phase 4 commenced in March 2022 with an expected completion date of late summer 2023. The development consists of 20 small industrial units between 500 – 800 sq. ft designed to encourage enterprises and to accommodate small, local start-up companies.



**Unit 4, The Billings, Walnut Tree Close**



At the end of 2021 the Council began refurbishment works to Unit 4 which included full internal redecoration to all floors as well as major roof repairs. The space is currently being marketed and the letting agents report some interest with draft terms in circulation. Although the office market is generally sluggish there is reasonable demand for Grade A newly refurbished office suites in the town centre.

**The Rock, 2 Thornberry Way, Slyfield** A refurbishment of The Rock completed in 2021 including a full strip out of the mezzanine floor and warehouse racking, a complete refurbishment to the third-floor office and kitchen, and an installation of a new heating and cooling system. The property is currently under offer (conditional on a planning decision) and expected to complete in September 2022 at a rent of £400,000p.a.



GENERAL FUND CAPITAL PROGRAMME - ESTIMATED EXPENDITURE 2021-22 to 2026-27

Ref	Directorate/Service and Capital Scheme name	Approved gross estimate	Cumulative spend at 31-03-21	2021-22		Expenditure at P12	Projected exp est by project officer	2022-23 Est for year	2023-24 Est for year	2024-25 Est for year	2025-26 Est for year	Future years est exp 2022-23 to 2029-30	Projected expenditure total	Grants / Contributions towards cost of scheme	Funded from Reserves	Net cost of scheme
				Estimate approved by Council in February	Revised estimate											
		(a)	(b)	(c)	(d)	(e)	(f)	(ii)	(iii)	(iv)	(v)	(g)	(b)+(f)+(g) = (h)	(i)	(j)	(h)-(i)-(j) = (k)
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000		£000
<b>APPROVED SCHEMES</b>																
<b>COMMUNITY DIRECTORATE</b>																
<b>General Fund Housing</b>																
	Disabled Facilities Grants		annual	605	605	582	1,036	605	605	605	-	1,815	2,851	(1,036)	-	1,815
	Better Care Fund		annual	-	-	404	-	-	-	-	-	-	-	-	-	-
	Home Improvement Assistance		annual	-	-	13	-	-	-	-	-	-	-	-	-	-
	Solar Energy Loans		annual	-	-	-	-	-	-	-	-	-	-	-	-	-
	BCF TESH Project		annual	-	-	-	-	-	-	-	-	-	-	-	-	-
	BCF Prevention grant		annual	-	-	38	-	-	-	-	-	-	-	-	-	-
	SHIP		annual	-	-	-	-	-	-	-	-	-	-	-	-	-
	General Grants to HAs		annual	100	100	-	-	100	100	100	-	300	300	-	-	300
	General feasibility, site preparation costs for affordable housing (no longer reqd)		annual	120	-	-	-	-	-	-	-	-	-	-	-	-
	Bright Hill Car Park Site			79	-	-	-	-	-	-	-	-	-	-	-	-
	Garage Sites-General			163	-	-	-	-	-	-	-	-	-	-	-	-
	Guildford Park feasibility			-	-	-	-	-	-	-	-	-	-	-	-	-
	Shawfield			2	-	-	-	-	-	-	-	-	-	-	-	-
	Site B10b feasibility			2	-	-	-	-	-	-	-	-	-	-	-	-
	Redevelopment bid 13			193	-	-	-	-	-	-	-	-	-	-	-	-
	<b>Asset Management</b>			-	-	-	-	-	-	-	-	-	-	-	-	-
ED14(e)	Void investment property refurbishment works	570	383	-	35	-	-	51	-	-	-	51	570	-	-	570
	Unit 2 The Billings void works (complete)	-	-	-	2	2	2	-	-	-	-	-	-	-	-	-
ED15	1 Midleton void works	-	-	-	9	-	-	9	-	-	-	9	-	-	-	-
	C4 41 Moorfield Road Slyfield void works	-	-	-	124	117	117	7	-	-	-	7	-	-	-	-
	1 North Moors void works	-	-	-	4	-	-	-	-	-	-	-	-	-	-	-
ED14	5 High Street void works (complete)	-	-	11	13	-	-	-	-	-	-	-	-	-	-	-
ED14	10 Midleton void works	230	222	-	8	-	-	8	-	-	-	8	230	(100)	-	130
ED21	Methane gas monitoring system	100	45	51	55	3	3	52	-	-	-	52	100	-	-	100
ED22	Energy efficiency compliance - Council owned properties	245	82	163	163	-	-	163	-	-	-	163	245	-	-	245
ED26	Bridges -Inspections and remedial works	317	201	100	116	2	2	114	-	-	-	114	317	-	-	317
ED41	The Billings roof	200	29	170	171	163	163	8	-	-	-	8	200	-	-	200
ED44	Broadwater cottage	319	300	-	19	19	19	-	-	-	-	-	319	-	-	319
ED45	Gunpowder mills - scheduled ancient monument (complete)	222	196	-	26	5	5	-	-	-	-	-	201	-	-	201
ED51(p)	Guildford House Exhibition lighting (complete)	50	-	-	50	50	50	-	-	-	-	-	50	-	-	50
ED53	Tyting Farm Land-removal of barns and concrete hardstanding	200	143	-	57	-	-	57	-	-	-	57	200	-	-	200
ED56	Foxenden Tunnels safety works (complete)	110	28	-	82	17	17	-	-	-	-	-	44	-	-	44
ED57	Holy Trinity Church boundary wall (complete)	63	52	2	11	1	1	-	-	-	-	-	53	-	-	53
CP1	SMP Ph1 Calorifer replacement (no longer reqd)	28	-	28	28	-	-	-	-	-	-	-	-	-	-	-
CP2	SMP Main pavilion amenity club (complete)	50	3	-	47	47	47	-	-	-	-	-	50	-	-	50
CP3	SMP cricket pavilion	120	4	116	116	116	116	-	-	-	-	-	120	-	-	120
	<b>Office Services</b>															
<b>COMMUNITY DIRECTORATE TOTAL</b>		<b>2,824</b>	<b>2,126</b>	<b>1,466</b>	<b>1,841</b>	<b>1,579</b>	<b>1,579</b>	<b>1,174</b>	<b>705</b>	<b>705</b>	<b>0</b>	<b>2,584</b>	<b>5,851</b>	<b>-1,136</b>		<b>4,715</b>
<b>ENVIRONMENT DIRECTORATE</b>																
<b>Operational Services</b>																
OP1/OP20	Flood resilience measures (use in conjunction with grant funded schemes)	445	324	121	121	-	-	121	-	-	-	121	445	-	-	445
OP5	Mill Lane (Pirbright) Flood Protection Scheme	71	55	16	16	-	-	16	-	-	-	16	71	(19)	-	52
OP6	Vehicles, Plant & Equipment Replacement Programme	10,665	9,242	566	1,423	1,152	1,152	-	-	-	-	-	10,395	(26)	-	10,369
OP26	Marrow lane grille & headwall construction	60	3	57	57	-	-	57	-	-	-	57	60	-	-	60
OP27	Marrow & Burpham surface water study	15	-	15	15	-	-	15	-	-	-	15	15	-	-	15
OP28	Crown court CCTV	10	-	10	10	-	-	10	-	-	-	10	10	-	-	10
OP22	Town Centre CCTV upgrade	250	-	250	250	-	-	250	-	-	-	250	250	-	-	250
	<b>Parks and Leisure</b>															
PL11	Spectrum Roof replacement (complete)	4,000	1,783	151	168	12	12	-	-	-	-	-	2,945	-	-	2,945
	Spectrum roof - steelwork ph2(complete)	-	409	-	-	-	-	-	-	-	-	-	-	-	-	-
	Spectrum roof - steelwork ph3(complete)	-	740	-	-	-	-	-	-	-	-	-	-	-	-	-
PL15	Infrastructure works: Guildford Commons (complete)	150	4	-	2	2	2	-	-	-	-	-	6	-	-	6
PL15(a)	Infrastructure works: Guildford Commons: Marrow	-	15	-	-	-	-	-	-	-	-	-	15	-	-	15
PL15(b)	Infrastructure works: Guildford Commons: Shalford	-	129	-	-	-	-	-	-	-	-	-	129	-	-	129
PL20(c)	Redevelopment of Westborough and Park barn play area	320	-	320	320	-	-	320	-	-	-	320	320	-	-	320
PL34	Stoke cemetery re-tarmac	47	-	47	47	-	-	47	-	-	-	47	47	-	-	47
PL35	Woodbridge rd sportsground replace fencing(complete)	280	278	-	3	-	-	-	-	-	-	-	278	-	-	278
PL42	Pre-sang costs	100	57	-	43	43	43	-	-	-	-	-	100	-	-	100
PL57	Parks and Countryside - repairs and renewal of paths,roads and car parks	295	150	130	145	105	105	40	-	-	-	-	296	-	-	296
PL58	Shalford Common - regularising car parking/reduction of encroachments	121	26	99	95	3	3	32	60	-	-	92	121	-	-	121
PL60	Traveller encampments	53	-	48	53	-	-	53	-	-	-	53	53	-	-	53

GENERAL FUND CAPITAL PROGRAMME - ESTIMATED EXPENDITURE 2021-22 to 2026-27

Ref	Directorate/Service and Capital Scheme name	Approved gross estimate (a) £000	Cumulative spend at 31-03-21 (b) £000	2021-22		Expenditure at P12 (e) £000	Projected exp est by project officer (f) £000	2022-23 Est for year (ii) £000	2023-24 Est for year (iii) £000	2024-25 Est for year (iv) £000	2025-26 Est for year (v) £000	Future years est exp 2022-23 to 2029-30 (g) £000	Projected expenditure total (b)+(f)+(g) = (h) £000	Grants / Contributions towards cost of scheme (i) £000	Funded from Reserves (j)	Net cost of scheme (h)-(i)-(j) = (k) £000
				Estimate approved by Council in February (c) £000	Revised estimate (d) £000											
PL60	Traveller transit site provision	127		75	127	-	-	127	-	-	-	127	127	-	127	
	Tice Meadow SCC	45			45	45	45	-	-	-	-	45	45	-	45	
	Works to Weir				-	418	418	-	-	-	-	-	418	-	418	
<b>ENVIRONMENT TOTAL DIRECTORATE</b>		<b>17,054</b>	<b>13,216</b>	<b>1,905</b>	<b>2,940</b>	<b>1,780</b>	<b>1,780</b>	<b>1,088</b>	<b>60</b>	<b>-</b>	<b>-</b>	<b>1,108</b>	<b>16,144</b>	<b>(45)</b>		<b>15,510</b>
<b>FINANCE DIRECTORATE</b>																
FS1	Financial Services Capital contingency fund	annual	-	5,000	4,955	-	-	2,000	2,000	2,000	2,000	10,000	10,000	-		10,000
<b>RESOURCES DIRECTORATE TOTAL</b>		<b>0</b>	<b>0</b>	<b>5,000</b>	<b>4,955</b>	<b>0</b>	<b>0</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>10,000</b>	<b>10,000</b>	<b>0</b>		<b>10,000</b>
<b>DEVELOPMENT/INCOME GENERATING/COST REDUCTION PROJECTS</b>																
<b>Development / Infrastructure</b>																
ED54	Rodboro Buildings - electric theatre through road and parking	450	27	422	423	9	9	369	11	-	-	380	416	-		416
P5	Walnut Bridge replacement	5,098	2,947	17	2,151	1,621	1,621	530	-	-	-	530	5,097	(2,393)	(950)	1,754
	SMC(West) Phase 1	4,403	1,567	1,658	2,836	218	218	182	-	-	-	182	1,967	(1,585)		382
P16	A331 hotspots	3,930	351	500	3,579	1,497	1,497	-	-	-	-	-	1,848	(328)		1,520
P14	Town Centre Approaches	1,033	453	400	580	585	585	-	-	-	-	-	1,038	(700)		338
P22	Ash Bridge Land acquisition	144	104	-	40	40	40	-	-	-	-	-	145	-		145
P21	Ash Road Bridge	33,746	2,780	19,697	10,501	3,569	3,569	18,984	8,413	-	-	27,397	33,746	(30,400)		3,346
P21	Ash Road Footbridge	500	29	279	180	29	29	406	36	-	-	442	500	-	-	500
	Broadband for Surrey Hills (B4SH)					3	3									
P11	Guildford West (PB) station	500	-	500	500	-	-	500	-	-	-	500	500	-		500
<b>Development Financial</b>																
	Investment in North Downs Housing (60%)	15,180	11,142	1,682	4,038	2,575	2,575	1,463	-	-	-	1,463	15,180	-		15,180
	Equity shares in Guildford Holdings Ltd (40%)	10,120	7,433	1,117	2,687	1,720	1,720	967	-	-	-	967	10,121	-		10,121
ED49	Middleton Ind Est Redevelopment	9,350	5,319	3,700	4,031	3,991	3,991	40	-	-	-	40	9,350			9,350
P12	Property acquisitions	33,520	8,309	25,000	25,211	458	458	24,753	-	-	-	24,753	33,520	-		33,520
PL9	Rebuild Crematorium	11,822	10,909	-	127	18	18	109	-	-	-	109	11,036	-		11,036
ED27	North Street Development / Guild Town Centre regeneration	1,627	1,137	-	340	336	336	154	-	-	-	154	1,627	(300)		1,327
P22	Guildford Economic Regeneration (GER) Programme	1,100		1,100	1,100	-	-	1,100				1,100	1,100			1,100
ED32	Internal Estate Road - CLLR Phase 1	11,139	10,913	-	226	32	32	193	-	-	-	193	11,139	(5,107)		6,032
ED6	Slyfield Area Regeneration Project (SARP)	98,444	8,420	28,347	17,460	13,025	16,466	53,724	3,436	-	-	57,160	98,644	(42,674)		55,970
ED6	WUV - Allotment relocation	200	612	-	-	2,029	-	-								
ED6	WUV - Int roads, Site clearance	-	1	-	-	-	-									
ED6	WUV - New GBC Depot	2,480	59	-	2,421	1,569	1,569	852				852	2,480			2,480
ED6	WUV - Thames Water relocation	-	14,895	-	-	1,412	-									
ED6	WUV - Land Purchase	-	1,091	-	-	-	-									
<b>DEVELOPMENT/INCOME GENERATING/COST REDUCTION</b>		<b>244,786</b>	<b>88,497</b>	<b>84,419</b>	<b>78,431</b>	<b>34,736</b>	<b>34,737</b>	<b>104,326</b>	<b>11,896</b>	<b>0</b>	<b>0</b>	<b>116,222</b>	<b>239,454</b>	<b>-83,486</b>	<b>-950</b>	<b>155,017</b>
<b>APPROVED SCHEMES TOTAL</b>		<b>264,663</b>	<b>103,839</b>	<b>92,790</b>	<b>88,167</b>	<b>38,096</b>	<b>38,096</b>	<b>108,588</b>	<b>14,661</b>	<b>2,705</b>	<b>2,000</b>	<b>129,914</b>	<b>271,449</b>	<b>-84,668</b>	<b>-950</b>	<b>185,242</b>
non-development projects total		19,878	15,342	8,371	9,736	3,359	3,359	4,262	2,765	2,705	2,000	13,692	31,995	-1,181	0	30,224
development/infrastructure - non-financial benefit		49,804	8,258	23,473	20,790	7,571	7,571	20,971	8,460	0	0	29,431	45,257	-35,406	-950	8,901
development- financial benefit		194,982	80,240	60,946	57,641	27,165	27,166	83,355	3,436	0	0	86,791	194,196	-48,081	0	146,116
<b>TOTAL</b>		<b>264,663</b>	<b>103,839</b>	<b>92,790</b>	<b>88,167</b>	<b>38,096</b>	<b>38,096</b>	<b>108,588</b>	<b>14,661</b>	<b>2,705</b>	<b>2,000</b>	<b>129,914</b>	<b>271,449</b>	<b>-84,668</b>	<b>-950</b>	<b>185,242</b>
<b>SUMMARY</b>																
<b>APPROVED SCHEMES - TOTAL</b>		<b>264,663</b>	<b>103,839</b>	<b>92,790</b>	<b>88,167</b>	<b>38,096</b>	<b>38,096</b>	<b>108,588</b>	<b>14,661</b>	<b>2,705</b>	<b>2,000</b>	<b>129,914</b>	<b>271,449</b>	<b>(84,668)</b>		<b>185,242</b>
<b>GRAND TOTAL</b>		<b>264,663</b>	<b>103,839</b>	<b>92,790</b>	<b>88,167</b>	<b>38,096</b>	<b>38,096</b>	<b>108,588</b>	<b>14,661</b>	<b>2,705</b>	<b>2,000</b>	<b>129,914</b>	<b>271,449</b>	<b>(84,668)</b>		<b>185,242</b>



GENERAL FUND CAPITAL PROGRAMME - ESTIMATED EXPENDITURE 2021-22 to 2026-27

Ref	Directorate / Service Units Capital Schemes	Gross estimate approved by Executive	Cumulative spend at 31-03-21	2021-22		Expenditure at P12	Projected exp est by project officer	2022-23 Est for year	2023-24 Est for year	2024-25 Est for year	2025-26 Est for year	2026-27 Est for year	Future years estimated expenditure	Projected expenditure total	Grants or Contributions towards cost of scheme	Net total cost of scheme to the Council
				Estimate approved by Council in February	Revised estimate											
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>PROVISIONAL SCHEMES (schemes approved in principle; further report to the Executive required)</b>																
<b>COMMUNITY DIRECTORATE</b>																
<b>Corporate Property</b>																
ED21(P)	Methane gas monitoring system	150	-	-	-	-	-	-	150	-	-	-	150	150	-	150
ED22(P)	Energy efficiency compliance - Council owned properties & CP5	3,218	-	768	768	-	-	1,268	1,450	500	-	-	3,218	3,218	-	3,218
ED26(P)	Bridges	370	-	370	370	-	-	370	-	-	-	-	370	370	-	370
ED48(p)	Westfield/Moorfield rd resurfacing	3,152	-	-	-	-	-	-	-	-	3,152	-	3,152	3,152	-	3,152
ED56(p)	Land to the rear of 39-42 Castle Street	10	-	-	-	-	-	10	-	-	-	-	10	-	10	
<b>Office Services</b>																
BS3(p)	Millmead House - M&E plant renewal	33	-	-	-	-	-	33	-	-	-	-	33	33	-	33
<b>COMMUNITY DIRECTORATE TOTAL</b>		<b>6,933</b>	<b>-</b>	<b>1,138</b>	<b>1,138</b>	<b>-</b>	<b>-</b>	<b>1,681</b>	<b>1,600</b>	<b>500</b>	<b>3,152</b>	<b>-</b>	<b>6,933</b>	<b>6,933</b>	<b>-</b>	<b>6,933</b>
<b>ENVIRONMENT DIRECTORATE</b>																
<b>Operational Services</b>																
OP5(P)	Mill Lane (Pirbright) Flood Protection Scheme	200	-	-	-	-	-	-	200	-	-	-	200	200	(20)	180
OP6(P)	Vehicles, Plant & Equipment Replacement Programme	24,000	-	780	780	-	-	2,500	400	2,500	5,000	3,000	24,000	24,000	-	24,000
OP21(P)	Surface water management plan	200	-	-	-	-	-	-	200	-	-	-	200	200	-	200
OP22(p)	YMCA Lighting	24	-	-	-	-	-	24	-	-	-	-	24	24	-	24
OP23(p)	Millmead House Lifts	200	-	-	-	-	-	200	-	-	-	-	200	200	-	200
OP24(p)	Yorkies Bridge Lighting	20	-	-	-	-	-	20	-	-	-	-	20	20	-	20
<b>Parks and Leisure</b>																
PL16(P)	New burial grounds - acquisition & development (complete)	88	38	30	50	-	-	-	-	-	-	-	-	38	-	38
PL18(P)	Refurbishment / rebuild Sutherland Memorial Park Pavilion	150	-	-	-	-	-	-	-	150	-	-	150	150	-	150
PL45(p)	Stoke Pk gardens water feature refurb	40	-	40	40	-	-	40	-	-	-	-	40	40	(29)	11
PL56(p)	Stoke Park Masterplan enabling costs - (Not Required)	500	-	200	250	-	-	-	-	-	-	-	-	-	-	-
PL57(p)	Parks and Countryside - repairs and renewal of paths,roads and car parks	1,442	-	992	1,042	-	-	442	250	250	250	250	1,442	1,442	-	1,442
PL58(p)	Sports pavilions - replace water heaters (NO LONGER REQD)	154	-	42	70	-	-	-	-	-	-	-	-	-	-	-
PL59(p)	Millmead fish pass	60	-	60	60	-	-	60	-	-	-	-	60	60	-	60
PL60(p)	Stoke Park Paddling Pool	170	-	-	-	-	-	170	-	-	-	-	170	170	-	170
PL61(p)	Albury Closed Burial Ground	60	-	-	-	-	-	57	3	-	-	-	60	60	-	60
PL62(p)	Chilworth Gunpowder Mills	180	-	-	-	-	-	175	5	-	-	-	180	180	-	180
PL63(p)	Memorial Wall	100	-	-	-	-	-	100	-	-	-	-	100	100	-	100
PL34(p)	Stoke cemetery re-tarmac	93	-	-	-	-	-	93	-	-	-	-	93	93	-	93
<b>ENVIRONMENT DIRECTORATE TOTAL</b>		<b>27,681</b>	<b>38</b>	<b>2,144</b>	<b>2,292</b>	<b>-</b>	<b>-</b>	<b>3,881</b>	<b>1,058</b>	<b>2,900</b>	<b>5,250</b>	<b>3,250</b>	<b>26,939</b>	<b>26,977</b>	<b>(49)</b>	<b>26,928</b>
<b>DEVELOPMENT/INCOME GENERATING/COST REDUCTION PROJECTS</b>																
<b>Development / Infrastructure</b>																
Investment in North Downs Housing		30,100	-	5,518	5,518	-	-	5,518	12,539	-	-	-	18,057	18,057	-	18,057
Equity shares in Guildford Holdings Ltd		-	-	3,683	3,683	-	-	3,683	8,360	-	-	-	12,043	12,043	-	12,043
P10(p)	Sustainable Movement Corridor	150	-	-	-	-	-	-	150	-	-	-	150	150	-	150
P11(p)	Guildford West (PB) station	1,000	-	1,000	1,000	-	-	1,000	-	-	-	-	1,000	1,000	-	1,000
P17(p)	Bus station relocation	500	-	-	-	-	-	-	500	-	-	-	500	500	-	500
P21(p)	Ash Road Footbridge	4,521	-	4,521	4,521	-	-	-	183	4,288	50	-	4,521	4,521	(2,500)	2,021
<b>Development Financial</b>																
ED48(p)	Redevelop Middleton industrial estate	5,557	-	5,557	5,557	-	-	5,557	-	-	-	-	5,557	5,557	-	5,557
ED16(P)	Syfield Area Regeneration Project (SARP) (GBC share)	222,684	-	-	-	-	-	-	73,584	28,697	34,881	24,342	216,594	216,594	(52,300)	164,294
ED38(P)	North Street development	1,350	-	1,000	1,000	-	-	-	150	50	50	50	1,350	1,350	-	1,350
HC4(p)	Bright Hill Development (to HRA)	13,500	-	680	680	-	-	-	-	-	-	-	-	-	-	-
P12(p)	Property acquisitions	38,292	-	28,292	28,292	-	-	28,292	10,000	-	-	-	38,292	38,292	-	38,292
P22(p)	Guildford Economic Regeneration (GER) Programme	3,070	-	-	-	-	-	1,530	1,540	-	-	-	3,070	3,070	-	3,070
<b>DEVELOPMENT/INCOME GENERATING/COST REDUCTION PROJECTS TOTAL</b>		<b>317,654</b>	<b>-</b>	<b>50,251</b>	<b>50,251</b>	<b>-</b>	<b>-</b>	<b>45,580</b>	<b>106,356</b>	<b>33,685</b>	<b>34,981</b>	<b>24,392</b>	<b>301,134</b>	<b>301,134</b>	<b>(54,800)</b>	<b>246,334</b>
<b>PROVISIONAL SCHEMES - GRAND TOTALS</b>		<b>352,268</b>	<b>38</b>	<b>53,533</b>	<b>53,681</b>	<b>-</b>	<b>-</b>	<b>51,142</b>	<b>109,014</b>	<b>37,085</b>	<b>43,383</b>	<b>27,642</b>	<b>335,006</b>	<b>335,045</b>	<b>(54,849)</b>	<b>280,196</b>
non development projects		34,614	38	3,282	3,430	-	-	5,562	2,658	3,400	8,402	3,250	33,872	33,910	(49)	33,861
development/infrastructure - non-financial benefit		36,271	0	14,722	14,722	0	0	10,201	21,082	4,938	50	0	36,271	36,271	-2,500	33,771
development- financial benefit		281,383	0	35,529	35,529	0	0	33,849	83,734	28,747	34,931	24,392	261,793	261,793	-52,300	209,493
<b>TOTAL</b>		<b>352,268</b>	<b>38</b>	<b>53,533</b>	<b>53,681</b>	<b>0</b>	<b>0</b>	<b>49,612</b>	<b>107,474</b>	<b>37,085</b>	<b>43,383</b>	<b>27,642</b>	<b>331,936</b>	<b>331,975</b>	<b>-54,849</b>	<b>277,126</b>

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

Item No.	Projects & Sources of Funding	Approved gross estimate	Cumulative spend at 31-03-21	2021-22				2022-23 Est for year	2023-24 Est for year	2024-25 Est for year	2025-26 Est for year	2026-27 Est for year	Future years est exp	Projected expenditure total
				Estimate approved by Council in February	Revised estimate	Expenditure at P12	Projected exp est by project officer							
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
<b>COMMUNITY DIRECTORATE</b>														
<b>ENERGY PROJECTS per SALIX RESERVE:(PR220)</b>														
R-EN12	LED lighting	44		-	44	-	-	44	-	-	-	44	44	
R-EN13	ASHP CAB ( no longer reqd)	28		28	28	-	-	-	-	-	-	-	-	
R-EN14	MILLMEAD HOUSE & FARNHAM ROAD CP - PV	192	70		122	84	84	37				37	192	
R-EN15	FARNHAM ROAD CP- PV													
<b>ENERGY PROJECTS per GBC INVEST TO SAVE RESERVE: GBC 'Invest to Save' energy projects (to be repaid in line with savings)</b>														
R-EN14	SMP - air source heat pump	28	1	27	27	-	-	27	-	-	-	27	28	
<b>ENERGY RESERVES TOTAL</b>		<b>292</b>	<b>71</b>	<b>55</b>	<b>221</b>	<b>84</b>	<b>84</b>	<b>108</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>108</b>	<b>263</b>	
<b>FINANCE DIRECTORATE</b>														
<b>INFORMATION TECHNOLOGY - IT Renewals Reserve (PR265) : approved annually</b>														
R-IT2	Hardware / software budget	500		500	320	-	-	303	440	-	-	743	743	
R-IT2	Hardware	annual	annual	-	-	13	13	-	-	-	-	-	13	
R-IT2	Software	annual	annual	-	-	627	627	-	-	-	-	-	627	
R-IT3	ICT Refresh Phase 2				180	77	77	197	60	-	-	257	334	
R-IT4	IDOX Acolaid to Uniform	275		-	275	-	-	-	-	-	-	-	-	
R-IT4	LCTS alternative	56		-	56	-	-	-	-	-	-	-	-	
<b>IT RENEWALS RESERVE TOTAL</b>		<b>831</b>	<b>-</b>	<b>500</b>	<b>831</b>	<b>717</b>	<b>717</b>	<b>500</b>	<b>500</b>	<b>-</b>	<b>-</b>	<b>1,000</b>	<b>1,717</b>	
<b>ENVIRONMENT DIRECTORATE</b>														
<b>SPECTRUM RESERVE</b>														
R-S14	Spectrum schemes (to be agreed with Freedom Leisure)	431	168	-	263	-	-	263				263	431	
	Spectrum - Retaining Wall	204			204	170	170	34				34	204	
	Lido - Drainage Works	65			65	2	2	63				63	65	
<b>SPECTRUM RESERVE TOTAL</b>		<b>700</b>	<b>168</b>	<b>-</b>	<b>532</b>	<b>173</b>	<b>173</b>	<b>360</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>360</b>	<b>701</b>	
<b>CAR PARKS RESERVE</b>														
R-CP1	Car parks - install/replace pay-on-foot equipment	1,170	240	930	930	-	-	-	-	930	-	930	1,170	
R-CP20	Car Parks - Lighting & Electrical improvements:													
R-CP14	Lift replacement (PR000293)	841	676	-	165	40	40	125	-	-	-	125	841	
R-CP17	Leapale rd MSCP drainage (PR000433)COMPLETE	90	26	-	64	-	-	-	-	-	-	-	26	
R-CP19	Structural works to MSCP	300	50	100	250	-	-	250	-	-	-	250	300	
R-CP20	MSCP- Deck surface replacement & barriers	652	526	-	126	-	-	126	-	-	-	126	652	
R-CP21	Additional barriers Farnham Rd	15		-	15	-	-	15	-	-	-	15	15	
R-CP22	Deck surface replacement (stair cores)Farnham Rd	70		-	70	-	-	70	-	-	-	70	70	
R-CP23	Deck surface replacement Leapale Rd	600	8	390	593	595	595	-	-	-	-	-	603	
R-CP25	Structural repairs roof turret timbers Castle St	210		-	60	-	-	205	5	-	-	210	210	

Agenda item number: 6  
Appendix 3

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

Item No.	Projects & Sources of Funding	Approved gross estimate	Cumulative spend at 31-03-21	2021-22 Estimate approved by Council in February	Revised estimate	Expenditure at P12	Projected exp est by project officer	2022-23 Est for year	2023-24 Est for year	2024-25 Est for year	2025-26 Est for year	2026-27 Est for year	Future years est exp	Projected expenditure total
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
	Car Park Lighting	300						300					300	300
	<b>CAR PARKS RESERVE TOTAL</b>	<b>4,248</b>	<b>1,526</b>	<b>1,420</b>	<b>2,272</b>	<b>635</b>	<b>635</b>	<b>1,091</b>	<b>5</b>	<b>930</b>	<b>-</b>	<b>-</b>	<b>2,026</b>	<b>4,187</b>
	<b>SPA RESERVE :</b>													
	SPA schemes (various)	100	annual	-	151	-	-	151	-	-	-	-	151	151
R-SPA1	Chantry Woods					-	-						-	
R-SPA2	Effingham					-	-						-	
R-SPA3	Lakeside					-	-						-	
R-SPA4	Riverside					-	-						-	
R-SPA5	Parsonage					-	-						-	
	<b>SPA RESERVE TOTAL</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>151</b>	<b>-</b>	<b>-</b>	<b>151</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>151</b>	<b>151</b>
	<b>GRAND TOTALS</b>	<b>6,171</b>	<b>1,765</b>	<b>1,975</b>	<b>4,008</b>	<b>1,609</b>	<b>1,609</b>	<b>2,210</b>	<b>505</b>	<b>930</b>	<b>-</b>	<b>-</b>	<b>3,645</b>	<b>7,019</b>

## GENERAL FUND CAPITAL PROGRAMME : SUMMARY OF RESOURCES AND FINANCIAL IMPLICATIONS

### 1.0 AVAILABILITY OF RESOURCES - NOTES :

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

1.2 The actuals for 2020-21 and 2021-22 have not been audited.

### 1.3 Funding assumptions:

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

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

### 2.0 Capital receipts - Balances (T01001)

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	2020-21 Actuals £000	2021-22 Budget £000	2021-22 Est Outturn £000	2022-23 Estimate £000	2023-24 Estimate £000	2024-25 Estimate £000	2025-26 Estimate £000	2026-27 Estimate £000
Balance as at 1 April	95	95	112	127	0	0	0	0
Add estimated usable receipts in year	2,571	0	984	0	0	0	21,641	27,117
Less applied re funding of capital schemes	(2,554)	(95)	(969)	(127)	0	0	(21,641)	(24,642)
<b>Balance after funding capital expenditure as at 31 March</b>	<b>112</b>	<b>0</b>	<b>127</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,475</b>

## GENERAL FUND CAPITAL PROGRAMME : SUMMARY OF RESOURCES AND FINANCIAL IMPLICATIONS

### 3.0 Capital expenditure and funding - summary

#### Estimated capital expenditure

Main programme - approved

Main programme - provisional

s106

Reserves

GF Housing

**Total estimated capital expenditure**

#### To be funded by:

Capital receipts (per 2.above )

Contributions

R.C.C.O. :

Other reserves

Balance of funding to be met from (i) the Capital Reserve, and (ii) borrowing

**Total funding required**

	2020-21 Actuals £000	2021-22 Budget £000	2021-22 Est Outturn £000	2022-23 Estimate £000	2023-24 Estimate £000	2024-25 Estimate £000	2025-26 Estimate £000	2026-27 Estimate £000
	27,710	92,790	38,096	108,588	14,661	2,705	2,000	2,000
	0	53,533	0	51,142	109,014	37,085	43,383	27,642
	81	0	72	293	0	0	0	0
	1,649	1,975	1,609	2,210	505	930	0	0
	0	0	0	0	0	0	0	0
<b>Total estimated capital expenditure</b>	<b>29,440</b>	<b>148,298</b>	<b>39,777</b>	<b>162,233</b>	<b>124,180</b>	<b>40,720</b>	<b>45,383</b>	<b>29,642</b>
	(2,554)	(95)	(969)	(127)	0	0	(21,641)	(24,642)
	(7,070)	(51,415)	(12,936)	(52,056)	(11,615)	(2,954)	0	0
	(6,164)	(2,195)	(2,360)	(2,279)	(725)	(1,150)	0	0
	0	0	0	0	0	0	0	0
	(15,787)	(53,705)	(16,266)	(54,462)	(12,340)	(4,104)	(21,641)	(24,642)
	(13,653)	(94,593)	(23,512)	(107,771)	(111,840)	(36,616)	(23,742)	(5,000)
<b>Total funding required</b>	<b>(29,440)</b>	<b>(148,298)</b>	<b>(39,777)</b>	<b>(162,233)</b>	<b>(124,180)</b>	<b>(40,720)</b>	<b>(45,383)</b>	<b>(29,642)</b>

### 4.0 General Fund Capital Schemes Reserve (U01030)

Balance as at 1 April

Add: General Fund Revenue Budget variations

Contribution from revenue

Less: Applied re funding of capital programme

**Balance after funding capital expenditure etc.as at 31 March**

	2020-21 Actuals £000	2021-22 Budget £000	2021-22 Est Outturn £000	2022-23 Estimate £000	2023-24 Estimate £000	2024-25 Estimate £000	2025-26 Estimate £000	2026-27 Estimate £000
	600	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0
	600	0	0	0	0	0	0	0
	(600)	0	0	0	0	0	0	0
<b>Balance after funding capital expenditure etc.as at 31 March</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Estimated shortfall at year-end to be funded from borrowing</b>	<b>13,053</b>	<b>94,593</b>	<b>23,512</b>	<b>107,771</b>	<b>111,840</b>	<b>36,616</b>	<b>23,742</b>	<b>5,000</b>

**Estimated shortfall at year-end to be funded from borrowing**

## GENERAL FUND CAPITAL PROGRAMME : SUMMARY OF RESOURCES AND FINANCIAL IMPLICATIONS

Agenda item number: 6  
Appendix 3

5.0 **Housing capital receipts (pre 2013-14) - estimated availability/usage for Housing, Affordable Housing and Regeneration projects - GBC policy**

Balance as at 1 April (T01008)  
Add: Estimated receipts in year  
Less: Applied re Housing (General Fund) capital programme  
Less: Applied re Housing company

	2020-21 Actuals £000	2021-22 Budget £000	2021-22 Est Outturn £000	2022-23 Estimate £000	2023-24 Estimate £000	2024-25 Estimate £000	2025-26 Estimate £000	2026-27 Estimate £000
Balance as at 1 April (T01008)	3,618	0	(0)	(0)	0	0	0	0
Add: Estimated receipts in year	0	0	0	0	0	0	0	0
Less: Applied re Housing (General Fund) capital programme	0	0	0	0	0	0	0	0
Less: Applied re Housing company	(3,618)	0	0	0	0	0	0	0
	(0)	0	(0)	0	0	0	0	0
Less: Applied on regeneration schemes	0	0	0	0	0	0	0	0
<b>Housing receipts - estimated balance in hand at year end</b>	<b>(0)</b>	<b>0</b>	<b>(0)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

5.1 **Housing capital receipts (post 2013-14) - estimated availability/usage for Housing, Affordable Housing and Regeneration projects only (statutory (impact CFR))**

Balance as at 1 April (T01012)  
Add: Estimated receipts in year  
Less: Applied re Housing (General Fund) capital programme  
Less: Applied re Housing Improvement programme

	2020-21 Actuals £000	2021-22 Budget £000	2021-22 Est Outturn £000	2022-23 Estimate £000	2023-24 Estimate £000	2024-25 Estimate £000	2025-26 Estimate £000	2026-27 Estimate £000
Balance as at 1 April (T01012)	0	0	0	0	0	0	0	0
Add: Estimated receipts in year	544	289	802	289	292	295	298	301
Less: Applied re Housing (General Fund) capital programme	(123)	(220)	(752)	(220)	(220)	(220)	(220)	(220)
Less: Applied re Housing Improvement programme	(421)	(69)	(50)	(69)	(72)	(75)	(78)	(81)
	0	0	0	0	0	0	0	0
Less: Applied on regeneration schemes	0	0	0	0	0	0	0	0
<b>Housing receipts - estimated balance in hand</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Total £'000s

6.1 Estimated annual borrowing requirement

	<b>13,053</b>	<b>94,593</b>	<b>23,512</b>	<b>107,771</b>	<b>111,840</b>	<b>36,616</b>	<b>23,742</b>	<b>5,000</b>	<b>308,481</b>
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GENERAL FUND CAPITAL PROGRAMME - S106 ESTIMATED EXPENDITURE 2021-22 to 2025-26

Ref	Service Units / Capital Schemes	Approved gross estimate	Cumulative spend at 31-03-21	2021-22		Expenditure at P12	Projected exp est by project officer	2022-23 Est for year	2023-24 Est for year	2024-25 Est for year	2025-26 Est for year	2026-27 Est for year	Future years est exp	Projected expenditure total	Grants / Contributions towards cost of scheme	Net cost of scheme	Total net cost approved by Executive
				Estimate approved by Council in February	Revised estimate												
		£000	£000	£000		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>APPROVED SCHEMES (fully funded from S106 contributions)</b>																	
<b>ENVIRONMENT DIRECTORATE</b>																	
<b>Operational Services</b>																	
<b>Parks and Leisure</b>																	
S-PL36	Gunpowder mills - signage, access and woodland imp	36	22	-	14	-	-	149	-	-	-	-	149	171	(171)	-	
S-PL38	Chantry Wood Campsite	36		-	36	-	-	36	-	-	-	-	36	36	(36)	-	
S-PL51	Foxenden Quarry	101	3		98	11	11	88					88	101	(101)		
S-PL47	Fir Tree Garden	28	4	-	24	-	-		-	-	-	-		4	(4)	-	
S-PL48	Boardwalk Heathfield Nature Reserve	13			13	-	-	13					13	13	(13)		
S-PL49	Waterside Playarea Muti Unit	30			30	28	28	2					2	30	(30)		
S-PL50	Albury Playground Equip (PC)	23	17		5	-	-	5					5	22	(23)		
S-PL51	Lido Road Car Par	5			5	5	5						-	5	(5)		
S-PL52	West Horsley (PC) Playground	10			10	10	10						-	10	(10)		
S-PL53	Pirbright (PC) Drainage Works/Playground surfacing	10			10	11	11							11	(11)		
S-PL54	West Horsley (PC) Noticeboards	7			7	7	7							7	(7)		
<b>ENVIRONMENT DIRECTORATE TOTAL</b>		<b>299</b>	<b>46</b>	<b>-</b>	<b>252</b>	<b>72</b>	<b>72</b>	<b>293</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>293</b>	<b>411</b>	<b>(412)</b>	<b>-</b>	<b>-</b>
<b>APPROVED S106 SCHEMES TOTAL</b>		<b>299</b>	<b>46</b>	<b>-</b>	<b>252</b>	<b>72</b>	<b>72</b>	<b>293</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>293</b>	<b>411</b>	<b>(412)</b>	<b>-</b>	<b>-</b>

GUILDFORD B.C. - HOUSING INVESTMENT PROGRAMME 2021-22 to 2026-27: HRA APPROVED PROGRAMME

	Project Budget £000	2020-21 Actual £000	Project Spend at 31-03-21 £000	2021-22 Estimate £000	Carry Forward	2021-22 Revised Estimate £000	Expenditure as at P12 £000	2021-22 Projected Outturn £000	2022-23 Estimate £000	2023-24 Estimate £000	2024-25 Estimate £000	2025-26 Estimate £000	2026-27 Estimate £000	Total Project Exp £000
<b>Acquisition of Land &amp; Buildings</b>	15,900	5,276	7,414	4,800	86	4,886	6,804	6,804	0	1,682	0	0	0	15,900
<b>New Build</b>														
N30012 Appletree pub site (complete)	3,200	18	3,502	0	0	0	62	62	0	0	0	0	0	3,564
N30019 Fire Station/Ladymead (complete)	2,000	17	1,917	0	83	83	41	41	0	0	0	0	0	1,957
N30011 Guildford Park	75	0	75	0	0	0	0	0	0	0	0	0	0	75
Guildford Park (from GF)	6,500	3,148	3,148	2,806	546	3,352	378	378	1,708	1,266	0	0	0	6,500
N30023 Bright Hill	500	0	0	0	500	500	17	17	483	0	0	0	0	500
N30029 Foxburrows Redevelopment	10,657	0	0	9,058	533	9,591	0	0	9,591	1,066	0	0	0	10,657
N30020 Shawfield Redevelopment	300	4	4	0	296	296	0	0	296	0	0	0	0	300
Various small sites & feasibility/Site preparation	1,000	0	0	0	0	0	0	0	0	1,000	0	0	0	1,000
Pipeline projects:	9,425	61	115	3,325	2,285	5,610	0	0	0	6,575	0	0	0	9,425
N30022 Manor House Flats							42	42	752					
N30026 Banders Rise							1	1	132					
N30027 Station Road East							2	2	115					
N30028 Dunmore Garden Land							1	1	160					
N30030 Clover Road Garages							46	46	698					
N30031 Rapleys Field							18	18	418					
N30032 Georgelands 108							1	1	123					
N30033 27 Broomfield							4	4	112					
N30034 17 Wharf Lane							4	4	106					
Development Projects	7,100								7,100					7,100
<b>Schemes to promote Home-Ownership</b>								0						
Equity Share Re-purchases	annual	458	annual	400	0	400	165	165	400	400	400	400	0	annual
<b>Major Repairs &amp; Improvements</b>				6,582	2,618	9,200		0	24,500					
Retentions & minor carry forwards	annual	0	annual				0	0						annual
Modern Homes - Kitchens, Bathrooms & Void refurb	annual	971	annual				2,455	2,455						annual
Doors and Windows	annual	241	annual				312	312						annual
Structural/Roof	annual	307	annual				294	294						annual
Energy efficiency: Central heating/Lighting	annual	1,262	annual				1,525	1,525						annual
General	annual	880	annual				3,567	3,567						annual
ICT - Housing Management System	950								950	950				1,900
<b>Grants</b>														
Cash Incentive Scheme	annual	0	annual	75	0	75	0	0						annual
<b>TOTAL APPROVED SCHEMES</b>	<b>57,607</b>	<b>12,643</b>	<b>16,174</b>	<b>27,046</b>	<b>6,948</b>	<b>33,994</b>	<b>15,739</b>	<b>15,739</b>	<b>47,643</b>	<b>12,939</b>	<b>400</b>	<b>400</b>	<b>0</b>	<b>58,877</b>



GUILDFORD B.C. - HOUSING INVESTMENT PROGRAMME 2020-21 to 2026-27: HRA PROVISIONAL PROGRAMME

	Project Budget £000	2020-21 Actual £000	Project Spend at 31-03-21 £000	2021-22 Estimate £000	Carry Forward	2021-22 Revised Estimate	2021-22 Projected Outturn £000	2022-23 Estimate £000	2023-24 Estimate £000	2024-25 Estimate £000	2025-26 Estimate £000	2026-27 Estimate £000	Total Project Exp £000
<b>Acquisition of Land &amp; Buildings</b>	7,000	0	0	0	0	0	0	3,000	4,000	0	0	0	7,000
<b>New Build</b>													
Guildford Park	16,000	0	1,225	14,499	250	14,749	0	26	14,749	0	0	0	16,000
Guildford Park (from GF)	23,125	0	0	4,380	0	4,380	0	0	4,380	11,625	7,120	0	23,125
Bright Hill	3,000	0	0	3,000	0	3,000	0	3,000	0	0	0	0	3,000
Bright Hill Development (from GF)	13,500	0	0	680	0	680	0	680	5,000	7,000	820	0	13,500
Slyfield (25/26 £5m; 26/27 £44m)	50,000	0	0	0	0	0	0	1,000	0	0	5,000	44,000	50,000
Shawfield Redevelopment	3,000	0	0	2,500	0	2,500	0	2,500	500	0	0	0	3,000
<b>Major Repairs &amp; Improvements</b>													
Major Repairs & Improvements	annual		annual	0	0	0	0	0	5,500	5,500	5,500	5,500	annual
Retentions & minor carry forwards	annual		annual										annual
Modern Homes: Kitchens and bathrooms	annual		annual										annual
Doors and Windows	annual		annual										annual
Structural	annual		annual										annual
Energy efficiency: Central heating	annual		annual										annual
General	annual		annual										annual
<b>Grants</b>													
Cash Incentive Scheme	annual		annual	0			0	75	75	75	75	75	annual
<b>Total Expenditure to be financed</b>	<b>115,625</b>	<b>0</b>	<b>1,225</b>	<b>25,059</b>	<b>250</b>	<b>25,309</b>	<b>0</b>	<b>10,281</b>	<b>34,204</b>	<b>24,200</b>	<b>18,515</b>	<b>49,575</b>	<b>115,625</b>

**GUILDFORD B.C. - HOUSING INVESTMENT PROGRAMME 2021-22 to 2026-27: HRA RESOURCES AND FUNDING STATEMENT**

	2020-21 Actual	2021-22 Estimate	2021-22 Projected Outturn	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
	£000	£000	£000	£000	£000	£000	£000	£000
<b>EXPENDITURE</b>								
Approved programme	12,685	27,046	15,739	47,643	12,939	400	400	0
Provisional programme	0	25,059	0	10,281	34,204	24,200	18,515	49,575
<b>Total Expenditure</b>	<b>12,685</b>	<b>52,105</b>	<b>15,739</b>	<b>57,924</b>	<b>47,143</b>	<b>24,600</b>	<b>18,915</b>	<b>49,575</b>
<b>FINANCING OF PROGRAMME</b>								
Capital Receipts	421	400	752	400	400	400	400	0
1-4-1 receipts	2,186	18,019	2,980	7,594	2,836	2,762	2,841	2,898
Contribution from Housing Revenue a/c (re cash incentives)	0	75	0	75	75	75	75	75
Future Capital Programme reserve	0	0	0	11,547	950	0	0	23,462
Major Repairs Reserve	3,662	6,582	8,153	13,903	5,500	5,500	5,500	5,500
New Build Reserve	4,818	27,029	3,824	24,406	37,382	15,863	10,099	17,640
Grants and Contributions	1,599	0	30	0	0	0	0	0
<b>Total Financing (= Total Expenditure)</b>	<b>12,685</b>	<b>52,105</b>	<b>15,739</b>	<b>57,924</b>	<b>47,143</b>	<b>24,600</b>	<b>18,915</b>	<b>49,575</b>
<b>RESERVES - BALANCES</b>								
	2020-21 Actual	2021-22 Estimate	2021-22 Projected Outturn	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Reserve for Future Capital Programme (U01035)</b>								
Balance b/f	35,829	38,329	38,329	40,829	31,782	33,332	35,832	38,332
Contribution in year	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Used in year	0	0	0	-11,547	-950	0	0	-23,462
Balance c/f	<b>38,329</b>	<b>40,829</b>	<b>40,829</b>	<b>31,782</b>	<b>33,332</b>	<b>35,832</b>	<b>38,332</b>	<b>17,370</b>
<b>Major Repairs Reserve (U01036)</b>								
Balance b/f	9,852	8,526	11,876	9,248	870	870	870	870
Contribution in year	5,686	5,500	5,525	5,525	5,500	5,500	5,500	5,500
Used in Year	-3,662	-6,582	-8,153	-13,903	-5,500	-5,500	-5,500	-5,500
Balance c/f	<b>11,876</b>	<b>7,444</b>	<b>9,248</b>	<b>870</b>	<b>870</b>	<b>870</b>	<b>870</b>	<b>870</b>
<b>New Build Reserve (U01069)</b>								
Balance b/f	56,112	54,634	59,383	62,632	46,610	17,779	10,637	9,434
Contribution in year	8,088	8,406	7,074	8,383	8,551	8,722	8,896	9,074
Used in Year	-4,818	-27,029	-3,824	-24,406	-37,382	-15,863	-10,099	-17,640
Balance c/f	<b>59,383</b>	<b>36,011</b>	<b>62,632</b>	<b>46,610</b>	<b>17,779</b>	<b>10,637</b>	<b>9,434</b>	<b>869</b>

**Usable Capital Receipts: 1-4-1 receipts (T01011)**

Balance b/f	6,004	7,657	4,526	5,226	242	290	290	290
Contribution in year	708	2,609	3,680	2,609	2,884	2,762	2,841	2,898
Repayment in year	0	0	0	0	0	0	0	0
Used in Year	-2,186	-18,019	-2,980	-7,594	-2,836	-2,762	-2,841	-2,898
Balance c/f	<b>4,526</b>	<b>-7,753</b>	<b>5,226</b>	<b>242</b>	<b>290</b>	<b>290</b>	<b>290</b>	<b>289</b>

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

**Usable Capital Receipts - HRA Debt Repayment (T01010)**

Balance b/f	4,216	4,243	4,262	5,280	5,941	6,624	7,329	8,057
Contribution in year	46	661	1,017	661	683	705	728	752
Used in Year	0	0	0	0	0	0	0	0
Balance c/f	<b>4,262</b>	<b>4,904</b>	<b>5,280</b>	<b>5,941</b>	<b>6,624</b>	<b>7,329</b>	<b>8,057</b>	<b>8,809</b>

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

**Usable Capital Receipts - pre 2013-14 (T01008)**

Balance b/f	3,618	2,260	-0	-0	0	0	0	0
Contribution in year	0	0	0	0	0	0	0	0
Used in Year (HRA = above)	0	0	0	0	0	0	0	0
Used in Year (GF Housing Co)	-3,618	0	0	0	0	0	0	0
Used in Year (GF Housing - DFG)	0	0	0	0	0	0	0	0
Balance c/f	<b>-0</b>	<b>2,260</b>	<b>-0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

**Usable Capital Receipts - post 2013-14 (T01012)**

Balance b/f	0	0	-0	50	50	50	50	50
Contribution in year	542	289	802	289	292	295	298	298
Used in Year (HRA = above)	-419	-69	-752	-69	-72	-75	-78	-78
Used in Year (GF Housing)	-123	-220	0	-220	-220	-220	-220	-220
Balance c/f	<b>-0</b>	<b>0</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>

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

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## 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 Austr	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>			

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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 Walden	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 continuing economic recovery from coronavirus pandemic, together with the war in Ukraine, higher inflation, and higher interest rates were major issues over the period.

Bank Rate was 0.1% at the beginning of the reporting period. April and May saw the economy gathering momentum as the shackles of the pandemic restrictions were eased. Despite the improving outlook, market expectations were that the Bank of England would delay rate rises until 2022. Rising, persistent inflation changed that.

UK CPI was 0.7% in March 2021 but thereafter began to steadily increase. Initially driven by energy price effects and by inflation in sectors such as retail and hospitality which were re-opening after the pandemic lockdowns, inflation then was believed to be temporary. Thereafter price rises slowly became more widespread, as a combination of rising global costs and strong demand was exacerbated by supply shortages and transport dislocations. The surge in wholesale gas and electricity prices led to elevated inflation expectations. CPI for February 2022 registered 6.2% year on year, up from 5.5% in the previous month and the highest reading in the National Statistic series. Core inflation, which excludes the more volatile components, rose to 5.2% y/y from 4.4%.

The government's jobs furlough scheme insulated the labour market from the worst effects of the pandemic. The labour market began to tighten and demand for workers grew strongly as employers found it increasingly difficult to find workers to fill vacant jobs. Having peaked at 5.2% in December 2020, unemployment continued to fall and the most recent labour market data for the three months to January 2022 showed the unemployment rate at 3.9% while the employment rate rose to 75.6%. Headline 3-month average annual growth rate for wages were 4.8% for total pay and 3.8% for regular pay. In real terms, after adjusting for inflation, total pay growth was up 0.1% while regular pay fell by 1.0%.

With the fading of lockdown – and, briefly, the 'pingdemic' – restraints, activity in consumer-facing sectors improved substantially as did sectors such as oil and mining with the reopening of oil rigs but materials shortages and the reduction in the real spending power of households and businesses dampened some of the growth momentum. Gross domestic product (GDP) grew by an upwardly revised 1.3% in the fourth calendar quarter of 2021 according to the final estimate (initial estimate 1.0%) and took UK GDP to just 0.1% below where it was before the pandemic. The annual growth rate was revised down slightly to 7.4% (from 7.5%) following a revised 9.3% fall in 2020.

Having increased Bank Rate from 0.10% to 0.25% in December, the Bank of England hiked it further to 0.50% in February and 0.75% in March. At the meeting in February, the Monetary Policy Committee (MPC) voted unanimously to start reducing the stock of its asset purchase scheme by ceasing to reinvest the proceeds from maturing bonds as well as starting a programme of selling its corporate bonds.

In its March interest rate announcement, the MPC noted that the invasion of Ukraine had caused further large increases in energy and other commodity prices, with the expectation that the conflict will worsen supply chain disruptions around the world and push CPI inflation to around 8% later in 2022, even higher than forecast only a month before in the February Monetary Policy Report. The Committee also noted that although GDP in January was

stronger than expected with business confidence holding up and the labour market remaining robust, consumer confidence had fallen due to the squeeze in real household incomes.

GDP growth in the euro zone increased by 0.3% in calendar Q4 2021 following a gain of 2.3% in the third quarter and 2.2% in the second. Headline inflation remains high, with CPI registering a record 7.5% year-on-year in March, the ninth successive month of rising inflation. Core CPI inflation was 3.0% y/y in March, was well above the European Central Bank's target of 'below, but close to 2%', putting further pressure on its long-term stance of holding its main interest rate of 0%.

The US economy expanded at a downwardly revised annualised rate of 6.9% in Q4 2021, a sharp increase from a gain of 2.3% in the previous quarter. In its March 2022 interest rate announcement, the Federal Reserve raised the Fed Funds rate to between 0.25% and 0.50% and outlined further increases should be expected in the coming months. The Fed also repeated it plan to reduce its asset purchase programme which could start by May 2022.

**Financial markets:** The conflict in Ukraine added further volatility to the already uncertain inflation and interest rate outlook over the period. The Dow Jones started to decline in January but remained above its pre-pandemic level by the end of the period while the FTSE 250 and FTSE 100 also fell and ended the quarter below their pre-March 2020 levels.

Bond yields were similarly volatile as the tension between higher inflation and flight to quality from the war pushed and pulled yields, but with a general upward trend from higher interest rates dominating as yields generally climbed.

The 5-year UK benchmark gilt yield began the quarter at 0.82% before rising to 1.41%. Over the same period the 10-year gilt yield rose from 0.97% to 1.61% and the 20-year yield from 1.20% to 1.82%.

The Sterling Overnight Rate (SONIA) averaged 0.39% over the quarter.

**Credit review:** In the first half of FY 2021-22 credit default swap (CDS) spreads were flat over most of period and are broadly in line with their pre-pandemic levels. In September spreads rose by a few basis points due to concerns around Chinese property developer Evergrande defaulting but then fell back. Fitch and Moody's revised upward the outlook on a number of UK banks and building societies on the Authority's counterparty to 'stable', recognising their improved capital positions compared to 2020 and better economic growth prospects in the UK.

Fitch also revised the outlook for Nordea, Svenska Handelsbanken and Handelsbanken plc to stable. The agency considered the improved economic prospects in the Nordic region to have reduced the baseline downside risks it previously assigned to the lenders.

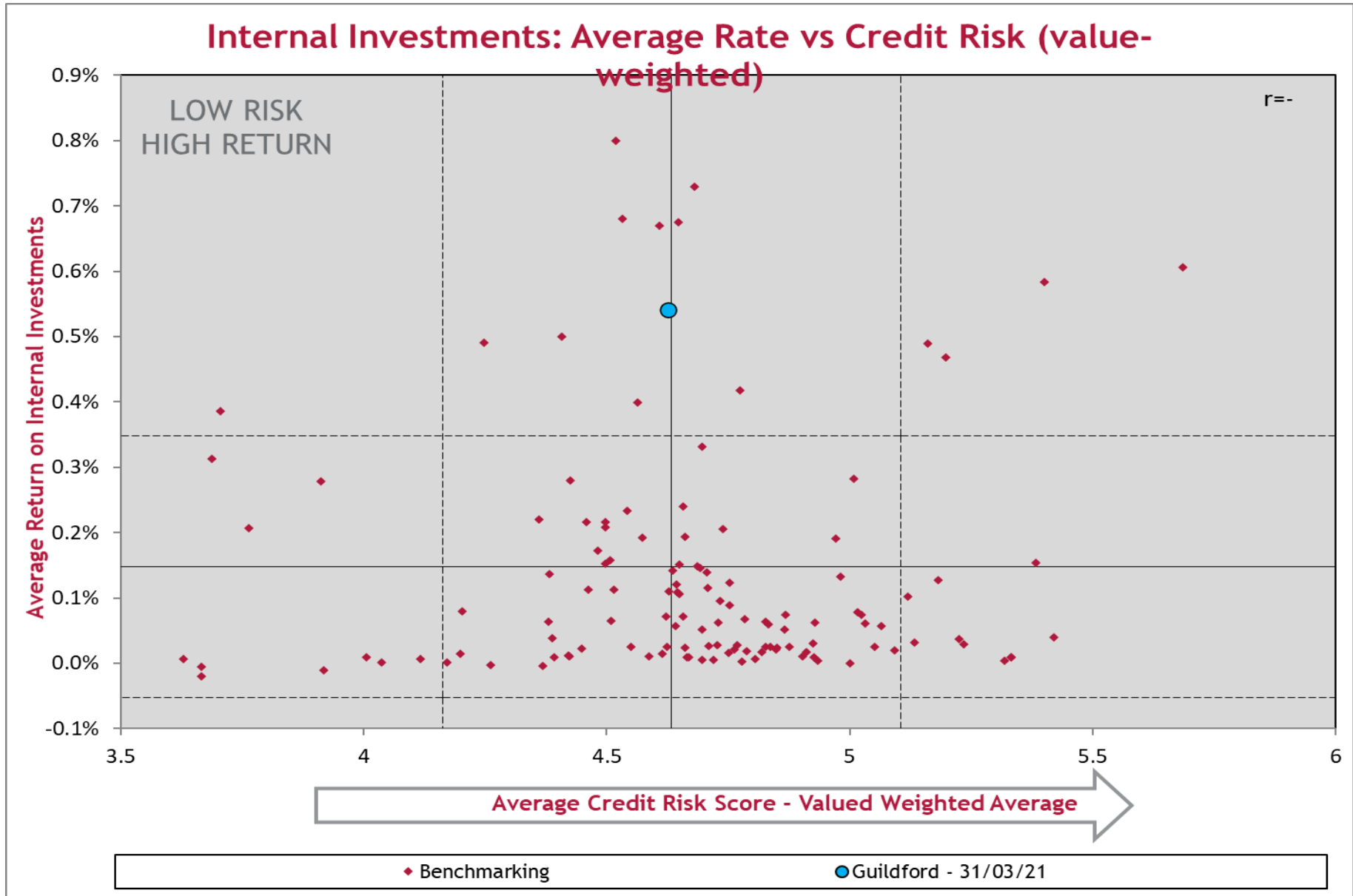
The successful vaccine rollout programme was credit positive for the financial services sector in general and the improved economic outlook meant some institutions were able to reduce provisions for bad loans. However, in 2022, the uncertainty engendered by Russia's invasion of Ukraine pushed CDS prices modestly higher over the first calendar quarter, but only to levels slightly above their 2021 averages, illustrating the general resilience of the banking sector.

Having completed its full review of its credit advice on unsecured deposits, in September Arlingclose extended the maximum duration limit for UK bank entities on its recommended lending list from 35 days to 100 days; a similar extension was advised in December for the

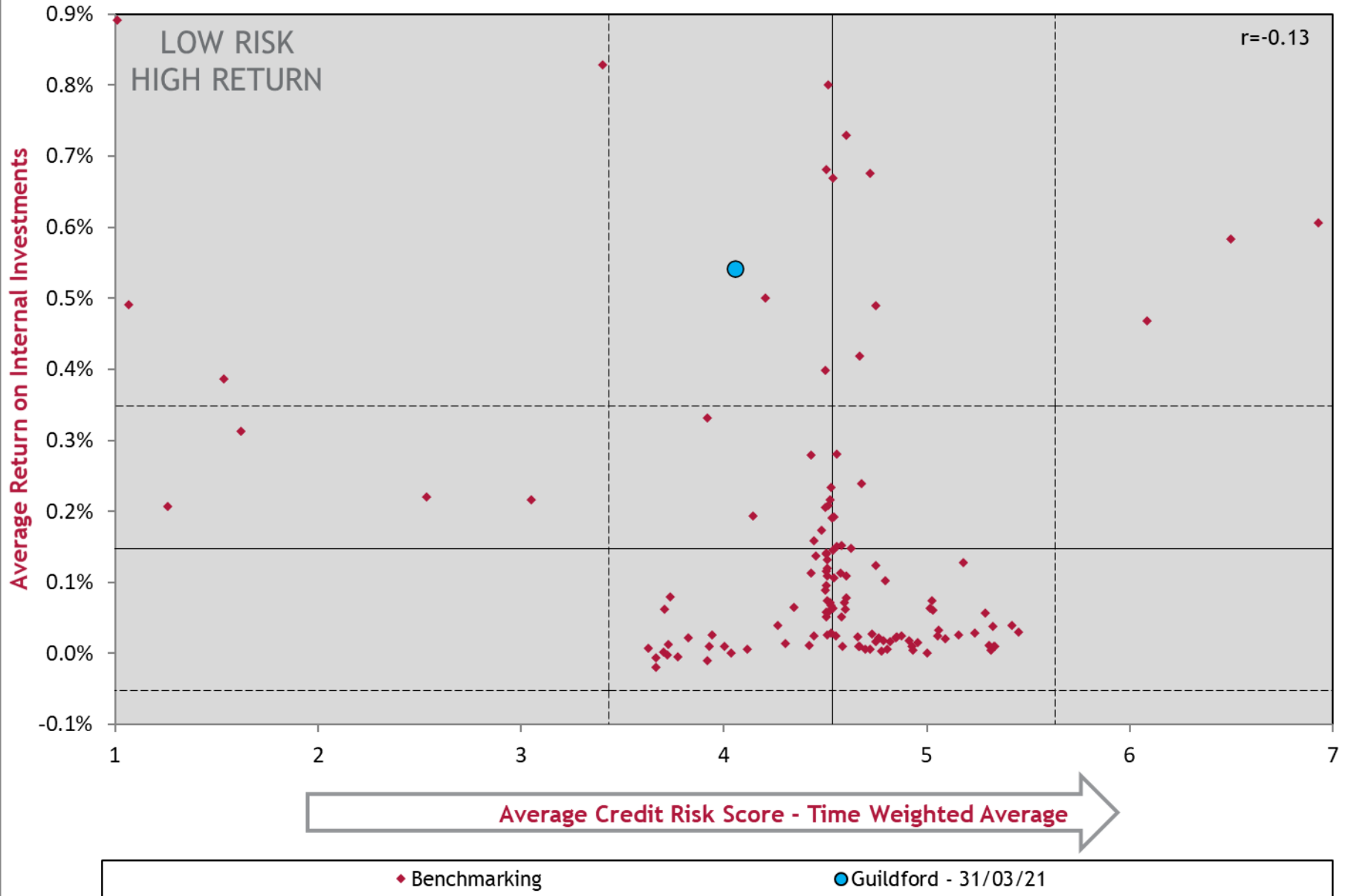


non-UK banks on this list. As ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.

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



## Credit score analysis

Scoring:

Long-Term Credit Rating	Score
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.

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

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## 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

Low risk						High risk
←			→			
Typically lower reward				Typically higher reward		
1	2	3	4	5	6	7

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

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## 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)

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Executive Report

Report of Chief Finance Officer

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Date: 27 October 2022

## **Housing Revenue Account Revenue Outturn report 2021-22**

### **Executive Summary**

The Housing Revenue Account (HRA) records all the income and expenditure associated with the provision and management of Council owned residential dwellings in the Borough. The requirement to maintain a HRA is set out in the Local Government and Housing Act 1989 and the requirement to publish final accounts is set out in the Accounts and Audit (England) Regulations 2015.

This report sets out the actual level of revenue spending on day-to-day services provided to tenants recorded in the HRA in 2021-22.

The operating surplus for the HRA in 2021-22 was £368,000 less than the budgeted surplus of £11.220 million (Section 5) at £10.339 million. The outturn allows a contribution of £2.5 million to the reserve for future capital and a contribution of £7.84 million to the New Build reserve. The HRA working balance at year-end remains at £2.5 million.

The Chief Finance Officer, in consultation with the Leader of the Council and Lead Councillor for Community and Housing and Lead Councillor for Resources have used their delegated authority to make the necessary transfers to reserves. This continues the policy adopted in previous years, whereby the year-end surplus is applied to each of the above two reserves.

### **Recommendation to Executive**

The Executive is asked to note the final outturn position and endorse the decision, taken under delegated authority to transfer £2.5 million to the reserve for future capital, and £7.84 million to the new build reserve from the revenue surplus of £10.339 million in 2021-22.

Reason for Recommendation

To allow the Statutory Statement of Accounts to be finalised and subject to external audit prior to approval by the Council.

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

**1 Purpose of Report**

1.1 This report sets out the final position on the Housing Revenue Account (HRA) for the 2021-22 fiscal year. It explains the major variances and reports how the available balance has been used.

**2 Strategic Priorities**

2.1 The Council is the largest social housing landlord in the borough, our activities contribute to each of the Council's strategic priorities. Within the 'Homes and Jobs' Strategic Priority of the Council's Corporate Plan 2021-2025, the Council seeks to "Provide and facilitate housing that people can afford." This report helps to achieve this priority.

**3 Background**

3.1 This report sets out the final position on the HRA.

3.2 Officers have included the impact of the final position in the statutory statement of accounts, which the Chief Finance Officer has now published on our website. The public inspection period commenced from 22 August until 3 October 2022.

3.3 The HRA is an integral part of the Statement of Accounts.

**4 Background**

4.1 The Local Government and Housing Act 1989 requires the Council to keep a HRA that records all revenue expenditure and income relating to the provision of council residential dwellings and related services. The use of this account is heavily prescribed by statute and the Council is not allowed to fund any expenditure for non-housing related services from this account.

4.2 Since April 2012, the HRA has operated independently of the previous national income redistributive system. The Council made a one-off payment to the Government of £192.3 million as part of the settlement, this was funded through a portfolio of loans from the Public Works Loan Board.

4.3 The HRA Business Plan seeks to maximise the advantages of the new financial environment and the associated flexibility it offers.

4.4 The business plan objectives are set out below.

- operate a sound, viable housing business in a professional and cost-effective manner
- provide good quality homes in settled communities for as long as needed by tenants, consistent with our Tenancy Strategy
- increase the supply of affordable homes, including by direct provision where it is appropriate and viable to do so
- continue to strengthen communities by making our estates places people value and want to live
- value and promote tenant involvement in decision making
- widen the range of housing options open to tenants, ensuring they can make informed choices.

The 2021-22 budget reflected these objectives and priorities.

## 5 Summary

5.1 The operating surplus for the HRA account in 2021-22 is approximately £9.9million. This is different to the £10.8million shown in Appendix 1 due to the reversal of statutory pension (IAS19) costs and capital items. The operating surplus is represented by the contributions to the Reserve for Future Capital and the New Build Reserve.

5.2 The table below shows the main variances between the budgeted and actual operating surplus for 2021-22 under the key headings.

	<b>£000</b>
<b>Budgeted HRA outturn (surplus) / deficit 2021-22</b>	<b>(11,220)</b>
<i>Represented by the <u>budgeted</u> contribution to the Reserve for Future Capital and the New Build reserve [£2.5m + £8.13m]</i>	
<b>Variance from budgeted position (major variances)</b>	
Employee related [incl. writes out of added years and pension strain costs]	(393)
Investment Income and Interest charge payable	230
Capital adjustments (depreciation, revaluation, REFCUS)	310
Premises (Repairs & maintenance, utilities, cleaning etc)	(16)
Supplies and Services and other variances	990
Rental income	233
<b>Total</b>	<b>1355</b>
<b>Operating (surplus)/deficit available to transfer to reserve in 2021-22</b>	<b>(9,866)</b>
<i>Represented by the <u>proposed</u> contribution to the Reserve for Future Capital and the New Build reserve (£2.5m + £7.84m)</i>	

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- 5.3 Officers propose to transfer £2.5 million to the reserve for future capital, with the balance of £7.84 million transferred to the new build reserve.

## **6 Outturn position and major variances**

### ***Revenue***

- 6.1 Gross expenditure on services was 95.98% of the budgeted level, whilst income receivable totalled 97.56% of the budgeted level. The reasons for this are set out in paragraphs 6.4 to 6.10 below and summarised in **Appendix 1**.
- 6.2 The operating surplus for the HRA account in 2021-22 is approximately £9.9 million, which is significantly better than would have been the case under the previous redistributive regime. This surplus, however, makes no provision for the repayment of debt principal; in line with the approach set out in the HRA business plan approved by the Executive.
- 6.3 The HRA would still have an operating surplus if we had made provision to repay the debt over the 30-year plan period. To repay the debt over the 30-year plan period a sum in the region of £6.4 million would need to be set aside from the operating surplus each year, reducing the level of available capital to invest to a figure in the region of £3.8 million. This is an overly simplistic representation designed to highlight the underlying surplus. It ignores the impact of any premium and discounts arising on the early redemption of debt, and more significantly the impact inflation would have on the debt, which is fixed in cash terms and would erode in real terms as the result of inflation.
- 6.4 Rental income from dwellings was £29,177,122, which was 4.4% below the estimated (see Appendix 1). The service has seen rent loss due to voids but rent collection levels on occupied property remains good.
- 6.5 Employee related expenditure was £117,651 higher than estimated and includes the in-year benefit of writing out accrued added years and pension strain costs.
- 6.6 Each year the Department for Levelling Up, Housing & Communities (DLUHC) sets a formula rent for each Council to apply to its housing stock along with a guideline rent increase/decrease. When our rents are higher than the prescribed "limit rent" then rent rebate subsidy limitation (RRSL) applies. RRSL is a mechanism that ensures that councils do not simply increase rents above the guideline level in the knowledge that the cost of doing so would fall on the Department for Work and Pensions (DWP) in higher housing benefit costs. The actual average rent for 2021-22 was below the prescribed limit rent; consequently, no RRSL charge has been applied to the HRA.
- 6.7 Expenditure on repairs and maintenance was less than the budget by £87,892 or 1.5%. The budget provides for both planned and responsive repairs, so an element of demand driven cost is inherent in the expenditure. The service has seen expenditure on void properties decrease in 2021-22. Void units typically incur additional repair and improvement expenditure in order to prepare them for reletting and these costs are often significant.



- 6.8 Total investment in the stock, including both revenue and capital funded maintenance and improvement works was £21.4 million.
- 6.9 Rent arrears remain at consistent levels, in contrast to the overall housing sector, which is experiencing an increase in the level of arrears. Although several welfare reform changes have now taken effect, migration delay in the roll out of universal credit has deferred any potential impact on arrears levels. It was felt the level of bad debt provision was adequate, so no contribution was made in 2021-22. The budgeted contribution for 2021-22 was £100,000. This approach equates to a provision coverage ratio of 75%.
- 6.10 The table below sets out the outturn for the headline categories across the HRA.

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<b>Account</b>	<b>Budget £</b>	<b>Draft Actual £</b>	<b>Variance £</b>
Employee related	2,350,845	2,468,496	117,651
Premises related	6,034,690	6,018,192	(16,498)
Supplies and services	1,199,819	1,193,702	(6,117)
Support services	1,392,958	2,418,758	1,025,800
Transport related	75,930	46,366	(29,563)
<b>Expenditure</b>	<b>11,054,242</b>	<b>12,145,513</b>	<b>1,091,272</b>
Income (including recharges)	<b>(33,142,259)</b>	<b>(32,907,357)</b>	<b>234,902</b>
Other Income			
<b>Net Expenditure/(Income)</b>	<b>(22,088,017)</b>	<b>(20,761,843)</b>	<b>1,326,174</b>
<b>Comparison to net cost of services in Appendix A</b>			
Depreciation	5,525,000	5,864,693	339,693
Recharge to general fund for Housing Advice service			
IAS 19 pension adjustment	-	27,632	27,632
Transfer from reserve: REFCUS		136,260	136,260
Revaluation and other capital items	-	(1,174,479)	(1,174,479)
<b>Sub Total</b>	<b>(16,563,017)</b>	<b>(15,907,736)</b>	<b>(655,281)</b>
<b>Comparison to budgeted reserve contribution variance</b>			
Investment income	-598,260	-105,900	492,360
Interest payable	5,142,230	4,879,544	-262,686
Transfer from reserve: Revaluation	0	1,147,655	1,147,655
Recharge to general fund for Housing Advice service	256,800	297,990	41,190
Transfer from reserve: Pension contribution	0	-510,826	-510,826
Transfer from reserve: Intangible assets	0	-27,632	-27,632
Transfer from reserve: Income from sale of assets	0	-136,260	-136,260
Revenue funded from capital (REFCUS – specific item)	0	-3,263	-3,263
<b>Total</b>	<b>(11,762,247)</b>	<b>(10,366,430)</b>	<b>85,256</b>

**Appendix 1** sets out the position across the main service areas in detail.

- 6.11 **Right to Buy (RTB) sales and one-for-one receipts:** Under the Government's one-for-one homes replacement scheme, the Council can retain an element of the RTB capital receipt to invest in the provision of new dwellings (the amount retained in 2021-22 is shown in the table in paragraph 6.16 below).
- 6.12 A maximum of 40% of the overall cost of new home provision could be funded from the one-for-one receipts reserve before March 2022 (40% from 1 April 2022). If the Council is unable to deliver new homes within the timeframe set by Government, the receipt must be returned with interest. As a result, the first source of funding for new homes provision will be the one-for-one receipt reserve, with the balance (60%) being funded from the new build reserve or the reserve for future capital.
- 6.13 A total of 28.3 properties (with equity shares being 1.3) were sold under RTB in 2021-22. In relation to the number of properties held by the HRA, this is not a material number. A continuation or acceleration in RTB sales, without the addition of new stock replacing RTB losses is cause for concern. Over a sustained period, net stock losses will increase the fixed overhead costs attributable to each unit of stock. This would reduce our ability to generate operating surpluses to support our development programme.
- 6.14 Councillors will be aware that the expenditure on the provision of new homes has been less than it should have been in the past and as such, we have had to previously repay the Government 141 RTB receipts. This money has been recycled by the Government to others who have been able to spend the capital money. A summary of RTB for 2021-22 is set out in the table below:

	£
Receipts in Year	5,654,516
Admin Costs	-35,100
<b>Gross receipts</b>	<b>5,619,416</b>
Pooled in year	-691,795
<b>Net receipts before 141 repay</b>	<b>4,927,621</b>
141 repaid to Govt	0
<b>Total retained in 2021-22</b>	<b>4,927,621</b>

Based on us selling 20 properties each year and spending £18.2 million by March 2025 we will not start having to repay 141 receipts until 2028-29.

- 6.15 **Reserves:** The HRA holds several reserves each for a specific purpose. They allow the Council to fund peaks in future years' projected expenditure and will be a key funding source for the Council's development programme.

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- 6.16 The table below shows the balance on each reserve at the start of 2021-22, along with the expenditure financed in year and the proposed transfers arising from the appropriation of the revenue surplus in 2021-22.

	Balance 01 April 2021	Transfer in 2021-22	Used in 2021-22	Balance 31 March 2022	Proposed transfer in 2021-22	Closing balance 31 March 2022
	£0	£0	£0	£0	£0	£0
Reserve for future capital works	33,328	0	0	40,829	2,500	43,329
New build reserve	59,383	0	-3,824	55,559	0	55,559
Major Repairs Reserve (MRR)	11,876	0	-8,153	9,588	7,854	17,442
<b>Total Earmarked Reserves</b>	<b>104,587</b>	<b>0</b>	<b>-11,977</b>	<b>105,976</b>	<b>10,354</b>	<b>116,330</b>
Usable capital receipts (HRA Debt)	4,262	1,017	0	5,280	0	5,280
Usable capital receipts (1-4-1 receipts)	4,526	3,680	-2,980	5,226	0	5,226
Usable capital receipts (housing and regeneration statutory) – Post 2013-14	0	802	-752	50	0	50
<b>Total Capital Receipts Reserves</b>	<b>8,788</b>	<b>5,499</b>	<b>-3,732</b>	<b>10,556</b>	<b>0</b>	<b>10,556</b>

- 6.17 **Use of operating surplus:** An operating balance of £2.5 million will be retained. This is a prudent approach and provides a degree of in-year flexibility.
- 6.18 The Council has clearly stated its ambition to increase the number of affordable homes in the borough and work is underway to bring forward several development opportunities. A combination of usable one-for-one receipts, and capital receipts have been used to finance capital expenditure on the new build programme.
- 6.19 With this in mind, officers are proposing that £7.84 million is transferred to the new build reserve.
- 6.20 It is critical that we properly maintain our asset base to secure future income streams. A depreciation charge based on the value of the housing assets employed is made in the HRA. The 2021-22 depreciation charge was £5.865 million and the cost of maintaining the stock £8.153 million. We would normally expect to fully utilise this depreciation charge in the year with an additional contribution from the reserve for future capital to fund the difference, but in 2021-22, we used £2.288 million more than the calculated charge, leaving a balance of £9.588 million in the major repairs reserve, as shown in the table in paragraph 6.16 above. The major repairs reserve (MRR) is ring fenced for improvements to existing stock.

- 6.21 The outcome of recent stock condition surveys indicates, in the short term, the level of depreciation charge will significantly exceed the level of investment required in the existing stock. This will result in an increased balance on the MRR, which could be used to repay debt. Any recommendation to repay debt would be considered in the context of an updated HRA business plan, as well as by treasury management considerations at that time.
- 6.22 As a result of changes in the legislative and regulatory framework particularly in connection to the housing stock and the health and safety of residents the Council is reviewing the impact of these changes and it is expected that there will be a need to make changes to the current programme of work to reflect these issues. These will, however, be reported through the normal budgetary reporting framework.

## **7 Financial implications**

- 7.1 The report covers the financial implications.

## **8 Legal implications**

- 8.1 The Accounts and Audit (England) Regulations 2015 state that the Council must prepare, in accordance with proper practices in relation to accounts, a statement of accounts for each year, which must include such of the following accounting statements as are relevant to the functions of the relevant body:
- Housing Revenue Account
  - Collection Fund
  - any other statements relating to each and every other fund in relation to which the body is required by any statutory provision to keep a separate account
- 8.2 The proper practice referred to above is the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (the Code).
- 8.3 The Code is based on International Financial Reporting Standards (IFRSs) and has been developed by the CIPFA/Local Authority Scotland Accounts Advisory Committee (LASAAC) Code Board under the oversight of the Financial Reporting Advisory Board (FRAB). It constitutes a proper accounting practice under the terms of section 21(2) of the Local Government Act 2003.
- 8.4 The Chief Finance Officer will sign the Statement of Accounts on or before 31 August. Our external auditors, Grant Thornton will then audit the accounts in September 2022 before they are presented to the Corporate Governance and Standards Committee for consideration and approval. Specifically, the role of the committee is to “review the annual statement of accounts with specific emphasis on whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.”

- 8.5 The Accounts and Audit (England) Regulations 2015 require the Chief Finance Officer to re-certify the accounts before approval and for the person presiding at the meeting (i.e., the chairman of Corporate Governance and Standards Committee) to sign and date them after approval. We must then publish the Statement of Accounts, together with any certificate, opinion or report issued by the external auditor.

## **9 Human Resource Implications**

- 9.1 There are no human resource implications.

## **10 Summary of Options**

- 10.1 As the treatment of the year-end balance has been decided under delegated authority, there are no options to consider.

## **11 Conclusion**

- 11.1 The HRA delivered an operating surplus of £9.9 million. No provision for the repayment of debt principal is included in this figure.
- 11.2 The HRA is better placed under the new financial regime than it was under the old national redistributive system.
- 11.3 The outturn is broadly in line with the assumptions set out in the approved 2015-45 HRA Business Plan. The HRA can support the initial development programme outlined in the development strategy and has the capacity to support material contributions to both the new build reserve and the reserve for future capital programmes.

## **12 Background Papers**

HRA Budget Report 2021-22 and 2015-2045 HRA Business Plan  
Accounts and Audit (England) Regulations 2015  
Code of Practice on Local Authority Accounting  
Accounts and Audit (Coronavirus) (Amendment) Regulations 2020

## **13 Appendices**

Appendix 1: HRA Summary 2021-22

HOUSING REVENUE ACCOUNT SUMMARY					
2019-20 Actual £	2020-21 Actual £	Analysis	2021-22 Estimate £	2021-22 Actual £	2021-22 Variance £
		<b>Borough Housing Services</b>			
793,019	727,467	Income Collection	684,649	574,282	37,533
1,164,320	1,158,150	Tenants Services	1,259,070	1,440,296	(301,332)
122,998	125,133	Tenant Participation	117,245	92,308	12,424
107,717	98,978	Garage Management	95,099	82,931	12,168
41,744	20,474	Elderly Persons Dwellings	43,779	18,987	24,792
575,851	354,387	Flats Communal Services	612,026	208,355	401,343
414,254	452,607	Environmental Works to Estates	430,894	405,736	25,158
6,265,983	6,000,709	Responsive & Planned Maintenance	5,857,920	5,673,874	96,155
137,128	107,084	SOCH & Equity Share Administration	150,489	145,593	3,528
<b>9,623,015</b>	<b>9,044,988</b>		<b>9,251,171</b>	<b>8,642,362</b>	<b>311,769</b>
		<b>Strategic Housing Services</b>			
485,497	459,797	Advice, Registers & Tenant Selection	681,991	676,747	(82,714)
201,203	187,927	Void Property Management & Lettings	184,820	164,444	(4,375)
5,120	(61,131)	Homelessness Hostels	5,248	5,120	128
175,717	167,083	Supported Housing Management	157,954	186,518	(53,025)
527,717	484,040	<b>Strategic Support to the HRA</b>	476,346	353,576	122,770
<b>1,395,255</b>	<b>1,237,716</b>		<b>1,506,359</b>	<b>1,386,405</b>	<b>(17,215)</b>
		<b>Community Services</b>			
883,927	828,759	Sheltered Housing	872,642	873,238	(77,213)
		<b>Other Items</b>			
5,640,147	5,686,291	Depreciation	5,528,730	5,864,693	(335,963)
5,059,974	(174,584)	Revaluation and other capital items	0	(1,174,479)	1,174,479
	95,804	Other Items Capital Items	0	163,085	
160,590	217,061	Debt Management	150,000	227,460	(77,460)
36,359	5,985	Other Items	402,380	1,016,671	(614,291)
<b>22,799,267</b>	<b>16,942,018</b>	<b>Total Expenditure</b>	<b>17,711,282</b>	<b>16,999,435</b>	<b>364,105</b>
(32,532,978)	(32,295,620)	Income	(33,732,537)	(32,907,980)	(824,557)
<b>(9,733,711)</b>	<b>(15,353,601)</b>	<b>Net Cost of Services(per inc &amp; exp a/c)</b>	<b>(16,021,256)</b>	<b>(15,908,544)</b>	<b>(460,452)</b>
<b>251,530</b>	<b>284,690</b>	HRA share of CDC	<b>256,800</b>	<b>297,990</b>	<b>(41,190)</b>
<b>(9,482,181)</b>	<b>(15,068,911)</b>	<b>Net Cost of HRA Services</b>	<b>(15,764,456)</b>	<b>(15,610,554)</b>	<b>(501,642)</b>
(598,260)	(11,546)	Investment Income	(598,260)	(105,900)	(492,360)
5,131,995	4,902,208	Interest Payable	5,142,230	4,879,544	262,686
<b>(4,948,446)</b>	<b>(10,178,248)</b>	<b>(Surplus)/Deficit for Year on HRA Services</b>	<b>(11,220,486)</b>	<b>(10,836,911)</b>	<b>(731,315)</b>
67,919	0	REFCUS - Revenue funded from capital	75,000	0	75,000
2,500,000	2,500,000	Contrib to/(Use of) RFFC	2,500,000	2,500,000	0
2,380,528	8,088,687	Contrib to/(Use of) New Build Reserve	8,133,194	7,839,606	293,588
0	(473,168)	Tfr (fr) to Pensions Reserve	0	(510,826)	510,826
0	0	Tfr (from)/to CAA re: Voluntary Revenue Provision	200,000	0	200,000
0	143,347	Tfr (from)/to CAA re: Revaluation	0	1,147,655	(1,147,655)
0	(64,567)	Tfr (from)/to CAA re: REFCUS	0	(136,260)	136,260
0	0	Tfr (from)/to CAA re: Intangible assets	0	0	0
0	(16,050)	Tfr (from)/to CAA re: rev. inc. from sale of asset	312,292	(3,263)	315,555
<b>0</b>	<b>0</b>	<b>HRA Balance</b>	<b>0</b>	<b>0</b>	<b>(347,741)</b>
(2,500,000)	(2,500,000)	Balance Brought Forward	(2,500,000)	(2,500,000)	0
<b>(2,500,000)</b>	<b>(2,500,000)</b>	<b>Balance Carried Forward</b>	<b>(2,500,000)</b>	<b>(2,500,000)</b>	<b>(347,741)</b>
2019-20 Actual £	2020-21 Actual £	Analysis	2021-22 Estimate £	2021-22 Actual £	2021-22 Variance £
		<b>Borough Housing Services</b>			
(29,570,473)	(28,993,277)	Rent Income - Dwellings	(30,507,420)	(29,177,122)	(1,330,298)
(208,349)	0	Rent Income - Rosebery Hsg Assoc	(212,100)	(270,185)	58,085
(225,551)	(456,414)	Rents - Shops, Buildings etc	(322,533)	(462,651)	140,118
(753,058)	(731,091)	Rents - Garages	(785,572)	(711,642)	(73,930)
<b>(30,757,431)</b>	<b>(30,180,782)</b>	<b>Total Rent Income</b>	<b>(31,827,625)</b>	<b>(30,621,600)</b>	<b>(1,206,025)</b>
(113,577)	(202,608)	Supporting People Grant	(144,180)	(105,050)	(39,130)
(1,098,353)	(1,089,288)	Service Charges	(1,136,108)	(403,915)	(732,193)
(15,339)	45	Legal Fees Recovered	(28,840)	(2,596)	(26,244)
(53,277)	0	Service Charges Recovered	(58,769)	0	(58,769)
(495,001)	(822,987)	Miscellaneous Income	(537,015)	(1,775,004)	1,237,989
<b>(32,532,978)</b>	<b>(32,295,620)</b>	<b>Total Income</b>	<b>(33,732,537)</b>	<b>(32,908,165)</b>	<b>(824,372)</b>

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Executive Report

Ward(s) affected: All

Report of Chief Finance Officer

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Date: 27 October 2022

## General Fund Revenue Outturn Report 2021-22

### Executive Summary

#### General Fund (GF) Revenue Account

Overall, the outturn for 2021-22 on the GF was £138,987 less than we originally budgeted. This position was achieved as a result of an in-year action plan put in place to mitigate a projected overspend following period 6 monitoring. The report sets out the major reasons for the variance.

The general fund summary is set out at **Appendix 1** and reasons for the major variances by service are set out in **Appendix 2** (which excludes depreciation and capital charges). At period 10, officers were predicting an underspend of £229,000, this has decreased to an underspend of £138,987.

Our net income from interest receipts is £1.5 million higher than estimated and the minimum revenue provision (MRP) for debt repayment is £154,414 lower than estimated, which is £1.6 million net additional interest receipt to the GF.

The Chief Finance Officer, in consultation with the Leader of the Council and the Lead Councillor for Resources have used their delegated authority:

- (a) to transfer the underspend to the budget pressures reserve to deal with potential cost pressures in 2022-23; and
- (b) to transfer monies that were earmarked for the implementation of technology as part of Future Guildford from the Business Rates retention reserve to the ICT renewals reserve to enable the further development of Salesforce to continue (see paragraphs 4.17 to 4.20 of the report).

Earmarked reserves

The closing balance on each of the Council reserves are set out in **Appendix 3**, before the transfer of the underspend and also any adjustment made between reserves for the ongoing development of salesforce (see paragraphs 4.17 to 4.20). The appendix also sets out the ongoing policy for each reserve.

Collection Fund

The full unaudited statement of accounts for 2021/22 is published on Guildford's website and this includes all reserves, collection fund and balance sheet. Once the external auditor has completed their audit, the full set of accounts will be brought to Corporate Governance and Standards Committee for consideration and approval, along with the auditor's findings report.

**Recommendation to Executive**

That the Executive notes the Council's final outturn position and endorses the decisions taken under delegated authority to transfer the underspend to the Budget Pressures reserve and to make a transfer between the business rates retention reserve and the ICT renewals reserve.

Reasons for Recommendation:

- To note the final outturn position for 2021-22.
- To facilitate the ongoing financial management of the Council.

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

**1. Purpose of Report**

- 1.1 This report gives the final position on the General Fund and the Collection Fund revenue accounts for the 2021-22 financial year. It explains the major variances from the General Fund revised estimate.
- 1.2 The outturn position on the General Fund Capital Programme and the Housing Revenue Account has been included in separate reports within the agenda papers.

**2. Strategic Priorities**

- 2.1 Good financial management underpins the achievement of the council's strategic framework.

**3. Background**

- 3.1 This report sets out the final position on the General Fund revenue account.

- 3.2 Officers have included the impact of the final position in the statutory statement of accounts, which the Chief Finance Officer has signed and published on our website. The public inspection period is currently underway.

#### 4. General Fund Revenue Account

##### Summary of Outturn Position

- 4.1 The overall variance on the General Fund is net expenditure £138,987 less than budget. The variance from revised budget arises from four areas; an overspend by the Directorates, offset by additional external interest received, a reduction in the Minimum Revenue Provision and a gain from the redemption of an investment. A summary is set out in the table below, with further detail on the variances at service level set out in **Appendix 2**:

	Revised Estimate	Actual	Variance to rev est
	2021-22 £000	2021-22 £000	2021-22 £000
<b>Directorate Level Expenditure</b> (excluding depreciation & capital charges. Major variances by directorate are explained in Appendix 2 )	13,866	20,439	6,573
Transfers to reserves (included in Directorate expenditure)	(1,077)	(15,126)	(14,049)
<b>Directorate Level Expenditure (excluding depreciation, capital charges and reserve transfers)</b>	<b>12,789</b>	<b>5,313</b>	<b>(7,476)</b>
Net interest receivable (paragraph 4.6 to 4.8)	(201)	(2,931)	(2,730)
Minimum Revenue Provision (paragraph 4.9)	1,535	1,381	(154)
Business rates retention scheme - net position after transfer to business rates equalisation reserve (paragraph 4.13 to 4.18)	(2,125)	(582)	1,543
New Homes Bonus (net of transfer to reserve, paragraph 4.10)	(490)	(918)	(428)
S31 council tax and other grants (paragraph 4.19)	(490)	8,616	9,106
Collection Fund Council Tax (surplus) / Deficit	(30)	(30)	0
<b>TOTAL net budget (excl parish precepts)</b>	<b>10,988</b>	<b>10,848</b>	<b>(140)</b>

- 4.2 The underspend is £90,013 less than forecasted at period 10 monitoring (reported to the CGSC in March 2022).

##### Directorates

- 4.3 **Appendix 2** provides explanations from service managers of any material variances from budget within each directorate excluding capital adjustments. The major variances across services are listed in the table below.

	Budget (£)	Outturn (£)	Variance (£)
Business Improvement	3,833,546	1,666,588	(2,172,221)
Miscellaneous Expenses	306,724	(1,484,135)	(1,790,859)
Family Refugee Support Programme	267,734	(362,171)	(629,905)
On Street Parking	(604,337)	(53,705)	550,632
Off Street Parking	(5,085,080)	(2,133,262)	2,951,819
Development Control	24,910	984,130	959,221

	Budget (£)	Outturn (£)	Variance (£)
Major Projects	1,324,217	2,287,416	963,199
Countryside and Parks	1,554,805	1,012,291	(542,514)
Leisure Management	1,272,901	1,755,166	482,265
Refuse and Recycling	3,987,226	4,631,465	644,239
Investment Property	(4,705,160)	(4,152,422)	552,738
Other property	(589,635)	(81,370)	508,265
Corporate Property Mgt.	1,163,758	396,901	(766,857)

#### Interest receivable

- 4.4 The weighted average interest rate achieved on our investment portfolio was 0.65% against a budget, which was 1.57%. We had higher balances than we estimated when we set the budget and therefore net interest received (after paying interest on external loans) was £1.6 million, some £955,322 more than the revised estimate. The higher balances come from having more cash than estimated at the start of the year and slippage in the 2020-21 capital programme.
- 4.5 The General Fund pays interest to the Housing Revenue Account (HRA) on its balances. The 2021-22 interest to the HRA was £375,800 lower than budgeted because the Council gives the HRA interest on balances at the risk-free debt management office rate which was 0.10% during the year.
- 4.6 As part of mitigation for the projected overspend in year, we sold our M&G investment to realise the capital gain. £1.398 million net gain has been included in the General Fund Summary.
- 4.7 Overall, net interest received by the General Fund was £1.5 million more than estimated.

#### Minimum Revenue Provision (MRP)

- 4.8 Minimum Revenue Provision is a charge to the revenue account for unfinanced capital expenditure. The 2021-22 budget was based on the estimated capital-financing requirement (CFR) at the end of the previous year (31 March 2021) and was £1,534,915 based on an estimated CFR of £150.329 million. The actual General Fund CFR at 31 March 2021 was £116.524 million, which generated a minimum revenue provision of £1,380,501 (£154,414 lower than the revised budget).

#### Transfers to reserves

- 4.9 Many transfers to and from reserves are opposite accounting entries to either Revenue Contributions to Capital Outlay (RCCO) or items within the service accounts (and therefore do not affect the overall position). The use of reserves is set out in section 6 of this report.
- 4.10 **Appendix 3** gives a full list of the balances on earmarked reserves and the purposes for which they were established.

COVID-19

- 4.11 COVID-19 has continued to impact the Council in 2021-22. The Council continues to have a vitally important role in responding locally to COVID19, having a duty to ensure that crucial council services continue to operate under these unprecedented circumstances.
- 4.12 The Council has received Covid grants from Central Government for a wide range of purposes. Some of these grants will go directly to individuals or businesses with little control by the Council over what amount can be awarded. Where this is the case, the Council is seen to be acting as an agent for Central Government and these must be excluded from the Authority's accounts. Any unspent grant is shown within the receipts in advance on the Council's balance sheet.
- 4.13 Where the Council has more control over the award of a grant (award based on certain criteria such as business rates banding), the Council is dealing as a principal and these grants, and the expenditure associated with them must run through the Council's financial accounts. Where the authority is acting as principal but there is a requirement to repay any unspent grant or, where the authority needs to carry forward grant income to offset future expenditure, the Council is required to carry forward the unspent grant monies in an earmarked reserve. Each grant must be considered carefully to establish whether the relationship is that of Agent or Principal. This additional income and higher level of reserves is not generally available to support expenditure on Council services. Reserves related to the Covid grants must be spent on the purpose for which the grant was received. Grants that are being carried forward for future use or repayment are shown in the Covid Grants reserve.
- 4.14 The indirect costs associated with the pandemic are reflected in the services forecasting and final year position.

Transfers between reserves

- 4.15 Salesforce is our primary CRM system used for managing our customer contact across the Council. It is one of the two major enterprise systems that were implemented as part of the Future Guildford transformation project (the other system being Business World). Since 'go live', we have launched the "MyGuildford" portal, the public facing access to salesforce that has over 42,000 registered users allowing customers to log and track enquiries in real time as well as link their council tax accounts. Over 85% of the customers who contact us have a MyGuildford account.
- 4.16 The system allows residents to self-serve at a time and place that is convenient for them. We are keen to develop this self-service model as we move further towards our goal of 75% of customer contact being online, allowing us to be able to better serve those residents who are not digitally enabled with the resource available. To do this we are looking to further develop our salesforce system developing areas such as online complaints,

online bookings (e.g. sports pitches, campsite and building control as well as other services) and pre planning applications. The costs shown in the table below are required in order to further develop this system and increase our online offering for our residents as well as reduce the Council's reliance on outdated systems and technology (which need to be decommissioned for security purposes) and to modernise our processes and procedures.

- 4.17 We had budgeted £4 million to be to come from reserves to fund costs relating to ongoing technology implementation in respect of Future Guildford in 2021-22. The expenditure out turned at £1.8 million. It is proposed to transfer the £2.2 million balance of this budget to the ICT Renewals Reserve to fund the proposals outlined in the agreed mandate and the further development of salesforce in the future, subject to the usual approval gateways.

Overall Position

- 4.18 The overall position on the General Fund was £0.139million less than originally budgeted. The Chief Finance Officer, in consultation with the Leader of the Council and Lead Councillor for Resources, have used their delegated authority to transfer the underspend to the Budget Pressures reserve to offset potential cost pressures in 2022-23.

**5. Major earmarked reserves**

- 5.1 Guildford holds a range of reserves. A complete list of earmarked reserves is detailed in **Appendix 3**. Each of these reserves has been set up for a specific purpose and the appendix shows the current policy related to them. The reserves are cash backed and the accounts include the interest earned on the balances in the revenue account.
- 5.2 The following table and paragraphs summarise movements on the major reserves during 2021-22.

	Balance at 31 March 2021 £000	Receipts in Year £000	Transfers out in Year £000	Balance at 31 March 2022 £000
<b>General Fund</b>				
Interest Rate Movements	-1,196,970	0	0	-1,196,970
New Homes Bonus	-746,798	-192,000	917,712	-21,086
Carried Forward Items	-551,728	0	0	-551,728
Invest to Save	-2,419,696	-250,000	1,862,329	-807,366
ICT Renewals	-543,969	-1,577,277	717,133	-1,404,113
Insurance	-975,993	-17,010	0	-993,003
Spectrum	-2,011,860	-193,000	271,490	-1,933,370
Car Parks Maintenance	-3,566,378	-63,000	648,103	-2,981,275
Park & Ride	-1,650,000	0	0	-1,650,000
Business Rates equalisation	-22,760,654	-2,417,667	20,085,245	-5,093,076
Special Protection Areas (SPA) sites	-10,193,544	-1,431,464	50,350	-11,574,658

	<b>Balance at 31 March 2021 £000</b>	<b>Receipts in Year £000</b>	<b>Transfers out in Year £000</b>	<b>Balance at 31 March 2022 £000</b>
Budget Pressures	-117,284	0	0	-117,284
BR Covid discount	-11,581,900	-487,075	1,722,970	-10,346,004
Other reserves	-5,973,362	-1,127,945	811,510	-6,289,797
<b>TOTAL</b>	<b>-64,290,135</b>	<b>-7,756,438</b>	<b>27,086,843</b>	<b>-44,959,730</b>

The balance on reserves at 31 March 2022 is £45 million; however of this balance £11.6 million relates to SPA reserves which cannot be used by the Council to support general spending and £28.5 million relates to reserves to offset future expenditure that would need to be replaced and so is not available for general spending. Therefore, the balance of reserves that can be used to support the revenue and capital budgets going forward is only £4.9 million, some £8 million less than the ideal level.

Budget pressures reserve (part of other reserves)

- 5.3 This reserve was set up as part of closing the 2014-15 accounts to help manage unforeseen expenditure pressure during the year. No funding has been used from this reserve in 2021-22.

Business Rates Equalisation reserve

- 5.4 This reserve was set up in 2013-14 to help accommodate the potential volatility of the Business Rate Retention Scheme and to mitigate the effects on our business rates income of any town centre redevelopment. It also includes the timing differences for the various business rate reduction schemes set by and funded by government. The significant transfer from the reserve in 2021-22 relates to the contribution to offset the Collection Fund deficit arising mainly from rate reliefs awarded under government Covid support schemes.

Carried forward items (within other reserves)

- 5.5 This reserve is shown as part of 'other reserves' and allows the budget for items that we have not completed in the year to be carried forward so they can be finalised in later years without affecting that year's budget. The Council did not use any of the reserve in 2021-22. The balance on the reserve as at 31 March 2022 is £551,728.

Car Parks Maintenance and Improvement

- 5.6 This reserve funds repairs, maintenance, and improvements in the Council's off-street car parks. The Council approves its use annually as part of the Car Parks Business Plan.

Invest to Save Reserve

- 5.7 This reserve funds investment opportunities (that will allow us to achieve ongoing savings) and short-term increases in revenue costs during periods of transition. We made a budgeted contribution of £250,000 and financed revenue expenditure of £1.862 million from the reserve, mainly relating to

costs resulting from the Future Guildford transformation programme. This includes one-off costs relating to the GBC/WBC collaboration.

New Homes Bonus

- 5.8 New Homes Bonus (NHB) is a general grant that we receive from the government. It is not ring fenced for any specific purpose and is financed nationally mainly by reductions in revenue support grant. We financed expenditure of £0.9 million during the year of which £467,000 related to the town centre masterplan, as set out in the budget report, made a contribution of £119,000 to the Ripley Village Hall rebuild project as set out in the January 2020 Executive report and used £272,000 to finance Shaping Guildford's Future and £60,000 to finance other infrastructure and regeneration projects. The Council's policy is to transfer any increase in NHB to reserve to fund specific short to medium term projects or capital projects as identified in the approved capital programme. The Council approved the New Homes Bonus Policy in February 2016; however, following changes to the NHB scheme resulting in reduced grant and the need to fund the Council's expenditure on COVID in 2020-21, the policy was removed, and the reserve was earmarked for closure once the NHB funding ceases. Further use of the reserve will be determined as part of the annual budget reports.

Park and Ride

- 5.9 This reserve was established in 2008-09 in lieu of a s106 contribution from the Queen Elizabeth Park development, which was used to fund park and ride site expenditure at Merrow and Artington. This reserve is used to support Park and Ride services.

SPA reserves – Effingham, Riverside, Chantry Woods, Lakeside & Parsonage Meadows

- 5.10 The Council is obliged to hold SPA endowment funds in reserve to pay for the revenue costs of SPA sites over an 80-year period. The reserves also receive interest on balances during the year.

Spectrum

- 5.11 This reserve is available to finance structural repairs and improvements.

**6. Collection Fund**

- 6.1 The published statement of accounts shows the final figures for the Collection Fund. The following headlines relate to the outturn report in 2021/22.

National Non-Domestic Rates (NNDR) or Business Rates

- 6.2 With the introduction of the BRRS, we have a balance on the fund that we will have to take account of when setting future year's budgets, in the same way that we do for Council Tax.

- 6.3 The collection rate for the 2021-22 financial year was 95.5% at 31 March 2022 (95.48% for 2020-21).



Council Tax

- 6.4 The final figure for Council Tax receivable was lower than the original estimate resulting in a reduction in the collection fund position to leave a closing deficit balance of £0.488 million.
- 6.5 The collection rate for the 2021-22 financial year was 97.53% at 31 March 2022 (97.53% for 2020-21).

**7. Consultations**

- 7.1 Officers have consulted the Lead Councillor for Resources about the recommendations in this report.

**8. Equality and Diversity implications**

- 8.1 There are no direct equality and diversity implications because of this report.

**9. Financial implications**

- 9.1 We have included the financial implications within the various sections of this report.

**10. Legal implications**

- 10.1 The Accounts and Audit (England) Regulations 2015 state that the Council must prepare, in accordance with proper practices in relation to accounts, a statement of accounts for each year, which must include such of the following accounting statements as are relevant to the functions of the relevant body:
- Housing Revenue Account
  - Collection Fund
  - any other statements relating to each and every other fund in relation to which the body is required by any statutory provision to keep a separate account
- 10.2 The proper practice referred to above is the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (the Code).
- 10.3 The Code is based on International Financial Reporting Standards (IFRSs) and has been developed by the CIPFA/Local Authority Scotland Accounts Advisory Committee (LASAAC) Code Board under the oversight of the Financial Reporting Advisory Board (FRAB). It constitutes a proper accounting practice under the terms of section 21(2) of the Local Government Act 2003.

- 10.4 The Chief Finance Officer will sign the Statement of Accounts on or before 31 July. Our external auditors, Grant Thornton will then audit the accounts before they are presented to the Corporate Governance and Standards Committee for consideration and approval when the audit has been completed. Specifically, the role of the Committee is to “review the annual statement of accounts with specific emphasis on whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council”.
- 10.5 The Accounts and Audit (England) Regulations 2015 require the Chief Finance Officer to re-certify the accounts before approval and for the person presiding at the meeting (i.e., the chairman of Corporate Governance and Standards Committee) to sign and date them after approval. We must then publish the Statement of Accounts, together with any certificate, opinion or report issued by the external auditor.

## **11. Human Resource Implications**

- 11.1 There are no human resources implications.

## **12. Summary of Options**

- 12.1 As the treatment of the year-end balance has been decided under delegated authority, there are no options to consider.

## **13. Conclusion**

- 13.1 2021-22 has continued to be a year of continuing challenge and change for the Council.

## **14. Background Papers**

Accounts and Audit (England) Regulations 2015  
Accounts and Audit (Amendment) Regulations 2021

## **15. Appendices**

Appendix 1: General Fund Summary  
Appendix 2: General Fund Variances by Service  
Appendix 3: List of earmarked reserve balances

## GENERAL FUND SUMMARY 2021 - 2022

Actual 2020-21 £	GENERAL FUND SUMMARY	Original Estimate 2021-22 £	Latest Estimate 2021-22 £	Projected Outturn 2021-22 £
14,629,500	Strategy Directorate	523,997	(231,980)	(1,019,409)
24,504,905	Services Directorate	16,073,142	16,330,727	25,036,759
2,399,962	Resources Directorate	1,995,740	6,558,706	4,867,173
<b>41,534,367</b>	<b>Total Directorate Level</b>	<b>18,592,879</b>	<b>22,657,453</b>	<b>28,884,523</b>
	Growth to be allocated to services	0	0	0
	Savings to be allocated to services	0	0	0
(27,873,497)	Capital charges (contra to Service Unit Budgets)	(8,791,000)	(8,791,000)	(8,445,497)
<b>13,660,870</b>	<b>Directorate Level excluding depreciation</b>	<b>9,801,879</b>	<b>13,866,453</b>	<b>20,439,026</b>
(2,069,098)	External interest receivable (net)	(682,726)	(682,726)	(1,638,048)
11,437	Housing Revenue Account	481,700	481,700	105,900
1,288,064	Minimum Revenue Provision	1,534,915	1,534,915	1,380,501
313,003	Fund mvt in fair value	0	0	(2,477,024)
(323,003)	Statutory override	0	0	1,078,101
0	Revenue income from sale of assets	0	0	(15,252)
	<b>Revenue Contributions to Capital Outlay (RCCO)</b>			
599,781	Met from: Capital Schemes reserve	0	0	0
2,421,949	Other reserves	537,000	537,000	1,608,695
0	General Fund	0	0	0
<b>15,903,003</b>	<b>Total before transfers to and from reserves</b>	<b>11,672,768</b>	<b>15,737,342</b>	<b>20,481,899</b>
	<b>Transfers to and from reserves</b>			
	Capital Schemes reserve			
(599,781)	Funding of Revenue Contribution to Capital Outlay Contribution in year	0	0	0
(328,000)	Budget Pressures reserve	0	0	0
18,324,301	Business Rates Equalisation reserve	(17,640,579)	(19,154,144)	4,422
191,572	Car Park Maintenance reserve	63,000	63,000	(585,103)
62,500	Election Costs reserve	63,000	63,000	61,268
0	Insurance reserve	0	0	17,010
(122,679)	IT Renewals reserve	543,000	543,000	860,144
(1,846,187)	Invest to Save reserve	250,000	(2,328,000)	(1,612,329)
(355,581)	New Homes Bonus reserve	(298,000)	(298,000)	(725,712)
41,442	Energy Management reserve	0	0	24,567
0	On Street Parking reserve	(260,000)	(260,000)	(1,874)
2,929,168	Pensions reserve (Statutory)	0	0	(7,214,174)
0	Recycling reserve	0	0	0
188,843	Spectrum reserve	193,000	193,000	(78,490)
(826,192)	Carry Forward Items	0	0	0
11,426,900	Covid reserve	0	0	(10,278,048)
0	Accumulated absences	0	0	473,481
1,005,458	Other reserves	112,000	112,000	1,613,589
<b>45,994,767</b>	<b>Total after transfers to and (from) reserves</b>	<b>(5,301,812)</b>	<b>(5,328,802)</b>	<b>3,040,649</b>
	<b>Business Rates Retention Scheme payments</b>			
31,843,510	Business Rates tariff payment	31,844,000	31,844,000	31,843,510
(260,687)	Business Rates (safety net) / levy payment to MHCLG	100,000	100,000	341,438
	<b>Non specific government grants</b>			
(18,870,985)	s31 grant re BRR scheme	(1,308,138)	(1,308,138)	(19,131,050)
(9,703,930)	s31 grant re council tax	(100,000)	(100,000)	8,861,357
(1,640)	New Burdens grant	0	0	(8,548)
0	COVID Funding	(622,690)	(622,690)	(654,561)
0	Other government grant	(389,546)	(389,546)	(236,957)
(851,019)	New Homes Bonus grant	(192,251)	(192,251)	(192,251)
<b>48,150,017</b>	<b>GUILDFORD BOROUGH COUNCIL NET BUDGET</b>	<b>24,029,563</b>	<b>24,002,573</b>	<b>23,863,586</b>
1,876,544	Parish Council Precepts	1,935,225	1,935,225	1,935,225
<b>50,026,561</b>	<b>TOTAL NET BUDGET</b>	<b>25,964,788</b>	<b>25,937,798</b>	<b>25,798,811</b>
(34,713,245)	Business Rates - retained income	(33,727,000)	(33,727,000)	(33,727,000)
(4,140,430)	Collection Fund (Surplus) / Deficit - Business Rates	20,120,077	20,120,077	20,120,077
0	Collection Fund (Surplus) / Deficit - Council Tax	(30,274)	(30,274)	(30,274)
<b>11,172,886</b>	<b>COUNCIL TAX REQUIREMENT</b>	<b>12,327,591</b>	<b>12,300,601</b>	<b>12,161,614</b>
	<b>Projected (under)/over spend</b>			<b>(138,987)</b>

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**DRAFT Revenue Account - Service Detail 202112**

Directorate	Service	Revenue Classification	Revised Budget	YTD Actuals	IAS and Capital Adjustments	Projected Outturn (less Cap Adj.)	Variance
<b>Resources Directorate</b>							
	<b>Audit Management</b>						
		Expenditure	120,640	127,633	0	127,633	6,993
		Income	-149,610	-149,610		-149,610	0
		<b>Total Audit Management</b>	<b>-28,970</b>	<b>-21,977</b>	<b>0</b>	<b>-21,977</b>	<b>6,993</b>
		Small overspend relating to staff costs incurred in year prior to redundancy					
	<b>Business Improvement</b>						
		Expenditure	4,082,666	1,911,675	-5,263	1,906,412	-2,176,254
		Income	-249,120	-249,120		-249,120	0
		Other Classifications	0	4,032		4,032	4,032
		<b>Total Business Improvement</b>	<b>3,833,546</b>	<b>1,666,588</b>	<b>-5,263</b>	<b>1,661,325</b>	<b>-2,172,221</b>
		Business Improvement overspend offset by underspend on Future Guildford technology implementation which has slipped into 2022-23.					
	<b>Corporate Financial</b>						
		Expenditure	382,850	555,082	0	555,082	172,232
		Income	-150,000	0		0	150,000
		<b>Total Corporate Financial</b>	<b>232,850</b>	<b>555,082</b>	<b>0</b>	<b>555,082</b>	<b>322,232</b>
		Brokers commission has increased in line with expected borrowing for cash flow purposes					
	<b>Corporate Services</b>						
		Expenditure	1,591,647	1,970,656	-173,535	1,797,121	205,474
		Income	-121,200	-243,287		-243,287	-122,087
		Other Classifications	0	1,864		1,864	1,864
		<b>Total Corporate Services</b>	<b>1,470,447</b>	<b>1,729,233</b>	<b>-173,535</b>	<b>1,555,698</b>	<b>85,251</b>
		The cost of the annual audit is higher than budgeted due to additional work required. Consultancy costs have been incurred relating to programme and project governance					
	<b>Feasibility Studies</b>						
		Expenditure	40,470	52,334	0	52,334	11,864
		Income	0	-8,813		-8,813	-8,813
		<b>Total Feasibility Studies</b>	<b>40,470</b>	<b>43,521</b>	<b>0</b>	<b>43,521</b>	<b>3,051</b>
		No Comments					
	<b>GBC - WBC Collaboration</b>						
		Expenditure	0	0	0	0	0
		<b>Total GBC - WBC Collaboration</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
		No Comments					
	<b>ICT Investment and Renewal Fund</b>						
		Expenditure	914,440	1,062,623	-778,762	283,861	-630,579
		Income	-893,250	-1,034,767		-1,034,767	-141,517
		<b>Total ICT Investment and Renewal Fund</b>	<b>21,190</b>	<b>27,856</b>	<b>-778,762</b>	<b>-750,906</b>	<b>-772,096</b>
		Capital adjustments and a reduction in income, will be revisited to ensure this is not an ongoing issue.					

**Insurance Revenue Account**

Expenditure	832,710	955,922	0	955,922	123,212
Income	-832,710	-972,932		-972,932	-140,222
<b>Total Insurance Revenue Account</b>	<b>0</b>	<b>-17,010</b>	<b>0</b>	<b>-17,010</b>	<b>-17,010</b>

Charges against this cost centre are recharged across services.

**Lead Specialist - Finance**

Expenditure	1,059,673	1,565,696	-196,909	1,368,788	309,114
Income	-1,056,230	-1,085,932		-1,085,932	-29,702
Other Classifications	0	-3,322		-3,322	-3,322
<b>Total Lead Specialist - Finance</b>	<b>3,443</b>	<b>476,443</b>	<b>-196,909</b>	<b>279,534</b>	<b>276,091</b>

Additional temporary staff has been employed to help with the closure of accounts and supporting the transfer of data as a result of the ICT refresh programme

**Lead Specialist - HR**

Expenditure	495,297	692,335	-94,512	597,824	102,526
Income	-702,210	-702,210		-702,210	0
Other Classifications	0	5,801		5,801	5,801
<b>Total Lead Specialist - HR</b>	<b>-206,912</b>	<b>-4,073</b>	<b>-94,512</b>	<b>-98,585</b>	<b>108,328</b>

Agency and casual staffing along with vacancy and interview costs have resulted in an overspend this year. HR Consultancy costs include Comensura costs which cover agency worker bookings across all services.

**Lead Specialist - ICT**

Expenditure	2,109,136	2,506,179	-268,881	2,237,298	128,162
Income	-1,522,670	-1,537,342		-1,537,342	-14,672
Other Classifications	0	2,801		2,801	2,801
<b>Total Lead Specialist - ICT</b>	<b>586,466</b>	<b>971,637</b>	<b>-268,881</b>	<b>702,756</b>	<b>116,291</b>

The main variances relate to Microsoft Extended Support for Windows 2008 - This provides security patching and support from Microsoft for our older servers whilst services are migrated to new. Additional Business World application support contract and consultancy costs for the resolution of system defects and implementation of new functionality on the HR/Payroll side of the system.

**Lead Specialist - Legal**

Expenditure	1,015,858	1,417,814	-209,674	1,208,140	192,282
Income	-1,404,720	-1,228,386		-1,228,386	176,334
Other Classifications	0	1,571		1,571	1,571
<b>Total Lead Specialist - Legal</b>	<b>-388,862</b>	<b>190,998</b>	<b>-209,674</b>	<b>-18,676</b>	<b>370,186</b>

The overspend is largely due to a restructure in the legal team with agency costs used to cover vacancies. Reduced s.106 income due to less instructions in this area. Work is being undertaken to increase income in other areas of the team including undertaking Litigation work for another Surrey Borough, recharging time to projects, the HRA and the Council's companies as appropriate.

**Miscellaneous Expenses**

Expenditure	321,964	19,082,620	-621	19,081,999	18,760,035
Income	-15,240	-20,565,937		-20,565,937	-20,550,697
Other Classifications	0	-197		-197	-197
<b>Total Miscellaneous Expenses</b>	<b>306,724</b>	<b>-1,483,514</b>	<b>-621</b>	<b>-1,484,135</b>	<b>-1,790,859</b>

Miscellaneous expenses service includes miscellaneous expenses, corporate inflation, on-going COVID business grant income and expenditure and income and expenditure in relation to the Council Tax Energy Rebate Scheme. The underspend mainly relates to the corporate budget held for income loss from Covid/COVID recovery which offsets overspends resulting from the income loss in other service areas.

**Other Employee Costs**

Expenditure	583,528	243,754	-33,299	210,455	-373,073
Income	-467,630	-577,142		-577,142	-109,512
Other Classifications	0	-163		-163	-163
<b>Total Other Employee Costs</b>	<b>115,898</b>	<b>-333,551</b>	<b>-33,299</b>	<b>-366,850</b>	<b>-482,747</b>

Pensions added years and expenses recovered improved the position.

**Parish Liasion**

Expenditure	192,693	409,449	-61,718	347,730	155,038
Income	0	-34,455		-34,455	-34,455
Other Classifications	0	-38		-38	-38
<b>Total Parish Liasion</b>	<b>192,693</b>	<b>374,956</b>	<b>-61,718</b>	<b>313,238</b>	<b>120,545</b>

Grants to Ripley Village Hall funded by reserve.

**Resources Caseworker**

Expenditure	1,259,353	1,289,689	-186,936	1,102,754	-156,599
Income	-1,159,860	-970,127		-970,127	189,733
Other Classifications	0	-5,499		-5,499	-5,499
<b>Total Resources Caseworker</b>	<b>99,493</b>	<b>314,064</b>	<b>-186,936</b>	<b>127,128</b>	<b>27,635</b>

Underspend on salaries is due to staff vacancies. Some of which is being covered by casual staff resulting in an overspend in this area but will be balanced out by salary underspend. Other area of overspend is in ICT hardware due to increased requirement to provide additional hardware to staff to support agile working (bags and headsets)

**Unallocatable Central Overhead**

Expenditure	280,232	487,456	-61,404	426,051	145,820
<b>Total Unallocatable Central Overhead</b>	<b>280,232</b>	<b>487,456</b>	<b>-61,404</b>	<b>426,051</b>	<b>145,820</b>

Pension fund strain and added years has worsened the forecast.

<b>Total Resources Directorate</b>	<b>6,558,706</b>	<b>4,977,709</b>	<b>-2,071,514</b>	<b>2,906,195</b>	<b>-3,376,420</b>
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**Affordable Housing**

Expenditure	106,755	242,152	-8,087	234,065	127,310
Other Classifications	0	-209		-209	-209
<b>Total Affordable Housing</b>	<b>106,755</b>	<b>241,943</b>	<b>-8,087</b>	<b>233,856</b>	<b>127,101</b>

Current projected outturn higher than forecast due to agency fees.

**Building Control**

Expenditure	666,876	853,759	-116,568	737,191	70,315
Income	-503,500	-403,346		-403,346	100,154
Other Classifications	0	7,484		7,484	7,484
<b>Total Building Control</b>	<b>163,376</b>	<b>457,898</b>	<b>-116,568</b>	<b>341,329</b>	<b>177,953</b>

Addition 0.8 FTE at team leader level in salary costs. Agency and consultancy costs higher than budgeted. Fee income lower than budgeted.

**Building Maintenance**

Expenditure	4,224,952	4,907,241	-306,863	4,600,377	375,426
Income	-4,058,890	-4,168,661		-4,168,661	-109,771
Other Classifications	0	-3,383		-3,383	-3,383
<b>Total Building Maintenance</b>	<b>166,062</b>	<b>735,197</b>	<b>-306,863</b>	<b>428,334</b>	<b>262,272</b>

There has been an increase of costs relating to repairs/services. However there is a timing difference of the income that has been generated.

**Business Rates**

Expenditure	194,085	246,576	-38,008	208,568	14,483
Income	-258,910	-263,143		-263,143	-4,233
Other Classifications	0	-4,327		-4,327	-4,327
<b>Total Business Rates</b>	<b>-64,825</b>	<b>-20,894</b>	<b>-38,008</b>	<b>-58,903</b>	<b>5,922</b>

Variance as Government Admin Grant has reduced.

**Case Services**

Expenditure	1,722,188	1,758,765	-343,480	1,415,284	-306,904
Income	0	-129,419		-129,419	-129,419
Other Classifications	0	-76,262		-76,262	-76,262
<b>Total Case Services</b>	<b>1,722,188</b>	<b>1,553,084</b>	<b>-343,480</b>	<b>1,209,603</b>	<b>-512,585</b>

Agency overspend is offset by significant vacancy savings. Grant and recharge income (to Parking) was not budgeted for.

**Cemeteries**

Expenditure	297,369	294,301	-31,060	263,241	-34,128
Income	-78,230	-122,690		-122,690	-44,460
Other Classifications	0	-3,477		-3,477	-3,477
<b>Total Cemeteries</b>	<b>219,139</b>	<b>168,134</b>	<b>-31,060</b>	<b>137,074</b>	<b>-82,065</b>

There are savings in the strategic directorate recharge (Asset Maintenance). Income is over budget ( the same applies to cremations) and an unbudgeted licence fee was received for Land at Salt Box road

**Civil Emergencies**

Expenditure	55,123	74,897	-3,611	71,285	16,163
Other Classifications	0	-1,068		-1,068	-1,068
<b>Total Civil Emergencies</b>	<b>55,123</b>	<b>73,829</b>	<b>-3,611</b>	<b>70,217</b>	<b>15,094</b>

No Comments



**Community Meals and Transport**

Expenditure	977,080	1,091,674	-149,766	941,908	-35,172
Income	-241,900	-255,538		-255,538	-13,638
Other Classifications	0	-3,446		-3,446	-3,446
<b>Total Community Meals and Transport</b>	<b>735,180</b>	<b>832,689</b>	<b>-149,766</b>	<b>682,924</b>	<b>-52,256</b>

Additional income received. Increased catering and overtime costs

**Corporate Health and Safety**

Expenditure	175,704	197,616	-33,870	163,746	-11,958
Income	-156,330	-155,330		-155,330	1,000
Other Classifications	0	-274		-274	-274
<b>Total Corporate Health and Safety</b>	<b>19,374</b>	<b>42,012</b>	<b>-33,870</b>	<b>8,142</b>	<b>-11,232</b>

No Comments

**Council Tax**

Expenditure	523,345	603,398	-42,937	560,461	37,116
Income	-290,000	-251,690		-251,690	38,310
Other Classifications	0	1,234		1,234	1,234
<b>Total Council Tax</b>	<b>233,345</b>	<b>352,942</b>	<b>-42,937</b>	<b>310,004</b>	<b>76,660</b>

Income under achieved due to the reduced numbers of tenants defaulting on repayments. Over spends with agency costs, which is offsetting underspends with Postage and printing costs

**Countryside and Parks Services**

Expenditure	3,012,922	4,037,278	-624,274	3,413,005	400,082
Income	-1,000,670	-1,121,260		-1,121,260	-120,590
Other Classifications	0	3,390		3,390	3,390
<b>Total Countryside and Parks Services</b>	<b>2,012,252</b>	<b>2,919,409</b>	<b>-624,274</b>	<b>2,295,135</b>	<b>282,883</b>

Salaries including casuals are over budget but the re-alignment with the Parks Countryside Management team as yet to be finalised. There are some savings in premises related expenditure (£33,700). There is increased expenditure in supplies and services due in part to repairs to Stoke Park skate park and additional expenditure on SCC grass verge maintenance (offset by income). There is increased income from grass verge maintenance from SCC and from Guilden Homes licence fees

**Crematorium**

Expenditure	870,667	517,030	593,873	1,110,903	240,236
Income	-1,697,210	-1,751,629		-1,751,629	-54,419
Other Classifications	0	3,477		3,477	3,477
<b>Total Crematorium</b>	<b>-826,543</b>	<b>-1,231,122</b>	<b>593,873</b>	<b>-637,249</b>	<b>189,294</b>

Depreciation is £217k over budget. As with Cemeteries, more income has been generated in this financial year.

**Customer Services**

Expenditure	871,561	958,614	-156,728	801,885	-69,676
Income	-453,570	-453,572		-453,572	-2
Other Classifications	0	-9,389		-9,389	-9,389
<b>Total Customer Services</b>	<b>417,991</b>	<b>495,653</b>	<b>-156,728</b>	<b>338,925</b>	<b>-79,066</b>

There are salary savings due to vacancies but an additional recharge to IT Renewals.

**Day Services**

Expenditure	739,287	850,944	-98,665	752,279	12,992
Income	-160,610	-82,403		-82,403	78,207
Other Classifications	0	16,352		16,352	16,352
<b>Total Day Services</b>	<b>578,677</b>	<b>784,893</b>	<b>-98,665</b>	<b>686,228</b>	<b>107,551</b>

There are increased agency costs attached to this budget and due to covid 19 - a reduced income around services provided

**Development Control**

Expenditure	1,778,290	2,985,717	-282,885	2,702,833	924,543
Income	-1,753,380	-1,748,922		-1,748,922	4,458
Other Classifications	0	30,220		30,220	30,220
<b>Total Development Control</b>	<b>24,910</b>	<b>1,267,015</b>	<b>-282,885</b>	<b>984,130</b>	<b>959,221</b>

There are significant additional costs in agency staff (£363,000) and consultancy (£457,700), to cover vacancies, meet planning appeal expenses and help generate income for Planning Performance Agreements. There are in addition £76,000 of redundancy costs allocated to this service

**Digital Services**

Expenditure	329,355	220,249	-19,570	200,680	-128,676
Other Classifications	0	0		0	0
<b>Total Digital Services</b>	<b>329,355</b>	<b>220,249</b>	<b>-19,570</b>	<b>200,680</b>	<b>-128,676</b>

There are salary savings due to vacancies.

**Emergency Communications**

Expenditure	359,104	323,706	-35,330	288,376	-70,728
Income	-451,430	-449,502		-449,502	1,928
Other Classifications	0	426		426	426
<b>Total Emergency Communications</b>	<b>-92,326</b>	<b>-125,370</b>	<b>-35,330</b>	<b>-160,700</b>	<b>-68,374</b>

Salary savings due to 2 vacant posts.

**EMI Services**

Expenditure	250,489	292,843	-40,966	251,876	1,387
Income	-129,340	-93,342		-93,342	35,998
Other Classifications	0	-10,566		-10,566	-10,566
<b>Total EMI Services</b>	<b>121,149</b>	<b>188,935</b>	<b>-40,966</b>	<b>147,968</b>	<b>26,820</b>

Salary savings during the year have been off-set with the IAS19 Year end adjustment. Reduced income due to COVID

**Engineering and Transportation Services**

Expenditure	257,673	237,310	-31,846	205,464	-52,209
Income	-398,170	-166,273		-166,273	231,897
Other Classifications	0	0		0	0
<b>Total Engineering and Transportation Services</b>	<b>-140,497</b>	<b>71,037</b>	<b>-31,846</b>	<b>39,191</b>	<b>179,688</b>

Salary savings due to 1 vacant post being off-set with the IAS19 year end adjustment. Budget for income needs reviewing as not achievable

**Environmental Health**

Expenditure	1,368,654	1,721,121	-220,593	1,500,528	131,874
Income	-23,370	-280,268		-280,268	-256,898
Other Classifications	0	-12,142		-12,142	-12,142
<b>Total Environmental Health</b>	<b>1,345,284</b>	<b>1,428,711</b>	<b>-220,593</b>	<b>1,208,118</b>	<b>-137,165</b>

Agency, consultancy and enforcement costs have exceeded budget offset by a higher than budgeted recovery of expenses.

**Family and Refugee Support Programme**

Expenditure	689,634	692,836	-122,585	570,251	-119,383
Income	-421,900	-932,422		-932,422	-510,522
Other Classifications	0	0		0	0
<b>Total Family and Refugee Support Programme</b>	<b>267,734</b>	<b>-239,586</b>	<b>-122,585</b>	<b>-362,171</b>	<b>-629,905</b>

SCC commissioned income grant is £452,000 which exceeds the budget currently but is reflective of extra resources soon to be required.

**Fleet Management**

Expenditure	2,587,796	2,816,176	-10,562	2,805,614	217,818
Income	-2,528,710	-2,804,370		-2,804,370	-275,660
Other Classifications	0	67		67	67
<b>Total Fleet Management</b>	<b>59,086</b>	<b>11,873</b>	<b>-10,562</b>	<b>1,311</b>	<b>-57,775</b>

This service is fully recharged across the council which the budget did not accurately reflect

**Food Safety**

Expenditure	310,325	342,936	-59,050	283,886	-26,439
Income	-1,580	-2,135		-2,135	-555
Other Classifications	0	126		126	126
<b>Total Food Safety</b>	<b>308,745</b>	<b>340,927</b>	<b>-59,050</b>	<b>281,877</b>	<b>-26,868</b>

No Comments

**G Live**

Expenditure	1,775,692	1,733,864	-15,984	1,717,880	-57,812
Income	-49,380	-10,987		-10,987	38,392
Other Classifications	0	1,968		1,968	1,968
<b>Total G Live</b>	<b>1,726,312</b>	<b>1,724,844</b>	<b>-15,984</b>	<b>1,708,861</b>	<b>-17,451</b>

No comments

**Guildford House**

Expenditure	507,850	552,234	-30,007	522,227	14,378
Income	-83,330	-26,030		-26,030	57,300
Other Classifications	0	-1,052		-1,052	-1,052
<b>Total Guildford House</b>	<b>424,520</b>	<b>525,153</b>	<b>-30,007</b>	<b>495,146</b>	<b>70,626</b>

Building work costs have continued to increase however expectation is that this is funded from Asset Management.

**Guildford Museum**

Expenditure	594,118	698,100	-64,939	633,160	39,043
Income	-31,110	-41,740		-41,740	-10,630
Other Classifications	0	2,378		2,378	2,378
<b>Total Guildford Museum</b>	<b>563,008</b>	<b>658,738</b>	<b>-64,939</b>	<b>593,798</b>	<b>30,791</b>

Various Asset Management projects funded from central pot, particular 48 Quarry Street.

**Guildhall**

Expenditure	145,630	201,788	-959	200,829	55,199
Income	-39,060	-20,952		-20,952	18,108
Other Classifications	0	-1,303		-1,303	-1,303
<b>Total Guildhall</b>	<b>106,570</b>	<b>179,533</b>	<b>-959</b>	<b>178,574</b>	<b>72,004</b>

Reduced programme of works for Guildhall this year not yet reflected in figures however overspend all asset maintenance and reduced income due to Covid.

**Homelessness Support**

Expenditure	782,635	1,933,474	-76,139	1,857,335	1,074,700
Income	-35,000	-972,464		-972,464	-937,464
Other Classifications	0	10,400		10,400	10,400
<b>Total Homelessness Support</b>	<b>747,635</b>	<b>971,410</b>	<b>-76,139</b>	<b>895,271</b>	<b>147,637</b>

Additional grant income received which funds some of the additional expenditure incurred. Emergency Accommodation is overspent due to high demand

**Housing Advice**

Expenditure	350,100	322,052	0	322,052	-28,048
<b>Total Housing Advice</b>	<b>350,100</b>	<b>322,052</b>	<b>0</b>	<b>322,052</b>	<b>-28,048</b>

Housing costs from HRA under achieved

**Housing Benefits**

Expenditure	28,384,687	24,845,934	-52,020	24,793,914	-3,590,773
Income	-28,374,100	-24,744,329		-24,744,329	3,629,771
Other Classifications	0	20,098		20,098	20,098
<b>Total Housing Benefits</b>	<b>10,587</b>	<b>121,703</b>	<b>-52,020</b>	<b>69,683</b>	<b>59,096</b>

Variance is due to Software Increases above RPI and Agency Costs, however a large part of the agency cost is being offset by a DWP grant for work being completed by a temp

**Housing Surveying**

Expenditure	664,142	922,530	-139,655	782,874	118,733
Income	-781,550	-772,418		-772,418	9,132
Other Classifications	0	1,983		1,983	1,983
<b>Total Housing Surveying</b>	<b>-117,408</b>	<b>152,095</b>	<b>-139,655</b>	<b>12,440</b>	<b>129,848</b>

Increased costs due to agency staff, overtime and IAS19 year end adjustment

**Land Charges**

Expenditure	234,585	260,754	-27,007	233,746	-839
Income	-266,060	-314,941		-314,941	-48,881
Other Classifications	0	-273		-273	-273
<b>Total Land Charges</b>	<b>-31,475</b>	<b>-54,460</b>	<b>-27,007</b>	<b>-81,467</b>	<b>-49,992</b>

Increased income noted will review as part of the budget build for 23/24

**Land Drainage**

Expenditure	294,970	109,830	0	109,830	-185,140
<b>Total Land Drainage</b>	<b>294,970</b>	<b>109,830</b>	<b>0</b>	<b>109,830</b>	<b>-185,140</b>

Underspends due to works not being carried out

**Leisure and Community**

Expenditure	117,055	80,436	53,220	133,656	16,602
Income	-9,580	-7,788		-7,788	1,792
Other Classifications	0	-151		-151	-151
<b>Total Leisure and Community</b>	<b>107,475</b>	<b>72,497</b>	<b>53,220</b>	<b>125,717</b>	<b>18,242</b>

Underspend due to Revaluation year end adjustment

**Leisure Management Contract**

Expenditure	3,344,041	3,606,794	-11,871	3,594,922	250,881
Income	-2,071,140	-1,837,940		-1,837,940	233,201
Other Classifications	0	-1,817		-1,817	-1,817
<b>Total Leisure Management Contract</b>	<b>1,272,901</b>	<b>1,767,037</b>	<b>-11,871</b>	<b>1,755,166</b>	<b>482,265</b>

Increase in electricity and gas prices with effect from 1st November. Sites hit by covid closures and management fee due for Apr to Oct period as a result. Revised reduced management fee for last five months of the year as a result of covid impact.

**Leisure Rangers**

Expenditure	202,926	207,442	-31,516	175,926	-27,000
Other Classifications	0	0		0	0
<b>Total Leisure Rangers</b>	<b>202,926</b>	<b>207,442</b>	<b>-31,516</b>	<b>175,926</b>	<b>-27,000</b>

No Comments

**Licensing**

Expenditure	279,908	318,412	-32,526	285,886	5,978
Income	-193,990	-196,424		-196,424	-2,434
Other Classifications	0	2,897		2,897	2,897
<b>Total Licensing</b>	<b>85,918</b>	<b>124,885</b>	<b>-32,526</b>	<b>92,359</b>	<b>6,441</b>

No Comments

**Millmead House**

Expenditure	1,713,392	1,645,034	-75,520	1,569,514	-143,878
Income	-1,993,690	-1,892,351		-1,892,351	101,339
Other Classifications	0	-1,934		-1,934	-1,934
<b>Total Millmead House</b>	<b>-280,298</b>	<b>-249,252</b>	<b>-75,520</b>	<b>-324,771</b>	<b>-44,473</b>

Rent & Service Charge income not achieved.

**MOT Bay**

Expenditure	108,466	109,262	-11,271	97,991	-10,475
Income	-154,070	-88,924		-88,924	65,146
Other Classifications	0	-131		-131	-131
<b>Total MOT Bay</b>	<b>-45,604</b>	<b>20,207</b>	<b>-11,271</b>	<b>8,936</b>	<b>54,540</b>

Income reduced due to lower staffing levels and impacts from covid

**North Downs Housing**

Expenditure	20,191	71,366	-9,095	62,271	42,080
Income	0	-182,908		-182,908	-182,908
<b>Total North Downs Housing</b>	<b>20,191</b>	<b>-111,543</b>	<b>-9,095</b>	<b>-120,638</b>	<b>-140,829</b>

Additional Income based on Service Level Agreement

**Off Street Parking**

Expenditure	5,309,969	5,492,779	-57,594	5,435,184	125,215
Income	-10,395,049	-7,538,746		-7,538,746	2,856,304
Other Classifications	0	-29,700		-29,700	-29,700
<b>Total Off Street Parking</b>	<b>-5,085,080</b>	<b>-2,075,667</b>	<b>-57,594</b>	<b>-2,133,262</b>	<b>2,951,819</b>

There are salary savings due to vacancies. Asset Maintenance costs are under budget by £51,800. Business rates are over budget as Guildford Park car park stayed open. A recharge to Street Cleaning of £210,600 was unbudgeted. Income from car parks was impacted by Covid

**On Street Parking**

Expenditure	1,222,343	1,683,675	-218,123	1,465,552	243,209
Income	-1,826,680	-1,546,063		-1,546,063	280,617
Other Classifications	0	26,807		26,807	26,807
<b>Total On Street Parking</b>	<b>-604,337</b>	<b>164,418</b>	<b>-218,123</b>	<b>-53,705</b>	<b>550,632</b>

There is an unbudgeted recharge to Customer, Case and Parking of £78,400. Salaries are overbudget due to new Civil Enforcement Officer posts. The agency payment to SCC is over budget as it includes a late adjustment to the 2020-21 payment. Fees (PCNs) and Revenue (parking) have both been impacted by Covid

**Ordnance Survey and Mapping**

Expenditure	8,070	1,064	0	1,064	-7,006
<b>Total Ordnance Survey and Mapping</b>	<b>8,070</b>	<b>1,064</b>	<b>0</b>	<b>1,064</b>	<b>-7,006</b>

No Comments

**Park and Ride Service**

Expenditure	832,340	532,722	-27	532,695	-299,645
Income	-37,500	-50,737		-50,737	-13,237
Other Classifications	0	-20		-20	-20
<b>Total Park and Ride Service</b>	<b>794,840</b>	<b>481,965</b>	<b>-27</b>	<b>481,938</b>	<b>-312,902</b>

Onslow P & R subsidy to be waived for whole financial year

**Parks Countryside Management**

Expenditure	1,838,875	1,276,758	-88,665	1,188,093	-650,782
Income	-284,070	-173,573		-173,573	110,497
Other Classifications	0	-2,229		-2,229	-2,229
<b>Total Parks Countryside Management</b>	<b>1,554,805</b>	<b>1,100,957</b>	<b>-88,665</b>	<b>1,012,291</b>	<b>-542,514</b>

Underspends on transport, contractors, equipment and materials offset by some under recovery of rental income.

**Pest Control**

Expenditure	52,635	25,931	-756	25,175	-27,460
Income	-55,000	-60,205		-60,205	-5,205
Other Classifications	0	-352		-352	-352
<b>Total Pest Control</b>	<b>-2,365</b>	<b>-34,625</b>	<b>-756</b>	<b>-35,382</b>	<b>-33,017</b>

No Comments

**Private Sector Housing**

Expenditure	197,025	1,494,878	-1,116,102	378,776	181,751
Income	-115,650	-111,120		-111,120	4,530
Other Classifications	0	641		641	641
<b>Total Private Sector Housing</b>	<b>81,375</b>	<b>1,384,399</b>	<b>-1,116,102</b>	<b>268,297</b>	<b>186,921</b>

Salaries to be confirmed, showing a pressure of £97k includes agency and casual staff.

**Private Sector Housing Maintenance**

Expenditure	352,925	484,153	-47,704	436,449	83,523
Income	-295,480	-301,967		-301,967	-6,487
Other Classifications	0	-981		-981	-981
<b>Total Private Sector Housing Maintenance</b>	<b>57,445</b>	<b>181,204</b>	<b>-47,704</b>	<b>133,500</b>	<b>76,055</b>

A change of process has incurred extra external costs in providing the services to the community, where the service was previously provided by salaried staff

**Project Aspire**

Expenditure	0	4,565	0	4,565	4,565
Income	0	-829		-829	-829
<b>Total Project Aspire</b>	<b>0</b>	<b>3,736</b>	<b>0</b>	<b>3,736</b>	<b>3,736</b>

No Comments

**Public Conveniences**

Expenditure	306,850	357,624	-26,380	331,244	24,394
Income	-12,050	-12,050		-12,050	0
Other Classifications	0	-1,801		-1,801	-1,801
<b>Total Public Conveniences</b>	<b>294,800</b>	<b>343,773</b>	<b>-26,380</b>	<b>317,393</b>	<b>22,593</b>

£15k project management costs associated with review. £55k overspent in premises repairs including significant vandalism and repairs to Stoke Park toilets

**Public Health**

Expenditure	87,069	88,740	-16,421	72,319	-14,750
Other Classifications	0	916		916	916
<b>Total Public Health</b>	<b>87,069</b>	<b>89,656</b>	<b>-16,421</b>	<b>73,235</b>	<b>-13,834</b>

No Comments

**Refuse and Recycling**

Expenditure	4,752,366	6,052,483	-624,237	5,428,245	675,879
Income	-765,140	-804,663		-804,663	-39,523
Other Classifications	0	7,883		7,883	7,883
<b>Total Refuse and Recycling</b>	<b>3,987,226</b>	<b>5,255,703</b>	<b>-624,237</b>	<b>4,631,465</b>	<b>644,239</b>

Employee related expenditure is over budget by £293,860 due mainly to agency overspend. The Transport Pool Hire recharge and other vehicle costs, which are finalised at year end, is £419,000 over budget.

**River Control**

Expenditure	26,870	440,424	-417,565	22,859	-4,011
<b>Total River Control</b>	<b>26,870</b>	<b>440,424</b>	<b>-417,565</b>	<b>22,859</b>	<b>-4,011</b>

No Comments

**Roads and Footpaths**

Expenditure	109,690	62,888	0	62,888	-46,802
Income	0	-800		-800	-800
<b>Total Roads and Footpaths</b>	<b>109,690</b>	<b>62,088</b>	<b>0</b>	<b>62,088</b>	<b>-47,602</b>

Underspends due to works not being carried out

**Snow and Ice**

Expenditure	31,980	33,366	0	33,366	1,386
Income	-55,140	-54,139		-54,139	1,001
<b>Total Snow and Ice</b>	<b>-23,160</b>	<b>-20,774</b>	<b>0</b>	<b>-20,774</b>	<b>2,386</b>

No Comments

**SPA Sites**

Expenditure	76,050	52,838	0	52,838	-23,212
Income	-51,500	-1,434,265		-1,434,265	-1,382,765
Other Classifications	0	0		0	0
<b>Total SPA Sites</b>	<b>24,550</b>	<b>-1,381,427</b>	<b>0</b>	<b>-1,381,427</b>	<b>-1,405,977</b>

Difficult to forecast spend on SPA sites as expenditure and income may cover a number of years. Variances are transferred to reserves for use in future years.

**Street Cleansing**

Expenditure	2,170,560	2,355,639	-311,185	2,044,454	-126,106
Income	-181,560	-383,271		-383,271	-201,711
Other Classifications	0	9,691		9,691	9,691
<b>Total Street Cleansing</b>	<b>1,989,000</b>	<b>1,982,059</b>	<b>-311,185</b>	<b>1,670,874</b>	<b>-318,126</b>

The Lifelong Partnership grant, which is no longer required, was still in the 2021-22 budget and contractor payments are under budget. The recharge of £210,600 to car parks was unbudgeted.

**Street Furniture**

Expenditure	107,840	64,794	0	64,794	-43,046
<b>Total Street Furniture</b>	<b>107,840</b>	<b>64,794</b>	<b>0</b>	<b>64,794</b>	<b>-43,046</b>

No Comments

**Street Naming and Numbering**

Expenditure	10,000	9,029	0	9,029	-971
Income	-4,000	-2,781		-2,781	1,219
<b>Total Street Naming and Numbering</b>	<b>6,000</b>	<b>6,248</b>	<b>0</b>	<b>6,248</b>	<b>248</b>

No Comments

**Taxi Licensing**

Expenditure	147,339	153,439	-10,819	142,620	-4,718
Income	-124,200	-179,321		-179,321	-55,121
Other Classifications	0	-3,130		-3,130	-3,130
<b>Total Taxi Licensing</b>	<b>23,139</b>	<b>-29,012</b>	<b>-10,819</b>	<b>-39,830</b>	<b>-62,969</b>

Balances are transferred to reserve at the year end.

**Tourist Information Centre**

Expenditure	264,959	306,108	-38,845	267,264	2,305
Income	-58,630	-29,506		-29,506	29,124
Other Classifications	0	-22		-22	-22
<b>Total Tourist Information Centre</b>	<b>206,329</b>	<b>276,580</b>	<b>-38,845</b>	<b>237,736</b>	<b>31,407</b>

Income is under budget as the ticket sales for promoters service closed during this financial year.

**Town Centre CCTV**

Expenditure	100,700	103,195	0	103,195	2,495
<b>Total Town Centre CCTV</b>	<b>100,700</b>	<b>103,195</b>	<b>0</b>	<b>103,195</b>	<b>2,495</b>

No Comments

**Traveller Caravan Sites**

Expenditure	110,639	122,472	0	122,472	11,832
Income	-210,090	-160,789		-160,789	49,301
<b>Total Traveller Caravan Sites</b>	<b>-99,451</b>	<b>-38,317</b>	<b>0</b>	<b>-38,317</b>	<b>61,134</b>

Income under achieved. Overspends in utilities

**Vehicle Maintenance**

Expenditure	766,887	1,050,053	-83,674	966,379	199,492
Income	-774,430	-944,835		-944,835	-170,405
Other Classifications	0	286		286	286
<b>Total Vehicle Maintenance</b>	<b>-7,543</b>	<b>105,505</b>	<b>-83,674</b>	<b>21,830</b>	<b>29,374</b>

No Comments



**Waste and Fleet Business Development**

Expenditure	1,834,075	2,010,663	-57,873	1,952,790	118,715
Income	-2,406,650	-2,628,263		-2,628,263	-221,613
Other Classifications	0	-6,841		-6,841	-6,841
<b>Total Waste and Fleet Business Development</b>	<b>-572,575</b>	<b>-624,441</b>	<b>-57,873</b>	<b>-682,314</b>	<b>-109,739</b>

Employee related expenditure is over budget by £98,200 (salaries, agency and overtime). The Transport Pool Hire recharge, which is finalised at year end, is £36,300 over budget. Green waste income is £236,500 over budget.

**Woking Road Depot**

Expenditure	722,524	723,943	-35,715	688,229	-34,296
Income	-623,240	-604,277		-604,277	18,963
Other Classifications	0	-23		-23	-23
<b>Total Woking Road Depot</b>	<b>99,284</b>	<b>119,644</b>	<b>-35,715</b>	<b>83,929</b>	<b>-15,356</b>
No Comments					

**Woking Road Depot Stores**

Expenditure	60,798	103,925	-3,673	100,252	39,454
Income	-94,450	-73,283		-73,283	21,167
Other Classifications	0	-1,575		-1,575	-1,575
<b>Total Woking Road Depot Stores</b>	<b>-33,652</b>	<b>29,067</b>	<b>-3,673</b>	<b>25,394</b>	<b>59,046</b>

There has been an increase of costs relating to products/materials.

<b>Total Service Delivery Directorate</b>	<b>16,330,727</b>	<b>25,103,844</b>	<b>-5,864,081</b>	<b>19,239,763</b>	<b>2,909,036</b>
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**About Guildford**

Expenditure	13,410	3,436	0	3,436	-9,974
Income	-4,500	0		0	4,500
<b>Total About Guildford</b>	<b>8,910</b>	<b>3,436</b>	<b>0</b>	<b>3,436</b>	<b>-5,474</b>

No Comments

**Business Forum**

Expenditure	25,310	21,852	0	21,852	-3,457
Income	-30	0		0	30
<b>Total Business Forum</b>	<b>25,280</b>	<b>21,852</b>	<b>0</b>	<b>21,852</b>	<b>-3,427</b>

No Comments

**Citizens Advice Bureau**

Expenditure	284,710	301,298	0	301,298	16,588
<b>Total Citizens Advice Bureau</b>	<b>284,710</b>	<b>301,298</b>	<b>0</b>	<b>301,298</b>	<b>16,588</b>

No Comments

**Civic Expenses**

Expenditure	226,238	181,177	-25,831	155,346	-70,892
Other Classifications	0	1,028		1,028	1,028
<b>Total Civic Expenses</b>	<b>226,238</b>	<b>182,205</b>	<b>-25,831</b>	<b>156,374</b>	<b>-69,864</b>

It was agreed in January 2021 that we would not require the Mayor's Theme budget moving forward and no monies would be spent against the budget in 2021-22, the budget has been removed for 2022-23

**Climate Change**

Expenditure	280,700	137,589	-4,059	133,531	-147,169
Income	-184,300	-130,756		-130,756	53,544
<b>Total Climate Change</b>	<b>96,400</b>	<b>6,833</b>	<b>-4,059</b>	<b>2,775</b>	<b>-93,625</b>

Salary savings as well as savings against consultancy are being offset against income not being achieved

**Community Development**

Expenditure	132,991	152,732	-20,636	132,096	-895
Income	0	-11,142		-11,142	-11,142
Other Classifications	0	1,411		1,411	1,411
<b>Total Community Development</b>	<b>132,991</b>	<b>143,001</b>	<b>-20,636</b>	<b>122,365</b>	<b>-10,626</b>

No Comments

**Community Lottery**

Expenditure	2,900	1,077	0	1,077	-1,823
Income	-3,000	-3,581		-3,581	-581
<b>Total Community Lottery</b>	<b>-100</b>	<b>-2,504</b>	<b>0</b>	<b>-2,504</b>	<b>-2,404</b>

No Comments

**Community Safety**

Expenditure	78,310	61,413	0	61,413	-16,897
Income	-15,000	-52,680		-52,680	-37,680
<b>Total Community Safety</b>	<b>63,310</b>	<b>8,733</b>	<b>0</b>	<b>8,733</b>	<b>-54,577</b>

Saving due to an external government grant relating to the Domestic Abuse Bill.

**Community Wellbeing**

Expenditure	601,993	717,901	-78,864	639,037	37,044
Income	-40,000	-195,160		-195,160	-155,160
Other Classifications	0	11,416		11,416	11,416
<b>Total Community Wellbeing</b>	<b>561,993</b>	<b>534,156</b>	<b>-78,864</b>	<b>455,292</b>	<b>-106,701</b>

Additional income for Household Support Fund, which is off-setting the additional expenditure incurred

**Corporate Property Management**

Expenditure	2,339,818	1,559,637	-221,516	1,338,121	-1,001,697
Income	-1,176,060	-941,220		-941,220	234,840
Other Classifications	0	0		0	0
<b>Total Corporate Property Management</b>	<b>1,163,758</b>	<b>618,417</b>	<b>-221,516</b>	<b>396,901</b>	<b>-766,857</b>

The outturn for Asset Maintenance which is a holding budget from which Services are charged out for works is underspent as unable to complete planned works. Income under achieved due to Internal Recharges

**Council and Committee Support**

Expenditure	619,018	661,632	-77,849	583,783	-35,235
Income	-260,340	-244,590		-244,590	15,750
Other Classifications	0	-3,818		-3,818	-3,818
<b>Total Council and Committee Support</b>	<b>358,678</b>	<b>413,224</b>	<b>-77,849</b>	<b>335,375</b>	<b>-23,303</b>

Savings on print costs

**Democratic Representation**

Expenditure	850,707	847,937	-16,649	831,288	-19,418
Income	-107,800	-110,690		-110,690	-2,890
Other Classifications	0	-5,375		-5,375	-5,375
<b>Total Democratic Representation</b>	<b>742,907</b>	<b>731,872</b>	<b>-16,649</b>	<b>715,223</b>	<b>-27,684</b>

No Comments

**Elections**

Expenditure	123,652	123,954	-8,913	115,041	-8,611
Income	0	-90,387		-90,387	-90,387
Other Classifications	0	-3,728		-3,728	-3,728
<b>Total Elections</b>	<b>123,652</b>	<b>29,839</b>	<b>-8,913</b>	<b>20,925</b>	<b>-102,727</b>

Unbudgeted income from Elections

**Electoral Registration**

Expenditure	284,832	232,729	-31,251	201,479	-83,353
Income	-26,610	-12,770		-12,770	13,840
Other Classifications	0	3,854		3,854	3,854
<b>Total Electoral Registration</b>	<b>258,222</b>	<b>223,813</b>	<b>-31,251</b>	<b>192,562</b>	<b>-65,660</b>

Savings made in relation to Postage and Franking

**Events**

Expenditure	111,870	156,003	-31,464	124,539	12,669
Income	-9,000	-50,592		-50,592	-41,592
Other Classifications	0	-787		-787	-787
<b>Total Events</b>	<b>102,870</b>	<b>104,623</b>	<b>-31,464</b>	<b>73,159</b>	<b>-29,711</b>

No Comments

**Grants to Voluntary Organisations**

Expenditure	478,080	268,580	0	268,580	-209,500
Income	0	-5,976		-5,976	-5,976
<b>Total Grants to Voluntary Organisations</b>	<b>478,080</b>	<b>262,604</b>	<b>0</b>	<b>262,604</b>	<b>-215,476</b>

Savings due to reduced amount of Grants and Subscriptions. This budget has been reduced for 2022-23

**Housing Outside the HRA**

Expenditure	66,730	131,044	0	131,044	64,314
Income	-7,100	-46,239		-46,239	-39,139
<b>Total Housing Outside the HRA</b>	<b>59,630</b>	<b>84,805</b>	<b>0</b>	<b>84,805</b>	<b>25,175</b>

MHCLG funding for 2 years to cover the cost of the hub prior to refurbishment.

**Industrial Estates**

Expenditure	556,328	-8,323,421	9,399,100	1,075,680	519,352
Income	-3,148,420	-3,671,903		-3,671,903	-523,483
Other Classifications	0	0		0	0
<b>Total Industrial Estates</b>	<b>-2,592,092</b>	<b>-11,995,324</b>	<b>9,399,100</b>	<b>-2,596,224</b>	<b>-4,132</b>

Rental income exceeded the budget. Year end adjustment Revaluation has caused the underspend

**Investment Properties**

Expenditure	300,780	-124,159	557,354	433,195	132,415
Income	-5,005,940	-4,585,617		-4,585,617	420,323
<b>Total Investment Properties</b>	<b>-4,705,160</b>	<b>-4,709,776</b>	<b>557,354</b>	<b>-4,152,422</b>	<b>552,738</b>

Rental income underachieved, the budget needs to be realigned with current expectations. Overpends with Business Rates, Valuers Fees and Maintenance costs

**Lead Specialist - Information Governance**

Expenditure	149,101	122,527	-21,872	100,655	-48,445
Income	-72,610	-72,610		-72,610	0
Other Classifications	0	0		0	0
<b>Total Lead Specialist - Information Governance</b>	<b>76,491</b>	<b>49,917</b>	<b>-21,872</b>	<b>28,045</b>	<b>-48,445</b>

Salary savings of one vacant post.

**Leisure Grants to Voluntary Organisations**

Expenditure	393,060	343,136	0	343,136	-49,924
<b>Total Leisure Grants to Voluntary Organisations</b>	<b>393,060</b>	<b>343,136</b>	<b>0</b>	<b>343,136</b>	<b>-49,924</b>

Savings due to reduced grants.

**Major Projects**

Expenditure	1,604,217	10,193,358	-7,782,418	2,410,939	806,723
Income	-280,000	-124,257		-124,257	155,743
Other Classifications	0	734		734	734
<b>Total Major Projects</b>	<b>1,324,217</b>	<b>10,069,834</b>	<b>-7,782,418</b>	<b>2,287,416</b>	<b>963,199</b>

Consultant costs higher than budgeted difference £127k to be funded by reserves. Saving of vacant posts of £340k offset by unbudgeted agency costs. SMC costs of £670k due to repayment of LEP grant The Capital recharge is lower than anticipated by £155,743 due to salary not being capitalised on vacant posts.

**Markets**

Expenditure	20,810	16,032	-24	16,009	-4,801
Income	-32,000	-28,335		-28,335	3,665
Other Classifications	0	-11		-11	-11
<b>Total Markets</b>	<b>-11,190</b>	<b>-12,313</b>	<b>-24</b>	<b>-12,337</b>	<b>-1,147</b>
No Comments					

**Other Property**

Expenditure	488,035	747,080	244,676	991,756	503,721
Income	-1,077,670	-1,073,126		-1,073,126	4,544
<b>Total Other Property</b>	<b>-589,635</b>	<b>-326,046</b>	<b>244,676</b>	<b>-81,370</b>	<b>508,265</b>
Overpends with Business Rates, Valuers Fees and Maintenance costs.					

**Planning Policy**

Expenditure	1,174,167	1,210,531	-187,738	1,022,793	-151,374
Income	-760	-20,399		-20,399	-19,639
Other Classifications	0	474		474	474
<b>Total Planning Policy</b>	<b>1,173,407</b>	<b>1,190,607</b>	<b>-187,738</b>	<b>1,002,868</b>	<b>-170,538</b>
There are savings in Local Plan consultancy costs					

**Public Relations**

Expenditure	868,823	951,043	-191,555	759,488	-109,335
Other Classifications	0	-20,535		-20,535	-20,535
<b>Total Public Relations</b>	<b>868,823</b>	<b>930,508</b>	<b>-191,555</b>	<b>738,953</b>	<b>-129,870</b>
Salary savings due to a number of posts being vacant during the year					

**Tourism & Development**

Expenditure	425,531	252,303	-17,001	235,302	-190,230
Income	-135,680	-12,380		-12,380	123,301
Other Classifications	0	8,943		8,943	8,943
<b>Total Tourism &amp; Development</b>	<b>289,851</b>	<b>248,866</b>	<b>-17,001</b>	<b>231,865</b>	<b>-57,987</b>
Income budget under achieved. Savings principally due to salaries underspend.					

**Town Centre Management**

Expenditure	58,075	83,846	-14,296	69,550	11,475
Income	-193,130	0		0	193,130
Other Classifications	0	-56		-56	-56
<b>Total Town Centre Management</b>	<b>-135,055</b>	<b>83,790</b>	<b>-14,296</b>	<b>69,494</b>	<b>204,549</b>
Reduced sponsorship income as advised to CMT during the year.					

**Youth Council**

Expenditure	10	29	0	29	19
<b>Total Youth Council</b>	<b>10</b>	<b>29</b>	<b>0</b>	<b>29</b>	<b>19</b>
No Comments					

<b>Total Strategy Directorate</b>	<b>780,254</b>	<b>-458,566</b>	<b>1,469,195</b>	<b>1,010,629</b>	<b>230,375</b>
<b>Total General Fund</b>	<b>23,669,687</b>	<b>29,622,987</b>	<b>-6,466,400</b>	<b>23,156,587</b>	<b>-237,009</b>

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## Summary of Reserves 2021-2022

	2020-21	2021-22		Closing balance, £000	Purpose of the Reserve / Policy on use
	Closing balance, £000 31/03/2021	Receipts in Year	Transfers out in Year		
<b>General Fund</b>					
Election Costs	-156,940.26	-62,770.00	1,502.41	-218,207.85	Contributions are made in non election years to offset the additional costs in the year that borough elections are held.
Interest Rate Movements	-1,196,969.60	0.00	146,000.50	-1,050,969.10	To allow for changes in predicted interest rates after the budget for the year has been set.
Concurrent Functions Grant Aid	-78,360.55	-5,516.00	8,759.00	-75,117.55	Set up from Concurrent Function grant aid not required by Parish Councils, to allow urgent requests to be considered during the year.
HLS projects	-179,845.79	-40,417.40	19,850.00	-200,413.19	To receive grants from Natural England prior to financing approved schemes in parks and countryside.
New Homes Bonus	-746,797.67	-192,000.00	917,712.17	-21,085.50	To receive balance of new homes bonus grant received and not used in the year. Should be used in line with NHB Policy approved Council Feb 2016.
Capital Schemes	0.00	0.00	0.00	0.00	Financing of General Fund capital schemes within approved programmes.
Carried Forward Items	-551,728.00	0.00	0.00	-551,728.00	To finance expenditure in future years that was budgeted for but not able to be progressed in the year and which is still required.
Collection Fund Balance	-150,000.00	0.00	0.00	-150,000.00	Use as appropriate to smooth out the effects on the General Fund of a surplus or deficit on the Collection Fund.
Insurance	-975,992.89	-17,010.12	0.00	-993,003.01	Maintain at level recommended by professional advisors. Receives or pays out the balance on the revenue account in the year and finances un-insured claims and
Invest to Save	-2,419,695.59	-250,000.00	1,862,329.38	-807,366.21	To be used to fund investment opportunities in services that will allow ongoing savings to be achieved and accommodate short term increases in revenue costs during
Salix	-465,555.97	-16,102.35	84,242.11	-397,416.21	Match funding for Salix (Carbon Trust) grant. Consists of two separate reserves in order to comply with the requirements of the Carbon Trust.
IT Renewals	-543,968.84	-1,577,277.37	717,133.20	-1,404,113.01	Receives repayments from services to fund expenditure as set out in the ICT Strategy.
LABGI	-214,521.67	0.00	0.00	-214,521.67	Set up with income received from Local Authority Business Growth Incentive grant. This money will be used to support schemes that will also benefit the businesses in the
Spectrum	-2,011,860.49	-193,000.00	271,490.26	-1,933,370.23	Maintained in order to provide funds for structural repairs and improvements. Under the Leisure Management contract responsibility for the fabric of the buildings remains
Car Parks Maintenance	-3,566,378.19	-63,000.00	648,103.11	-2,981,275.08	Financing of repairs, maintenance and improvements in off street car parks.
Land Charges	-23,360.46	-81,651.00	0.00	-105,011.46	Balance on the land charges account for the year. Legislation requires that the Land Charges service breaks even over a three year period.
Park & Ride	-1,650,000.00	0.00	0.00	-1,650,000.00	Created in 2008/09 in lieu of a s106 contribution from the Queen Elizabeth Park development used to fund park and ride expenditure at Merrow and Artington.
Slyfield Area Regeneration Project (SARP)	0.00	0.00	0.00	0.00	Receives contributions from partners involved in the SARP and finances partnership expenditure.
Ash Manor AWP	0.00	0.00	0.00	0.00	To provide for replacement of Ash Manor All Weather Pitch, as required by agreement with the Football Foundation.
Ash Manor Renewals	-2,520.04	0.00	0.00	-2,520.04	To receive one third of any operational surplus on Ash Manor sports centre, as part of the tri-partite agreement in place.
Ash Manor Facilities Development	-2,520.04	0.00	0.00	-2,520.04	To receive one third of any operational surplus on Ash Manor sports centre, as part of the tri-partite agreement in place.
Pension Reserve (GBC)	-975,000.00	0.00	0.00	-975,000.00	Set up as part of closing the 2010-11 accounts in order to provide for a potential backfunding liability for staff transferred under TUPE to the Leisure Management
G Live sinking fund	-110,000.00	-10,000.00	0.00	-120,000.00	Required by the G Live operator agreement.
Leisure Management Contract	-45,686.00	0.00	0.00	-45,686.00	Receives a minimum of 50 per cent of any surplus on the Leisure Management contract (excluding Ash manor) as required by the contract.
Legal actions	0.00	0.00	0.00	0.00	Available to finance legal costs and awards made because of actions taken against the Council, including judicial review.
Liongate rent top-up	0.00	0.00	0.00	0.00	To allow for the accounting treatment of an investment property where the purchase price was reduced by an amount for rental income compensation.

Family support programme	-49,068.57	-369,583.49	0.00	-418,652.06	To hold the balance of funds supplied by Surrey County Council for the Family Support programme, prior to expenditure being incurred.
Local Plan	-234,083.00	0.00	0.00	-234,083.00	To fund communications support work on the Local Plan and a contribution to the University of Surrey for the International Music Festival. The transfer out in the year
Salix admin	-33,795.63	0.00	0.00	-33,795.63	
Energy Management Schemes	-173,069.99	-24,567.22	0.00	-197,637.21	Funding for energy management schemes similar to Salix schemes but for which match funding is not available.
Preventing Homelessness	-750,877.78	-81,418.28	0.00	-832,296.06	Received grant from Department of Communities and Local Government (DCLG) for use in partnership work across Surrey to prevent homelessness in future years.
Preventing Repossession	-621,346.39	0.00	0.00	-621,346.39	Received grant from DCLG to fund preventing repossession work in future years.
Civil Parking Enforcement - GBC/GLC shared con	-0.00	-238,616.00	240,490.19	1,874.19	To receive net funds due to Guildford and finance expenditure as allowed under the Civil Parking Enforcement agreement with Surrey County Council. Controlled jointly by
Business Rates equalisation	-22,760,654.40	-20,089,667.00	20,085,245.00	-22,765,076.40	To be used as appropriate to smooth out the effects of the Business Rates Retention Scheme, including those related to regeneration projects.
Job Evaluation	-300,000.00	0.00	300,000.00	0.00	To accommodate the medium term effects of salary changes should the Council choose to implement Job Evaluation following completion of the Pay and Grading
Masterplan	-194,487.52	0.00	194,487.52	0.00	To finance the preparation of a Master plan for the borough.
SPA - Effingham	-2,433,080.89	-462,816.59	650.00	-2,895,247.48	Receives s106 contributions for the Effingham SPA, prior financing expenditure on approved schemes.
SPA - Riverside	-899,651.31	-69,477.59	2,447.97	-966,680.93	Receives s106 contributions for the Riverside Park SPA, prior financing expenditure on approved schemes.
SPA - Chantry Wood	-4,418,390.34	-896,603.08	43,783.55	-5,271,209.87	Receives s106 contributions for the Chantry Wood SPA, prior financing expenditure on approved schemes.
SPA - Lakeside	-537,879.85	-563.32	3,468.07	-534,975.10	Receives s106 contributions for the Lakeside SPA, prior financing expenditure on approved schemes.
SPA - Parsonage Water	-1,904,541.36	-2,003.58	0.00	-1,906,544.94	Receives s106 contributions for the Parsonage Water SPA, prior financing expenditure on approved schemes.
Community Centres	-114,507.22	0.00	0.00	-114,507.22	To finance works on Community Centres
SCC Prevention partnership fund	0.00	0.00	0.00	0.00	To hold grants given by Surrey County Council prior to expenditure being incurred.
Capital movements reserve	-333,000.00	0.00	0.00	-333,000.00	To protect the revenue account against sale of investments at a capital loss.
Investment Property rent	-77,200.00	0.00	0.00	-77,200.00	To offset any shortfall in investment property rental income in the year.
Recycling	0.00	0.00	0.00	0.00	To protect the revenue account against adverse movement in the income generated from recyclable materials
Budget Pressures	-117,283.72	-620,222.17	0.00	-737,505.89	To facilitate the management of pressure on the General Fund revenue budget.
Civil Parking - GBC control	-327,145.40	-34,685.00	0.00	-361,830.40	To receive income from on-street parking, as agreed under the Civil Parking Enforcement agreement with Surrey County Council and finance any approved
Taxi Licensing	0.00	-76,824.00	258,442.36	181,618.36	Previously included with the carry forward reserve. To receive or fund any balance on the Taxi Licensing services (except irrecoverable costs). Legislation requires that the
Project Aspire	-72,470.56	0.00	3,736.12	-68,734.44	To finance the costs of Project Aspire.
BR Covid discount	-11,581,899.95	-487,074.50	10,765,122.95	-1,303,851.50	To Cover ongoing and future expenditure related to the Covid-19 pandemic.
Refugee Support	-177,301.85	-69,510.97	0.00	-246,812.82	Reserve holds unspent specific grant monies awarded by government to the Council to spend on supporting families that the Council has housed through the national refugee
Prevention Partnership Fund	0.00	0.00	0.00	0.00	Reserve holds unspent specific grant monies awarded by government to the Council to spend on preventing extremism
Community Housing Fund	-60,962.00	0.00	0.00	-60,962.00	Reserve holds unspent specific grant monies received by the Council from Government for expenditure on supporting community housing projects
Planning Policy	-49,735.00	0.00	0.00	-49,735.00	
Safer Guildford Partnership	0.00	-16,282.94	0.00	-16,282.94	
<b>TOTAL</b>	<b>-64,290,134.77</b>	<b>-26,048,659.97</b>	<b>36,574,995.87</b>	<b>-53,763,798.87</b>	



Executive Report

Ward(s) affected: all

Report of Director of Communities

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Lead Councillor responsible: Cllr Julia McShane

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Date: 27 October 2022

## **Housing Investment Programme - Acquisition of Land and Buildings for the Housing Revenue Account**

### **Executive Summary**

The Housing Revenue Account (HRA) Capital Programme and the Capital and Investment Strategy, approved by Council in February 2022, included an Approved Budget Programme of £1.8 million for 2022-23 and £1.8 million in 2024-25 for the Acquisition of Land and Buildings for the HRA. A further £3 million was also agreed for a Provisional Programme for 2022-23 and £4 million for 2024-25 which could be used subject to individual development and acquisition plans.

It proposed that the Provisional Budget is now moved to the Approved Budget as the current Approved Budget has been either committed or spent.

### **Recommendation to Executive**

That the existing Housing Revenue Account (HRA) Acquisition Provisional Budget of £7 million for 2022-23 and 2024-25 is moved to the HRA Approved Capital Programme

### Reason(s) for Recommendation:

To facilitate the delivery of social housing whilst contributing to the Councils plan to fully utilise Right To Buy receipts.

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

## **1. Purpose of Report**

- 1.1 On 23 March 2021 the Council confirmed its use of HRA funding to increase the number of homes through a programme of acquisitions and land purchases. This was then reconfirmed in the HRA Budget, and as part of the Council's Capital and Investment Strategy 2022-23 to 2026-27 that was adopted by Council on the 9 February 2022.
- 1.2 This set out an Approved Budget Programme of £1.8 million for 2022-23 and £1.8 million for 2024-25 for the Acquisition of Land and Buildings for the HRA.
- 1.3 A further £3 million was also agreed for a Provisional Programme in 2022-23 and £4 million for 2024-25 which could be used subject to individual development and acquisition plans.
- 1.4 The Acquisition Project is funded through the HRA with 40% from Right to Buy receipts, with the remaining being funded either through the HRA reserves or as appropriate through HRA borrowing. The overall programme is reflected within the HRA Business Plan as adopted by the Council in February 2022.
- 1.5 Work on the programme has progressed well and as result agreement is sought to transfer the amounts identified in the Provision Programme to the Approved Programme to allow the planned programme to continue and deliver.
- 1.6 The progression of the programme will also contribute to the Council's plan to fully utilise its Right to Buy Receipts (RTB) as required by the Government, whilst also facilitating the delivery of additional social housing.

## **2. Strategic Priorities**

- 2.1 The Council's Corporate Plan includes a priority to provide affordable housing and this work contributes to this. It is also in line with the HRA Business Plan and Housing Strategy.

## **3. Background**

- 3.1 The Council, at its meeting on 9 February 2022, approved the Capital and Investment Strategy, HRA Business Plan and Housing Investment Plan which included a Programme of Acquisition of Buildings and land.
- 3.2 The plan focused on purchasing properties available from developers through s106 agreements and buying homes available in areas where the

Council already has housing stock. This scheme has operated successfully for a number of years, and opportunities continue to be available, but this is reliant upon funding being available to allow his work to continue.

- 3.3 The allocation of funding from the Proposed to the Approved budget will allow for the continued delivery of individual purchases to progress.

#### **4. Consultations**

- 4.1 The programme was included in the Consultation for the Capital and Investment Strategy and as part of the Housing Revenue Account budget which was agreed on the 9 February 2022.

#### **5. Key Risks**

- 5.1 The developed plan reflected the need for budgets to be moved from the Provisional to the Approved Budget as work progressed. Key risks of not moving the funding would be that:

- Additional acquisitions will be unable to proceed.
- Additional social housing would not be provided which would have help met the wider identified need.
- The Council's approach to ensuring that Right to Buy (RTB) receipts are fully utilised could be compromised resulting in the Council needing to repay these amounts to Government along with interest.

- 5.2 These risks will be removed if the proposed budget allocation is agreed.

#### **6. Financial Implications**

- 6.1 The proposed reassigning of the budget from Provisional capital programme to the approved programme will enable work to progress on programmes delivery as set out within the HRA Budget and the Councils agreed Capital and Investment Strategy.

- 6.2 Not progressing with the planned change in budget would place at risk to the Council's plan to fully utilise Right to Buy Receipts.

#### **7. Legal Implications**

- 7.1 The Council has power under Section 9 of the Housing Act 1985 and under s120 of the Local Government Act 1972 to acquire property for use as housing, and those acquired must then be dealt in accordance with the provisions of the legislation and any subsequent legislation.

- 7.2 Section 17 of the Housing Act 1985 allows Councils to acquire land for housing purposes and to dispose of land used for housing purposes to a person or organisation which intends to provide housing accommodation on the land or provide facilities which serve a beneficial purpose in connection with the requirements of persons for whom housing accommodation is provided.
- 7.3 Section 122 of the Local Government Act 1972 ('LGA 1972') provides the Council power to appropriate for any purpose which it is authorised by the LGA 1972 or any other enactment to acquire land by agreement any land which belongs to the Council and is no longer required for the purpose it was held immediately prior to that appropriation.
- 7.4 Section 19(1) of the Housing Act 1985 permits the Council to appropriate land. Any land can be appropriated into the HRA as long as there is a documented intention to use the land for housing purposes and all income, expenditure, reserves and borrowing in relation to the land will be accounted for within the HRA from the date of appropriation.
- 7.5 Where properties are purchased this is undertaken in association with the Councils Legal Services who undertake the appropriate legal and conveyance work, properties are also subject to an independent valuation.

## **8. Human Resource Implications**

None

## **9. Equality and Diversity Implications**

- 9.1 Using RTB receipts to deliver social housing is likely to have a positive impact on equality and diversity by enhancing the equality of opportunity in respect of housing services to those with a protected characteristic.

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

- 10.1 Delivery of the Council's Housing Investment Programme should have a positive impact on climate change and sustainability as housing can be built with sustainable energy efficiency design into the property. This may have a positive benefit for tenants with respect to lower energy usage and costs.

## **11. Executive Advisory Board comments**

- 11.1 The Council's Housing Revenue Budget and the Capital and Investment Strategy have been considered by the Executive Advisory Board this is not a new proposal but part of the planned delivery of the Programme which they supported.

## **12. Summary of Options**

### **12.1** The Executive has three options:

1. Preferred Option: Agree to the proposed move of the funding from the Provisional to the Agreed budget. This will allow for continued programme delivery.
2. Do nothing: End the current element of the programme, and potentially repay RTB receipts, plus interest, to the Government as they may not be utilised.
3. Defer a decision until the next HRA Budget is brought forward in 2023: End the current scheme and not progress schemes and opportunities currently in development and remodel the Future Programme for consideration

## **13. Conclusion**

13.1 The Provisional Budget was agreed as part of the Councils Capital and Investment Strategy and HRA Budget, what is being proposed is the progression of the funding to support the delivery of the Programme. The programme has been reflected in the approved HRA Business Plan and if agreed the proposal would facilitate the planned delivery.

13.2 It will also bring forward the delivery of social housing and facilitate the use of RTB Receipts.

## **14. Background Papers**

- Housing Revenue Account
- Capital and Investment Strategy  
<https://democracy.guildford.gov.uk/ieListDocuments.aspx?CId=159&MId=1262>

## **15. Appendices**

None

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Executive

Ward(s) affected: All

Report of Executive Head – Finance (S.151)

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Date: 27 October 2022

## Future of Internal Audit

### Executive Summary

The Council's existing contract for the provision of Internal Audit services expires in March 2023. A process of soft market testing and due diligence has been undertaken to assess the available options and to identify a preferred provider.

The purpose of this report is to seek approval to enter into the Joint Working Agreement to receive internal audit services from Southern Internal Audit Partnership (SIAP) for a period of 5 years from 1 April 2023. Southern Internal Audit Partnership (SIAP) was established in 2012. The Partnership is hosted by Hampshire County Council and is one of the largest providers of public sector internal audit in the region across a diverse portfolio of 29 public sector organisations. In Surrey, Tandridge, Mole Valley, Epsom and Ewell, Reigate and Banstead and Surrey Police are all partners in the partnership as well as a number of other district and borough councils and police authorities across Hampshire and Sussex. Waverley Borough Council is a contracting authority. Joining SIAP offers value for money as well as contributing to the achievement of the vision of the Guildford-Waverley partnership by aligning of support service provision with Waverley BC.

### Recommendation to Executive

The Executive agrees:

- (1) That, with effect from 1 April 2023, the Council discharges its Internal Audit Function under Section 101 of the Local Government Act 1972 to Hampshire County Council so that Southern Internal Audit Partnership (SIAP) can provide the Internal Audit Service for Guildford Borough Council.

(2) That the Council's Section 151 and Monitoring Officers be authorised to enter into the Joint Working Agreement by way of a deed of accession with Southern Internal Audit Partnership and undertake all necessary legal arrangements to do so.

(3) That the Section 151 Officer or nominated officer represents the Council's interests by becoming a voting member of the Southern Internal Audit Partnership Key Stakeholder Board.

Reason for Recommendation:

To ensure good governance arrangements and internal control by undertaking an adequate level of internal audit coverage through discharging the Council's functions as permitted by the S101(5) of the Local Government Act 1972.

**Is the report (or part of it) exempt from publication? YES**

Part – Appendices 1, 2 and 3

(a) The content of the Appendices to this report are to be treated as exempt from the Access to Information publication rules due to the disclosure of commercially sensitive information and is therefore exempt from publication by virtue of paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 as follows:

“(3) Information relating to the financial or business affairs of any particular person (including the authority holding that information).

(b) The content is restricted to councillors.

(c) It is not anticipated that the exempt information can be expected to be made available for public inspection until the new contract commences

(d) The decision to maintain the exemption may be challenged by any person at the point at which the Committee/Council is invited to pass a resolution to exclude the public from the meeting to consider the exempt information.

**1. Purpose of Report**

1.1 To undertake a review of the options for the provision of internal audit services and pursue the preferred option of the Council discharging its functions to Southern Internal Audit Partnership.

**2. Strategic Priorities**

2.1 The audit of Council services supports the priority of providing efficient, cost effective and relevant quality public services that give the community value for money.



### **3. Background**

- 3.1 Internal Audit is a statutory requirement in local government as defined in the Local Government Act 1972. The Accounts and Audit Regulations 2015 (Regulation 5) require the Council to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.
- 3.2 The Council entered into a contract for the provision of internal audit services with KPMG in 2018-19 to provide the majority of the internal audit plan for 2019-20. In 2019, the contract was extended to cover the three-year period of 2020-21 through to 2022-23 and also include the provision of acting as the Council’s Head of Internal Audit. At the time of outsourcing the service a saving of around £90,000 was made in staff salaries from previously having an internal audit team; however, the then Audit and Business Improvement Manager still provided the client-side function of the service and monitored the contract with KPMG. This arrangement remained in place until the departure of the Audit and Business Improvement Manager in 2021 as part of Future Guildford, which achieved further savings. The S151 Officer now manages the contract with KPMG.
- 3.3 The contract is due to expire at the end of March 2023 and therefore a new arrangement needs to be put in place for the year starting 1 April 2023. Officers have looked at the options for provision of the service which are as follows:
  - (a) Carrying out a full open market procurement exercise to find a new internal audit service contract and/or provider
  - (b) Carrying a restricted procurement exercise via an established framework in order to procure a new internal audit service contract and/or provider
  - (c) Join an existing Shared Service with capacity to carry out additional work
  - (d) Bring the service back in house
- 3.4 In assessing the options above, consideration has been given to the collaboration project between Guildford and Waverley Borough Councils. As part of the objectives and vision for the collaboration which have been approved by Council, the two Councils have set out to harmonise internal processes except where there is a good reason not to. This means that the Councils will try to harmonise internal policies, systems and staffing structures subject to the approval of further business cases. The default approach is for one staffing team in the long term and a single suite of internal procedures. Waverley Borough Council currently has an in-house Head of Internal Audit but outsource the majority of audit work under contract to Southern Internal Audit Partnership.
- 3.5 In considering options (a) and (b) above, officers have looked at the comparable day rates available for audit services via framework contracts as an indication as to the price range a supplier may bid in an open market tender exercise. Whilst

value for money is a key driver in all aspects of procurement, it is also essential that in selecting an internal audit provider that its service can meet quality assurance against the Public Sector Internal Audit Standards and provide assurance of the systems of control in place. The advantage of potentially using a framework is that there would be assurance that the suppliers on the framework would have already demonstrated that they meet this criterion and there may be advantages in using the framework in terms of pricing rather an open market exercise. In terms of cost, comparable framework rates were obtained and compared to the price of our existing contract and the comparable rates outlined in option (c).

- 3.6 Joining an existing shared service offers a number of advantages as they have local government knowledge and are not for profit. They can provide flexibility, resilience and independence whilst also offering value added and sharing of best practice.
- 3.7 Although a number of shared service partnerships are available, in considering Option (c), and mindful of the existing collaboration arrangements with Waverley Borough Council, officers contacted Southern Internal Audit Partnership to provide a proposal for the provision of internal audit services. Their proposal is outlined in Appendix 1 (exempt from publication) and the financial impact of their proposal compared to our existing contract is outlined in Appendix 2 (exempt from publication). This proposal provides the ability to generate a small saving when compared against other options but also has the advantage of aligning service provision between Guildford and Waverley Councils.
- 3.8 The option for bringing the service back in scope was considered; however, in order to provide an effective service a team of around 3 to 4 staff would be required. This would most likely be a Head of Internal Audit, one senior auditor and two auditors. This option may also not be fully resilient as specialist audit skills such as ICT audit may not be possible to employ in house. This option was the most expensive (see Appendix 2).

#### *Proposal*

- 3.9 The preferred option of those evaluated is for the Council to discharge its function of internal audit to Southern Internal Audit Partnership (Option c). Southern Internal Audit Partnership (SIAP) was established in 2012. The Partnership is hosted by Hampshire County Council and is one of the largest providers of public sector internal audit in the region, employing approximately 50 audit professionals and delivering approximately 9,000 audit days across a diverse portfolio of 29 public sector organisations. In Surrey, Tandridge, Mole Valley, Epsom and Ewell, Reigate and Banstead and Surrey Police are all partners in the partnership as well as a number of other district and borough councils and police authorities across Hampshire and Sussex. Waverley Borough Council is a client authority.

- 3.10 SIAP's emphasis is on quality, professional and value adding services. They have a range of in-house specialists covering IT, procurement and contract management. SIAP have been externally assessed as compliant with the Public Sector Internal Audit Standards.
- 3.11 It is proposed that the Council joins as a partner as this would provide a number of advantages, rather than joining as a client where days can be requested annually. As a partner the Council would become a member of the key stakeholder board which would result in the Council having a say in the future direction of the Partnership, business planning, performance reporting, resourcing and updates. The Council's S151 officer or his nominated representative would represent the Council's interests by becoming a voting member of the Southern Internal Audit Partnership Key Stakeholder Board.
- 3.12 In addition, each partner can flex the audit days purchased to meet business needs, so they can use additional days when required as long as parity is restored over a three-year period.
- 3.13 The Council would be required to join the partnership by entering into the Joint Working Agreement by way of a deed of accession. The Joint Working Agreement provides for a partner to pay an annual financial contribution, which is a proportion of the costs incurred by the SIAP in delivering audit services calculated on the number of internal audit days required by the Council. The composite day rate is reviewed annually and reflects pay costs based on national pay awards and annual increments and any increase or decrease in the operating costs of the joint service. Any other increase or decrease would be subject to the agreement of the SIAP Key Stakeholder Board.
- 3.14 SIAP refreshed their Joint Working Agreement in February 2018. Any accession to the Agreement requires an initial five-year commitment after which the Agreement runs in perpetuity. Should any organisation wish to withdraw from the Agreement following the initial five-year period or at any time in the future it may do so by serving 12 months' written notice. A copy of the Joint Working Agreement is attached at Appendix 3 (exempt from publication).

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

- 4.1 The financial implications are set out in the exempt Appendix 2 (Internal Audit Options Evaluation).

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

- 5.1 Under the Accounts and Audit Regulations 2015 the Council is required to ensure that it has a sound system of internal control which;

- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
  - (b) ensures that the financial and operational management of the authority is effective; and
  - (c) includes effective arrangements for the management of risk.
- 5.2 Section 101 of the Local Government Act 1972 enables an authority to make arrangements for the discharge of its functions by a committee, sub-committee or officer of the authority, or by another authority.
- 5.3 As is outlined above, the Council will be entering into a Joint Working Agreement as a partner. The Joint Working Agreement regulates the relationship between all the partner authorities, including the governance structure, the roles and responsibilities of each partner authority towards the other partner authorities, the financial contribution arrangements, information sharing protocols, withdrawal/ exit provisions together with the scope of internal audit services.
- 5.4 The Council is not entering into a contract for services with SIAP (which is the other possible model), public procurement legislation does not apply to the recommendation put forward to Councillors in this report.

## **6. Human Resource Implications**

- 6.1 The Council's Section 151 officer will become a member of the Partnership board of SIAP. This responsibility will need to be incorporated into the job role profile for the new Joint Executive Head of Finance (Section 151 officer).

## **7. Conclusion**

- 7.1 The Council's existing contract for the provision of Internal Audit services expires in March 2023. A process of soft market testing and due diligence has been undertaken to assess the available options and to identify a preferred provider.
- 7.2 The purpose of this report is to seek approval to enter into the Joint Working Agreement to receive internal audit services from Southern Internal Audit Partnership (SIAP) for a period of 5 years from 1 April 2023. Southern Internal Audit Partnership (SIAP) was established in 2012. The Partnership is hosted by Hampshire County Council and is one of the largest providers of public sector internal audit in the region across a diverse portfolio of 29 public sector organisations. In Surrey, Tandridge, Mole Valley, Epsom and Ewell, Reigate and Banstead and Surrey Police are all partners in the partnership as well as a number of other district and borough councils and police authorities across Hampshire and Sussex. Waverley Borough Council is a client authority. Joining SIAP offers value for money as well as contributing to the achievement of the

vision of the Guildford-Waverley partnership by aligning of support service provision with Waverley BC.

**8. Background Papers**

None

**9. Appendices (all exempt from publication)**

Appendix 1: Southern Internal Audit Partnership Proposal

Appendix 2: Options Evaluation

Appendix 3: SIAP Joint Working Agreement

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Agenda item number: 10  
Appendix 2

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