**James Whiteman**
Managing Director

**www.guildford.gov.uk**

Contact: Annette Metcalfe
Committee Services
01483 444058

Date Not Specified

Dear Councillor

Your attendance is requested at a meeting of the **JOINT EXECUTIVE ADVISORY BOARD** to be held in Council Chamber, Millmead House, Millmead, Guildford, Surrey GU2 4BB on **MONDAY, 8 JANUARY 2018** at **7.00 pm**.

Yours faithfully

James Whiteman
Managing Director

**MEMBERS OF THE EXECUTIVE ADVISORY BOARD**

Chairman: Councillor Adrian Chandler
Vice-Chairman:

Councillor Nils Christiansen
Councillor Andrew Gomm
Councillor Angela Goodwin
Councillor Angela Gunning
Councillor Liz Hogger
Councillor Christian Holliday
Councillor Gordon Jackson
Councillor Jennifer Jordan
Councillor Nigel Kearse
Councillor Sheila Kirkland
Councillor Julia McShane
Councillor Bob McShee
Councillor Mike Parsons
Councillor Dennis Paul
Councillor Tony Phillips
Councillor Mike Piper
Councillor David Quelch
Councillor David Reeve
Councillor Matthew Sarti
Councillor Pauline Searle
Councillor Jenny Wicks
Councillor David Wright

**Authorised Substitute Members:**

Councillor Colin Cross
Councillor David Goodwin
Councillor Murray Grubb Jnr
Councillor Gillian Harwood
Councillor Liz Hooper
Councillor Mike Hurdle
Councillor Susan Parker
Councillor Jo Randall
Councillor Caroline Reeves
Councillor Tony Rooth
Councillor James Walsh

**WEBCASTING NOTICE**

This meeting will be recorded for live and/or subsequent broadcast on the Council's website. 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 make a representation to the meeting you will be deemed to have consented to being recorded. By entering the Council Chamber, you are also consenting to being recorded and to the possible use of those images and sound recordings for webcasting and/or training purposes.

If you have any queries regarding webcasting of meetings, please contact Committee Services on 01483 444102.

## QUORUM: 4

## THE COUNCIL’S STRATEGIC FRAMEWORK

### Vision – for the borough

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

### Five fundamental themes that support the achievement of our vision:

- **Our Borough** – ensuring that proportional and managed growth for future generations meets our community and economic needs
- **Our Economy** – improving prosperity for all by enabling a dynamic, productive and sustainable economy that provides jobs and homes for local people
- **Our Infrastructure –** working with partners to deliver the massive improvements needed in the next 20 years, including tacking congestion issues
- **Our Environment** – improving sustainability and protecting our countryside, balancing this with the needs of the rural and wider economy
- **Our Society –** believing that every person matters and concentrating on the needs of the less advantaged
- 

**Your Council** – working to ensure a sustainable financial future to deliver improved and innovative services

### Values for our residents

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

### Mission – for the Council

A forward looking, efficiently run Council, working in partnership with others and providing first class services that give the community value for money, now and in the future.

# A G E N D A

**ITEM NO.**

1 **ELECTION OF CHAIRMAN**

2 **APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS**

3 **LOCAL CODE OF CONDUCT - DISCLOSABLE PECUNIARY INTERESTS**

4 **ANNOUNCEMENTS**

5 **COMMUNITY RIGHT TO BID** (Pages 1 - 22)

6 **CAPITAL AND INVESTMENT STRATEGY INCORPORATING THE GENERAL FUND CAPITAL PROGRAMME AND PRUDENTIAL INDICATORS (2018-19 TO 2021-22), AND TREASURY MANAGEMENT ANNUAL STRATEGY REPORT (2018-19)** (Pages 23 - 254)

7 **EXCLUSION OF THE PUBLIC**

The Joint EAB is asked the consider passing the following resolution:

"That under Section 100A(4) of the Local Government Act 1972 (as amended), the public be excluded from the meeting for consideration of the following item of business on the grounds that it involves the likely disclosure of exempt information, as defined in paragraph 3 of Part 1 of Schedule 12A to the Act".

8 **GENERAL FUND CAPITAL PROGRAMME BID NOS. 97, 169, 261 AND 268 - DETAILS OF PROPOSALS** (Pages 255 - 272)

The above-mentioned bids are to be considered in conjunction with agenda item 6 on this agenda.

**Please contact us to request this document in an alternative format**

EAB Report

Wards affected: ALL

Report of Director of Resources

Author: Joyce Hamilton, Principal Corporate Services Solicitor

Tel: 01483 444053

Email: Joyce.Hamilton@guildford.gov.uk

Lead Councillor responsible: Councillor Paul Spooner

Tel: 07970 953232

Email: Paul.Spooner@guildford.gov.uk

Date: 8 January 2018

# Assets of Community Value: Briefing Paper

**Executive Summary**

One of the key policy goals of the Localism Act 2011 (LA 2011) was to give communities more power to become involved in the way local services are delivered by stimulating social, environmental and economic growth and regeneration through community asset ownership. This was intended to counter the damage that can be done to communities and community services when buildings or other amenities are closed or sold.

One of the ways this policy goal was implemented is through the introduction of a community right to bid for and buy local land that is considered to have community value (that is, an ACV). When the owner of land listed as an ACV wants to dispose of it, the community is given the opportunity to develop a bid and raise capital to buy the land. This necessarily means that an owner of land listed as an ACV is restricted from disposing of its land until a certain period of time has passed.

It is important to note the right to bid provisions do not give anyone right of first refusal of an ACV including community groups. They also do not restrict to whom an owner of an ACV can sell their land to or at what price.

This is a briefing paper on Assets of Community Value therefore there are no recommendations. Please see Appendix 3 for useful definitions.

Please note any explanation of the law within this briefing paper is correct as at 6th December 2017. This is not legal advice. If legal advice is required, kindly obtain independent legal advice.

## 1. Purpose of Report

1.1 This briefing paper gives an overview of the law on Assets of Community Value (ACV). This briefing paper will explain:

- What an asset of community value (ACV) is;
- How land can be listed as an ACV and who by;
- The requirement to maintain lists of successful and unsuccessful ACVs;
- Making a bid for an ACV and the resulting ACV moratorium periods.

## 2. What is an asset of community value?

2.1 An ACV is land in a local authority's area that the local authority considers to have community value on the basis that:

a) the primary current use of the land furthers the social well-being or social interests of the local community; and
b) it is realistic to think that the land can continue to be used in a way that will further the social well-being or social interests of the local community (whether or not in the same way as previously); and
c) The land has previously been used for the purposes of furthering the social well-being or interests of the local community in the "recent past" and it is realistic to think that it will be used for the same purpose again within the next five years.

## 3. What will not be an asset of community value?

3.1 The following land is not of community value and therefore may not be listed as an ACV:

a) A residence and any land connected with that residence. However, if the residence is a building that is only partly used as a residence and, but for that residential use of the building, the land would be eligible to be listed as an ACV, the residence and any land connected with that residence can be listed as an ACV.
b) Land for which a site licence is required; (Part 1 of the Caravan Sites and Control of Development Act 1960).
c) Operational land as defined in section 263 of the Town and Country Planning Act 1990 (TCPA 1990).

## 4. Duty to maintain list of assets of community value

4.1 Every local authority is required to maintain two lists in relation to ACV in its area:

a) A list of land in its area that is land of community value (the ACV list).

   Where land has been included on the ACV list then the entry for that land will be removed after five years (unless it has already been removed).

b) A list of land unsuccessfully nominated for inclusion on the ACV list.

Land included on this list may be removed after five years, although the local authority is not obliged to remove it. However, while it is included, the reasons for not including the land on the local authority's ACV list should also be noted.

4.2 Both these lists must be available for free inspection and a local authority must provide a free copy of the lists if requested to do so. A local authority is required to maintain both these lists, adding, amending and removing entries as soon as reasonably practicable after receiving the information enabling it to make the changes.

**5. Power to make further regulations about ACV lists**

5.1 The Secretary of State (in relation to England) has the power to make further provisions in relation to the ACV list, by way of regulations, including (in particular) provision about the following:

a) The form in which the ACV list is to be kept;
b) Contents of an entry in the ACV list (including matters not to be included in an entry).
c) Modification of an entry in the ACV list;
d) Removal of an entry from the ACV list;
e) Cases where land is to be included in the ACV list and:
    - different parts of the land are in different ownership or occupation; or
    - there are multiple estates or interests in the land or any part or parts of it.
f) Combination of the ACV list with the local authority's list of land, nominated by unsuccessful community nominations.

**6. Modifying a list entry**

6.1 A local authority must amend or remove an entry on its ACV list to:

a) Note receipt of any notice by an owner of land listed as an ACV that the owner wants to enter into a relevant disposal of the land, the date of receipt of that notice, and the ends of the interim moratorium period, the full moratorium period and the protected period.
b) Exclude any land that, after being included on the list, has been the subject of a relevant disposal.
c) Exclude any land that, following a successful appeal against listing, is no longer to be considered as an ACV.
d) Exclude any land that it considers to be no longer of community value.

**7. Notifying the owner and others of the decision to include or remove land from the ACV list**

7.1 A local authority must also give the following persons written notice where land is included or removed from an ACV list:

a) The owner of the land;

b) The holder of the freehold estate and the holder of any leasehold estate in the land (where they are not the owner);
c) The occupier of the land being added or removed (if they are not also the owner);
d) The parish council if any of the land being added or removed is in the parish council's area;
e) The voluntary or community body that made the nomination (if the land was included as a result of a community nomination); and
f) Any other person specified in regulations made by the Secretary of State (in relation to England, no other persons are currently specified).

7.2 Where it is not reasonably practicable to give written notice to these persons, then a local authority must take reasonable, alternative steps to bring the notice to the attention of the relevant person.

7.3 A notice of inclusion of land in the ACV list must draw particular attention to the consequences of the land's inclusion in the ACV list, for the land and its owner and the right to ask for review.

7.4 To be validly served under the LA 2011, the notice must satisfy the requirements of the relevant statutory provision. The LA 2011 does not prescribe a method of service. However, a local authority may choose to use personal delivery or recorded delivery to prove that the notice was served on, and received by, the relevant person.

7.5 Where land is being removed from the list, then a local authority should also include reasons for the removal.

**8. Procedure to list land as an asset of community value**

8.1 A local authority can include land in its ACV list only in either of the following situations:

a) In response to a community nomination; and
b) Where permitted to do so by regulations made by the Secretary of State (in relation to England).

**9. Community nomination**

9.1 A community nomination is a nomination of land to be included in a local authority's ACV list.

9.2 A community nomination can be made by either:

a) A parish council (in England) in respect of land within the council's area; or
b) A person on behalf of a voluntary or community body with a local connection with land in the local authority's area (including a parish council in respect of land outside the council's area)

## 10. Contents of a community nomination

10.1 A voluntary or community body that wants to nominate land to be listed as an ACV must ensure that its nomination includes the following:

a) A description of the nominated land, including its proposed boundaries;
b) A statement of all the information considered in reaching the decision to nominate, including the names of any current occupants and the names and addresses of all those holding a freehold or leasehold estate in the land;
c) The reasons for thinking that the local authority should conclude that the land is of community value;
d) Evidence that the voluntary or community body is eligible to make a community nomination

## 11. Procedure following local authority receipt of a community nomination

11.1 Following receipt of a community nomination for land to be listed as an ACV, a local authority must:

a) Consider the nomination and keep the owner of the land and others informed;
b) Reach a decision whether or not to list nominated land within eight weeks of receiving the nomination;
c) Accept the nomination if the land is in the local authority's area and qualifies as an ACV;
d) Include the land on its ACV list if it accepts the nomination;
e) Give written reasons to the nominator if it does not accept the nomination and explain why the land cannot be included on the ACV list. It should also update its list of land nominated by unsuccessful community nominations.

## 12. Challenging inclusion of land on ACV list: owner

12.1 Where an owner of land listed as an ACV objects to the listing, they can request a review of the decision to list. If a request is made for a listing review, the local authority must review its decision. However, the legislation does not provide for an appeal by a community group challenging a decision not to list.

12.2 If the owner of land listed as an ACV is unhappy with the listing review decision, they have a further right to appeal.

## 13. Listing review: procedure

13.1 Any request for a listing review must be made in accordance with section 92 of the LA 2011 and Schedule 2 to the ACV Regulations 2012, that is:

a) A request for a review must be made in writing within eight weeks of the local authority having given written notice that the land is to be listed as an ACV (or where this was not possible, within eight weeks of the date on which the local authority completed its reasonable alternative steps);

b) A review must be carried out and determined by an officer of the local authority of “appropriate seniority” who was not involved in the original decision;
c) An owner of land listed as an ACV may appoint a representative to act on their behalf. Where a representative is appointed, the local authority must send to the representative any of the documents required to be provided to the owner (there is no need to provide those documents separately to the owner);
d) A local authority must notify the owner of the review procedure as soon as is practicable after receiving the written request for a review;
e) A local authority may choose not to include an oral hearing in the review process unless the owner has made a written request for an oral hearing, in which case an oral hearing must be held.
f) The owner or their representative may make representations to the reviewer, both orally and in writing. Here the owner will be able to present a case for removing the asset from the list based on whatever evidence they consider appropriate.
g) A review must be completed within eight weeks of the local authority receiving the written request for a review (unless a longer period is agreed in writing with the owner).
h) The owner and the local authority each bear their own costs of the review.

13.2 Where a local authority has reviewed its decision, it must notify the owner of its decision and give reasons for it.

13.3 If, following a review, the local authority agrees that the land should not have been listed, then it must remove the entry from the ACV list. The local authority should also update its list of land nominated by unsuccessful community nominations.

13.4 Where the land was included in the list following a community nomination, the local authority must give a written copy of the reasons for the decision to the nominator. The community nomination itself will become unsuccessful and must be listed on the unsuccessful nominations list.

**14. Appealing an ACV listing review decision**

14.1 If a request for a listing review results in a decision that the land was correctly listed as an ACV, then the owner of the land who requested the listing review or any subsequent owner of part or the whole of the land can appeal to the First-tier Tribunal (General Regulatory Chamber) against the review decision.

14.2 Under the Tribunal Procedure (First-tier Tribunal) (General Regulatory Chamber) Rules 2009 (SI 2009/1976), an appeal must be made within 28 days of the local authority sending the owner its review decision. The land remains listed during the appeal process.

14.3 In October 2013, Hackney Council became the first local authority to successfully defend an appeal against a decision to list a popular pub as an ACV.

## 15. Restrictions on disposing of land listed as an ACV

15.1 A person who is an owner of land included in a local authority's ACV list must not enter into a "relevant disposal" of the land unless three conditions are met (A to C). Certain disposals are exempt, and as such do not have to satisfy conditions A to C.

<u>Condition A:</u> the person, who wants to enter into a relevant disposal, must have notified the local authority in writing that they want to enter into a relevant disposal of the land. Once notification has been given, the local authority must:

a) amend the relevant entry on the ACV list, providing the date the notice was received and the end of the moratorium periods ;
b) notify the nominator of those matters if the listing was a result of a community nomination; and
c) publicise the information in the area where the land is situated.

<u>Condition B:</u> that either:

a) the interim moratorium period has ended without the local authority having received during that period, a written request (however expressed) from any community interest group for the group to be treated as a potential bidder in relation to the land; or
b) the full moratorium period has ended.

<u>Condition C:</u> the protected period has not ended

*See Appendix 2 Moratorium flowchart*

## 16. Interim moratorium period

16.1 The interim moratorium period is six weeks from the date on which a local authority receives notification of the proposed disposal in satisfaction of Condition A.

16.2 During the interim moratorium period, an owner of land listed as an ACV can only dispose of the listed land to a community interest group.

16.3 During the interim moratorium period, a community interest group may give written notice to the local authority that it wants to be treated as a potential bidder in relation to the land. There is no requirement on how this request should be expressed, but it must be made in writing.

16.4 If no request is made by a community interest group within the six-week interim moratorium period, the owner is free to dispose of the land at the end of the six-week period, and no further moratorium will apply for the duration of the protected period.

16.5 If a community interest group makes a written request to be treated as a bidder for the listed land, the local authority must inform the owner that this request has been received and that the full six-month moratorium period will operate.

**17. Full moratorium period**

17.1 The full moratorium period is six months from the date on which the local authority receives notification of a proposed disposal satisfying Condition A.

17.2 During the full moratorium period, an owner can continue to market their land and negotiate sales but cannot exchange contracts or enter into a binding contract to exchange contacts, except to a community interest group (that is, a group which either did, or would have been eligible to, trigger the full moratorium period).

17.3 After the full moratorium period, the owner can dispose of land to whoever they choose.

**18. Protected period**

18.1 The protected period is 18 months from the date on which the local authority receives notification of a proposed disposal satisfying Condition A. It is intended to protect an owner from repeated attempts to block a sale by a community interest group: as there can be no further moratoriums during the protected period. A property will continue to be listed after the protected period has ended.

18.2 For example, if an owner does not sell their property within the protected period, but subsequently decides to put it up for sale for a second time, this will re-trigger the moratorium period process and a new protected period will begin to run.

**19. Exempt disposals**

19.1 The restrictions on relevant disposals do not apply to the exempt disposals listed in either:

a) Section 95(5) of the LA 2011
b) Schedule 3 to the ACV Regulations 2012

19.2 Demonstrating that a disposal of an ACV is an exempt disposal will mean that an owner will not trigger the ACV moratorium provisions.

**20. Making a bid**

20.1 Once a local authority has received notice under section 95(2) that the owner of land listed as an ACV wants to dispose of it, a community interest group may make a written request to the local authority to be treated as a potential bidder in relation to that land. The local authority must, as soon as practicable after receiving this request update its ACV list and either pass on the request to the owner of the land or inform them of the details of the request.

20.2 A “community interest group” is defined in regulation 12 of the ACV Regulations 2012.

20.3 It is important to note that after having requested to be treated as a potential bidder:

a) There is no obligation for the community interest group to make an offer or to buy or acquire any interest in the land;
b) There is no right for the community interest group to buy or acquire any interest in the land; and
c) There is no obligation on the land owner to dispose of the land to the community interest group on any terms.

20.4 If the community interest group can make an attractive enough bid for the land, the moratorium periods are intended to give the group enough time to arrange finance and to proceed with the deal.

## 21. Adding details of requests to be treated as a bidder

21.1 When a local authority receives a request from a community interest group to be treated as a potential bidder for an ACV, the local authority must add the following information to the relevant entry on the ACV list:

a) That a community interest group has requested to be treated as a potential bidder for a particular land listed on the ACV list;
b) The name of the community interest group submitting the request to be treated as a bidder;
c) That restrictions on entering into a relevant disposal of the land to which the moratorium relates continue to apply for six months during the full moratorium period, but that at the end of that period the restrictions will then not apply for a year.

## 22. Right of owner to claim compensation for loss arising from ACV listing

22.1 If an owner or former owner of land listed or previously listed as an ACV incurs loss or expense that it is likely they would not have incurred had the land not been listed as an ACV, they may be able to claim compensation under regulation 14 of the ACV Regulations 2012. Regulation 15 lists certain bodies that are not entitled to claim compensation.

22.2 Regulation 14(3) lists the following as examples of types of compensation claim that might be made:

a) A claim arising from any delay in entering into a binding agreement to sell the land listed as an ACV, which is wholly caused:
   - by relevant disposals being prohibited under the six-week interim moratorium period; or
   - in the case of a full moratorium period, by relevant disposals of the land being prohibited during any part of the six-month full moratorium period.

b) A claim for reasonable legal expenses incurred in a successful appeal to the First-tier Tribunal (General Regulatory Chamber) against a local authority's decision:
   - to list the land;
   - to refuse to pay compensation; or
   - relating to the amount of compensation offered or paid to the owner.

22.3 Any claim for compensation must:

a) Be made in writing to the local authority.
b) Be made within 13 weeks of the loss or expense being incurred or having finished being incurred.
c) State the amount of compensation sought for each part of the claim.
d) Include supporting evidence for each part of the claim.

22.4 Once a local authority has reached a decision regarding compensation, it must give the landowner (or former owner) written reasons for its decision. There is no time period within which a local authority must respond to a claim. As a matter of good practice, a local authority should endeavour to reach a decision as quickly as practicable once it has all of the necessary evidence.

**23. Who cannot apply for compensation?**

23.1 The following public and publicly-funded owners or former owners of land listed or previously listed as an ACV cannot apply for compensation for loss or expense in relation to listed land:

a) An authority or other body in respect of loss or expense incurred at a time when it has accounts that are required to be audited under section 2 of the Audit Commission Act 1998;
b) A government department, authority or other body in respect of loss or expense incurred at a time when section 6 of the National Audit Act 1983 applies to it; and
c) An authority or body in respect of loss or expense incurred in any of its financial years if its use of resources in that year is examinable under section 7 of the National Audit Act 1983.

**24. Reviewing a local authority compensation decision**

24.1 An owner or former owner of land listed or previously listed as an ACV who has made a claim for compensation under regulation 14 of the ACV Regulations 2012 may ask a local authority to review either or both of its decisions relating to:

a) Whether compensation should be paid;
b) The amount of compensation that should be paid

24.2 The request for a compensation review must be made in writing within eight weeks of the date the local authority gave the owner (or former owner) written reasons for its original decision regarding compensation (unless any longer period is agreed in writing with the authority).

24.3 The local authority must review its decision if an owner requests a compensation review which meets these requirements.

24.4 Where a local authority has reviewed its original compensation decision, it must notify the person who requested the review, in writing, of its compensation review decision and the reasons for it.

24.5 The procedure for reviewing a compensation decision is very similar to that for reviewing a listing decision set out in Schedule 2 . However, in relation to making a further appeal to the First-tier Tribunal (General Regulatory Chamber) only the owner or former owner who requested the review may appeal against the decision (this is different to a listing appeal where a new owner who has bought the land following a request for a listing review may appeal against the review decision).

**25. Local authorities: meeting compensation costs**

25.1 The DCLG has factored the costs of meeting the compensation requirements within the new burdens funding (based on 40 successful claims for compensation being made across all local authorities over a year).

25.2 In addition to the new burdens funding, the government will meet costs of compensation payments paid by local authorities of over £20,000 in a financial year (either for a single claim or a number of smaller claims).

**26. Safeguarding land listed as an ACV**

26.1 The ACV Regulations 2012 protect land that is listed as an ACV and prevent it from being disposed of in breach of section 95 of the LA 2011. This is done by:

a) Registering the ACV listing as a local land charge; and
b) Entry of a restriction on the land register

**27. Registering the listed land as a local land charge**

27.1 If land is listed as an ACV, this constitutes a local land charge for the purposes of the Local Land Charges Act 1975. The local authority will be the “originating authority” and is required to register the ACV listing in the local land charges register.

27.2 As a local land charge, the listing is binding on successive owners of the land, whether or not they know of the listing (or whether the listing is actually registered in the local land charges register). Anyone carrying out an investigation of title of the land (for example on a prospective purchase, grant of lease or mortgage), will find out about the ACV listing when they carry out a local land charges search.

**28. Local authorities must co-operate if land falls between them**

28.1 Where land that is listed as an ACV falls within two or more local authority areas, each of the local authorities must co-operate (section 102, LA 2011).

**29. Conclusion:**

**Community Right to challenge**

29.1 The Community Right to Challenge (CRC) is different from the Community Right to Bid (CRB). The CRC is sometimes confused with the CRB as both were created by the LA 2011. The CRC is part of the government's drive to decentralise public services and to give communities the opportunity to deliver them.

29.2 The CRC allows certain "relevant bodies" to challenge a "relevant authority" by expressing an interest in running a "relevant service". When such a challenge is made and accepted by the relevant authority, this will trigger a procurement process. This process must comply with any applicable public procurement requirements. A relevant body will then be able to bid to provide the relevant services alongside any other bidders (including, potentially, an in-house department of the relevant authority).

**Reform of the ACV regime**

29.3 On 3 February 2015, the House of Commons Communities and Local Government Committee (HOC) published a report on community rights and its recommendations for what the government should cover when it undertakes its post-legislative scrutiny of community rights in 2015 (House of Commons Communities and Local Government Committee: Community Rights (Sixth Report of Session 2014-15)).

29.4 The HOC report observed that almost 50% of attempts to buy ACVs by community groups are unsuccessful and as such there must be scope for enhancing their chances of success at the bidding stage. In addition there needed to be more awareness of community rights, including the right to bid and there should also be more funding support for those exercising community rights so that they are prepared to take on the public assets that they are offered. The HOC made several recommendations to the government about conducting a consultation.

29.5 The government has responded to the recommendations and confirmed that it will be carrying out a post-implementation review. This was expected in late 2015 but to date has not taken place.

**30. Appendices**

Appendix 1 Listing Process flowchart
Appendix 2 Moratorium periods flowchart
Appendix 3 Definitions

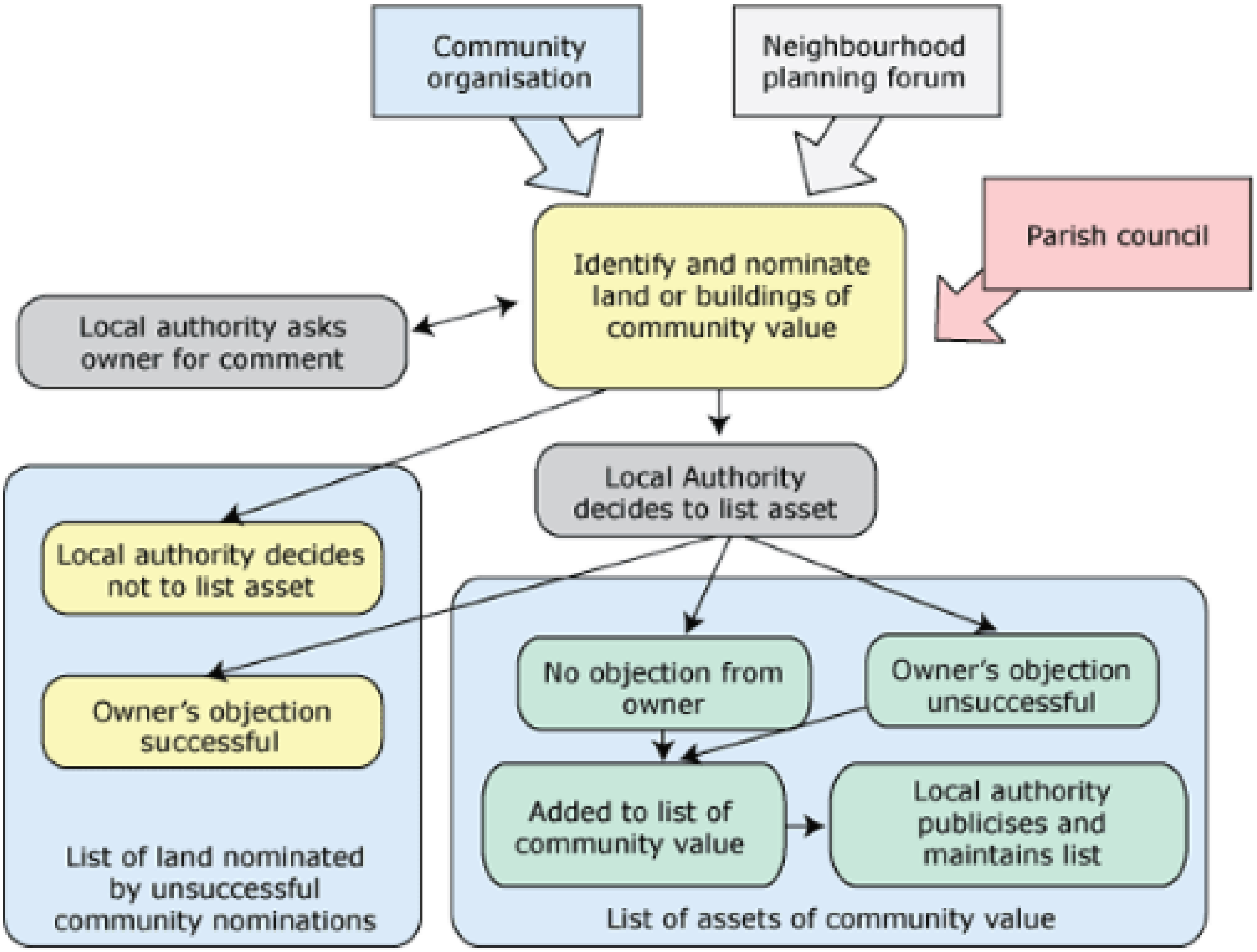
**31. Bibliography**

Thomson Reuters Practical Law

This page is intentionally left blank

**Appendix 1**

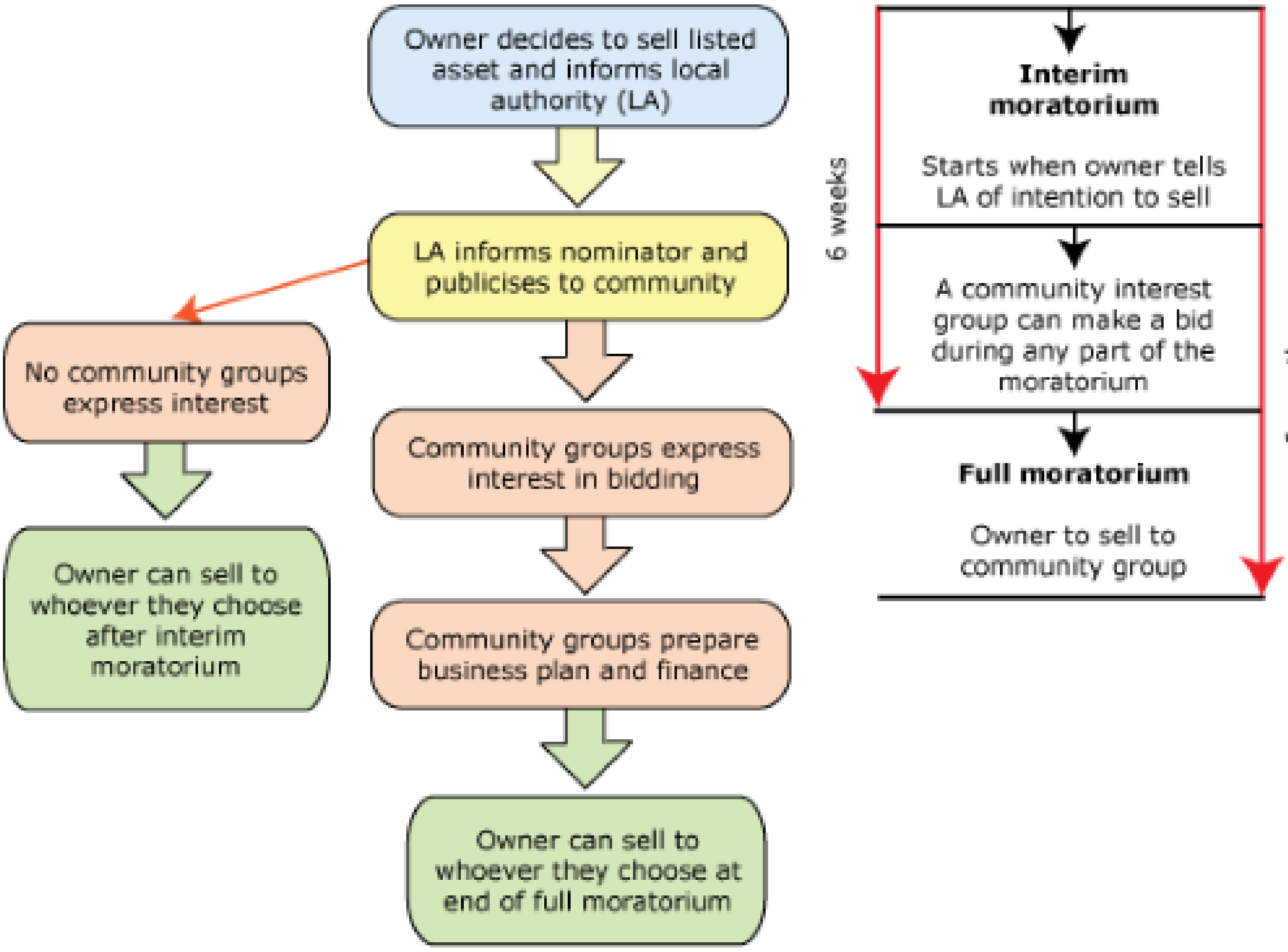
**Listing process: flowchart**



This page is intentionally left blank

**Appendix 2**

**Moratorium periods and flowchart**



**Appendix 3 Definitions**

**Community interest group**
A group will qualify as a community interest group if either of the following apply:

a) A parish council is a community interest group in relation to land which is the subject of an owner's notice given in satisfaction of Condition A if any of that land is in the council's area;
b) A body is a community interest group in relation to any land if the body has a local connection with the land and falls within one of more of the following definitions:
   - a charity;
   - a company limited by guarantee, that does not distribute any surplus to its members ;
   - an industrial and provident society, which does not distribute any surplus to its members and is registered or deemed to be registered under the Industrial and Provident Societies Act 1965 (IPSA 1965) which meets one of the conditions in section 1 of the IPSA 1965 (these organisations are now known as co-operative or community benefit societies; or
   - a community interest company (CICs).

(Regulation 12, ACV Regulations 2012.)

**Land**

Land includes any of the following:

a) Part of a building.
b) Part of any other structure.
c) Mines and minerals, whether or not held with the surface.

The definition of "land" in section 108 of the LA 2011 must be read alongside the definition of "land" in the Interpretation Act 1978: "Land" includes building and other structures, land covered with water, and any estate, interest, easement, servitude or right in or over land" (Schedule 1, Interpretation Act 1978).

**Local authority**

A local authority, in relation to England, means:

a) A district council.
b) A county council where no district council exists for an area.
c) A London Borough Council.
d) The Common Council of the City of London.
e) The Council of the Isles of Scilly.

(Section 106, LA 2011.)

**Local connection: other bodies**

A voluntary or community body (other than a parish council) is deemed to have a local connection with land in a local authority's area if the body's activities are wholly or partly concerned with either:

a) The local authority's area.
b) A neighbouring authority's area.

Additional requirements are imposed on the following types of body:

a) An incorporated body must also:
    - have at least 21 local members; and
    - apply any surplus it makes wholly or partly for the benefit of the local authority's area or for the benefit of a neighbouring authority's area.
b) A company limited by guarantee must not distribute any surplus to its members and must apply any surplus it makes wholly or partly for the benefit of the local authority's area or for the benefit of a neighbouring authority's area;
c) An industrial or provident society must not distribute any surplus to its members and must apply any surplus it makes wholly or partly for the benefit of the local authority's area or for the benefit of a neighbouring authority's area.

**Local connection: parish councils**
A parish council will have a local connection with land in a local authority's area if that land is:

a) In another parish council's area, if any part of the boundary is shared;
b) In a local authority's area, that is not in any parish council's area, if:
    - the parish council's area is within the local authority's area; or
    - any part of the parish council's boundary is shared with the local authority's area.

**Owner**

An owner, in relation to land, is one of the following:

a) The person in whom the freehold estate in the land is vested, unless there is a qualifying leasehold estate in the land (that is, a leasehold estate for a term which, when granted, had at least 25 years left to run);
b) Where there is one qualifying leasehold estate in the land, the person in whom that estate is vested;
c) Where there are two or more qualifying leasehold estates in the same land, the person in whom the most distant (from the freehold estate) qualifying leasehold estate is vested.

(Section 107, LA 2011.)

In summary, if there is more than one proprietor of a legal estate in the land, only one will qualify as the owner for the purposes of the LA 2011. If there is no qualifying leasehold estate (for a term which, when granted, had at least 25 years left to run), the freeholder will be the owner. If there are several leases and sub-leases, then the proprietor of the qualifying leasehold estate most distant from the freeholder will be the owner.

**Relevant disposal**

A relevant disposal for the purposes of the section 95 moratorium provisions is either of the following:

a) A disposal of a freehold estate with vacant possession; or

b) A grant or assignment of a leasehold estate (for a term which, when granted, had at least 25 years to run) with vacant possession.

(Section 96, LA 2011.)

**Residence and land connected with that residence**

A residence is a building that is used or partly used as a residence.

A building is a residence if it meets any of the following tests:

a) It is normally used or partly used as a residence, but what is normally used as a residence is temporarily unoccupied for whatever reason.
b) It is let or partly let for use as a holiday dwelling.
c) It, or part of it, is a hotel or is otherwise principally used for letting or licensing accommodation to paying guests.
d) It is a house in multiple occupation as defined in section 77 of the Housing Act 2004.
e) A building will not be a residence if it meets any of the following tests:

f) It is land on which currently there are no residences but for which planning permission or development consent has been granted for the construction of residences.
g) It is a building undergoing construction where there is planning permission or development consent for the completed building to be used as a residence, but construction is not yet complete.
h) It was previously used as a residence but is in future to be used for a different purpose and planning permission or development consent for a change of use to that purpose has been granted.

Land is connected with a residence if both the following apply:

a) The land and the residence are owned by a single owner.
b) Every part of the land can be reached from the residence without having to cross land that is not owned by that single owner, that is, where:
- part of the land cannot be reached from the residence by reason only of intervening land in other ownership on which there is a road, railway, river or canal; and
- It is reasonable to think that if the intervening land were removed, every part of the land could be reached from the residence without having to cross land in other ownership.

**Social interests**

The LA 2011 defines “social interests” to include cultural interests, recreational interests and sporting interests, which could include ACVs of the following type:

a) A community building, such as a village hall
b) A building or land of local historical value
c) A public house
d) A sports ground
e) A local park
f) A car park
g) A playing field

**Voluntary or community body**

A voluntary or community body can include the following:

a) A body designated as a neighbourhood forum under section 61F of the Town and Country Planning Act 1990;
b) A parish council;
c) An unincorporated body with at least 21 members who are individuals, that does not distribute any surplus to its members;
d) A charity;
e) A company limited by guarantee, that does not distribute any surplus to its members;
f) An industrial and provident society, which does not distribute any surplus to its members and is registered or deemed to be registered under the Industrial and Provident Societies Act 1965 (IPSA 1965), which meets one of the conditions in section 1 of the IPSA 1965. These organisations are now known as co-operative or community benefit societies;
g) A community interest company (CICs)

A public or local authority cannot be a voluntary or community body (except in the case of a parish council).

Joint EAB Report

Ward(s) affected: All

Report of Chief Finance Officer

Author: Vicky Worsfold

Tel: 01483 444834

Email: victoria.worsfold@guildford.gov.uk

Lead Councillor responsible: Michael Illman

Tel: 07742 731535

Email: michael.illman@guildford.gov.uk

Date: 8 January 2018

# Capital and investment strategy incorporating the General Fund Capital Programme and Prudential Indicators (2018-19 to 2021-22), and Treasury Management Annual Strategy Report (2018-19)

**Executive Summary**

This report is the Council's capital and investment strategy, the capital strategy being a new requirement under the revised CIPFA Prudential Code 2018. The report incorporates the position of the current capital programme and the new capital proposals for the period 2018-19 to 2021-22, and the Treasury Management Annual Strategy Report for 2018-19. These have been presented as separate reports in previous years, but are now being presented together linking investment both in terms of treasury management and assets. The aim is to avoid duplication between the reports, and to strengthen the link between capital spending and the treasury management function.

CIPFA have also revised the Code of Practice on Treasury Management ('TM Code'), alongside the revision to the Prudential Code.

Due to the timing of CIPFA producing the codes, they have acknowledged that the 2018-19 report will be a year of transition, and that full adoption may not be possible until 2019-20. Officers have prepared this report based on CIPFA's indication of the likely content, and councillors are to be made aware that there could be further changes in future years.

Key changes to the Prudential and TM Codes are:

- development of a capital strategy (linking both the codes)
- high level context setting and strategy with key indicators
- confirms the codes applies to all investments (treasury and non-treasury)
- non treasury investments need to be discussed separately in the report
- recognition that for non-treasury investments the principle of placing security and liquidity above yield may not be appropriate in all cases but decisions should be

explicit
- delegation of detail, if appropriate, but responsibility remains with full Council
- coverage of group and combined authorities
- encouragement of local indicators - to include HRA indicators
- change in some Prudential Indicators
- requirement for the CFO to report on risks, but flexibility over timing and how they are reported
- designations under the Markets in Financial Instruments Directive (MiFID II)

The Department for Communities and Local Government (DCLG) have also revised their Investment Guidance (last revised in March 2010) and the MRP Guidance (last revised in 2012). The 2010 Guidance was very focused on investments in financial institutions, and as authorities are now increasingly investing in non-financial assets, they need to be brought into the scope of the Guidance. The Guidance retains the requirement for an Investment Strategy to be prepared at least annually (see section 4 of Appendix 1) and approved by Full Council.

At the time of writing the report, the guidance was still out to consultation, key changes will be highlighted once the final guidance has been published.

The Council has a duty under the Local Government Act 2003 to have regard to both the CIPFA Codes and the DCLG Guidance.

In April 2017, the Money Markets Committee (a sub-committee of the Bank of England) published the UK Money Markets Code, which outlines basic market procedures and good practice, for the execution of transactions in the deposit markets, and applies to all UK Market participants, whether or not they are financially regulated, which includes local authorities. CIPFA recommends the UK Money Markets Code to its members as good practice to which they should adhere.

<u>Capital strategy</u>
The aim is to demonstrate that the Council takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability. The Council also needs to demonstrate that it sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.

The capital strategy is intended to give an overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.

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

<u>Capital programme</u>
The Council has a current underlying need to borrow for the General Fund Capital Programme of £323 million. Officers have put forward bids, with a net cost to the Council of £96 million, increasing the underlying need to borrow to £419 million should

these proposals be approved for inclusion in the programme.

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

All projects will be funded by general fund capital receipts, grants and contributions, reserves and finally borrowing. We do not currently know how each scheme will be funded and, in the case of development projects, what the delivery model will be – this budget report, and the capital strategy, shows a high-level position. The capital programme includes a number of significant regeneration schemes, which we have assumed will be financed from the General Fund. However, subject to detailed design of the schemes, there may be scope to fund them from HRA resources rather than General Fund resources in due course. Detailed funding proposals for each scheme will be considered when the Outline Business Case for each scheme is presented to Executive for approval.

Appendices 2 and 3 contain details of the new bids submitted, including the impact of proposed capital expenditure on Council Tax. Appendices 4 to 8 show the position and profiling of the current capital programme (2017-18 to 2021-22) and Appendix 9 the capital vision schemes.

Corporate Management Team (CMT) evaluated each bid, and the Joint Executive Advisory Board Budget Task Group (JEABBTG) have reviewed all bids being submitted as part of this report.

The key areas of growth include:

- A331 hotspots (previously on the capital vision)
- VAT on the crematorium project
- Roads and footpaths

This report also includes the Council's Minimum Revenue Provision (MRP) policy and the Prudential Indicators. The details are in section 6 of the main report. The estimated budget for MRP for 2018-19 to 2020-21 is:

- 2018-19: £1.2 million
- 2019-20: £1.8 million
- 2020-21: £3.3 million

The revised Prudential Code 2017, states that the setting of the capital expenditure estimates, operational boundary and authorised limit should be approved by the same body that approves the budget – therefore full Council as in previous years. However, it allows for other indicators to be delegated to a committee or sub-committee of full Council, although full Council retains overall responsibility. Officers present this report to the Joint Executive Advisory Board, and Corporate Governance and Standards Committee before the Executive and then full Council. In year monitoring is also presented to Corporate Governance and Standards Committee, and therefore believe that there is adequate scrutiny of the other indicators without the need to change the process.

Treasury Management

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

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

Officers carry out the treasury management function within the parameters set by the Council each year in the Treasury Management Strategy Statement (now the capital and investment strategy), included at Appendix 1, and in accordance with the approved treasury management practices (TMPs) (shown in Appendix 11).

The Council considers security, liquidity and yield when making treasury investment decisions, across the portfolio as a whole. The security of the portfolio is the security of our capital, ensuring we get our money back. Liquidity is second to security, ensuring we can get our money, or access to cash, when we need it. Once we are comfortable with both the security and liquidity of the investment in line with a balanced portfolio, we review the return on the investment.

We have defined our minimum credit rating for high quality investment for specified investments as A- for a counterparty. The credit ratings are explained in Appendix 14.

The Government believes that the principal of security, liquidity and yield applies to both financial and non-financial investments.

DCLG proposed guidance (currently out for consultation and is subject to change) has a definition for non-financial assets:

- Security – consideration as to whether the underlying asset is impaired and, if it is, to detail the actions planned or in progress to protect the funds invested
- Liquidity – procedures for ensuring that funds invested in a non-financial asset can be accessed when needed

The Council is in a good financial position, and has a strong asset base. We have an ambitious Corporate Plan and medium to long-term aspirations within the Borough, but we hold a good level of reserves. We will always maintain a certain level of reserves in order to ensure the Council provides services to its residents.

The budget for investment income in 2018-19 is £1.6 million, based on an average investment portfolio of £115 million, at an average rate of 1.63%. The budget for debt interest paid is £6.3 million, of which £5.1 million relates to the HRA.

Non-financial investments

The Council is now required to include details of its non-treasury investments in the annual investment strategy. This includes asset management, investment properties, investments in subsidiary companies and information on the councils commercialisation and transformation programmes.

**Recommendation to Executive**

The Executive is asked to agree the following:

(1) That the new capital proposals listed as items 23 to 29, in Appendix 2 to this report be added to the General Fund Capital Programme approved list, to be funded by reserves, and that the relevant officer be authorised to implement the schemes.
(2) That the new capital proposal listed as items 1 to 22, in Appendix 2 to this report, be added to the General Fund Capital Programme provisional list, and that these schemes, subject to the limits in Financial Procedure Rules, be subject to a further report to the Executive, before being progressed
(3) That the revenue implications of the new capital schemes referred to in paragraphs (1) and (2) above be implemented in the relevant years stated in the bids.
(4) That the affordability limit for schemes to be funded by borrowing be set as per Appendix 1 para 3.65.

**Recommendation to Council:**

The Executive also is asked to recommend to Council:

(1) That the General Fund capital estimates, as shown in Appendices 4 and 5 (current approved and provisional schemes, and as amended to include such bids as may be approved by the Executive at its meeting on 23 January 2018, Appendix 6 (schemes funded from reserves) and Appendix 7 (s106 schemes), be approved.
(2) That the Minimum Revenue Provision policy, referred to in Section 6 of this report, be approved.
(3) That the Capital and Investment strategy be approved, specifically the Investment strategy and Prudential Indicators contained in Appendix 1.
(4) That the Treasury Management Practices be approved with delegation of future changes to the practices to the Chief Finance Officer, contained in Appendix 11.

<u>Reason(s) for Recommendation:</u>

- To enable the Council to approve the capital and investment strategy and the treasury and prudential indicators for 2018-19 to 2023-23

- To enable the Council, at its budget meeting on 7 February 2018, to approve the funding required for the new capital investment proposals.

## 1. Purpose of Report

1.1 The Local Government Act 2003 requires the Council to have regard to the CIPFA Treasury Management Code of Practice (“TM Code”), and specifically the Prudential Code when determining how much it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital expenditure plans of local authorities are affordable, prudent and sustainable. The Prudential Indicators required by the Prudential Code are designed to support and record local decision making in a manner that is publicly accountable.

1.2 The Prudential Code now requires the Council to produce a capital strategy. The purpose of the capital strategy is to describe how the investment of capital resources will contribute to the achievement of the Council's key objectives and priorities, and to describe the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.

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

1.4 The Council must put aside resources where the Council finances capital expenditure by debt (internal or external borrowing), to repay that debt in later years. This cost is charged to the revenue account annually, and forms part of the Council Tax cost to taxpayers and is known as Minimum Revenue Provision (MRP). The annual MRP statement for 2018-19 is included in this report.

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

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

## 2. Strategic Priorities

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

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

## 3. Background

3.1 The Local Government Act 2003 requires the Council to have regard to the CIPFA Prudential Code for both capital and treasury management purposes.

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

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

3.4 It applies to the following which together constitute, for the purposes of this code the UK Market:

a) the execution of transactions in the deposits market
b) the repo market
c) securities lending transactions as transacted in the UK

3.5 The details of the principles in the Money Markets Code, can be found in Appendix 12.

3.6 To demonstrate that the Council has fulfilled these objectives, section 5 of this report details the Prudential Indicators that must be set and monitored each year.

3.7 The CIPFA Prudential Code, requires local authorities to determine a capital and Investment strategy, having regard to:

<u>Capital expenditure</u>

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

<u>Debt and borrowing and Treasury Management</u>

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

<u>Commercial Activity</u>

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

<u>Other long-term liabilities</u>

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

<u>Knowledge and skills</u>

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

3.8 Local authorities need to have the use of sufficient capital assets to deliver their responsibilities in an efficient, effective and economic manor.

3.9 The TM Code has three key principles:

- public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities
- policies and practices should make clear that the effective management and control of risk are prime objectives of treasury management activities, and the risk appetite should be identified in the annual strategy
- acknowledgment that the pursuit of value for money in treasury management, and the use of suitable performance measures, are valid and important tools for organisations to employ in support of their business and service objectives; and that within the context of effective risk management, the treasury management policies and practices should reflect this.

3.10 Within the TM Code, and specified in the Treasury Management Policy Statement (Appendix 10), officers must maintain '*suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control these activities'*. Appendix 11 contains the latest TMPs for councillors approval and it is suggested that delegation to make further changes to the TMPs be given to the CFO, because the TMPs govern how the treasury management function will be run operationally, and Councillors approve the strategy it seems appropriate to have a distinction between approval levels.

3.11 We must put aside resources where the Council finances capital expenditure by borrowing (internal or external), to repay that debt in later years. This cost is charged to the revenue account annually and is known as Minimum Revenue Provision (MRP). The annual MRP statement for 2018-19 is included in section 6 of this report. There is not an earmarked reserve for MRP, it is represented in the balance sheet as increased cash.

3.12 Due to the specialised nature of treasury management and capital finance, there is a glossary of terms at Appendix 15.

## 4. Capital programme

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

4.2 Any projects that are expected to be delivered after the five-year period, or those where a scheme has not been fully identified are placed on the Council's Capital Vision (see Appendix 9). The vision enables us to model the potential financial impact of these schemes, and be aware of the potential schemes to be brought forward onto the GF capital programme in future. We use this information to model the long-term impact of the programme in the liability benchmark.

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

4.4 The Council has a current underlying need to borrow for the General Fund Capital Programme of £323 million. Officers have put forward bids, with a net cost to the Council of £96 million, increasing the underlying need to borrow to £419 million should these proposals be approved for inclusion in the programme.

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

**New capital schemes**

4.6 We asked officers to submit capital bids as part of the service plan and business planning process to be assessed against the Council's corporate plan priorities and fundamental themes whilst having regard to our underlying need to borrow for the current capital programme.

4.7 Appendix 2 provides a summary of the new capital bids submitted with further information for each scheme in Appendix 3. Corporate Management Team (CMT) evaluated the bids, and those supported are included for submission to councillors. Four of the bids are, at this stage, confidential and can be found in the "Not for Publication" agenda item 8 on the Joint EAB's agenda.

4.8 Following this evaluation, the Joint Executive Advisory Board Budget Task Group (JEABBTG) reviewed the bids, and were broadly supportive with queries to be answered by officers. It is anticipated to provide the answers to these at the meeting.

4.9 Appendix 2 includes new schemes submitted with a net cost of £96 million, after taking into account estimated third party contributions, financing from specific reserves and any bids currently in the capital programme. If councillors decide to progress any of these schemes, we will add them to the current capital programmes, which are attached as Appendices 5 to 7.

4.10 There is an underlying need to borrow to meet the current GF capital programme of £323 million for 2017-18 to 2021-22 (excluding the new bids detailed in this report). The revised underlying need to borrow after taking account of the new bids is £419 million.

4.11 For planning purposes, we have currently assumed we will borrow internally for all schemes, but in doing so are projecting a need to borrow externally (see para 5.11). The most economically advantageous method of financing (use of available capital resources, external borrowing or leasing) will be determined in the year(s) in which we incur the expenditure. This is part of the day-to-day treasury management activity of the Council and depends on the resource available.

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

4.13 Officers have a capital vision that will incorporate long-term schemes identified in documents such as the Corporate Plan, SCC Local Transport Plan, the Council's Regeneration Strategy, Local Plan and the emerging Infrastructure Delivery Plan. This will enable us to model the potential financial impact of these schemes, and be aware of the schemes that are likely to be brought forward onto the GF capital programme in the future.

**Current approved and provisional GF capital programme (Appendices 4 and 5)**

4.14 A copy of the current GF capital programme is attached at Appendices 4 and 5, together with a schedule of the latest position of the resource availability for, and financing of, the programme, shown in Appendix 8.

4.15 The revised estimate for 2017-18 shows the original approved estimate plus any unspent approved expenditure in 2016-17 now planned for 2017-18 and any amendments or additions to the schemes approved during the course of the year.

4.16 Appendix 8 shows the current estimated borrowing requirement for schemes on the GF capital programme is £323 million at as November 2017.

**GF reserve schemes capital programme (Appendix 6)**

4.17 The Council holds some reserves that we earmark for use by specific reserves. The capital projects that we finance from these reserves are identified separately from the main programme and are shown in Appendix 6.

4.18 The major items include car parks and ICT renewals.

4.19 The ICT renewals fund has been in place for many years, is well managed, and supports many projects. Business cases are submitted during the year, to the ICT Manager, and projects are then prioritised.

**S106 financed capital expenditure (Appendix 7)**

4.20 The schemes to be financed from s106 contributions are shown in Appendix 7. These schemes are not progressed until the s106 receipt is in hand.

**Financing and resources**

4.21 The actual financing of each year's capital programme is determined in the year in question as part of the preparation of the Council's statutory accounts.

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

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

4.24 Officers calculate the interest estimates (both investment and borrowing interest) according to planned capital expenditure. We make an assumption around actual expenditure of 50% of the provisional programme in the finance year. This also feeds into the MRP calculations, and the liability benchmark. We have introduced this change to ensure we are not being over prudent in our budgeting.

## 5. Prudential Indicators

5.1 The Local Government Act 2003 requires the Council to have regard to 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 expenditure plans of local authorities are affordable, prudent and sustainable

- treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved
- how these risks will be managed to levels that are acceptable to the organisation
- capital investment decisions are taken once the Council has determined how much money it can afford to borrow for a capital purpose

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

5.3 The responsibility for decision-making and ongoing monitoring in respect of capital expenditure, investment and borrowing, including Prudential Indicators, remains with full Council. However, officers present the report to the Joint EAB, and Corporate Governance and Scrutiny Committee before the Executive and full Council, enabling a broad range of Councillor scrutiny. Monitoring is undertaken at Corporate Governance and Standards Committee regularly throughout the year.

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

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

**Estimates of capital expenditure**

5.6 This indicator is a summary of the Council's GF capital programme, and financing of the programme is summarised below:

| CAPITAL EXPENDITURE SUMMARY | 2017-18 Approved £000 | 2017-18 Outturn £000 | 2018-19 Estimate £000 | 2019-20 Estimate £000 | 2020-21 Estimate £000 | 2021-22 Estimate £000 | 2022-23 Estimate £000 |
|---|---|---|---|---|---|---|---|
| **General Fund Capital Expenditure** | | | | | | | |
| - Main Programme | 45,916 | 30,627 | 35,140 | 23,129 | 5,220 | 5,220 | 0 |
| - Provisional schemes | 51,850 | 2,773 | 45,260 | 86,645 | 67,545 | 49,762 | 41,762 |
| - Schemes funded by reserves | 1,573 | 3,316 | 1,052 | 537 | 537 | 0 | 0 |
| - S106 Projects | 440 | 567 | 0 | 0 | 0 | 0 | 0 |
| - Housing Grants (General Fund) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| - Affordable Housing (General Fund) | 220 | 0 | 0 | 0 | 0 | 0 | 0 |
| - New Bids (net cost) | 0 | 0 | 3,940 | 2,814 | 1,250 | 400 | 5,550 |
| **Total Expenditure** | **99,999** | **37,283** | **85,392** | **113,125** | **74,552** | **55,382** | **47,312** |
| Financed by : | | | | | | | |
| Capital Receipts | (330) | (324) | (4,000) | (9,200) | (9,075) | (16,000) | 0 |
| Capital Grants/Contributions | (3,982) | (3,397) | (1,221) | (2,250) | (4,750) | (1,750) | 0 |
| Capital Reserves/Revenue | (7,973) | (9,371) | (12,730) | (757) | (757) | (220) | 0 |
| Borrowing | (87,714) | (24,191) | (67,441) | (100,918) | (59,970) | (37,412) | (47,312) |
| **Financing - Totals** | **(99,999)** | **(37,283)** | **(85,392)** | **(113,125)** | **(74,552)** | **(55,382)** | **(47,312)** |
| **Housing Revenue Account Capital Expenditure** | | | | | | | |
| **Total Expenditure** | **21,970** | **26,673** | **15,410** | **25,145** | **11,475** | **9,660** | **9,660** |
| Financed by : | | | | | | | |
| - Capital Receipts | (4,974) | (6,174) | (2,856) | (6,151) | (2,050) | (400) | (400) |
| - Capital Reserves/Revenue | (16,996) | (20,499) | (12,555) | (18,994) | (9,425) | (9,260) | (9,260) |
| **Financing - Totals** | **(21,970)** | **(26,673)** | **(15,410)** | **(25,145)** | **(11,475)** | **(9,660)** | **(9,660)** |

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

5.8 The table shows the majority of our capital expenditure will be financed from borrowing because we have used our capital receipts and capital reserves.

**Estimates of CFR and Gross debt as shown against the CFR**

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

5.10 The CFR measures the Council's underlying need to borrow for a capital purpose, and is the historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources.

5.11 Any estimated capital expenditure in the table above which is shown to be funded from borrowing, will also increase the CFR.

| Guildford Borough Council<br>Balance Sheet Summary and Projections in £000 - last updated 16 Dec 2017 | | | | | | | |
|---|---|---|---|---|---|---|---|
| 31st March: | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Loans Capital Financing Req. | 266,839 | 290,457 | 359,883 | 504,151 | 594,693 | 625,464 | 665,297 |
| Less: External Borrowing | (233,355) | (225,125) | (192,895) | (192,665) | (192,435) | (147,435) | (147,435) |
| **Internal (Over) Borrowing** | **33,484** | **65,332** | **166,988** | **311,486** | **402,258** | **478,029** | **517,862** |
| Less: Usable Reserves | (141,824) | (131,385) | (118,258) | (110,742) | (114,089) | (120,542) | (123,430) |
| Less: Working Capital Surplus | (18,646) | (18,646) | (18,646) | (18,646) | (18,646) | (18,646) | (18,646) |
| **(Investments) / New Borrowing** | **(126,986)** | **(84,699)** | **30,084** | **182,098** | **269,523** | **338,841** | **375,786** |
| Net Borrowing Requirement | 106,369 | 140,426 | 222,979 | 374,763 | 461,958 | 486,276 | 523,221 |
| Preferred Year-end Position | 20,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 |
| **Liability Benchmark** | **126,369** | **165,426** | **247,979** | **399,763** | **486,958** | **511,276** | **548,221** |

| Housing Revenue Account - Summary and Projections in £000 | | | | | | | |
|---|---|---|---|---|---|---|---|
| HRA Loans CFR | 196,664 | 196,664 | 197,024 | 197,024 | 197,024 | 197,024 | 197,024 |
| HRA Reserves | (102,019) | (96,033) | (84,571) | (76,623) | (80,187) | (85,499) | (90,495) |
| HRA Working Capital | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| HRA Borrowing | (193,355) | (193,125) | (192,895) | (192,665) | (192,435) | (147,435) | (147,435) |
| **HRA Cash Balance** | **(98,710)** | **(92,494)** | **(80,442)** | **(72,264)** | **(75,598)** | **(35,910)** | **(40,906)** |

| General Fund - Summary and Projections in £000 | | | | | | | |
|---|---|---|---|---|---|---|---|
| 31st March: | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| GF Loans CFR | 70,175 | 93,793 | 162,859 | 307,127 | 397,669 | 428,440 | 468,273 |
| GF Reserves | (39,805) | (35,352) | (33,687) | (34,119) | (33,902) | (35,043) | (32,935) |
| GF Working Capital | (18,646) | (18,646) | (18,646) | (18,646) | (18,646) | (18,646) | (18,646) |
| GF Borrowing | (40,000) | (32,000) | 0 | 0 | 0 | 0 | 0 |
| **GF Cash Balance** | **(28,276)** | **7,795** | **110,526** | **254,362** | **345,121** | **374,751** | **416,692** |

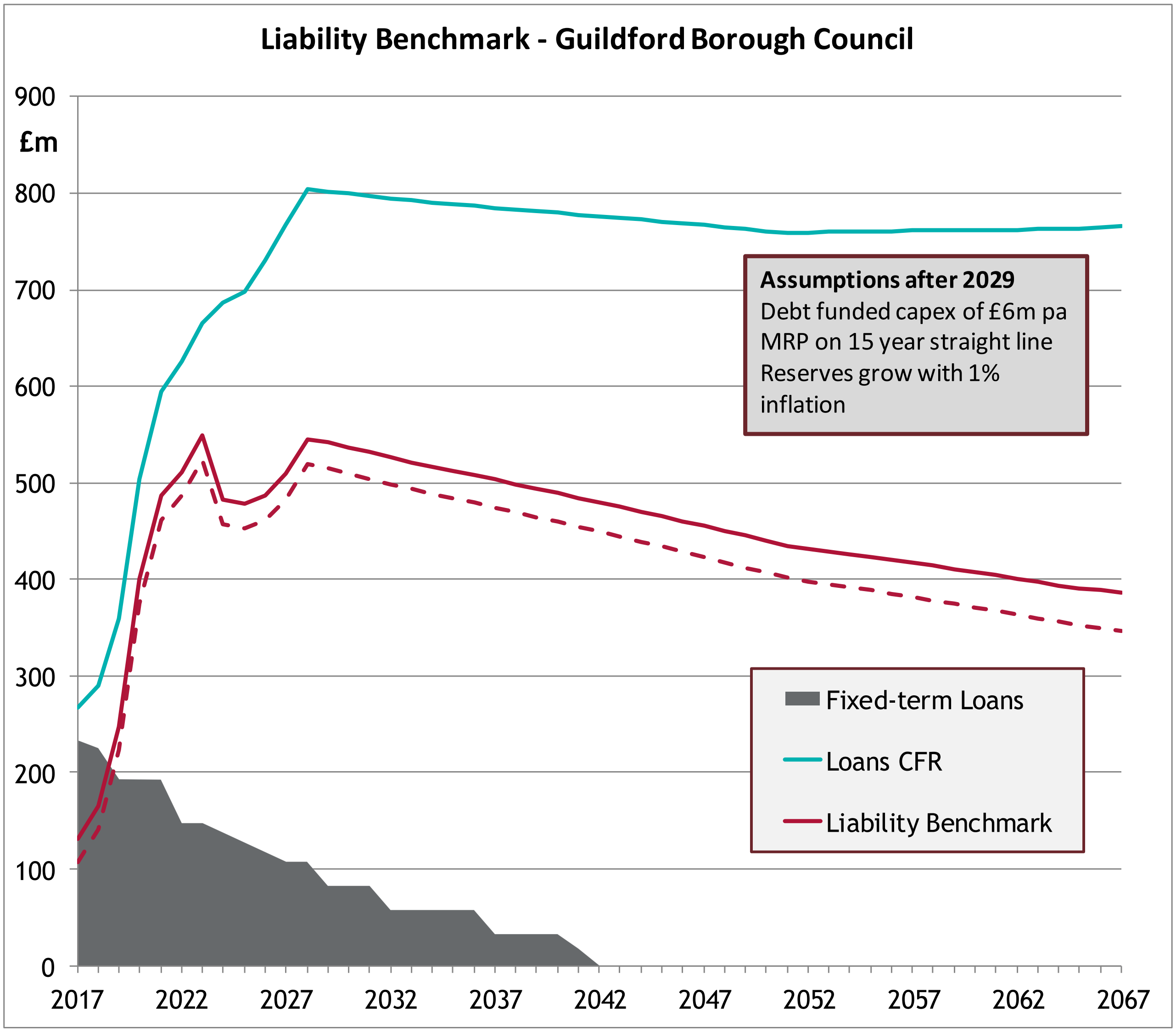
5.12 The GF CFR is forecast to increase by £374.5 million over the period, as capital expenditure financed by borrowing is greater than resources put aside for debt repayment.

5.13 The Council is required to pay off an element of the accumulated GF capital expenditure each year through a charge to the revenue account called the Minimum Revenue Provision (MRP), although we can also make a Voluntary Revenue Provision (VRP) if we so wish.

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

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

5.16 The liability benchmark shown in graphical form is:




5.17 The difference between the liability benchmark (solid red line) and the red dotted line is our minimum liquidity requirement of £25 million. This graph clearly shows that while the CFR is stable, based on future assumptions, the liability benchmark is reducing in line with assumed increases in reserves and MRP payments.

**Operational boundary for external debt**

5.18 The operational boundary is a monitoring indicator that shows the most likely (i.e. prudent), but not worst-case estimate for external debt, for the years shown. It directly links to the Council's capital expenditure plans, the CFR and cash-flow requirements. It is a key management tool for in-year monitoring. Other long-term liabilities include finance leases, Private Finance Initiatives and other liabilities that are not borrowing but form part of the Council's debt.

| Operational Boundary of External Debt | 2017-18 Approved £000 | 2017-18 Revised £000 | 2018-19 Estimate £000 | 2019-20 Estimate £000 | 2020-21 Estimate £000 | 2021-22 Estimate £000 | 2022-23 Estimate £000 |
|---|---|---|---|---|---|---|---|
| Borrowing - General Fund | 252,616 | 167,856 | 312,126 | 402,666 | 433,436 | 473,276 | 494,456 |
| Borrowing - HRA | 197,024 | 197,024 | 197,024 | 197,024 | 197,024 | 197,024 | 197,024 |
| Other Long Term Liabilities | 26,000 | 26,000 | 26,000 | 26,000 | 26,000 | 26,000 | 26,000 |
| **Total** | **475,640** | **390,880** | **535,150** | **625,690** | **656,460** | **696,300** | **717,480** |

5.19 The table represents the current debt portfolio and a maximum amount of assumed temporary borrowing that may be required in the year. It is not a limit of total borrowing for the Council.

5.20 It is calculated by taking the estimated CFR plus an allowance for headroom for cash movements. The HRA operational boundary is limited to the HRA debt cap, and £26 million is included for purchases that could be classes as finance leases.

**Authorised limit for external debt**

5.21 The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003, and is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for any unusual cash movements.

| Authorised Limit for External Debt | 2017-18 Approved £000 | 2017-18 Revised £000 | 2018-19 Estimate £000 | 2019-20 Estimate £000 | 2020-21 Estimate £000 | 2021-22 Estimate £000 | 2022-23 Estimate £000 |
|---|---|---|---|---|---|---|---|
| Borrowing - General Fund | 302,816 | 212,456 | 368,526 | 463,166 | 499,536 | 530,376 | 566,556 |
| Borrowing - HRA | 197,024 | 197,024 | 197,024 | 197,024 | 197,024 | 197,024 | 197,024 |
| Other Long Term Liabilities | 26,000 | 26,000 | 26,000 | 26,000 | 26,000 | 26,000 | 26,000 |
| **Total** | **525,840** | **435,480** | **591,550** | **686,190** | **722,560** | **753,400** | **789,580** |

5.22 The GF authorised debt level gives headroom for significant cash flow movements, over the operational boundary, for example if we do not receive Council Tax on the correct day. The HRA limit is set at the debt cap imposed by the Government.

5.23 We are required to set a limit for other long-term liabilities, for example finance leases. £26 million has been included in the authorised limit for purchases that could be classed as finance leases.

5.24 Officers monitor the authorised limit on a daily basis against all external items on the balance sheet (long and short-term borrowing, overdrawn bank balances and long-term liabilities).

**Ratio of financing costs to net revenue stream**

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

5.26 The net revenue stream is the amounts received from government grants and local taxpayers, and on an actual basis the taxation and non-specific grant income part of the comprehensive income and expenditure statement.

5.27 Where the figures are negative, it means that interest receivable is higher than interest payable.

| | 2017-18 Approved | 2017-18 Outturn | 2018-19 Estimate | 2019-20 Estimate | 2020-21 Estimate | 2021-22 Estimate | 2022-23 Estimate |
|---|---|---|---|---|---|---|---|
| General Fund | 9.16% | -0.96% | 13.44% | 27.96% | 35.58% | 52.27% | 55.05% |
| HRA | 30.13% | 32.86% | 33.09% | 33.73% | 33.97% | 33.59% | 33.41% |

5.28 The GF outturn for 2017-18 is lower than estimate because investment income is anticipated to be higher than budgeted due to more cash than expected in the year, and interest paid on borrowing lower due to slippage in the capital programme and anticipated long-term loans were not taken out. The 2018-19 estimate is higher than the 2017-18 outturn rate because of the increasing MRP and reducing cash balances. The large increase from 2019-20 relates to an increase in the MRP budget and a large increase in interest payable on external borrowing – a direct result of the increasing capital expenditure.

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

## 6. Annual Minimum Revenue Provision (MRP) Statement 2017-18

6.1 Where the Council finances capital expenditure by debt (internal or external borrowing), the CFR will increase and we must put aside resources to repay that debt in later years, known as MRP.

6.2 The Local Government Act 2003 requires the Council to have regard to the DCLG's Guidance on MRP most recently issued in 2012 and revised in 2018.

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

6.4 The DCLG Guidance is currently out for consultation. To avoid making assumptions around the outcome of the consultation, if the Council needs to revise its MRP policy, it will do so as part of the Treasury Management Annual Report presented to Council in July 2018.

6.5 It also requires the Council to approve an annual MRP statement and recommends a number of options for calculating a prudent MRP.

6.6 Unfinanced capital expenditure incurred in 2017-18 will not be subject to an MRP charge until 2018-19, or if the scheme is not complete, when the asset is operational.

6.7 MRP only applies to the GF. There is no requirement to make an MRP charge on the HRA.

6.8 Based on the Council's estimate of its CFR on 31 March 2018, and unfinanced capital expenditure in 2017-18 of £24.1 million, the budget for MRP for 2018-19 has been set at £1.2 million.

6.9 We base the future projections on the capital programme spending profile. Based on the current approved capital programme, and the new bids submitted as part of this report, we anticipate MRP to be:

- £1.8 million in 2019-20
- £3.3 million in 2020-21
- £6.6 million in 2021-22
- £7.4 million in 2022-23.

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

**MRP Policy**

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

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

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

6.14 Where expenditure on schemes are pending receipt of an alternative source of finance (for example capital receipts), we will not charge MRP.

6.15 The MRP guidance recommends a life of 50-years for freehold land. However, we feel that as land often has an infinite economic life, charging MRP over 75 years is more realistic whilst maintaining prudency. If we were to purchase land for development purposes, we will also apply an estimated life of 75 years, which is at least as great as it will be if a new building was placed on it. We believe that new buildings or similar structures will have an estimated life of 75 years.

6.16 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.

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

6.18 For assets acquired by finance leases, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

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

6.20 Estimated life periods will be determined under delegated powers to the Chief Finance Officer. Officers will use information from the Council's valuer to determine asset lives as part of the annual valuation exercise for investment property, and will use the estimated life for other assets as stipulated by the valuer or relevant expert for depreciation purposes. As a general rule, the asset life for MRP will be matched to the life used for depreciation purposes.

## 7. Treasury Management

7.1 The CIPFA definition of treasury management is

*"the management of the organisation's borrowing, investments[1] and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks"*

7.2 Overall responsibility for treasury management remains with the Council. Treasury management activity involves risk. The effective identification and management of risks are integral to the Council's treasury management objectives, as is ensuring that borrowing activity is prudent, affordable and sustainable.

7.3 The strategy takes into account the impact of the Council's revenue budget and capital programme on the balance sheet position, the current and projected treasury position, the investment strategy and treasury and prudential indicators' (Appendix 1) and the outlook for interest rates (Appendix 13).

7.4 The key changes to the strategy from last year are:

[1] Investments cover all the financial assets of the organisation, as well as other non-financial assets, which the Council holds primarily for financial returns, such as investment property portfolios. This could include investments not managed as part of the treasury management function. All investments require an appropriate investment management and risk management framework under the TM code.

- incorporation of the capital programme reports with the treasury management strategy to create a Capital and Investment Strategy.
- removal of the prudential indicator – impact on council tax decisions (in line with the proposed new CIPFA code)
- inclusion of more local indicators
- inclusion of the Treasury Management Practices (TMPs) for approval by Councillors

**Credit rating**

7.5 The Councils' credit rating with Moody's credit rating agency is Aa2 (see Appendix 14 for credit rating definitions). Having a rating gives us the flexibility and greater access to a range of funding such as capital markets, which will enable us to borrow for capital projects elsewhere other than the Public Works Loans Board (PWLB) at possibly cheaper rates.

7.6 The credit rating also acts as an independent financial review of the Council. It is a good way of assessing how the Council is performing and the strength of our balance sheet.

7.7 Moody's undertake an official annual review of our credit rating. Ours is due for renewal in March 2018. We are anticipating renewing our rating in 2018.

**Commercial activity**

7.8 The Council has a transformation programme and commercialisation work stream. Work on these areas will continue to be progressed and will be reported to Councillors.

7.9 The Council is not intending on purchasing investment property purely for financial gain, instead has budgets in the capital programme for strategic property purchases, which may generate a financial return, in relation to its regeneration plans in line with the Corporate Plan.

7.10 Where the Council has investment property, the performance is reviewed regularly and a report presented to councillors annually.

**Other long-term liabilities**

7.11 This includes liabilities, which are outstanding under credit arrangements, and are separate to external borrowing, and is required to be included in the Prudential Indicators.

7.12 On the face of the Council's balance sheet there is £93 million of other long-term liabilities, which relate wholly to the pension reserve and is therefore excluded from this definition related to treasury management.

7.13 Whilst the Council does not have any at present, we include £26 million in the Prudential Indicators as a budget for leasing.

**Knowledge and Skills**

7.14 We assess training requirements for the Council's treasury management staff throughout the year, and additionally when the responsibilities of individual members of staff change.

7.15 Staff regularly attend training courses, seminars and conferences provided by Arlingclose, CIPFA and other appropriate bodies. Relevant staff are encouraged to study professional qualifications from CIPFA, the association of Corporate Treasurers and other appropriate organisations.

7.16 Day-to-day treasury staff, the CFO, the Director of Resources, the Managing Director, the Lead Councillor for Finance and Asset Management, and the Chairman of the Corporate Governance and Standards Committee attend the quarterly strategy meetings with Arlingclose. This involves an economic update as well as discussions around the Council's balances, and investment and borrowing strategies and opportunities.

7.17 The Lead Councillor for Finance and Asset Management, along with the senior officers of the Council, are briefed and updated on treasury management matters as and when required.

7.18 Councillors undertake training as and when required, for example when there is a change in committee membership, and on an ad-hoc basis when appropriate. This may be formal training undertaken by Arlingclose, or bite sized sessions from officers.

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

7.20 A central register has been set up to record which officers and councillors have attended training. Councillor training records are held by Democratic Services, and officer training in financial services.

**Risks**

**Capital programme**

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

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

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

7.24 Slippage in the capital programme could also mean costs are higher than originally budgeted because of price inflation, and changing market conditions.

**Treasury management risks**

7.25 Overall responsibility for treasury management remains with the Council. Treasury management activity involves risk. The effective identification and management of risks are integral to the Council's treasury management objectives.

7.26 Treasury management activity needs to be managed to maximise investment income and reduce debt interest whilst maintaining the Council's exposure to risk. Treasury risk cannot be eliminated; it needs to be managed, and the management is discussed throughout the capital and investment strategy, in Appendix 1.

7.27 There are a number of key risks which are discussed in more detail in the Treasury Management Practices (TMPs) (Appendix 11), and are discussed in the Council's Statement of Accounts.

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

**Bail in and Ringfencing risk**

7.29 Councillors will be aware of bail in, and the implications for the Council. The next stage of that process, is bank ring-fencing. From January 2019, the largest UK Banks will be required to separate their retail banking services to individuals and small businesses from their investment banking activities. Banks with less than £25 billion in Financial Services Compensation Scheme covered retail deposits are exempt, or those that only undertake retail banking, so will only affect Barclays, Lloyds, HSBC and RBS. It is expected, however, that the banks will have implemented the changes during 2018, and it will therefore impact on the timeframe of this strategy.

7.30 In general terms, the probability of a bail-in is smaller at a retail bank, but the loss incurred would likely be larger. This is because retail banks will typically have more capital to protect against losses, but fewer wholesale deposits and senior unsecured bonds to share losses with.

7.31 Each bank will have a different procedure, and we could be put in the retail bank of one bank, and an investment bank of another. The splits are not yet certain, and we cannot choose.

7.32 Because the banks are being split, this will mean some name changes – yet to be determined. In addition, credit rating agencies are starting to take account of banks' ringfencing in their ratings. In general, they expect to give the ringfenced "retail" bank a higher credit rating than the non-ringfenced "investment" bank.

7.33 An investment made now, could be transferred into a new bank with a different credit rating within the next year. This risk has been reflected in the operational duration limits recommended by Arlingclose during 2017-18. They will review the position again in early 2018, and could reduce the duration further if there are concerns about the uncertainty of the bank's ringfencing plans.

**Risks relating to non-financial assets**

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

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

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

7.37 The Council mitigates these by having a diverse investment property portfolio, a review of tenant covenant strength prior to becoming a tenant, including a review of the company finances and credit checks. The Council will also request rent deposits where appropriate.

7.38 The Government could intervene to set limits on the commercialisation strategies available to local authorities. CIPFA and the DCLG in their consultations have included non-treasury investments into their guidance which includes monitoring of investment properties and investments in subsidiaries, ensures councils are fully aware of the risks involved and also asks councils to review the proportionality of this type of investments against other income the Council receives to highlight the reliance on commercial income. As mentioned earlier, the DCLG Guidance is still out to consultation and could change the emphasis from what is included in this report.

7.39 The Council is required to review training and expertise in relation to non-treasury investments and provide information on how this expertise will be gained and what due diligence will be undertaken.

7.40 The Council is not anticipating on purchasing any investment property purely for rental income returns. The aim is now more focussed on strategic purchases (for which a rental income may be received) to aid regeneration in the borough.

**8. Consultations**

8.1 The new capital bids have been reviewed by the JEABBTG

8.2 The Lead Councillor for Finance is supportive of the report

**9. Executive Advisory Board comment**

9.1 The Joint EAB will consider this report at its meeting on 8 January 2018 and any agreed comments will be included in the report to be submitted to the Executive.

**10. Equality and Diversity Implications**

10.1 There are no equality and diversity implications

**11. Financial Implications**

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

11.2 The Prudential Code, introduced in 2004, includes a number of recommendations regarding capital expenditure, particularly where we are considering prudential borrowing as a method of funding. The Prudential Code requires us to consider the affordability and prudence of capital decision making. In order to ensure long-term affordability, decisions have also to be prudent and sustainable in the long-term. We are therefore required to assess the impact of each project in terms of its effect on the Council's budget and council tax.

11.3 Interest earnings are an important source of revenue for the Council and the interest costs of our external debt is currently a big part of the Housing Revenue Account (HRA) budget, and projected to be a significant cost to the General Fund (GF) in future years.

11.4 It is important we manage our treasury management activity to maximise our investment income and reduce our debt interest, whilst maintaining our exposure to risk and maintaining appropriate liquidity to meet our needs.

11.5 The budget for investment income in 2018-19 is £1.625 million, based on an average investment portfolio of £115 million, at a weighted average rate of 1.63%. The budget for debt interest paid is £6.03 million, of which £5.13 million relates to the HRA. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

11.6 The MRP budget is £1.2 million in 2018-19.

**12. Legal Implications**

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

- the Local Government Act 2003 (“the 2003 Act”), provides the powers to borrow and invest and prescribes controls and limits on these activities, and in particular within the Local Authority (Capital Finance and Accounting) (England) Regulations 2003.
- the 2003 Act permits the Secretary of State to set limits on either the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken. The HRA debt cap is the only restriction that applied in 2017-18.
- Statutory Instrument (SI) 3146 2003 (“the SI”) , as amended, develops the controls and powers within the 2003 Act
- the SI requires the Council to undertake borrowing activity with regard to the prudential code. The prudential code requires indicators to be set - some of which are absolute limits – for a minimum of three forthcoming years
- the SI also requires the Council to operate the overall treasury management function with regard to the CIPFA TM Code
- under the terms of the Act, the Government issued ‘Investment Guidance’ to structure and regulate the Council’s investment activities. The emphasis of the guidance is on the security and liquidity of investments
- Localism Act 2011

12.2 The Council has a statutory requirement under the 2003 Act to adopt the CIPFA Prudential Code and produce prudential indicators. A requirement of the prudential code is the adoption of the CIPFA treasury management policy statement (revision agreed by Council on 9 February 2012), and further revision as a result of the 2018 revised Prudential and TM Codes to be agreed as part of this report.

**13. Human Resource Implications**

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

**14. Summary of Options**

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

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

| Alternative | Impact on Income and Expenditure | Impact on risk management |
|---|---|---|
| Invest in a narrower | Interest income will | Reduced risk of losses from |

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

**15. Conclusion**

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

15.2 If all schemes proceed, within the timescales indicated, there will be an underlying need to borrow of £337 million by 31 March 2023.

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

**16. Background Papers**

None

**17. Appendices**

Appendix 1: Capital and investment strategy
Appendix 2: Schedule of new GF capital bids for 2018-19 to 2022-23
Appendix 3: Details of each proposal listed in Appendix 2
Appendix 4: Schedule of approved GF capital programme
Appendix 5: Schedule of provisional GF capital programme
Appendix 6: Schedule of reserves funded capital schemes
Appendix 7: Schedule of s106 funded capital schemes
Appendix 8: Summary of resources and financial implications

Appendix 9: Capital vision
Appendix 10: Treasury Management policy statement
Appendix 11: Treasury management practices
Appendix 12: Money Market Code principles
Appendix 13: Arlingclose Economic & Interest rate forecast November 2017
Appendix 14: Credit rating equivalents and definitions
Appendix 15: Glossary

This page is intentionally left blank

# Capital and Investment Strategy 2018-19 to 2022-23

## 1. Introduction

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

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

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

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

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

1.6 The CIPFA definition of treasury management is:

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

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

1.8 The Local Government Act 2003, requires local authorities to have regard to the Prudential Code. The Prudential Code, revised in 2017, requires local authorities to determine a capital strategy. The strategy is to have regard to:

<u>Capital expenditure</u>

- an overview of the governance process for approval and monitoring of capital expenditure
- a long-term view of capital expenditure plans

- an overview of asset management planning
- any restrictions around borrowing or funding of ongoing capital finance

Debt and borrowing and treasury management

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

Commercial activity

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

Other long-term liabilities

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

Knowledge and skills

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

1.9 Included in these regulations and codes of practice, we are required to set Prudential Indicators for assessing the prudence, affordability and sustainability of capital expenditure and treasury management decisions.

1.10 The revised Prudential Code sets the requirement to include non-treasury management investments in the investment strategy for the first time.

1.11 Due to the recommended content of the capital strategy, officers decided to prepare an integrated capital and investment strategy covering both the capital programme and treasury management, rather than separate reports as in previous years.

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

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

## 2. Balance sheet and treasury position

### Balance Sheet

2.1 The Council has a strong asset backed balance sheet:

| Item | Balance at 31-3-16 £000 | £000 | | Balance at 31-3-17 £000 | £000 | |
|---|---|---|---|---|---|---|
| Long-term Assets | 790,120 | | | 872,338 | | |
| Short-term assets | 8,196 | | | 7,664 | | |
| | | 798,316 | 85% | | 880,002 | 93% |
| Long-term investments | 25,050 | | | 45,749 | | |
| Short-term investments | 119,981 | | | 82,894 | | |
| | | 145,031 | 15% | | 128,643 | 14% |
| **Total assets** | | **943,347** | | | **1,008,645** | |
| Current liabilities | (31,396) | | | (26,688) | | |
| Long-term liabilities | (76,350) | | | (93,449) | | |
| | | (107,746) | 31% | | (120,137) | 35% |
| Short-term borrowing | (34,991) | | | (35,461) | | |
| Long-term borrowing | (203,355) | | | (198,125) | | |
| | | (238,346) | 69% | | (233,586) | 67% |
| **Total liabilities** | | **(346,092)** | | | **(353,723)** | |
| **Net assets** | | **597,255** | | | **654,922** | |

2.2 The summary balance sheets shows that investments make up only 15% of the Council's assets, and the largest proportion of our liabilities is long-term borrowing, which is predominately HRA debt.

*Financial Stability/sustainability*

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

| | **2015-16 Actual (£000)** | **2016-17 Actual (£000)** | **2017-18 Estimate (£000)** | **2018-19 Estimate (£000)** | **2019-20 Estimate (£000)** | **2020-21 Estimate (£000)** | **2021-22 Estimate (£000)** |
|---|---|---|---|---|---|---|---|
| Total debts | 346,092 | 353,723 | 424,349 | 570,447 | 664,272 | 701,684 | 748,996 |
| Total assets | 943,347 | 1,008,645 | 1,098,472 | 1,256,777 | 1,365,184 | 1,420,566 | 1,467,878 |
| Debt Ratio % | 37% | 35% | 39% | 45% | 49% | 49% | 51% |

2.4 This shows that our gearing is low, which is because of our strong asset base.

2.5 Future years estimates are based on adding the budgeted cost of capital investment onto the assets, and adding the assumed debt funded expenditure to the debt figure to give an idea how the financial stability of the Council will be evolving.

2.6 The Local Government Association (LGA) use a number of financial indicators to assess the financial sustainability of Council's as part of their financial diagnostic tool. Amongst the indicators reviewed are:-

(a) Total debt as a % of long term assets (this differs slightly from the Gearing ratio) - total debt can pose both short term liquidity risk and long term cash pressures, therefore the lower the relative debt the lower the risk to the authority
(b) Ratio of equity by net revenue expenditure - If an authority has a low level of net assets (equity) this may be because it has a low level of assets, a high level of liabilities or both. This indicator differentiates those authorities which have a relatively higher level of liabilities to fund and limited assets from which to do so, making additional financing costs likely in the years ahead
(c) Unringfenced reserves as a % net revenue expenditure - The higher the relative value of the unringfenced reserves the more sustainable an authority is
(d) Working capital as a % of the net revenue expenditure - Authorities with a strongly positive indicator would have less difficulty liquidating sufficient assets to operate in the event of a short term debt problem
(e) Short term liability pressure: Short term liabilities as a % of total liabilities - Short term liability poses an immediate pressure on liquidity, the lower the figure, the relatively lower exposure to short term liabilities
(f) Total investments as a % of net revenue expenditure - The more investments relative to the net revenue expenditure more sustainable and stable and authority's financial position.
(g) Investment property as a % of the net revenue - A higher total value of investment property indicates more opportunity to raise income. However, return on investment can vary depending on the type of investment and an investment strategy. The higher the relative value of investment property the more opportunity an authority has for financial stability

2.7 The Council proposes to monitor these indicators (as local indicators) and projections for how they will change over time during the medium term financial plan as part of the capital strategy.

**Treasury position**

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

| | March 17 Actual £'000 | Nov 17 position £'000 |
|---|---|---|
| **Investments** | | |
| Managed in-house | | |
| Call Accounts | 475 | 0 |
| Notice Accounts - UK | 13,000 | 13,000 |
| Money Market Funds | 1,319 | 4,062 |
| Temporary Fixed Deposits | 34,000 | 42,000 |
| Long term Fixed Deposits | 16,500 | 16,500 |
| Certificates of Deposit | 2,000 | 3,000 |
| Unsecured bonds | 6,824 | 8,502 |
| Covered Bonds | 27,736 | 33,829 |
| Revolving credit facility | 2,500 | 2,500 |
| **Total investments managed in-house** | **104,354** | **123,393** |
| Pooled Funds | | |
| **Total pooled funds investments** | **22,563** | **22,321** |
| **Total Investments** | **126,917** | **145,715** |
| **Borrowing** | | |
| Temporary borrowing | 30,000 | 44,000 |
| Long-term borrowing (PWLB) | 193,355 | 193,240 |
| Long-term borrowing (LAs) | 10,000 | 5,000 |
| **Total borrowing** | **233,355** | **242,240** |
| **Net investments / (borrowing)** | **(106,438)** | **(96,525)** |

2.9 The table shows the position at the start of the financial year (included in the balance sheet), and the position at the end of November 2017 (the latest position). Investments balances are higher, because of temporary borrowing related to expenditure on the capital programme. The net borrowing position has decreased since March 2017 by £9.9 million because investment balances have risen by more than borrowing.

## 3. Capital Expenditure

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

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

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

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

3.4 The Council splits the schemes into development and non-development (ie those that must be done to keep our fixed assets in an acceptable condition). This enables us to review the amount of spend on statutory items against those which we are expecting a financial return from as part of our regeneration plans.

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

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

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

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

3.9 The proposed financing of the capital programme assumes available resources will be used in the following order

a) capital receipts from the sale of assets
b) capital grants and contributions
c) earmarked reserves
d) the general fund capital schemes reserve
e) revenue contributions
f) internal borrowing
g) external borrowing

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

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

3.12 Our current approved capital programme, revised in year for updates in the programme, for the period is as follows:

| CAPITAL EXPENDITURE SUMMARY | 2017-18 Approved £000 | 2017-18 Outturn £000 | 2018-19 Estimate £000 | 2019-20 Estimate £000 | 2020-21 Estimate £000 | 2021-22 Estimate £000 | 2022-23 Estimate £000 |
|---|---|---|---|---|---|---|---|
| **General Fund Capital Expenditure** | | | | | | | |
| - Main Programme | 45,916 | 30,627 | 35,140 | 23,129 | 5,220 | 5,220 | 0 |
| - Provisional schemes | 51,850 | 2,773 | 45,260 | 86,645 | 67,545 | 49,762 | 41,762 |
| - Schemes funded by reserves | 1,573 | 3,316 | 2,302 | 537 | 537 | 0 | 0 |
| - S106 Projects | 440 | 602 | 0 | 0 | 0 | 0 | 0 |
| - Affordable Housing (General Fund) | 220 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Expenditure** | **99,999** | **37,318** | **82,702** | **110,311** | **73,302** | **54,982** | **41,762** |
| Financed by : | | | | | | | |
| Capital Receipts | (330) | (324) | (4,000) | (9,200) | (9,075) | (16,000) | 0 |
| Capital Grants/Contributions | (3,982) | (3,432) | (1,221) | (2,250) | (4,750) | (1,750) | 0 |
| Capital Reserves/Revenue | (7,973) | (9,371) | (13,980) | (757) | (757) | (220) | 0 |
| Borrowing | (87,714) | (24,192) | (63,501) | (98,104) | (58,720) | (37,012) | (41,762) |
| **Financing - Totals** | **(99,999)** | **(37,318)** | **(82,702)** | **(110,311)** | **(73,302)** | **(54,982)** | **(41,762)** |
| **Housing Revenue Account Capital Expenditure** | | | | | | | |
| **Total Expenditure** | **21,970** | **9,172** | **18,386** | **25,145** | **11,475** | **5,975** | **6,975** |
| Financed by : | | | | | | | |
| - Capital Receipts | (4,974) | (1,623) | (4,273) | (6,151) | (2,050) | (400) | (700) |
| - Capital Reserves/Revenue | (16,996) | (7,548) | (14,113) | (18,994) | (9,425) | (5,575) | (6,275) |
| **Financing - Totals** | **(21,970)** | **(9,172)** | **(18,386)** | **(25,145)** | **(11,475)** | **(5,975)** | **(6,975)** |

3.13 The programme has slipped significantly in 2017-18 – estimated expenditure on the GF of £100 million, has been reduced to £37 million. The majority of this relates to expenditure on regeneration schemes and has been moved into later years.

### Housing

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

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

### GF Housing - Affordable housing

3.16 We are continuing with our ambitious programme of directly providing new housing, and we are looking to provide housing for market sale as well as affordable housing.

3.17 Government policy has recently changed once again the HCA have confirmed that there is now grant available for Affordable Rented housing. It has also been suggested that grant will be available for social rent, although the Government has not yet confirmed whether this would be properties let at the traditional target rent/council rent levels. Nonetheless, indications are that we could apply for higher grant levels which would allow us to keep rents at a more affordable level, particularly if Guildford is designated as an area of high demand/value. As per the policy agreed in previous years, we have designed our schemes to HCA standards to enable us to submit bids where appropriate. The Government has also announced we can apply to have the HRA borrowing cap raised for specific schemes. This presents another funding option, once we have spent all Right to Buy receipts and sums received via s106 planning obligations.

3.18 The focus is currently on council direct development because housing association partners are having difficulty finding sites in the Borough which are viable to develop entirely for affordable housing.

3.19 The Council will require some resources to enable scheme preparation for development of some Council owned sites. These costs include:

- valuations
- decommissioning costs
- home loss and disturbance payments
- other costs relating to the rehousing of tenants
- architectural services
- planning fees
- legal fees
- survey fees

3.20 We may also provide grant funding to housing associations to assist development viability or fund enabling works. We have been asked to consider two schemes, and we are waiting for further details from the housing associations to demonstrate that the funding is required to make the schemes viable. We are in the process of agreeing a loan towards the purchase of a shared ownership property via the HOLD (Home Ownership for people with Long term Disability) which is run by Advance UK housing association. This will be an equity investment, repayable when the shared owner sells the property. We may also wish to pursue opportunities to bring empty homes back into use via refurbishment or redevelopment. Estimates for grant funding and enabling of both Council and housing association developments are included in the overall figures outlined in Appendix 4.

**GF Housing - Private sector housing**

3.21 The Council's housing strategy and the GF capital programme seek to integrate national and local policies to deliver improvements to the quality of housing accommodation in the private section through:

- an appropriate housing renewal policy
- appropriate use of housing enforcement legislation
- continued development of partnership working

3.22 The principal responsibility for maintenance and improvement of privately owned dwelling rests with the owners; however, the Council will intervene where it is necessary to:

- exercise statutory powers in respect of hazardous conditions in dwellings
- bring long-term empty homes back into occupation
- licence houses in multi occupation
- improve conditions in privately rented accommodation
- offer financial assistance for the repair, improvement or adaptation of private dwellings in appropriate circumstances
- promote energy efficiency measures and take up of renewable energy sources
- provide assistance to elderly people and other vulnerable households through the care and repair service
- administer Disabled Facilities Grants (DFG)

3.23 The funding in the capital programme provides the financial resource to meet the demand for mandatory DFGs and a discretionary scheme of assistance for homeowners, which has regard to local housing conditions.

3.24 The emphasis in the discretionary policy is to direct support to residents on low income living in poor housing conditions or promoting a more sustainable environment. More specifically the current discretionary targets assistance towards:

- assisting lower income households needing to make homes decent
- bring empty homes back into use
- installing energy efficient measures particularly solid wall insulation for park homes
- domestic renewable energy such as solar heating

3.25 There are specific conditions attached to the approvals of grants or loans that will ensure a substantial proportion of the funds provided will be repaid in future years.

3.26 Alongside the grant scheme, we offer a range of loans in partnership with Parity Trust, a social lender. These loans may be interest only or repayment.

**New capital schemes**

3.27 As the implementation of a capital strategy is a new requirement, we have taken the opportunity to update our processes, recommended for approval as part of this report.

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

3.29 Each project will require a business case, in line with guidance set out in the HM Treasury Green book ('Green book'). Officers are proposing this is followed for projects and spending proposals as follows:-

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

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

a) Each project must meet one of the five spending objectives:
   a. Economy (Invest to Save, ie to reduce cost of services)
   b. Efficiency (ie to improve throughput and unit costs)
   c. Effectiveness (improving outcomes for the community)
   d. Retendering to replace elements of existing service and
   e. statutory or regulatory compliance (ie H&S)
b) Each scheme must be scored against the fundamental themes within the Council's corporate plan to show how well it contributes towards achieving the strategic objectives of the Council
c) Each scheme must have a cost benefit analysis detailing the Net Present Value calculation (NPV) of both cashflows and quantifiable economic benefits, payback period, IRR, Peak Debt and the assessment of its Revenue impact
d) NPV is to be the most important criteria and must remain positive over a range of sensitivities for the Council to invest.
e) NPV calculation must use the recommended treasury discount rate in the Green Book of 3.5%
f) The Revenue impact must be neutral or positive on the general fund for all projects except those carried out for statutory or regulatory compliance schemes
g) All projects should assess and score the qualitative benefits

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

3.32 It is proposed to set a scoring criteria, which will prioritise the bids before being presented to the Capital Monitoring Group (CMG), CMT and Councillors for review.

3.33 Bids will be submitted for initial review by the officer led Capital Monitoring Group in September. Their role will be to scrutinise the bids, and review them in line with the overall capital programme. CMT will then review the updated bids and evaluation proposed by officers, along with the financial impacts and NPV scores. Once CMT are fully supportive of the bids, they will be presented to Councillors in the JEABBTG for review and scrutiny in early December before being passed through the Committee Cycle and ultimately being approved at Full Council in February.

3.34 A summary of the new bids and their proposed funding is shown below. The detail can be seen in Appendix 2.

| | Bid number | Project title | GROSS ESTIMATES | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | 2018-19 £000 | 2019-20 £000 | 2020-21 £000 | 2021-22 £000 | 2022-23 £000 | TOTAL COST £000 |
| | | **General fund** | | | | | | |
| 1 | 97 | Tyting Farm Land - removal of barns and concrete hardstanding | 250 | 0 | 0 | 0 | 0 | **250** |
| 2 | 111 | A331 hotspots | 300 | 2,230 | 1,400 | 0 | 0 | **3,930** |
| 3 | 129 | Rodboro buildings - electric theatre through road and parking | 450 | 0 | 0 | 0 | 0 | **450** |
| 4 | 130 | Castle grounds cottage | 60 | 0 | 0 | 0 | 0 | **60** |
| 5 | 139 | Guildford bike share | 530 | 0 | 0 | 0 | 0 | **530** |
| 6 | 145 | 48 Quarry St, Museum - structural works | 30 | 220 | 0 | 0 | 0 | **250** |
| 7 | 151 | Guildford West (Park Barn) station | 150 | 50 | 0 | 0 | 0 | **200** |
| 8 | 169 | Bus station relocation | 300 | 200 | 0 | 0 | 0 | **500** |
| 9 | 197 | Shawfield DC | 83 | 0 | 0 | 0 | 0 | **83** |
| 10 | 198 | SMP - electrical works | 39 | 0 | 0 | 0 | 0 | **39** |
| 11 | 201 | Millmead House - M&E plant renewal | 33 | 0 | 0 | 0 | 0 | **33** |
| 12 | 205 | Hydro private wire | 85 | 0 | 0 | 0 | 0 | **85** |
| 13 | 210 | Stoke Park Masterplan enabling costs | 100 | 100 | 150 | 0 | 150 | **500** |
| 14 | 211 | Roads & footpaths | 300 | 400 | 400 | 400 | 400 | **1,900** |
| 15 | 213 | Sports pavilions - replace water heaters | 154 | 0 | 0 | 0 | 0 | **154** |
| 16 | 229 | Millmead fish pass | 0 | 60 | 0 | 0 | 0 | **60** |
| 17 | 261 | Land to the rear of 39-42 castle street | 10 | 0 | 0 | 0 | 0 | **10** |
| 18 | 264 | Old Manor House - replacement windows | 193 | 0 | 0 | 0 | 0 | **193** |
| 19 | | Crematorium VAT | 1,023 | 669 | 0 | 0 | 0 | **1,692** |
| 20 | | Student Housing | 3,000 | 45,000 | 33,000 | 0 | 0 | **81,000** |
| 21 | | Museum additional funding | 185 | 180 | 855 | 0 | 0 | **1,220** |
| 22 | | Capital Contingency fund (annual budget) | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | **25,000** |
| | | **Total** | **12,275** | **54,109** | **40,805** | **5,400** | **5,550** | **118,139** |
| | | | | | | | | |
| | | **For reserves programme (approved prog)** | | | | | | |
| 23 | 140 | ICT renewals | 2,284 | 527 | 500 | 500 | 500 | **4,311** |
| 24 | 177 | Deck Millbrook Car Park | 0 | 2,000 | 0 | 0 | 0 | **2,000** |
| 25 | 181 | New POF equipment | 15 | 585 | 0 | 0 | 0 | **600** |
| 26 | 194 | Structural works to MSCP | 200 | 100 | 0 | 0 | 0 | **300** |
| 27 | 200 | PBDC - air source heat pump | 143 | 0 | 0 | 0 | 0 | **143** |
| 28 | 207 | SMP - air source heat pump | 28 | 0 | 0 | 0 | 0 | **28** |
| 29 | 212 | Stoke Park nursery - air source heat pump | 17 | 0 | 0 | 0 | 0 | **17** |
| | | **Total funded from reserves** | **2,687** | **3,212** | **500** | **500** | **500** | **7,399** |
| | | | | | | | | |
| | | | | | | | | |
| | | **Gross total** | **14,962** | **57,321** | **41,305** | **5,900** | **6,050** | **125,538** |

## Approved capital schemes

3.35 The Council’s capital programme, has been split into two sections – the approved capital programme and the provisional capital programme. The capital bids are equivalent to the Strategic Outline Case (SOC) described in the HM Treasury Green Book.

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

3.37 Most projects over £200,000 require a further outline business case to be prepared and approved by the Executive before a project can be moved from the provisional to the approved capital programme and authority is provided for officers to spend on implementation of the project. Any project under £200,000 can be moved under officer delegation.

3.38 Capital bids are ranked against the priorities in the Corporate Plan as part of the capital bidding process before they are placed on the provisional capital programme.

3.39 In addition, since 2016-17 we have also split the capital programme between:

a) ‘essential schemes’ - those schemes that need to be undertaken for statutory/compliance reasons are required to maintain service provision at existing levels (or prevent cost escalation) or are infrastructure schemes; and

b) ‘investment schemes’ - those schemes that are for economic growth, regeneration, redevelopment and income generation purposes.

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

3.41 Type (b) ‘investment schemes’ are required to provide a positive or neutral impact on the Council’s general fund revenue account. It is envisaged that this is achieved by the revenue income generated by the completed scheme/project being greater than the capital financing costs on the general fund revenue account.

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

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

3.44 The capital programme is also reviewed by CMT and the Corporate Governance and Standards Committee as part of the budget monitoring reports for months 3, 6, 8 and 10, and then as part of the final accounts report.

3.45 The table below highlights the currently approved capital programme and the proposed new bids highlighted in the report and appendices.

| CAPITAL EXPENDITURE SUMMARY | 2017-18 Approved £000 | 2017-18 Outturn £000 | 2018-19 Estimate £000 | 2019-20 Estimate £000 | 2020-21 Estimate £000 | 2021-22 Estimate £000 | 2022-23 Estimate £000 |
|---|---|---|---|---|---|---|---|
| **General Fund Capital Expenditure** | | | | | | | |
| - Main Programme | 45,916 | 30,627 | 35,140 | 23,129 | 5,220 | 5,220 | 0 |
| - Provisional schemes | 51,850 | 2,773 | 45,260 | 86,645 | 67,545 | 49,762 | 41,762 |
| - Schemes funded by reserves | 1,573 | 3,316 | 2,302 | 537 | 537 | 0 | 0 |
| - S106 Projects | 440 | 602 | 0 | 0 | 0 | 0 | 0 |
| - Affordable Housing (General Fund) | 220 | 0 | 0 | 0 | 0 | 0 | 0 |
| - New Bids (net cost) | 0 | 0 | 6,940 | 47,814 | 34,250 | 400 | 5,550 |
| **Total Expenditure** | **99,999** | **37,318** | **89,642** | **158,125** | **107,552** | **55,382** | **47,312** |
| Financed by : | | | | | | | |
| Capital Receipts | (330) | (324) | (4,000) | (9,200) | (9,075) | (16,000) | 0 |
| Capital Grants/Contributions | (3,982) | (3,432) | (1,221) | (2,250) | (4,750) | (1,750) | 0 |
| Capital Reserves/Revenue | (7,973) | (9,371) | (13,980) | (757) | (757) | (220) | 0 |
| Borrowing | (87,714) | (24,192) | (70,441) | ####### | (92,970) | (37,412) | (47,312) |
| **Financing - Totals** | **(99,999)** | **(37,318)** | **(89,642)** | **#######** | **#######** | **(55,382)** | **(47,312)** |
| **Housing Revenue Account Capital Expenditure** | | | | | | | |
| **Total Expenditure** | **21,970** | **9,172** | **18,386** | **25,145** | **11,475** | **5,975** | **6,975** |
| Financed by : | | | | | | | |
| - Capital Receipts | (4,974) | (1,623) | (4,273) | (6,151) | (2,050) | (400) | (700) |
| - Capital Reserves/Revenue | (16,996) | (7,548) | (14,113) | (18,994) | (9,425) | (5,575) | (6,275) |
| **Financing - Totals** | **(21,970)** | **(9,172)** | **(18,386)** | **(25,145)** | **(11,475)** | **(5,975)** | **(6,975)** |

**Borrowing strategy**

3.46 Our primary objective when borrowing is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should our long-term plans change is a secondary option, but is still a consideration.

3.47 The Council can borrow short-term for cash flow purposes and long-term for funding the capital programme, which is linked to the Capital Financing Requirement (CFR)

*Capital financing requirement (CFR)*

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

3.49 The CFR measures the Council's underlying need to borrow for a capital purpose. This is derived from unfinanced capital expenditure which arises when there are no capital receipts or reserves available to fund the capital programme. This then increases the CFR.

3.50 The Council's investments consist of usable reserves and working capital and are the underlying resources available for investment. In the table below, we are also showing a minimum investment balance of £25 million. It represents the minimum level of cash / investments we will always maintain to cover the Council's cash movements, at any point in time.

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

3.52 The Prudential Code recommends that the Council's total debt (external borrowing) should be lower than its forecast CFR over the next three years – in other words, not over borrowing. The table shows the Council's internal / (over) borrowing position and shows that we are expecting to comply with this recommendation during 2018-19.

| Guildford Borough Council<br>Balance Sheet Summary and Projections in £000 - last updated 16 Dec 2017 | | | | | | | |
|---|---|---|---|---|---|---|---|
| 31st March: | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Loans Capital Financing Req. | 266,839 | 290,457 | 359,883 | 504,151 | 594,693 | 625,464 | 665,297 |
| Less: External Borrowing | (233,355) | (225,125) | (192,895) | (192,665) | (192,435) | (147,435) | (147,435) |
| **Internal (Over) Borrowing** | **33,484** | **65,332** | **166,988** | **311,486** | **402,258** | **478,029** | **517,862** |
| Less: Usable Reserves | (141,824) | (131,385) | (118,258) | (110,742) | (114,089) | (120,542) | (123,430) |
| Less: Working Capital Surplus | (18,646) | (18,646) | (18,646) | (18,646) | (18,646) | (18,646) | (18,646) |
| **(Investments) / New Borrowing** | **(126,986)** | **(84,699)** | **30,084** | **182,098** | **269,523** | **338,841** | **375,786** |
| Net Borrowing Requirement | 106,369 | 140,426 | 222,979 | 374,763 | 461,958 | 486,276 | 523,221 |
| Preferred Year-end Position | 20,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 |
| **Liability Benchmark** | **126,369** | **165,426** | **247,979** | **399,763** | **486,958** | **511,276** | **548,221** |

| Housing Revenue Account - Summary and Projections in £000 | | | | | | | |
|---|---|---|---|---|---|---|---|
| HRA Loans CFR | 196,664 | 196,664 | 197,024 | 197,024 | 197,024 | 197,024 | 197,024 |
| HRA Reserves | (102,019) | (96,033) | (84,571) | (76,623) | (80,187) | (85,499) | (90,495) |
| HRA Working Capital | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| HRA Borrowing | (193,355) | (193,125) | (192,895) | (192,665) | (192,435) | (147,435) | (147,435) |
| **HRA Cash Balance** | **(98,710)** | **(92,494)** | **(80,442)** | **(72,264)** | **(75,598)** | **(35,910)** | **(40,906)** |

| General Fund - Summary and Projections in £000 | | | | | | | |
|---|---|---|---|---|---|---|---|
| 31st March: | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| GF Loans CFR | 70,175 | 93,793 | 162,859 | 307,127 | 397,669 | 428,440 | 468,273 |
| GF Reserves | (39,805) | (35,352) | (33,687) | (34,119) | (33,902) | (35,043) | (32,935) |
| GF Working Capital | (18,646) | (18,646) | (18,646) | (18,646) | (18,646) | (18,646) | (18,646) |
| GF Borrowing | (40,000) | (32,000) | 0 | 0 | 0 | 0 | 0 |
| **GF Cash Balance** | **(28,276)** | **7,795** | **110,526** | **254,362** | **345,121** | **374,751** | **416,692** |

3.53 This table shows our gross debt position against our CFR. This is one of the Prudential Indicators, and is a key indicator of prudence. This indicator aims to ensure that, over the medium-term, debt will only be for a capital purpose. We monitor this position and demonstrate prudence by ensuring that medium to long term debt does not exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years (2016-17 to 2019-20). The table above shows the liability benchmark is expected to be £548 million by March 2023.

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

3.55 HRA reserves are decreasing over the early part of the period because of the HRAs plan to build new social housing, whilst the HRA CFR remains the same because we are operating at our debt cap. Our priority is to build homes rather than reduce the level of debt, although moving forward the table does not include any new borrowing, which is to show the true cash position of the HRA, and, therefore, the requirement to refinance borrowing.

3.56 In March 2012, the HRA subsidy system changed, and we took on £194 million of debt to effectively buy ourselves out of the subsidy system. This meant that instead of paying money over to the government every year we took control of the liability and could fund the settlement how we wished. HRA debt is reducing slightly due to the Equal Instalments of Principal (EIP) loan we hold. The remaining debt is on a maturity repayment profile (principal repayment at the end of the term).

3.57 GF reserves are projected to remain stable (our core cash). The CFR is increasing sharply due to the proposed capital programme. We are projecting a small need to borrow for the GF in 2017-18, and indeed for the Council as a whole for 2018-19, based on the profile of the capital programme. We have taken out short-term loans in the year to cover cash flow.

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

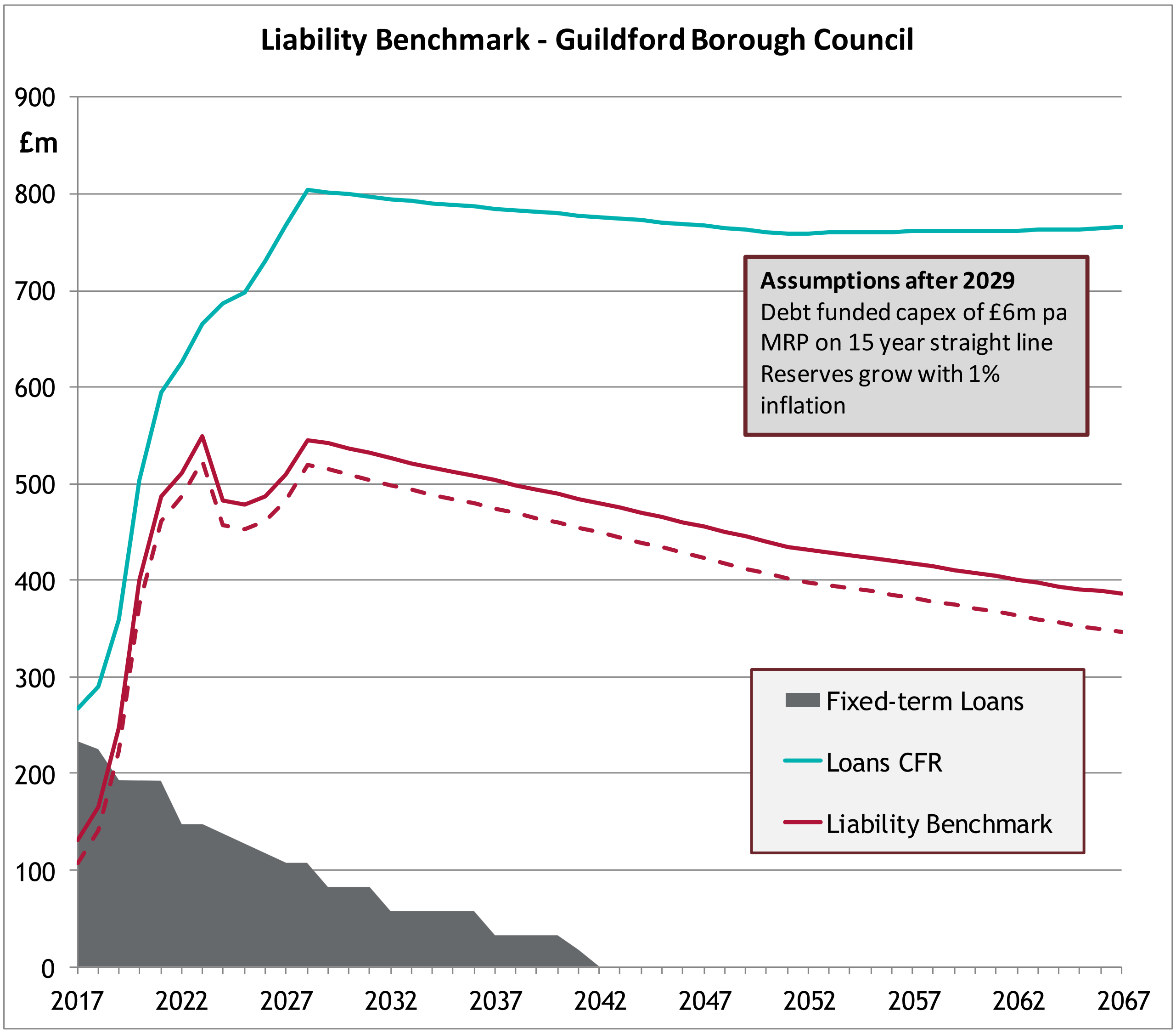
3.59 We will not automatically borrow externally for the GF when the cash balance is negative, although we will review the position in line with our borrowing strategy, and the cash position of the Council as a whole.

3.60 We can consider a number of options, alongside externalising our internal borrowing, including internally borrowing from the HRA or transferring loans from the HRA (both of which depend on HRA reserve availability, which is directly related to the HRA capital programme, level of external borrowing and annual revenue surplus).

3.61 To assist with the long-term treasury management strategy, the Council and its advisors, have created a liability benchmark. This forecasts our need to borrow over the longer term. Following on from the medium term forecasts in the table above, the benchmark assumes:

- an allowance for currently known capital expenditure, until 2022-23 and then an assumed level of additional annual capital expenditure moving forward of £6 million per annum for general capital bids, plus anticipated capital programme and capital vision items where the costs and timings can be estimated

- minimum revenue provision (MRP) has been allowed for based on the underlying need to borrow for the GF capital programme until 2022-23, and then projected forward based on the assumed level of capital expenditure with MRP over 15 years repayment period
- income, expenditure and reserves are updated until 2029-30, based on estimated income and expenditure and then projected forward by using 1% inflation adjustment each year to allow for transfers to reserves each year




3.62 The liability benchmark (the solid red line in the graph) shows our net debt position (the minimum amount of borrowing we would need to have zero investments). If the liability benchmark line rises above the amount of loans we have (the shaded area), we need to borrow externally and no longer have any internal borrowing capacity. Within the liability benchmark figure, we are assuming we will hold a minimum level of cash investments of £25 million at any point in time moving forward, to cover our cash flows.

3.63 The loans CFR (the blue line in the graph) is continuing to increase in line with the assumptions made around capital expenditure being financed from borrowing.

3.64 Given the significant cuts to public expenditure and in particular local government funding, our borrowing strategy continues to focus on affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective, in the short-term, to use internal borrowing or to borrow short-term loans instead. We will, however, continuously review all borrowing options available to us and assess their suitability.

3.65 The assessment of affordability relates to the revenue impact (MRP and interest) of the capital programme on the GF and HRA revenue accounts. The ratio of financing costs to net revenue stream is therefore a key indicator of affordability. The Council proposes to set a local limit on the maximum increase in financing costs on the GF revenue account each year to £5 per Band D property, which is the maximum amount by which the Council can raise its Band D Council tax. The impact will be that there will be a limit on the number of Essential capital schemes (ie, those schemes that need to be undertaken for statutory/compliance reasons are required to maintain service provision at existing levels, or prevent cost escalation, or are infrastructure schemes) which the Council can support each year from internal or external borrowing. Based on an average asset life of 25 years for MRP purposes, the limit for Essential capital scheme expenditure to be funded by borrowing for each financial year in the capital programme will be as follows:-

| **Year** | **2018-19** | **2019-20** | **2020-21** | **2021-22** | **2022-23** |
|---|---|---|---|---|---|
| Affordable increase in GF revenue financing costs | £285,400 | £286,800 | £290,200 | £293,700 | £296,800 |
| Maximum Essential GF capital scheme expenditure to be funded by borrowing | £7.1 million | £7.2 million | £7.3 million | £7.3 million | £7.4 million |

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

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

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

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

3.70 We will continue to monitor our internal borrowing position against the potential of incurring additional interest costs if we defer externalising borrowing into the future when long-term borrowing costs are forecast to rise modestly. Arlingclose will assist us with this ‘cost of carry’ and breakeven analysis in line with our capital spending plans. Its output may determine whether we borrow additional sums at long-term fixed rates in 2018-19 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

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

3.72 We may also arrange forward starting loans during 2018-19, where the interest rate is fixed in advance, but the cash is received in later years. This would enable cost certainty to be achieved without suffering a cost of carry in the intervening period.

3.73 We may continue to borrow short-term for cash flow purposes.

*Sources of borrowing*

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

- Public Works Loans Board (PWLB) and any successor body
- any institution approved for investments (see section 4.22)
- UK local authorities
- any other bank or building societies authorised to operate in the UK

- UK public and private sector pension funds (other than the local pension fund)
- capital market bond investors
- UK Municipal Bond Agency plc and other special purpose companies created to enable local authority bond issues (see paragraph xx)
- European Investment Bank (EIB)

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

- operating and finance leases
- hire purchase
- private finance initiative
- sale and leaseback

3.76 The Council has previously raised the majority of long-term loans from the PWLB, but we will continue to investigate other sources of finance, such as local authority loans and bank loans that may be available at more favourable rates.

*Municipal Bond Agency (MBA)*

3.77 UK Municipal Bond Agency Plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons.

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

3.78 Any decision to borrow from the agency will, therefore, be subject to a further report to Councillors.

*Debt rescheduling*

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

*Operational Boundary for external debt*

3.80 This is a monitoring indicator that shows the most likely (prudent by not worst case) scenario for external debt. It directly links to our capital expenditure plans, the CFR and cash-flow requirements. It is a key management tool for in-year monitoring. Other long-term liabilities include finance leases, private finance initiatives and other long-term liabilities that are not borrowing but form part of the Council's debt.

| **Operational Boundary of External Debt** | **2017-18 Approved £000** | **2017-18 Revised £000** | **2018-19 Estimate £000** | **2019-20 Estimate £000** | **2020-21 Estimate £000** | **2021-22 Estimate £000** | **2022-23 Estimate £000** |
|---|---|---|---|---|---|---|---|
| Borrowing - General Fund | 252,616 | 167,856 | 312,126 | 402,666 | 433,436 | 473,276 | 494,456 |
| Borrowing - HRA | 197,024 | 197,024 | 197,024 | 197,024 | 197,024 | 197,024 | 197,024 |
| Other Long Term Liabilities | 26,000 | 26,000 | 26,000 | 26,000 | 26,000 | 26,000 | 26,000 |
| **Total** | **475,640** | **390,880** | **535,150** | **625,690** | **656,460** | **696,300** | **717,480** |

3.81 The total represents the current debt portfolio and a maximum amount of temporary borrowing that may be required in the year. It is not a limit of total borrowing for the Council. It is calculated by taking the estimated CFR plus an allowance of headroom for cash movements. The HRA operational boundary is limited to the HRA debt cap set by the Government.

*Authorised limit for external debt*

3.82 The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003, and is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for any unusual cash movements.

| **Authorised Limit for External Debt** | **2017-18 Approved £000** | **2017-18 Revised £000** | **2018-19 Estimate £000** | **2019-20 Estimate £000** | **2020-21 Estimate £000** | **2021-22 Estimate £000** | **2022-23 Estimate £000** |
|---|---|---|---|---|---|---|---|
| Borrowing - General Fund | 302,816 | 212,456 | 368,526 | 463,166 | 499,536 | 530,376 | 566,556 |
| Borrowing - HRA | 197,024 | 197,024 | 197,024 | 197,024 | 197,024 | 197,024 | 197,024 |
| Other Long Term Liabilities | 26,000 | 26,000 | 26,000 | 26,000 | 26,000 | 26,000 | 26,000 |
| **Total** | **525,840** | **435,480** | **591,550** | **686,190** | **722,560** | **753,400** | **789,580** |

3.83 The GF authorised debt level gives headroom for significant cash-flow movements, over the operational boundary, for example if we do not receive Council Tax on the correct day. The HRA limit is set at the debt cap imposed by the Government.

3.84 We are required to set a limit for other long-term liabilities, for example finance leases. We have included an allowance for capital expenditure that could be classed as finance leases.

3.85 Officers monitor the authorised limit on a daily basis against all external debt items on the balance sheet (long and short-term borrowing, overdrawn bank balances and long-term liabilities).

*Capital financing requirement*

3.86 To ensure we ultimately finance the GF CFR, we are required to make a Minimum Revenue Provision (MRP) charge to the revenue account each year. This is a real charge to the revenue account and generates the cash required to pay for capital expenditure (either by replacing the internal borrowing or repaying physical loans). There is no requirement to make an MRP charge on the HRA CFR.

3.87 The Government has set a debt cap for the HRA CFR. This stands at £197.025 million. As can be seen above we are operating at our debt cap so are unable to take out any more external borrowing for the HRA.

**Asset Management**

3.88 The Council has an approved comprehensive Asset Strategy and Asset Management Framework that was approved by the Executive on 20 January 2015.

## 4. Investment Strategy

**Economic background – a summary from Arlingclose (detail in Appendix 13)**

4.1 The Council has borrowed and invested large sums of money and is therefore exposed to financial risks, including the loss of invested funds (credit risk), the revenue effect of changing interest rates (market risk) and the risk that investment returns on investments are not keeping up with inflation (inflation risk). These risks are affected by external events. The Council's investment strategy is set in the context of the probabilities of certain events occurring, such as the likelihood of central banks raising interest rates, or of commercial banks failing.

4.2 Interest rates in 2018-19 will directly impact on the Council's revenue budget through interest payable on variable rates loans and new loans borrowed and the interest received on investments. The rates the Council pays on borrowing are closely linked to gilt yields, which the rate earned on investments is linked to bank lending rates, such as LIBOR.

4.3 The following paragraphs outline some of the external context to the investment strategy.

4.4 The major external influence on the Council's treasury management strategy for 2018-19 will be the UK's progress in negotiating its exit from the European Union and agreeing future trade arrangements. There are indications that uncertainty over the future is impacting on growth. Economic growth is therefore forecast to remain sluggish throughout 2018-19.

4.5 High profile bank failures in Italy and Portugal have reinforced concerns over the health of the European banking sector.

4.6 Bail-in legislation has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. In addition, the largest UK banks will ring-fence their retail banking functions into separate legal entities during 2018. There remains some uncertainty over how these changes will impact upon the credit strength of the residual legal entities.

4.7 The credit risk of making unsecured deposits has therefore increased relative to the risk of other investment options available to the Council and returns from cash deposits remain very low.

4.8 Arlingclose's central case is for the UK Bank Rate to remain at 0.50% during 2018-19. The Monetary Policy Committee re-emphasised that any prospective increases in the bank rate would be expected to be at a gradual pace and to a limited extent.

4.9 Future expectations for higher short-term interest rates are subdued and on-going decisions remain data dependent and negotiations on exiting the EU cast a shadow over monetary policy decisions. Arlingclose's central case is for gilt yields to remain broadly stable across the medium- term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

**Objectives**

4.10 Both the CIPFA TM Code and the CLG Guidance on investments, require the Council to invest its funds prudently, and to have regard to the security (protecting capital sums from loss) and liquidity (keeping money readily available for expenditure when needed or having access to cash) of investments before seeking the highest rate of return or yield. The Council's objective, when investing money, is to strike an appropriate balance between risk and return – minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. The level of return should be commensurate with the level of risk.

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

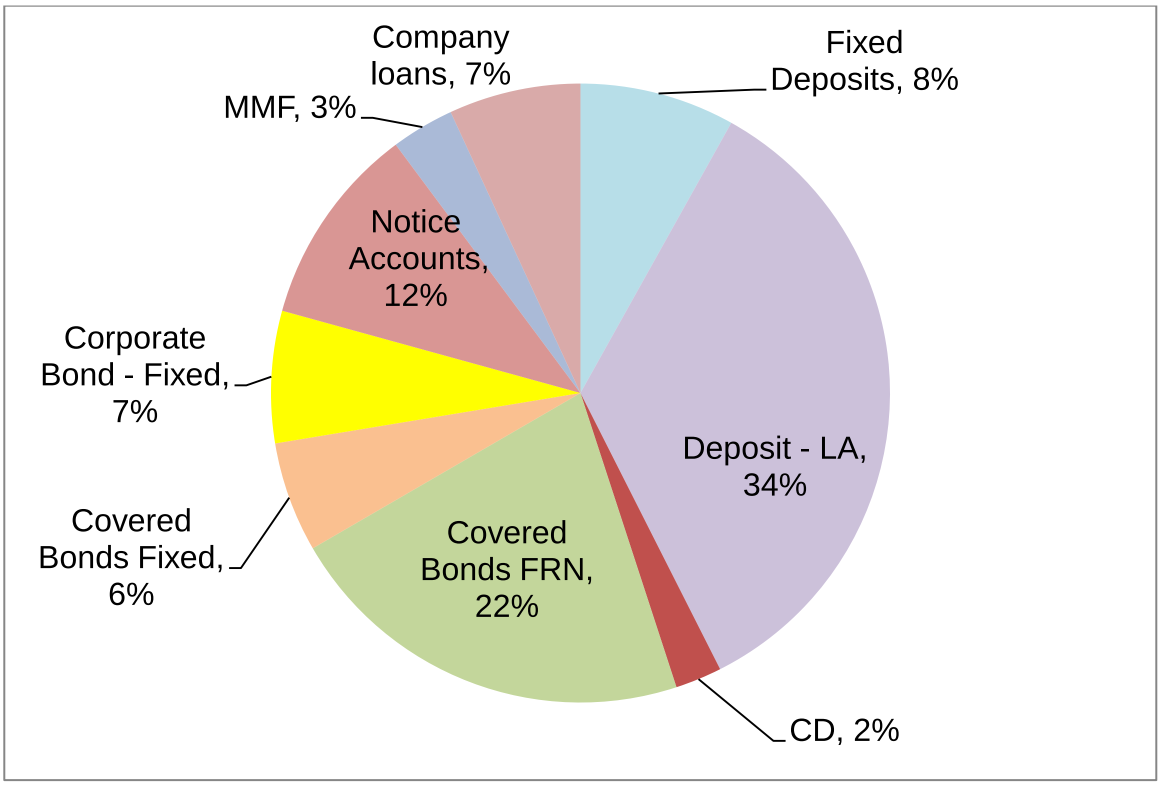
4.12 If the UK enters into a recession in 2018-19, there is a small chance that the Bank of England could set its bank rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

**Strategy**

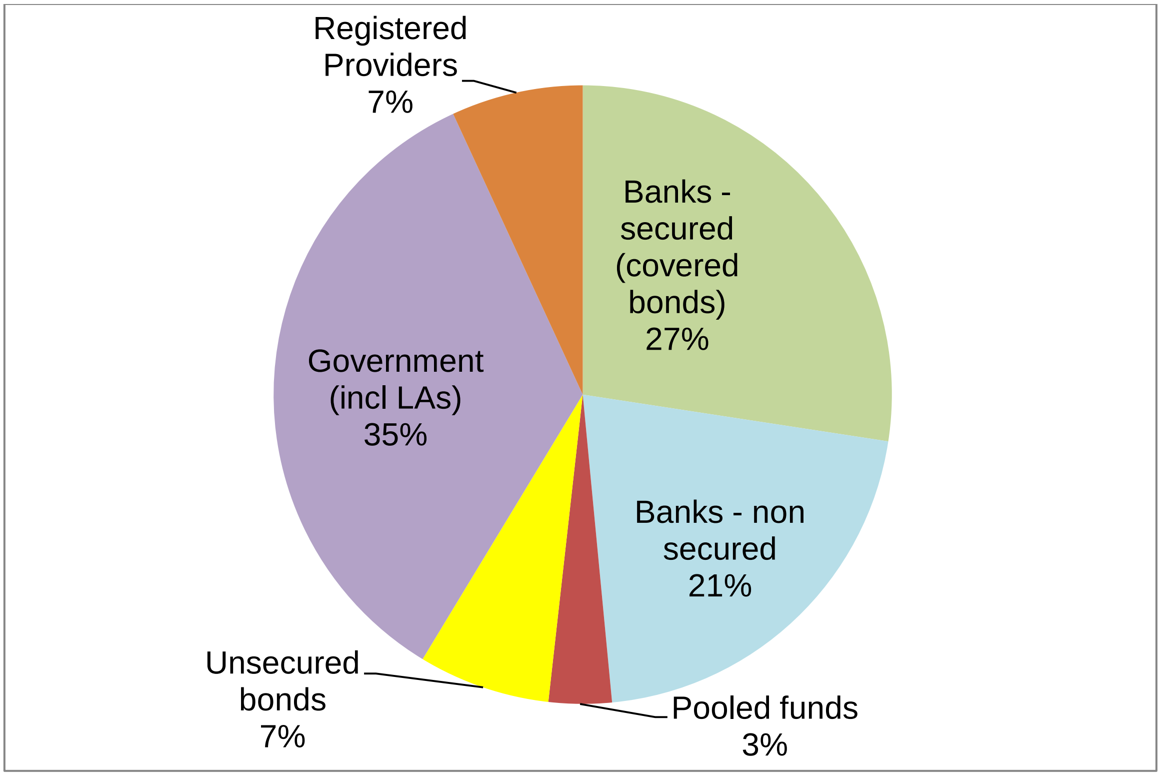
4.13 Given the increasing risk (lower rated counterparties and the risk of bail-in), and very low returns from short-term unsecured bank investments, the Council aims to continue to diversify into more secure and where possible, higher yielding asset classes during 2018-19 whilst continuing to ensure adequate liquidity for operational purposes. This is especially the case for our longer-term investments. This diversification will represent a continuation of the new strategy adopted in 2015-16.

4.14 Diversification is key, all investments can earn extra interest, but not all investments will default. Also, to highlight the need for security and diversification it takes a long time of earning an extra 1% of interest cover to cover the 20% to 50% loss from a default.

4.15 The graph below shows how our current portfolio is diversified by type of investment. It is unlikely we will be able to move away from unsecured deposits entirely, but the less in this category and the more diversified the portfolio is the better the spread of risk.




4.16 The graph shows how diversified our in-house investment portfolio is (excluding pooled funds). The following graph shows our in-house investment portfolio by security, and following that by credit rating:




4.17 We are required to classify investments as specified, non-specified or loans by the investment guidance issued by CLG. They are defined as:

- Specified investments: any investments that are:
  - denominated in pound sterling
  - due to be repaid within 12 months of the arrangement
  - not defined as capital expenditure by legislation
  - invested with one of the UK Government, a UK local authority, parish or community council, or a body or investment scheme of “high credit quality”
- Non-specified investments: any investment not meeting the definition of a specified investment.
- Loans

4.18 The Council defines high credit quality organisations as those having a long-term credit rating of A- or higher that are domiciled in the UK or foreign country with a long-term sovereign rating of AA or higher. Money market funds do not need to be domiciled in a country with an AA rating.

4.19 The Council will not make any investment denominated in foreign currencies, only sterling.

4.20 We may make an investment that is defined as capital expenditure by legislation, such as company shares.

4.21 The Council may invest 100% of its surplus funds in non-specified investments (long term investments, institutions not meeting our definition of high quality, pooled funds and money market funds not meeting our definition of high credit quality, investments in institutions domiciled in foreign countries rated below AA and investments in the Council's subsidiary companies)

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

| Credit Rating | Banks - unsecured | Banks - secured | Government (incl LAs) | Corporates | Registered Providers |
|---|---|---|---|---|---|
| **Specified investments** | | | | | |
| UK Government | n/a | n/a | £unlimited, 50 yrs | n/a | n/a |
| AAA | £6m, 5 yrs | £10m, 20 yrs | £10m, 50 yrs | £6m, 20 yrs | £6m, 20 yrs |
| AA+ | £6m, 5 yrs | £10m, 10 yrs | £10m, 25 yrs | £6m, 10 yrs | £6m, 10 yrs |
| AA | £6m, 4 yrs | £10m, 5 yrs | £10m, 15 yrs | £6m, 5 yrs | £6m, 10 yrs |
| AA- | £6m, 3 yrs | £10m, 4 yrs | £10m, 10 yrs | £6m, 4 yrs | £6m, 10 yrs |
| A+ | £6m, 2 yrs | £10m, 3 yrs | £6m, 5 yrs | £6m, 3 yrs | £6m, 5 yrs |
| A | £6m, 2 yrs | £10m, 3 yrs | £6m, 5 yrs | £6m, 2 yrs | £6m, 5 yrs |
| A- | £6m, 18 mths | £10m, 2 yrs | £6m, 5 yrs | £6m, 18 mths | £6m, 5 yrs |
| **Non Specified investments** | | | | | |
| BBB+ | £4m, 1 yr | £5m, 1 yr | £4m, 2 yrs | £3m 2 yr | £3m, 2 yrs |
| None | £1m, 12 mths | n/a | £4m, 25 yrs | £6m, 5yrs | £6m, 5 yrs |
| Money Market Funds | £20m per fund | | | | |
| Pooled funds | £10m per fund | | | | |

4.23 We may invest in institutions without credit ratings, or rated below A- (our defined minimum rating for <u>high</u> credit quality) to ensure we have diversification in our investment portfolio.

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

4.25 We currently invest in some non-rated building societies, and BBB rated corporate bonds. We need to ensure we have flexibility in our strategy to allow us to ensure an appropriate mix with the security on our portfolio.

4.26 We may invest in covered bonds for security investments to reduce our credit risk, bail in risk and inflation risk, but as these tend to be longer-term investments, we may sell them prior to the maturity date for liquidity purposes..

4.27 These limits are per counterparty and the higher level is the maximum. For example, we will not invest more than £10 million with a bank or group of banks, which can all be secured or a maximum of £6 million unsecured. We propose to allow ourselves to invest in secured investments for longer periods than unsecured deposits. An example of a counterparty with no credit rating is a non-rated building society where we can invest £1 million per counterparty. The time limits shown are the maximum for the year, and operationally we could have a shorter duration – these are reviewed throughout the year with Arlingclose.

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

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

4.30 Credit rating: we use the lowest published long-term credit rating from Fitch, Moody's or Standard & Poors (S&P) when making investment decisions, alongside other indicators/factors and external advice. We may consult with other credit rating agencies other than the main three. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used.

4.31 Banks unsecured: these instruments include, but are not limited to, accounts, deposits, certificated of deposit, and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

4.32 Banks secured: these instruments include covered bonds, reverse repurchase agreements, and other collateralised arrangements with banks and building societies. These investments are secured on the institutions assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the two will be used to determine cash and time limits. The law states that covered bonds and reverse repurchase transactions cannot be bailed in. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

4.33 Government: instruments include 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. Investments with the UK Central Government may be made in unlimited amounts for up to 50-years.

4.34 Corporates: the instruments include loans, bonds and commercial paper issued by companies other than banks, building societies and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made either following an external credit assessment or as part of a diversified pool or corporate investments in order to spread the risk widely.

4.35 Registered providers: these include loans and bonds issued by, guaranteed by, or secured on the assets of registered providers for social housing, formally known as housing associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retail a likelihood of receiving government support if needed.

4.36 Pooled funds: these are shares in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property, and also money market funds. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term money market funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

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

4.38 To mitigate the risk of default, we will ensure that no more than 10% of available reserves will be invested in any one institution or institutions within the same group (other than the UK Government) and therefore limit the amount invested at £10 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign currency, since the risk is diversified over many countries.

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

**Treasury management risk and credit ratings**

4.40 Arlingclose obtain and monitor credit ratings and they notify us with any changes in ratings as they occur.

4.41 Where an entity has its credit rating downgraded and it then fails to meet the approved investment criteria then:

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

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

4.43 The Council understands that credit ratings are good, but not perfect, predictors of investment default. We will take account of other available information on the credit quality of institutions, in which we invest, including credit default swops, financial statements, information on potential government support and reports in the quality financial press.

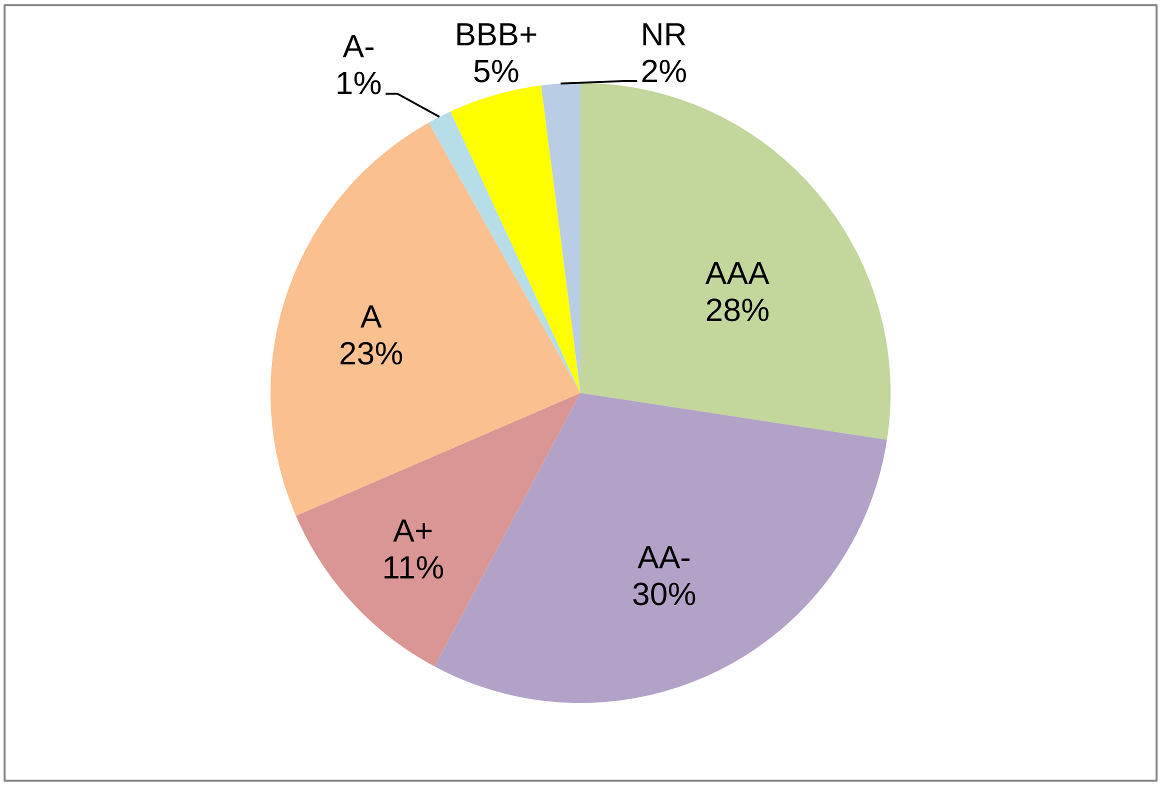
4.44 We will not make investments with any organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

4.45 When deteriorating financial market conditions affect the credit worthiness of all organisations, as happened in 2008 and 2011, this is generally not reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those institutions of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security.

4.46 The extent of these restrictions will be in line with the prevailing market conditions. If these restrictions mean that if there are insufficient commercial organisations of high credit quality to invest our cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office (DMO) or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will help protect the principal sum invested.

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

- <u>Security</u>: we have adopted a voluntary measure of our exposure to credit risk by monitoring the value-weighted average credit rating of our investment portfolio. This is calculated by applying a score to each investment based on credit ratings (AAA=1, AA+=2 etc) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk. The average portfolio credit rating target is set a A for 2018-19. The following charge shows how our current portfolio is made up – this is updated monthly




- Liquidity – we monitor our liquidity by using a cash flow system. We project forward for the financial year, and enter all known cash transactions at the beginning of the financial year and then update the position on a daily basis. This forms the basis of our investment decisions in terms of duration and value of investments made. We have set £25 million as our minimum liquidity requirement. We also have a monthly high-level cash flow projection over four years.

**Non-financial investments**

4.48 Although not classed as treasury management activities, the Council may also purchase property for investment purposes and may also make loans and investments for service purposes.

4.49 The Council holds non-financial investments as follows:
- Investment property portfolio
- loans to its wholly owned companies, Guildford Borough Council Holdings Ltd and North Downs housing Ltd

4.50 Both categories of non-financial investments are held for two purposes, (a) to generate income (yield) and (b) to meet a strategic/corporate plan priority.

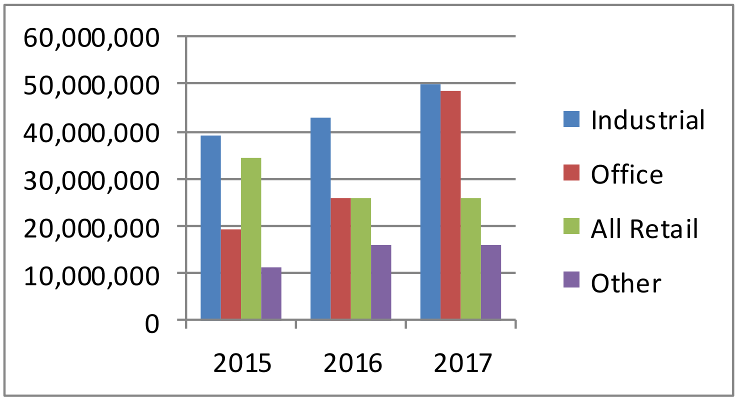
*Investment property*

4.51 The Council's Asset Strategy and Asset Management Framework, adopted by Executive on 20 January 2015, sets out the context within which investment property acquisitions are made and how property is managed. The vision for the property estate is to own, occupy or use properties that empower the Council to perform excellently in the delivery of its services and Corporate Plan themes on behalf of the borough's residents, businesses and visitors. For investment properties, the assessment is in terms of the financial return (yield) that a property provides as well as other criteria regarding the classification of the lease and the tenancy covenant.

4.52 The Council manages its property estate as a strategic resource as follows:

1) The Corporate Plan – This underpins the whole basis upon which the Council owns, occupies and uses its property estate, its purpose, function, operation and why the Council chooses to make changes as part of future planning.
2) Asset Strategy – This Asset Strategy underpins how the property estate will deliver the aims and objectives of the Corporate Plan stating the Council's desired outcomes of the estate, objectives and performance targets, plus an action plan to get there.
3) Property Review Group – This working group of officers and councillors provides active governance over property planning and decision making with a watching brief to deliver property outcomes and performance.
4) Asset Management Framework – This provides policies on how the Council will actively manage, review and challenge the property estate and the properties within it and whether to keep, improve, sell or transfer properties in context of wider strategic and corporate objectives.
5) Property Performance – the Council will report annually to the Overview and Scrutiny Committee and the Executive on performance targets, trends and external benchmarks to analyse and explain how the property estate is performing against desired outcomes and comparison with others local authorities.
6) Asset Development Team – This team provides in house professional property management skills. Its role is to manage and maintain the property estate, review and update property information on the Asset Manager system, act as corporate landlord on behalf of services and undertake strategic property reviews analysing data on size, use, occupancy, condition, running cost, value and so on.

4.53 The following graph shows how diversified our investment property portfolio is:




4.54 The following table shows the performance of the portfolio, in rental income terms, against the benchmark.

| Income return | Industrial | Office | All Retail | Other | All |
|---|---|---|---|---|---|
| 2015 | 8.03% | 7.46% | 5.60% | 7.52% | 6.84% |
| 2016 | 7.12% | 7.17% | 5.59% | 6.65% | 6.71% |
| 2017 | 6.77% | 6.52% | 5.60% | 6.73% | 6.46% |

| Benchmark return | Industrial | Office | All Retail | Other | All |
|---|---|---|---|---|---|
| 2015 | 6.10% | 4.70% | 5.40% | 4.70% | 5.23% |
| 2016 | 5.40% | 4.10% | 5.00% | 5.50% | 4.80% |
| 2017 | 7.90% | 3.90% | 2.50% | 2.50% | 4.20% |

*Loans to Subsidiary Companies*

4.55 In February 2016, the Executive approved the establishment of Guildford Borough Council Holdings (GBCH) Ltd and North Downs Housing (NDH) Ltd. The rationale and business case for setting up the companies and how they meet the Council's strategic objectives were set out in the report. NDH has been set up to deliver on the 4 objectives set out below:

- to meet in, such manner as the Company thinks fit, identified housing need and increase the provision of new housing in the Guildford borough and surrounding areas
- to generate returns for the Council's GF;
- to accelerate development of brownfield land in the Guildford borough
- to carry on any other business or do such other things which may seem to the Company capable of being conveniently carried on in connection with any of the above specified objects, or calculated to enhance the value of the Company's services, assets, property or rights.

4.56 Guildford Borough Council Holdings (GBCH) Ltd is currently dormant with the exception of its equity holding in NDH Ltd.

4.57 The Business Plan for NDH Ltd was approved by the Executive Shareholder and Trustee Committee in September 2017. Investment in NDH Ltd is classed as capital expenditure and forms part of the Council's approved capital programme. The Executive Shareholder and Trustee Committee monitors the performance of the company and the security of the Council's investment on an annual basis.

## 5. Other items

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

### The Council's banker

5.2 HSBC Bank plc are our day to day bankers holding all our current accounts. The contract was renewed for seven years from 1 January 2017 – ending on 31 December 2024.

5.3 HSBC are currently rated above our minimum credit criteria. Should the credit rating fall below the minimum investment credit rating we have set, we may continue to deposit surplus cash with HSBC providing that investments can be withdrawn on the next working day, and that the bank maintains a credit rating no lower than BBB- (the lowest investment grade rating).

### Policy on the use of Financial Derivatives

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

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

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

5.7 We may arrange financial derivative transactions with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

### Policy on apportioning interest to the HRA

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

5.9 Investment payable and other costs or income arising from long-term loans (for example premiums and discounts on early redemption) will be charged or credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRAs underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance, which may be positive or negative. We will calculate an average balance for the year and interest transferred between the GF and HRA at the Council's weighted average return on its investments, adjusted for credit risk and temporary borrowing.

5.10 This credit risk adjustment reflects the risk to the GF that any investment default will be a charge to the GF, even if it is HRA cash that is lost.

### Training

5.11 We assess training requirements for the Council's treasury management staff throughout the year, and additionally when the responsibilities of individual members of staff change.

5.12 Staff regularly attend training courses, seminars and conferences provided by Arlingclose, CIPFA and other appropriate bodies. Relevant staff are encouraged to study professional qualifications from CIFPA, the Association of Corporate Treasurers and other appropriate organisations.

5.13 Councillors undertake training as and when required, for example when there is a change in committee membership, and on an ad-hoc basis. The Lead Councillor for Finance and the Chairman of the Corporate Governance and Standards Committee attend the quarterly strategy meetings with Arlingclose, and is briefed and updated on treasury management matters as and when required.

### Investment consultants / use of consultants generally

5.14 Arlingclose are the Council's appointed treasury management advisors, with the contract running until 31 March 2022. We receive specific advice on investments, debt and capital finance issues. We have regular contact with the advisors and hold quarterly meetings with them to discuss changes on all aspects of treasury management and specifically in relation to the changing requirements of the Council.

5.15 The Council has access to six brokers to gather information and place deals where it is financially advantageous compared to direct dealing, and, where we are unable to access counterparties directly. We compare the information received with information from other service providers in the market to gauge its applicability within our strategy.

5.16 Where we feel we do not have the expertise in house, we will use external consultants. This could be for many reasons, and the Council currently uses this approach across all council services.

**Performance monitoring**

5.17 CIPFA advocated the principle that councils should create appropriate methods by which the performance of their treasury management activities can be measured and recommend the selection of appropriate measures and setting of benchmarks.

5.18 Officers monitor the treasury management activity and prudential indicators on a monthly basis. Reports are made at least annually to the Corporate Governance and Standards Committee half-yearly to full Council. Other monitoring includes:

- the Council will produce an outturn report on its treasury activity no later than 30 September after the end of the financial year
- the Corporate Governance and Standards Committee is responsible for the scrutiny of the Council's treasury management activity and practices
- officers prepare a monthly monitoring report which is discussed with the CFO

5.19 The Council sets performance indicators to assess the return against the Bank of England base rate on treasury activities over the year. These include the separate monitoring of in-house investments (both longer-term and for cash purposes) and externally managed funds.

5.20 We also monitor performance through benchmarking with both CIPFA and other Arlingclose clients. The Council is a member of the Surrey treasury management officers group who meet twice yearly to discuss treasury management issues and share practices.

5.21 Monitoring of the investment property portfolio is undertaken by the Investment Property Management Group (IPMG) which consists of Officers with relevant expertise form the asset/property and finance teams. The IPMG reviews the performance of individual assets and annual performance across the portfolio along with commentary on an overview of the local property market. Reports are made on performance of individual assets to the Property Review Group (PRG) and on the overall performance of the portfolio to the Overview and Scrutiny Committee

This page is intentionally left blank

**SCHEDULE OF GENERAL FUND CAPITAL BIDS 2018-19 TO 2022-23** **Appendix 2**

| | Bid number | Project title | GROSS ESTIMATES 2018-19 £000 | 2019-20 £000 | 2020-21 £000 | 2021-22 £000 | 2022-23 £000 | TOTAL COST £000 | Third party contr £000 | Specific reserves £000 | General reserves/ borrowing £000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | **General fund** | | | | | | | | | |
| 1 | 97 | Tyting Farm Land - removal of barns and concrete hardstanding | 250 | 0 | 0 | 0 | 0 | **250** | 0 | 0 | 250 |
| 2 | 111 | A331 hotspots | 300 | 2,230 | 1,400 | 0 | 0 | **3,930** | (1,965) | 0 | 1,965 |
| 3 | 129 | Rodboro buildings - electric theatre through road and parking | 450 | 0 | 0 | 0 | 0 | **450** | 0 | 0 | 450 |
| 4 | 130 | Castle grounds cottage | 60 | 0 | 0 | 0 | 0 | **60** | 0 | 0 | 60 |
| 5 | 139 | Guildford bike share | 530 | 0 | 0 | 0 | 0 | **530** | 0 | 0 | 530 |
| 6 | 145 | 48 Quarry St, Museum - structural works | 30 | 220 | 0 | 0 | 0 | **250** | 0 | 0 | 250 |
| 7 | 151 | Guildford West (Park Barn) station | 150 | 50 | 0 | 0 | 0 | **200** | 0 | 0 | 200 |
| 8 | 169 | Bus station relocation | 300 | 200 | 0 | 0 | 0 | **500** | 0 | 0 | 500 |
| 9 | 197 | Shawfield DC | 83 | 0 | 0 | 0 | 0 | **83** | 0 | 0 | 83 |
| 10 | 198 | SMP - electrical works | 39 | 0 | 0 | 0 | 0 | **39** | 0 | 0 | 39 |
| 11 | 201 | Millmead House - M&E plant renewal | 33 | 0 | 0 | 0 | 0 | **33** | 0 | 0 | 33 |
| 12 | 205 | Hydro private wire | 85 | 0 | 0 | 0 | 0 | **85** | 0 | 0 | 85 |
| 13 | 210 | Stoke Park Masterplan enabling costs | 100 | 100 | 150 | 0 | 150 | **500** | 0 | 0 | 500 |
| 14 | 211 | Roads & footpaths | 300 | 400 | 400 | 400 | 400 | **1,900** | 0 | 0 | 1,900 |
| 15 | 213 | Sports pavilions - replace water heaters | 154 | 0 | 0 | 0 | 0 | **154** | 0 | 0 | 154 |
| 16 | 229 | Millmead fish pass | 0 | 60 | 0 | 0 | 0 | **60** | 0 | 0 | 60 |
| 17 | 261 | Land to the rear of 39-42 castle street | 10 | 0 | 0 | 0 | 0 | **10** | 0 | 0 | 10 |
| 18 | 264 | Old Manor House - replacement windows | 193 | 0 | 0 | 0 | 0 | **193** | 0 | 0 | 193 |
| 19 | | Crematorium VAT | 1,023 | 669 | 0 | 0 | 0 | **1,692** | 0 | 0 | 1,692 |
| 20 | | Student Housing | 3,000 | 45,000 | 33,000 | 0 | 0 | **81,000** | 0 | 0 | 81,000 |
| 21 | | Museum additional funding | 185 | 180 | 855 | 0 | 0 | **1,220** | 0 | 0 | 1,220 |
| 22 | | Capital Contingency fund (annual budget) | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | **25,000** | 0 | 0 | 25,000 |
| | | **Total** | **12,275** | **54,109** | **40,805** | **5,400** | **5,550** | **118,139** | **(1,965)** | **0** | **116,174** |
| | | | | | | | | | | | |
| | | **For reserves programme (approved prog)** | | | | | | | | | |
| 23 | 140 | ICT renewals | 2,284 | 527 | 500 | 500 | 500 | **4,311** | 0 | (4,311) | 0 |
| 24 | 177 | Deck Millbrook Car Park | 0 | 2,000 | 0 | 0 | 0 | **2,000** | 0 | (2,000) | 0 |
| 25 | 181 | New POF equipment | 15 | 585 | 0 | 0 | 0 | **600** | 0 | (600) | 0 |
| 26 | 194 | Structural works to MSCP | 200 | 100 | 0 | 0 | 0 | **300** | 0 | (300) | 0 |
| 27 | 200 | PBDC - air source heat pump | 143 | 0 | 0 | 0 | 0 | **143** | 0 | (143) | 0 |
| 28 | 207 | SMP - air source heat pump | 28 | 0 | 0 | 0 | 0 | **28** | 0 | (28) | 0 |
| 29 | 212 | Stoke Park nursery - air source heat pump | 17 | 0 | 0 | 0 | 0 | **17** | 0 | (17) | 0 |
| | | **Total funded from reserves** | **2,687** | **3,212** | **500** | **500** | **500** | **7,399** | **0** | **(7,399)** | **0** |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| | | **Gross total** | **14,962** | **57,321** | **41,305** | **5,900** | **6,050** | **125,538** | **(1,965)** | **(7,399)** | **116,174** |
| | | Funded by reserves or contributions | (2,837) | (4,327) | (1,200) | (500) | (500) | **(9,364)** | | | |
| | | **Cost to the Council** | **12,125** | **52,994** | **40,105** | **5,400** | **5,550** | **116,174** | | | |
| | | Already in programme | (5,000) | (5,000) | (5,000) | (5,000) | 0 | **(20,000)** | | | |
| | | **Net addition to the programme** | **7,125** | **47,994** | **35,105** | **400** | **5,550** | **96,174** | | | |

This page is intentionally left blank

# Bid for Funding: Rodboro Buildings – Electric Theatre through road and

GUILDFORD BOROUGH

| | | | |
|---|---|---|---|
| **Project Name:** | Rodboro Buildings – Electric Theatre through road and parking | | |
| **Project Code:** | 2017 | 129 | |
| **Project Description:** | Project to include a scheme to segregate vehicles from pedestrians, provide designated parking zones, new bin store, signage, possibly lighting, new paving and roadway surfacing. Consultants fees would include traffic study on the entrance and exit to Gyratory, engineers fees, and a project supervisor. Legal fees to amend any existing leases, and costs for implementing cleansing regime (either internal or external service). | | |
| **Project / Programme Manager:** | Melissa Bromham | **Ward:** | Holy Trinity Ward |
| **Senior Responsible Officer:** | Philip O'Dwyer | **Directorate:** | Community |
| **Corporate Plan Theme:** | Our Environment | **Confidential:** | No |
| **Expected Start Date:** | | **Exempt VAT Implications:** | |
| **Target Completion Date:** | | **Grant access to someone:** | |

**Drivers and Objectives:**

To develop and implement an imaginative, easy maintainable, robust and attractive scheme to improve the area around the Rodboro Buildings. This will improve access for pedestrians and vehicles to prevent any future accidents.

Provide solutions to some of the current key issues:

- Unauthorised parking in non-parking areas/parking areas demised to other tenants.
- Safety risk for pedestrians caused by turning vehicles and a bad layout design.
- Use of area as a cut through from gyratory.
- State of disrepair of paving and variety of materials.
- No external storage areas for Wetherspoons that has led to unauthorised storage of bins and barrels.
- Unsightly appearance.

**Background Information:**

The Council owns a parcel of land in the centre of the Guildford town centre gyratory system. This comprises the following buildings:

- Armour Building – recently acquired and let on a 25-year lease from 1998 to Stonegate Pub Company (trading as Popworld).
- Rodboro Buildings – Let on a 25-year lease from 1998 to J D Wetherspoon Ltd and another 25 year lease from 1998 to Academy Music Services Limited (ACM Commercial Ltd).
- The Electric Theatre – recently let to ACM Commercial Ltd

The external space in this area used to be maintained as part of the Electric Theatre. Following the recent letting of the Electric Theatre, only part of the external area has been demised to ACM Commercial Ltd. The area immediately surrounding the Rodboro Building and Popworld is not demised to any tenant (Wetherspoons have a licence for a small area of external seating). However, access rights over the land have been granted to all of the above tenants (vehicular and pedestrian).

A number of issues have arisen:

- Unauthorised parking in non-parking areas/parking areas demised to other tenants.
- Safety risk for pedestrians caused by turning vehicles and a bad layout design.
- Use of area as a cut through from gyratory.
- State of disrepair of paving and variety of materials.
- No external storage areas for Wetherspoons that has led to unauthorised storage of bins and barrels.
- Unsightly appearance.

The proposed scheme will create a pedestrian friendly environment, outdoor seating, and encourage other activities to take place in a safe environment. The project supports the aims and objectives of the Council to regenerate the town centre and to improve accessibility and pedestrian environment.



It is proposed that the Council appoint a consultant to review the area and provide guidance on the

| | |
|---|---|
| | arrangement and implementation of pedestrian and vehicle segregation and a new car parking scheme.<br><br>Once the designs are finalised a project manager and contractor shall need to be appointed to undertake the proposed works. |
| **Project / Programme Objectives:** | To develop and implement an imaginative, easily maintainable, robust and attractive scheme to provide pedestrian and vehicle segregation and car parking in the area surrounding the Rodboro Building and Electric Theatre. This will improve access for pedestrians and vehicles to prevent any future accidents. |
| **Implications:** | If the project does not proceed and no action is taken to improve the area there will be the following implications:<br><br>• the area will be left to deteriorate further making it unsightly;<br>• tenants shall continue to complain about the area and the lack of external storage;<br>• continued health and safety risk to pedestrians and vehicles due to unauthorised parking, turning of vehicles, and bad layout; and<br>• continued health and safety risk to pedestrians from uneven surface, unauthorised external storage. |
| **Legal / Statutory Requirement:** | Yes |
| **Legislative / Statutory Implications:** | Health and Safety<br>Planning |
| **Planning Permission Required:** | Yes |
| **Building Regulation Required:** | Yes |
| **Details of Other Required Consents:** | Not known at this stage |
| **Constraints:** | |
| **Assumptions:** | • Tenants will buy-in to scheme<br>• There will be enough space to provide parking, external seating and bin storage to current standards<br>• Any necessary planning/building control consents will be obtained |
| **Changes / Effects:** | The project will:<br>• improve appearance of this part of the town centre;<br>• prevent potential health and safety risks/incidents;<br>• prevent further complaints from tenants; and<br>• make the asset more valuable. |
| **Measures for Success:** | The delivery of a safe, imaginative, easily maintainable, robust and attractive scheme to provide vehicle and pedestrian segregation, parking and external storage for the Council's commercial tenants. |
| **Viable Options and Rejection Reasons:** | The only other option is to do nothing. This is not recommended as there is a potential health and safety risk to pedestrians. |

## Costs

| Year | Description | Capital Value (£) | Revenue Code | Revenue Code Name | Revenue Value (£) |
|---|---|---|---|---|---|
| 2018/19 | Consultant | 20,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |
| 2018/19 | Project Manager | 30,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |
| 2018/19 | Contractor | 400,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |

## Costs Totals

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|
| 2018/19 | £450,000 | £0 |

## Non Financial Benefits

| Title | Category | Measure | Expected Delivery Date |
|---|---|---|---|
| Improved facilites for tenants | Improved Customer Satisfaction | The provision of safe ingress and egress to their properties and the provision of external storage | |
| More attractive street scene | Improved Social Benefits | The provision of an attractive and easily maintainable scheme | |

## Risks

| Title | Description |
|---|---|
| Insurance claim | Risk that a pedestrian is hurt or injured in accident involving a vehicle and claims against the Council as landowner |

## Fundamental Themes

**Our Economy:** 2 - Low

The proposed scheme will help to achieve the following priority:
- Providing for high quality commercial land and buildings

**Our Borough:** 8 - Medium to High

The proposed scheme will help to achieve the following priorities:

- Ensuring an attractive, competitive, multi-faceted and vibrant town
- Enhancing our shopping and leisure offer
- Improving accessibility and the pedestrian environment

It will also help the Council tin its aim to:
- Develop a programme of town centre pedestrianisation and road changes and improve the bus, cycling and walking networks
- Delivered infrastructure changes to support local communities

**Our Infrastructure:** 2 - Low

Help to make the gyratory more attractive and prevent congestion due to unauthorised use of the area as a cut through.

**Our Environment:** 6 - Medium

The proposed scheme will help to achieve the following priorities:
- Being a clean and attractive borough
- Protecting and improving our environment
- Improving walking and cycling routes

**Our Society:** 0 - None

**Your Council:** 2 - Low

The proposed scheme will help to achieve the following priority:
- Maximising the value derived from our property portfolio

**Fundamental Themes Total:** **20**

## Other Category Themes

**Asset Management:** 10 - Very High

Investment into a Council asset

**Business Case:** 2 - Low

Will make property more attractive and, as such, more lettable/valuable

**Health and Safety / Statutory Requirement:** 8 - Medium to High

Risk to pedestrian and vehicle safety

**Service Delivery:** 0 - None

**Third Party Funding:** 0 - None

**Other Themes Total:** **20**

**Themes Total:** **40**

# Bid for Funding: Castle Grounds Cottage - Refurbishment

GUILDFORD BOROUGH

**Project Name:** Castle Grounds Cottage - Refurbishment

**Project Code:** 2017 | 130

**Project Description:** Refurbish to lettable standard ready for temporary occupation as a private residential let

| | | | |
|---|---|---|---|
| **Project / Programme Manager:** | Asset Maintenance Manager | **Ward:** | Holy Trinity Ward |
| **Senior Responsible Officer:** | Marieke van der Reijden | **Directorate:** | Community |
| **Corporate Plan Theme:** | Your Council | **Confidential:** | No |
| **Expected Start Date:** | 01/08/2018 | **Exempt VAT Implications:** | No |
| **Target Completion Date:** | 01/12/2018 | **Grant access to someone:** | |

**Drivers and Objectives:**

The main driver is to utilise Castle Grounds Cottage, a currently vacant residential property, on a temporary basis for private residential let with the objective of deriving a short to medium term income, prior to a decision on the long term future use of the asset being made.

**Background Information:**

The property was used as staff accommodation by Parks and Leisure Services. Following the departure of its last tenant, circa two years ago, the property has remained vacant.

The property is in a poor state of condition and will require full refurbishment, whatever use, going forward.

The Museum and Castle Grounds project is currently at feasibility stage. At the time of writing, the Cottage is identified within the project plans for possible use as part of the future Museum attraction. However, these proposals require major considerations, which will take time to resolve. Whilst ideally the Council would wait for formal confirmation through Executive that this should be the future use of the Cottage, the present situation of holding a vacant property means a recommendation whether to proceed with the works is required sooner.

**Project / Programme Objectives:**

Project: Refurbishment of Castle Grounds Cottage for private residential let.
Programme: 01/08/2018 - 01/12/2018.
Objectives: To derive an income from the property prior to a decision on the long term future use being made.

**Implications:**

Financial: Cost estimate for the project is £60,000 to refurbish in order to realise a return.
Timing: A decision on the short term use of the building made ahead of a formal Executive decision on the Museum and Castle Grounds project.

Future: The long term plan for the property is unestablished; thus, full refurbishment works for private residential let may not lend themselves as relevant to the future use of the asset.

Resource: The Building Surveying team is currently under resourced and thus delivering this project in-house may prove unfeasible.

Return on investment: For the Council to realise a return on its investment of £60,000 the property would need to be let for an estimated period of 2.5 years. A change of use before this could see a loss on initial capital expenditure.

Private residential let: The location of the property, within the Castle Grounds, does afford issues with private residential let. The gates to the grounds are locked at certain times; however, the tenant of the property would require unfettered access.

**Legal / Statutory Requirement:** No

| | |
|---|---|
| **Legislative / Statutory Implications:** | Building Regulations: Under the Building Act 1984 Building control consent is likely to be required.<br>Conservation Area: Property falls within the Guildford Town Conservation Area. Consequently, considerations required for changing windows/rear patio doors and the external appearance of the property.<br>Health and Safety: Project will fall within the scope of the CDM Regulations 2015, although will not be notifiable to the HSE.<br>Ecological: Due to the location of the building it is likely to house bat roosts. Consequently, certain works may be restricted and/or require a licence from Natural England.<br>Asbestos: The Control of Asbestos Regulations 2012 will need to be followed. This will require a Refurbishment and Demolition (R&D) survey pre the works. Due to the age of the property Asbestos Containing Materials (ACMs) may be found once the building is opened-up. Where ACMs are found, advice from the Council's appointed asbestos consultant will be sought. |
| **Planning Permission Required:** | No |
| **Building Regulation Required:** | Yes |
| **Details of Other Required Consents:** | Conservation Area Consent: This may be required in relation to changing the windows/external appearance of the building. Advice will be sought from the Council's planning department pre the works.<br>Ecological: A licence from Natural England may be required for certain works where bat roosts are present. |

| | |
|---|---|
| **Constraints:** | Resource: The Building Surveying team is currently under-resourced and thus it is uncertain whether there will be capacity in-house to undertake this capital project.<br>Ecological: Depending on the results of the ecological survey certain works may be constrained or subject to licence from Natural England.<br>Conservation area: The property falls within the Guildford Town Centre conservation area; thus, there will be restrictions on changing the external appearance of the building - the main item of which is windows and rear patio doors. |
| **Assumptions:** | Refurbishment costs are based on rates obtained from pricing books and previous tender documentation.<br><br>Budget estimate assumes property is structurally sound and required works are general refurbishment and aesthetics.<br><br>Budget estimate assumes no substantial removal of asbestos is required pre the refurbishment works.<br><br>Budget estimate assumes that the existing services are largely sound, and only allows for minor works. |
| **Changes / Effects:** | To change the building from a very poor state of repair to a private residential lettable standard, with the effect of increasing the potential revenue generation from the Council's property portfolio. |
| **Measures for Success:** | Project delivered on time, on budget, and to the correct standard/quality.<br><br>Property privately let within a short timeframe post refurbishment for a competitive rental income |
| **Viable Options and Rejection Reasons:** | Short term options:<br>1) Do nothing: This option was rejected on the grounds that the Council can be criticised for owning vacant properties that have revenue generating potential<br>2) Keep the property vacant until Cottage is redeveloped as part of the Museum Project; option rejected because the timeframe is unknown and the property would be likely to deteriorate in the meantime<br>3) Refurbish for short term residential let: since the long term use of the property is unestablished, this is likely to be an interim measure |

## Costs

Agenda item number: 6
Appendix 3

| Year | Description | Capital Value (£) | Revenue Code | Revenue Code Name | Revenue Value (£) |
|---|---|---|---|---|---|
| 2018/19 | Professional fees | 5,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |
| 2018/19 | Contractor costs | 48,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |
| 2018/19 | Contingency | 5,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |
| 2018/19 | Preliminaries | 2,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |

## Costs Totals

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|
| 2018/19 | £60,000 | £0 |

## Financial Benefits

| Year | Description | Capital Value (£) | Revenue Value (£) |
|---|---|---|---|
| 2019/20 | Value added to asset through refurbishment works / Rental income from private let | 50,000 | 24,000 |
| 2020/21 | Rental income from private let | 0 | 24,000 |
| 2021/22 | Rental income from private let | 0 | 24,000 |

## Financial Benefits Totals

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|
| 2019/20 | 50,000 | 24,000 |
| 2020/21 | 0 | 24,000 |
| 2021/22 | 0 | 24,000 |

## Non Financial Benefits

| Title | Category | Measure | Expected Delivery Date |
|---|---|---|---|
| Providing residential accomodation | Improved Social Benefits | Refurbishing this property will provide additional residential accomodation within the borough. The measure of success will be letting the property. | 01/12/18 |
| Void properties | Improved Customer Satisfaction | The Council is open to criticism where it fails to generate an income from its property portfolio; particularly where assets remain void for extended periods of time. The measure of success will be generating an income from letting the property. | 01/03/19 |

| | | | |
|---|---|---|---|
| Planned Preventative Maintenance | Reduced Asset Costs | Whilst there will be an initial capital expenditure in year 1 to refurbish this property for residential let; future planned maintenance costs for the asset will be reduced. This not only affects future maintenance costs, but also staff time. The measure of success will be comparing previous years planned maintenance expenditure vs future planned maintenance expenditure. | 01/12/18 |
| Vandalism | Improved Service Provision | While the building remains vacant there is an increased risk of vandalism to the property as well as the immediate surrounding areas. | 01/12/18 |

## Risks

| Title | Description |
|---|---|
| Lettability and revenue generation | There is the risk that post refurbishment the property fails to let for the desired annual amount and/or within a reasonable timeframe. |
| Budget | As with all construction projects there is the risk of costs escalating due to unforeseen events. |
| Long term use of the asset | If the longer term use of the asset is realised early and this does not accord with the residential refurbishment works there is a risk that the Council will not realise a return on its initial capital investment. |
| Health and Safety | As with all construction project, by there very nature there are Health and Safety risks involved when working onsite. |

## Fundamental Themes

**Our Economy:** 6 - Medium

Improved building and facility contributes to the Council's aim for high quality land and buildings; as well as providing additional residential accommodation within the Borough.

**Our Borough:** 6 - Medium

Improvements to the building will contribute an element towards an attractive town, especially as the building sits within the award winning Castle Grounds.

**Our Infrastructure:** 0 - None

None.

**Our Environment:** 8 - Medium to High

Contributes towards aim for protecting and improving our environment by not remaining vacant and exposed to possible vandalism.

**Our Society:** 4 - Low to Medium

Project makes some improvement to the lives of residents and visitors who pass through the Castle Grounds by showing that the Council property is well kept and maintained.

**Your Council:** 6 - Medium

Shows commitment to keeping good quality assets and seeking to ensure the best value is obtained out of them, even as a short term solution. Demonstrates a proactive Council.

**Fundamental Themes Total:** **30**

## Other Category Themes

**Asset Management:** 8 - Medium to High



Keep the building in good repair and making good use of the asset by letting in the short term.

| | | |
|---|---|---|
| **Business Case:** | 4 - Low to Medium | |
| | This offers a short term solution pending the outcome for the property, which is currently under consideration as part of the Museum and Castle Grounds project. | |
| **Health and Safety / Statutory Requirement:** | 8 - Medium to High | |
| | There is a security risk whilst the property remains vacant; the property also risks falling in to disrepair and requiring greater expenditure further down the line. | |
| **Service Delivery:** | 4 - Low to Medium | |
| | Parks and Leisure Services would benefit from the income generated, albeit the full benefit is not realisable for circa 2.5 years post initial capital investment.<br><br>Requirement on Asset Development to keep the building in good repair and seek to ensure an income is achieved from property. Once refurbishment works are complete the demand on the Building Surveying team for future maintenance will be reduced. | |
| **Third Party Funding:** | 0 - None | |
| | None | |

**Other Themes Total:** **24**

**Themes Total:** **54**

# Bid for Funding: Guildford Bike Share

GUILDFORD BOROUGH

| | |
|---|---|
| **Project Name:** | Guildford Bike Share |
| **Project Code:** | 2017 / 139 |
| **Project Description:** | A new public bike share/hire scheme for the town, exact details to be established following a feasibility study, though approximately 150 bikes with between 10 and 15 stations situated in suitable and convenient locations around the town centre and beyond are expected for the initial set up of the scheme. It is likely to include a mix of standard and electric bicycles - dependent on cost and the outcome of the feasibility work. |

| | | | |
|---|---|---|---|
| **Project / Programme Manager:** | Rob Curtis | **Ward:** | |
| **Senior Responsible Officer:** | Zac Elwood | **Directorate:** | Development |
| **Corporate Plan Theme:** | Our Environment | **Confidential:** | No |
| **Expected Start Date:** | 01/08/2017 | **Exempt VAT Implications:** | |
| **Target Completion Date:** | 31/03/2019 | **Grant access to someone:** | |

**Drivers and Objectives:**

Increase cycling and reduce private car use in/around the town centre. Relieving congestion, improved public health and air quality benefits.

**Corporate Plan 2015-2020**

<u>Our Borough</u>
Improved accessibility

<u>Our Economy</u>
Improving local community facilities

<u>Our Infrastructure</u>
Sustainable transport - urban and rural

<u>Our Environment</u>
Improved resilience through sustainability

<u>Our Society</u>
Improving public health and wellbeing (through supporting RSCH)

The Corporate Plan 2015-2020 also includes, under the 'Our Borough' theme, a specific action to *"Explore and, subject to feasibility, introduce an electric bike scheme."*

**Background Information:**

A public cycle hire scheme is proposed which will enable users to cycle part/all of their journeys, linking key destinations and transport hubs. The intention is that GBC would fund the upfront capital to set up the scheme, but ongoing revenue costs for running the scheme would be met through a combination of sponsorship and hire receipts. A suitable partner organisation would need to be identified and contracts entered into. Interest in bringing such a scheme to Guildford has been expressed by three companies that officers have approached to-date (Nextbike, Hourbike and ITS), but there are a number of other established operators offering a similar product.

Report went to the Borough, Economy & Infrastructure EAB on 13 September 2017 and was generally well received by members. It was agreed that a feasibility study should be undertaken and the EAB provided a number of questions to be asked as part of this study - including whether it should be 'traditional' or 'free floating' bikes. The idea of including a percentage of electric bicycles within the scheme was also endorsed.

**Project / Programme Objectives:**

- Increase cycling patronage and encourage modal shift
- Reduce congestion issues
- Enable users more options and make cycling available to more people
- Improvements to public health
- Greening the town

**Implications:**

Possible ongoing revenue costs, though these are expected to be met by the sponsorship of the scheme - scheme operator to manage all of these aspects so effectively any revenue cost/gain is expected to be minimal. (feasibility and tender process will address this)

Cost of commissioning detailed feasibility study - revenue funding requested.

Public safety implications prior to delivery of cycle network improvements.

**Legal / Statutory Requirement:**

No

**Legislative / Statutory Implications:**

Public liability issues to be addressed

**Planning Permission Required:**

Yes

**Building Regulation Required:**

No

**Details of Other Required Consents:**

- Need to ensure agreement with the local highway authority
- Approval from various landowners to site hubs (e.g. University, Hospital, Network Rail, SCC)

**Constraints:**

- Current road layout is not "cycle friendly" in some locations so care is required in directing cyclists between docking sites
- Docking site locations to be agreed
- If electric bikes are to be used, docks will require mains power connection - could add costs or limit locations available
- Capital costs may limit percentage of electric bicycles

**Assumptions:**

- Capital monies for start-up are made available
- Assume that suitable sponsor can be found for ongoing revenue/running costs
- There is demand for such a scheme in the town - this will be explored in feasibility study
- Approval to site hubs at various locations from landowners

**Changes / Effects:**

- Availability of bikes for all in the town
- Improved public health
- Modal shift from the private car
- Introduction of legitimate and real alternative for shorter journeys
- May start to engender culture change amongst some commuters
- Improves leisure and recreation offer within the town

**Measures for Success:**

To be determined at feasibility could include:

- usage levels of the bikes
- reduction in private car use/congestion
- public health statistics
- scheme is sustainable and self-funding post initial set-up costs
- whether scheme is extended beyond initial period (likely to be 5 years)

**Viable Options and Rejection Reasons:**

'Do nothing' - This has been rejected because it would not address perceived latent demand for a bike scheme and would not lead to the expected improvements identified. It would also mean that a corporate action in the adopted Corporate Plan would not be brought forward within the plan period.

'Fully electric bikes scheme' - this would meet the Corporate Plan ambition/action, but will lead to additional capital set-up costs for the Council. This option will be explored through the feasibility study.

'Fully manual bikes scheme" - This option will be explored through the feasibility study, but is anticipated to be rejected as it does not meet the Corporate Plan action identified, which seeks an electric bike scheme.

## Costs

Agenda item number: 6
Appendix 3

| Year | Description | Capital Value (£) | Revenue Code | Revenue Code Name | Revenue Value (£) |
|---|---|---|---|---|---|
| 2018/19 | Feasibility and Tendering process | 0 | F5610 | Sustainable Movement | |
| | | | D4520 | Consultants (Advice) | 75,000 |
| 2018/19 | Implementation of project | 530,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |

## Costs Totals

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|
| 2018/19 | £530,000 | £75,000 |

## Financial Benefits

| Year | Description | Capital Value (£) | Revenue Value (£) |
|---|---|---|---|
| 2018/19 | Anticipated Sponsorship | 0 | 30,000 |
| 2019/20 | Anticipated Sponsorship | 0 | 31,000 |
| 2020/21 | Anticipated Sponsorship | 0 | 32,000 |
| 2021/22 | Anticipated Sponsorship | 0 | 33,000 |
| 2022/23 | Anticipated Sponsorship | 0 | 34,000 |

## Financial Benefits Totals

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|
| 2018/19 | 0 | 30,000 |
| 2019/20 | 0 | 31,000 |
| 2020/21 | 0 | 32,000 |
| 2021/22 | 0 | 33,000 |
| 2022/23 | 0 | 34,000 |

## Non Financial Benefits

| Title | Category | Measure | Expected Delivery Date |
|---|---|---|---|
| New transport option available to those wishing to travel to/around the town centre | Improved Service Provision | Usage statistics will show how people are travelling | 31/03/19 |
| New transport option available to those wishing to travel to/around the town centre | Improved Customer Satisfaction | Feedback regarding the project will be collected by the provider | 31/03/19 |
| New transport option available to those wishing to travel to/around the town centre | Improved Social Benefits | Usage statistics will show the demographic of users | 31/03/19 |
| Modal shift and cutting air pollution | Reduced Carbon | Air Quality measurements | 31/03/23 |

## Risks

| Title | Description |
|---|---|
| Road Safety | Some roads around the Town are not well suited for cyclists, need to mitigate this by enabling cycling in some areas and providing information and guidance for cyclists. Providers would also ensure that each user signs a disclaimer regarding their cycling behaviour and responsibilities. |
| Sponsorship | It is currently assumed that sponsorship will cover the operational costs. Council will need to ensure that the sponsor is appropriate. If sufficient sponsorship is not found there may be a revenue requirement, or the scheme may not be viable |
| costs | Currently 3 suppliers have provided indicative costs, this will not be confirmed until feasibility and once the full requirements of the scheme are identified. There may be some additional costs such as electrical installation and minor road improvements which could be required as the project develops. |
| Opportunity - Santander scheme | The university are currently in a competition to win a bike share scheme of 50 bikes. If successful there is an opportunity for GBC to expand that project to cover the town - this might then be part funded by the Santander project and/or revenue costs could be shared with the university/sponsors. |

## Fundamental Themes

| | |
|---|---|
| **Our Economy:** | 2 - Low |
| **Our Borough:** | 6 - Medium |
| **Our Infrastructure:** | 6 - Medium |
| **Our Environment:** | 6 - Medium |
| **Our Society:** | 6 - Medium |
| **Your Council:** | 4 - Low to Medium |

**Fundamental Themes Total:** **30**

## Other Category Themes

| | |
|---|---|
| **Asset Management:** | 2 - Low |
| **Business Case:** | 6 - Medium |
| **Health and Safety / Statutory Requirement:** | 0 - None |
| **Service Delivery:** | 4 - Low to Medium |

| | |
|---|---|
| **Third Party Funding:** | 4 - Low to Medium |
| **Other Themes Total:** | **16** |
| **Themes Total:** | **46** |

# Bid for Funding: ICT Transformation

GUILDFORD BOROUGH

**Project Name:** ICT Transformation

**Project Code:** 2017 140

**Project Description:**

The refresh of existing legacy ICT infrastructure to support smarter ways of working including workforce flexibility and to reduce risk whilst achieving security acceditation compliance.

Service bids:
* Works order management system £50,000
* Iken £26,000
* PAD £40,000
* Housing options £100,000
* Open Revenues £180,000
* Bartec and parks £20,000

ICT general expenditure £300,000

| | | | |
|---|---|---|---|
| **Project / Programme Manager:** | Adrian Hudson | **Ward:** | |
| **Senior Responsible Officer:** | Steve white | **Directorate:** | Resources |
| **Corporate Plan Theme:** | Your Council | **Confidential:** | |
| **Expected Start Date:** | 01/10/2017 | **Exempt VAT Implications:** | |
| **Target Completion Date:** | 31/03/2019 | **Grant access to someone:** | |

**Drivers and Objectives:** A fully costed business case has been prepared to support this bid.

**Background Information:** A fully costed business case has been prepared to support this bid.

**Project / Programme Objectives:** A fully costed business case has been prepared to support this bid.

**Implications:** A fully costed business case has been prepared to support this bid.

**Legal / Statutory Requirement:** No

**Legislative / Statutory Implications:** GBC is required to maintain accreditation for our PSN services and to comply with the GDPR. This programme will manage risk and ensure our infrastructure is compliant with the relevant statutory obligations under our Code of Connection by removing unsupported legacy hardware and operating systems from the ICT estate.

**Planning Permission Required:** No

**Building Regulation Required:** No

**Details of Other Required Consents:** N/A

**Constraints:** A fully costed business case has been prepared to support this bid.

**Assumptions:** A fully costed business case has been prepared to support this bid.

| | |
|---|---|
| **Changes / Effects:** | A fully costed business case has been prepared to support this bid. |
| **Measures for Success:** | A fully costed business case has been prepared to support this bid. |
| **Viable Options and Rejection Reasons:** | A fully costed business case has been prepared to support this bid. |

## Costs

| Year | Description | Capital Value (£) | Revenue Code | Revenue Code Name | Revenue Value (£) |
|---|---|---|---|---|---|
| 2018/19 | ICT Transformation | 1,250,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |

## Costs Totals

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|
| 2018/19 | £1,250,000 | £0 |

## Financial Benefits

| Year | Description | Capital Value (£) | Revenue Value (£) |
|---|---|---|---|
| 2018/19 | ICT Transformation | 1,250,000 | 0 |
| 2018/19 | Unified Comms | 160,000 | 0 |
| 2018/19 | ICT Renewals | 716,000 | 0 |
| 2019/20 | ICT renewals | 500,000 | 0 |
| 2020/21 | ICT renreals | 500,000 | 0 |
| 2021/22 | ICT renewals | 500,000 | 0 |
| 2022/23 | ICT renewals | 500,000 | 0 |
| 2023/24 | ICT renewals | 500,000 | 0 |
| 2024/25 | ICT renewals | 500,000 | 0 |
| 2025/26 | ICT renewals | 500,000 | 0 |
| 2026/27 | ICT renewals | 500,000 | 0 |
| 2027/28 | ICT Renewals | 500,000 | 0 |

## Financial Benefits Totals

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|
| 2018/19 | 2,126,000 | 0 |

| | | |
|---|---|---|
| 2019/20 | 500,000 | 0 |
| 2020/21 | 500,000 | 0 |
| 2021/22 | 500,000 | 0 |
| 2022/23 | 500,000 | 0 |
| 2023/24 | 500,000 | 0 |
| 2024/25 | 500,000 | 0 |
| 2025/26 | 500,000 | 0 |
| 2026/27 | 500,000 | 0 |
| 2027/28 | 500,000 | 0 |

## Fundamental Themes

| | |
|---|---|
| **Our Economy:** | 6 - Medium |
| **Our Borough:** | 6 - Medium |
| **Our Infrastructure:** | 6 - Medium |
| **Our Environment:** | 6 - Medium |
| **Our Society:** | 6 - Medium |
| **Your Council:** | 10 - Very High |

**Fundamental Themes Total:** **40**

## Other Category Themes

| | |
|---|---|
| **Asset Management:** | |
| **Business Case:** | |
| **Health and Safety / Statutory Requirement:** | |
| **Service Delivery:** | |
| **Third Party Funding:** | |

**Other Themes Total:** **0**

**Themes Total:** **40**

GUILDFORD BOROUGH

# Bid for Funding: 48 Quarry St, Museum - Works to remedy structural

| | | | |
|---|---|---|---|
| **Project Name:** | 48 Quarry St, Museum - Works to remedy structural defects | | |
| **Project Code:** | 2017 145 | | |
| **Project Description:** | Undertake works to address structural defects and put building into repair. | | |
| **Project / Programme Manager:** | Asset Maintenance Manager | **Ward:** | Holy Trinity Ward |
| **Senior Responsible Officer:** | Marieke van der Reijden | **Directorate:** | Community |
| **Corporate Plan Theme:** | Your Council | **Confidential:** | No |
| **Expected Start Date:** | 01/04/2018 | **Exempt VAT Implications:** | Yes |
| **Target Completion Date:** | 31/03/2020 | **Grant access to someone:** | |

**Drivers and Objectives:**

To undertake structural strengthening works to put the building into repair and allow occupation of the space to suit the buildings present operational or future uses

**Background Information:**

48 Quarry Street is a Grade II listed three-storey building orginally constructed as a single house. It is used as exhibition space and offices on ground and second floor level with the first floor designated as domestic having previously been used as a caretaker's flat. This is currently unoccupied and is being used for storage.

There have been problems with the structure of the building for a number of years. In particular, the timber floors exhibit signs of significant deflection and feeling of movement under load. When previously looked at work to remedy the situation was deferred pending the outcome of the Museum Heritage Lottery Fund bid. Now falling within the Museum and Castle Grounds project, there is a risk that works will be deferred again whilst we wait for a definitive way forward for this project.

A re-inspection of the present structural condition was undertaken by external structural engineers in July 2017. Their summary findings were that whilst some minor areas of work have been undertaken, the majority of the work has not been carried out so conditions remain as previously reported. Forty defects, ten of which were classified as immediate, require actioning within the next year. The majority of these relate to structure and floor deflection. Twenty actions were classifed as medium, seven of which will worsen and accelerate the building defects if not addressed.

From the survey report, the main house whilst built as a residence has been extensively remodelled for offices and exhibition storage raising the question whether the joists in the building are sufficient for this use. Also a bulge of the external walls to the front elevation is due to the movement due to insufficient ties between the joists and external solid walls and the condition of the joist end in the pocket and its assumed weakness and effect it may have on the subsequent bulging.

The Museum and Castle Grounds project is currently at feasibility stage. The future use for 48 Quarry St at the time of writing is identified within the project plans for use as office accommodation for Museum staff and the Museum's supporting organisations such as the Surrey Archaeological Society. Whilst ideally the Council would wait for formal confirmation through Executive that this should be the future use of 48 Quarry Street, the pressing nature of the repairs means a recommendation to proceed with the works is required sooner.

Strengthening the structure and floors to accommodate the use of the building for offices was considered in 2015 and desk-top cost estimate obtained. The cost estimate also included strengthening works assuming the first floor remained as residential accommodation. To retain residential use also meant considering costs to upgrade the facilities within the flat as well as installing fire and sound proofing insulation.

**Project / Programme Objectives:**

To undertake the following elements of work:

- Commission further investigation and instrusive structural inspections
- Commission design solutions to remedy deflection
- Undertake strengthening or improvement works to remedy floor deflection and floor loading capacity
- Undertake works to address lateral movement and bulging to the west (front) elevation wall at high level
- Undertake works to address a high degree of cracking to the east (rear) masonry
- Likely requirement to put right previous works that do not meet the requirements of Historic England
- Works to the interior of the building ready for occupation

**Implications:**

If action not taken, the building could become unsafe and subject to severe failure leading to greater remedial costs in the future.
A decision on the future use of the building made ahead of a formal Executive decision on the Museum and Castle Grounds project

**Legal / Statutory Requirement:**

Yes

**Legislative / Statutory Implications:**

Health and safety: Duty to provide a safe working environment during the period of the works; project will fall within the scope of the CDM Regulations 2015
Building Regulations: Building control consent is likely to be required; Building Act 1984
Planning: A change of use will require planning consent
Conservation Area: Considerations required for changing windows and the external appearance
Listed Building: Consent for works and changes to the building will require consent from Historic England
Ecological: Due to the location of the building may house bat roosts. Consequently, certain works may be restricted and/or require a licence from Natural England
Asbestos: The Control of Asbestos Regulations 2012 will need to be followed

**Planning Permission Required:**

Yes

**Building Regulation Required:**

Yes

**Details of Other Required Consents:**

Listed building consent
Possible bat licence

Pre-application advice has been obtained from the planning team which stated the following on 8 November 2017:-

**Site description / constraints:**
The site is occupied by a three storey Grade II Listed building. It is located within the Guildford Urban Area, the Town Centre Conservation Area, an Area of High Archeaological Potential and an Article 4 direction is in place.
Planning considerations:
- Loss of a residential unit
- Impact of works on the heritage asset

**Loss of a residential unit.**
Saved policy H5 of the Guildford Borough Local Plan 2003 as saved by CLG Direction dated 24 September 2007) seeks to retain existing housing stock. I note from your pre application submission you have included a letter from the Council dated 7 September 2007 which addresses this same issue. I can continue to advise that we would normally resist the loss of a residential unit. However, my understanding is that the flat is currently staff/caretaker accommodation and is unlikely to be privately let, due to the access arrangements into the flat and its relationship with the museum making it undesirable to be occupied independently of the Museum. It is therefore less likely to contribute to the wider housing need. The conversion of the flat into office accommodation would provide for museum staff and the Museum's supporting organisations including the Surrey Archaeological Society associated with the museum. It is these factors that may be sufficient to constitute very special circumstances to outweigh the identified harm. I would recommend that any forthcoming application includes a reasoned argument setting out the benefits of the proposed change of use.

**Impact on the heritage asset**
The building is Grade II listed any works may therefore require listed building consent. The planning team provide the following comments:
- support further structural investigations proposed
- inform Council of further investigation findings and proposed repairs, as some or all of the works may require listed building consent.

**There are no suggested amendments**

**Constraints:**

Physical: access to the whole building during the early stage of intrusive survey and once works are underway will be an issue for staff who operate from the building. During the works phase, the building would need to be vacated and alternative office and storage accommodation will need to be found and made available
Physical: much of the site has electrical and plumbing installations that do not meet the statutory requirements associated with the ownership of a listed building and these will in all likelihood need to be addressed and made compliant as part of the project in order to obtain listed building consent
Legislative: works will need to be acceptable to the Council's Conservation Team and Historic England where listed building consent is required
Legislative: bats are present and therefore a bat licence may be required
Corporate: decision required on the future use of the building
Planning: question of whether planning consent would be required and granted for loss of residential if the

domestic accommodation is converted to office use. Pre-application advice obtained on 8 November 2017 suggests that the special circumstances involved may be sufficient to outweigh the loss of residential accommodation.

**Assumptions:**

Ability to relocate staff to alternative accommodation during the works
A design and specification that is acceptable to the Council's Conservation team and Historic England and that listed building consent, building regulations and planning consent are granted
Any necessary planning consent for change of use is granted
Budget estimate assumes no substantial removal of asbestos is required pre the works taking place

**Changes / Effects:**

Halt any further deterioration of the structure and fabric of the building and ensure a safe working environment for staff and museum visitors

**Measures for Success:**

Movement of the building is halted and the workplace secured for future staff and visitors to the Museum

**Viable Options and Rejection Reasons:**

Two options are possible depending on the future use of the building:
1) Potential upgrading of first floor flat for continued residential use as a separate tenancy - rejected on basis that it is more expensive and doesn't meet the preferred use identifiedin the Museum and Castle Grounds project
2) Potential for upgrading first floor for office use - preferred option, subject to planning

Option 1 – Upgrade first floor flat for continued residential use: £144,000 exl VAT (as at June 2015)
Scope of work requires:

- Upgrading work remedial repairs to address outstanding defects
- Strengthen existing under-capacity floors
- Strengthen first floor to Category A - Domestic Loading
- Install Reduc floor system for sound/impact attenuation together with fire resistant quilt system
- Replace electrical wiring and pipework
- Replace kitchen
- Take out and refit bathroom
- Redecoration

Option 2 – Upgrade first floor flat to office use: £124,000 exl VAT (as at June 2015)
Scope of work required:

- Upgrading work remedial repairs to address outstanding defects
- Strengthen Floor to Category B - Light Office Loading
- Replace electrical wiring and pipework within floor
- Remove kitchen
- Take out and refit bathroom as WC's
- Redecoration

## Costs

Agenda item number: 6
Appendix 3

| Year | Description | Capital Value (£) | Revenue Code | Revenue Code Name | Revenue Value (£) |
|---|---|---|---|---|---|
| 2018/19 | Investigations and consultant reports | 20,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |
| 2018/19 | Planning consent and tendering | 10,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |
| 2019/20 | Initial remedial works and project management | 50,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |
| 2019/20 | Remaining remedial works and project management | 150,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |
| 2019/20 | Contingency funds for alternative accommodation | 20,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |

## Costs Totals

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|
| 2018/19 | £30,000 | £0 |
| 2019/20 | £220,000 | £0 |

## Non Financial Benefits

| Title | Category | Measure | Expected Delivery Date |
|---|---|---|---|
| Service benefit | Improved Service Provision | Difficult to measure but the service would benefit from additional use of office space to accommodate staff and in turn this should lead to staff having more time to dedicate to improving the visitor attraction | 31/03/20 |
| Staff benefit | Improved Staff Satisfaction | Staff satisfaction survey would hope to show comment on an improved working environment | 31/03/20 |
| Cost benefit | Reduced Asset Costs | Improvements will extend the life of the building and may lead to reduced annual costs to operate the building through more efficient use of the space | 31/03/20 |
| Legal compliance | Improved Service Provision | Compliance with legislation to provide a safe working environment and also in terms of showing we maintain buildings in line with legislation around historic building maintenance | 31/03/20 |

## Risks

| Title | Description |
|---|---|
| Health and Safety | Works will require high level of attention to safety on site, for staff, visitors and the contractor. To mitigate this the Council will employ a principle designer and |

| | |
|---|---|
| | ensure the works are organised in accordance with CDM Regulations |
| Planning | Planning permission required for change of use for the residential part, to office use. Pre-application advice received on 8 November 2017 suggests that the special circumstances involved may be sufficient to outweigh the loss of residential accommodation. |
| Lack of decision | Forming part of the Museum and Castle Grounds project exposes the risk that Executive don't want to commit to the repairs now leading to further delay and lack of direction. This capital bid hopefully will help avoid this. |
| Timing | Without a clear decision on whether to go ahead or not, programming works with plenty of advance notification for the service will be problematic. This capital bid hopefully will help avoid this. |
| Costs | Once further investigations have taken place, we may find the costs are greater than projected. An allowance is made within year 1 to employ external consultants to undertake early and intrusive investigations. |
| Bats | If bats are identified prior to works starting, the project could suffer programming issues to ensure work takes place at scheduled times in the year. A bat survey will be instructed at the first opportunity. |
| Security | The site will require additional security during the works to protect the asset and the Museum collection. Costs would be obtained and the specification agreed with Heritage Services |
| Alternative accommodation | Office and storage accommodation will need to be found for staff during the works phase; working with Heritage Services, options might include space at Millmead, alternative Council owned property or leasing space for a short period |
| Service disruption | Inevitably this will be the case both at early stage of further investigations and when the works take place; the project manager will need to work closely with Heritage Services to alleviate this as much as is possible |
| Project management | Dedicated resources to running a complex project of this type, will require a dedicated project manager. This is likely to mean appointing an external surveyor in order to ensure the project can keep going and stay on track. |
| Loss of visitors | The disruption on site could result in a decrease in the number of visitors to the Museum. Again a reason for appointing an external surveyor to project manage the works and be the liaison with Heritage Services on a daily basis |
| Asbestos | Asbestos: The Control of Asbestos Regulations 2012 will need to be followed. This will require and Refurbishment and Demolition (R&D) survey pre the works. Due to the age of the property Asbestos Containing Materials (ACMs) may be found once the building is opened up. Where ACMs are found, advice from the Council's appointed asbestos consultant will be sought |

## Fundamental Themes

| | |
|---|---|
| **Our Economy:** | 8 - Medium to High |
| | Improved building and facility contributes to the Council's aim for high quality land and buildings plus 48 Quarry Street will provide improvement to local community facilities |
| **Our Borough:** | 8 - Medium to High |
| | Improvements to 48 Quarry Street will contribute to promoting urban design |
| **Our Infrastructure:** | 0 - None |
| | None |
| **Our Environment:** | 4 - Low to Medium |
| | Works will help protecting and improving our urban environment and historic building |

**Our Society:** 10 - Very High

The works will ensure the Museum staff have full use of the building from which to operate an improved Museum Service. It will contribute to public wellbeing for visitors by the building being well kept and attractive

**Your Council:** 8 - Medium to High

Shows commitment to keeping good quality assets for our customers and staff

**Fundamental Themes Total:** **38**

## Other Category Themes

**Asset Management:** 10 - Very High

Essential maintenance

**Business Case:** 10 - Very High

If no action undertaken, the situation will worsen; the works will protect the building and secure it for the future of the Museum service

**Health and Safety / Statutory Requirement:** 10 - Very High

The works are critical to ensure the safe use of the building

**Service Delivery:** 8 - Medium to High

The works will also enable the full use of the building for the Museum staff and in turn contribute to the development of the Museum service
Requirement for Asset Development to repair and maintain Council owned operational buildings

**Third Party Funding:** 0 - None

None

**Other Themes Total:** **38**

**Themes Total:** **76**

# Bid for Funding: Guildford West (Park Barn) Station

GUILDFORD BOROUGH

| | |
|---|---|
| **Project Name:** | Guildford West (Park Barn) Station |
| **Project Code:** | 2017 151 |

**Project Description:**

This is a proposal for a new passenger railway station on the North Downs Line to the west of Guildford main line station. This will provide a vital rail link for one of the most economically active areas of Guildford, embracing both the Royal Surrey County Hospital and Surrey University. It will also help to regenerate the Park Barn area of the town. Both the University and Hospital have indicated that poor accessibility has impacted on their ability to both recruit and retain staff.

GRIP2 (Feasibility) has been progressed over the past 12 months and delivers a very healthy Benefits to Costs Ratio (BCR) indicating it is certainly worth progressing this project, which contributes to a number of Corporate Plan Themes and is now included as an allocation in the Submission Local Plan that has recently been out to public consultation.

It is envisaged that NR sign off on the GRIP2 stage will be obtained shortly - the project would then need to progress to GRIP stages 3 (Option Selection) & 4 (Single Option Development).

| | | | |
|---|---|---|---|
| **Project / Programme Manager:** | Zac Ellwood | **Ward:** | Onslow Ward |
| **Senior Responsible Officer:** | Tracey Coleman | **Directorate:** | Development |
| **Corporate Plan Theme:** | Our Infrastructure | **Confidential:** | No |
| **Expected Start Date:** | 25/04/2016 | **Exempt VAT Implications:** | |
| **Target Completion Date:** | 01/04/2024 | **Grant access to someone:** | |

**Drivers and Objectives:**

- Local road congestion limiting future growth agendas of the local institutions and research park
- Reduce or mitigate against existing local parking issues
- Poor or unreliable bus links between the town centre and the University/Hospital/Research Park
- Improved transport linkages needed to a deprived area of the town
- Mitigation for future housing growth envisaged at strategic housing site at Blackwell Farm
- Supporting the University, RSCH and other local businesses in attracting and/or retaining staff - evidence has shown that a large number of hospital staff travel in from the west (e.g. Aldershot, Farnham) and there is latent demand for a new stop at Park Barn.
- MOU between GBC, RSCH, UoS & SCC

**Corporate Plan 2015-2020**

<u>Our Borough</u>
Improved accessibility

<u>Our Economy</u>
Economic leadership to deliver sustainable and proportionate growth
Building strong links and levering synergies between public, private and third sectors
Improving local community facilities

<u>Our Infrastructure</u>
Sustainable transport - urban and rural
Improved rail connectivity with new rail halts

<u>Our Environment</u>
Improved resilience through sustainability

<u>Our Society</u>
Improving public health and wellbeing (through supporting RSCH)

**Proposed Submission Local Plan (Regulation 19 consultation June 2017)**

| | |
|---|---|
| | Policy A59: New rail station at Guildford West (Park Barn) |
| **Background Information:** | The work on GRIP Stage 2 involved the following phases and is nearing completion:<br><br>**GRIP Stage 2 - Structure of Study**<br>• Phase 1 – Strategic Outline Business Case (SOBC) which is fully compliant with WebTAG<br>• Phase 2 – Network Rail compliant GRIP2 study, and update to SOBC<br>• Phase 3 – Outline Business Case (OBC) which is fully compliant with WebTAG<br><br>Phase 1 was completed in October 2016. Phase 2 has only just been completed, with Network Rail now satisfied on the engineering side of the project. Phase 3: The OBC is still in draft format and requires some final finessing to address comments made by Network Rail, including a thorough analysis on the forecast economics and assumed passenger numbers from Network Rail.<br><br>**Project Finance**<br>For GRIP stages 3 (Option Selection) & 4 (Single Option Development).<br><br>It is requested that a revenue allowance of £100k for 2018/19 should be made for the GRIP 3 (Option Selection) study (including £25k for Network Rail's review of this study). GRIP 3 is revenue funded and it is assumed GRIP 4 (Single Option Development) stage onwards could be capitalised and a capital bid of £200k is required for this stage . However, it is recommended the two stages are undertaken consecutively during 2018/19. Network Rail are unlikely to be in a position to review GRIP 4 until 2019/20 and the figures in Part 3 of this bid reflect that |
| **Project / Programme Objectives:** | It is anticipated the GRIP 3 & 4 study will take around 10-12 months to complete. Time allowances to produce the GRIP 3 & 4 brief (two months) and procurement (if via the HCA then also two months) need also to be made. |
| **Implications:** | • Financial cost of delivering new station needs to be met<br>• Risks associated with taking forward complex scheme without funding in place |
| **Legal / Statutory Requirement:** | No |
| **Legislative / Statutory Implications:** | • Railways Act 2005<br>• Railway (Licensing of Railway Undertakings) Regulations 2005<br>• Railways (Access, Management and Licensing of Railway Undertakings) Regulations 2016<br>• Station to be constructed on operation land under control of Network Rail - licensing<br>• Highways Act 1980 |
| **Planning Permission Required:** | Yes |
| **Building Regulation Required:** | Yes |
| **Details of Other Required Consents:** | Franchisee/Operator consent<br>Access rights to be granted by third party landowners (e.g. RSCH) |
| **Constraints:** | <u>Financial constraints</u><br><br>Funding need for match funding from private investment.<br><br><u>Other constraints</u><br>Rail operator timetabling and scheduling<br>Parking for station<br>Pedestrian access over housing land to north of railway line (Apple Tree Pub site)<br><br><u>Remaining Engineering Constraints</u><br><br>- Adjacent third party structures<br>- Heritage, listed buildings, noise receptors, ecological sensitivities, impact on neighbours<br>- Walking and highway access requirements<br>- EMC sensitive sites, and |

- Existing non-compliances in the rail infrastructure

**Assumptions:**

- Successful application to the LEP for Growth Fund Round 4 or another funding source - e.g. DfT New Stations Fund
- Planning permission being forthcoming
- Support from local community
- Sign-off from Network Rail at each necessary GRIP stage
- Support from the new rail franchisee (First MTR)
- RSCH prepared to allow vehicular and pedestrian access through their hospital land

**Changes / Effects:**

- A new railway station at Guildford West
- Additional capacity on the A3, resulting from mode transfer of the users of the Royal Surrey County Hospital and University of Surrey
- Sustainable travel future for the Guildford West area
- Allows UoS and RSCH to access national rather than regional markets, for example students, patients, employers, employees etc.

Economically, the project will also address a barrier to the attraction of the R & D activities from leading edge global companies and from dynamic ventures in the niche sectors, prioritised by Enterprise M3. Prominent among this is the 5G research activity. 5G will generate a global market worth £11bn. Specialist 5G research currently undertaken at the Research Park has scope to attract very large amounts of investment from international companies (£60m in private investment has already been attracted) thereby providing a major global lead for the UK in these technologies in Guildford.

Floor space on the existing Research Park is virtually full, so accommodating these expanded activities will depend on the development of new employment space planned at the 11 hectare extension to Surrey Research Park. Because usage of road infrastructure on the A3 and into the Guildford West area is considered by Highways England to be at full capacity, it has to be demonstrated that any additional development will not cause severe damage to the transport system before any additional sites served by the junction can be approved for development. Should development not proceed, a substantial level of international investment, for which there are very strong prospects, is likely to be deterred.

The project is needed to unlock this major constraint. The enhanced accessibility to staff and business visitors brought about by the project will provide the functionality necessary for the 5G activities to successfully compete with other global locations, generate the investment confidence needed to attract international research operations and continue to attract leading edge innovators to the park.

**Measures for Success:**

- Number of passengers alighting and boarding at the new Guildford West station
- Increase in capacity along the A3 and on local road network resulting from modal transfer
- Congestion relief at Guildford main line station
- Reduction in traffic congestion on local road network
- Reduction in job vacancies for local employers (including RSCH & UoS)
- Improved air quality from reduced traffic congestion

**Viable Options and Rejection Reasons:**

'Do nothing' - this option was rejected because it would not address fundamental local issues with the strategic and local highway that will preclude growth at the University, Hospital and Research Park and would not deliver any local social or economic benefits to the Park Barn area.

'Other site options' - Two station site options were investigated. The western site accessed from Pink's Hill and the eastern site is close to the Egerton Road overbridge. The western station site was adjacent to Blackwell Farm which has been allocated as a strategic development site. It is immediately west of the existing Surrey Research Park and the University of Surrey's Manor Park Campus. It is linked to both with a series of footpaths.

The eastern site is located immediately to the north of the existing hospital car park and would be accessed from Egerton Road. It has good footpath and cycle links through the local area, including to the hospital, local schools, shops and the Research Park. Pedestrian and cycle access would also be provided from the site of the former Apple Tree public house across the railway to the hospital car park. Concerns were initially identified regarding engineering constraints in this location, including track gradient and curvature, but these have been addressed to the satisfaction of Network Rail under the GRIP2 stage engineering report.

The Strategic Outline Business Case indicated that the site next to the RSCH is the optimal option in terms of likely passenger demand and locational benefits and this is the option that has been included as a proposed allocation in the Submission Local Plan.

## Costs

Agenda item number: 6
Appendix 3

| Year | Description | Capital Value (£) | Revenue Code | Revenue Code Name | Revenue Value (£) |
|---|---|---|---|---|---|
| 2018/19 | Option selection (GRIP Stage 3) | 0 | F5609 | Guildford West Railway | |
| | | | N/A | N/A | 75,000 |
| 2018/19 | Network Rail Fees (GRIP 3) | 0 | F5609 | Guildford West Railway | |
| | | | N/A | N/A | 25,000 |
| 2018/19 | Detailed option development (GRIP 4) | 150,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |
| 2019/20 | Network Rail Fees (GRIP 4) | 50,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |

## Costs Totals

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|
| 2018/19 | £150,000 | £100,000 |
| 2019/20 | £50,000 | £0 |

## Non Financial Benefits

| Title | Category | Measure | Expected Delivery Date |
|---|---|---|---|
| Transfer of trips from road to rail | Reduced Carbon | Travel surveys, traffic counters, gateline counts, air quality measurement | 01/04/24 |
| Reduction in congestion | Reduced Carbon | Reduction in travel times from entering periphery of Guildford town centre to arriving at destination. | 01/04/24 |
| Increase in social mobility | Improved Social Benefits | Increase in employment rates for low grade staff within vicinity at hospital, university and business park. | 01/04/24 |

## Risks

| Title | Description |
|---|---|
| Financial | There is a risk that the required funding assembly for the station, consisting of contributions from both the public and private sectors, is not forthcoming. |
| Compliance | There is a risk that the new station does not meet Network Rail requirements. This could include not meeting engineering and operational needs, health and safety requirements during both construction and end state design, economic viability etc. |
| Operational | In order for the station to be effective operationally, if needs good highway links to the local roads. The land through which the roads will pass does not lie within Council ownership and consents from the land owner will be required. |

## Fundamental Themes

**Our Economy:** 10 - Very High

The Department of Business Innovation and Skills (BIS) is currently taking forward a programme of Science and Innovation Audits, whose aims will include identifying and validating areas of potential global competitive advantage across the UK, providing the basis for stronger future bids for local investment and fostering collaboration between universities and local businesses, local authorities and LEPs. Guildford can be expected to figure prominently in the base of findings generated by the audit.

This project will enable Guildford West to expand as a base of technological excellence and thereby become a hub of true worldwide significance and the major anchor point of the M3 sci-tech corridor. This will generate an increase in business rates and an increase in secondary business activity in order to support this world centre of technological excellence.

The first phase of the extension of the Research Park will be able to proceed more smoothly as businesses will benefit more and with greater benefits being felt and the project will enable delivery of 17,500 sqm of R & D floor space.

Due to the improvements, substantial inward investment from international companies involved in 5G research and downstream activity and expansions planned by local science-based companies in niche sectors will be captured. Development on two remaining plots on the existing Research Park will be able to proceed.

Given the proposed investment in the Sustainable Movement Corridor, the expansion of university faculties being planned on the Manor Park Campus is likely to be accelerated and create a wider spectrum of university facilities. Together, these would enable an increase in annual student numbers by 4,000 to be brought forward, together with organic growth of existing academic offerings. Provision of an improved access to the Research Park from the west will improve journey times getting on and off at the Park and provide relief to the Onslow junction with the A3.

A new rail station would support the exceptional growth opportunities of the Guildford West area, in particular those related to the UTC and Royal Surrey County Hospital.

The UTC at Park Barn is intended to serve a catchment 30 miles wide. With the new station, this will become conveniently accessible to students from each part of the Enterprise M3 area within this catchment, substantially increasing the prospects for take up of places.

The project will also be helpful in creating the conditions for the bringing forward of new housing investment within the proposed urban extension to the west of Guildford, this being subject to allocation in the final Local Plan and appropriate planning approvals.

**Our Borough:** 6 - Medium

A new railway station will through regenerating brownfield land, act to protect green belt land from further development. It will also increase accessibility to the site for users across the region.

**Our Infrastructure:** 10 - Very High

The proposed interventions will effectively manage traffic flows, upgrade junction capacity and provide for all modal forms of travel with the proposed Sustainable Movement Corridor from the University to the town centre. The construction of a new railway station would alleviate traffic congestion, give new transport links to residents and businesses both old and new, and support modal shift.

**Our Environment:** 10 - Very High

A new railway station will increase the viability of rail travel to the site for residents and businesses alike, reducing congestion and improving air quality.

**Our Society:** 8 - Medium to High

A new railway station will act as a gateway to the Guildford West site and act as a local point for increased investment. This will contribute towards the creation of a sustainable community at this location, no longer dependent on car travel. It will allow access to new opportunities such as training and jobs markets for members of the Park Barn community, an area of social depravation.

**Your Council:** 6 - Medium

**Fundamental Themes Total:** **50**

## Other Category Themes

| | |
|---|---|
| **Asset Management:** | 0 - None |
| **Business Case:** | 2 - Low |
| **Health and Safety / Statutory Requirement:** | 10 - Very High |
| **Service Delivery:** | 0 - None |
| **Third Party Funding:** | 10 - Very High |

| | |
|---|---|
| **Other Themes Total:** | **22** |
| **Themes Total:** | **72** |

GUILDFORD BOROUGH

# Bid for Funding: Feasibility Study into Decking of Millbrook Car

| | |
|---|---|
| **Project Name:** | Feasibility Study into Decking of Millbrook Car Park & Implementation |
| **Project Code:** | 2017 177 |
| **Project Description:** | Provision of a first floor deck above the existing public car park to deliver an additional circa 80 parking spaces (net) |

| | | | |
|---|---|---|---|
| **Project / Programme Manager:** | Rob Curtis | **Ward:** | Friary St. Nicolas Ward |
| **Senior Responsible Officer:** | Zac Ellwood | **Directorate:** | Development |
| **Corporate Plan Theme:** | Our Infrastructure | **Confidential:** | No |
| **Expected Start Date:** | 01/04/2018 | **Exempt VAT Implications:** | No |
| **Target Completion Date:** | 31/12/2018 | **Grant access to someone:** | |

| | |
|---|---|
| **Drivers and Objectives:** | Providing additional spaces to south of Guildford to serve visitors from A281 avoiding gyratory in accordance with 'drive to, not through' principle. Supporting local economy, businesses and retail. Reducing congestion. Providing compensatory parking spaces in the town centre in lieu of those that may be lost through regeneration programme. |
| **Background Information:** | Follows current SCC scheme to provide a right turn out of the car park.<br>Report on Title already obtained.<br>Currently seeking adverse possession claim for two small parcels of land within car park.<br>Site within a Conservation Area.<br>Site within area of high flood risk.<br>Linked to corporate Parking Strategy aims. |
| **Project / Programme Objectives:** | To investigate feasibility/costs/implications of providing additional parking spaces at the car park. |
| **Implications:** | Cost<br>Planning permission for development within Conservation Area<br>Flood Risk<br>SCC highways considerations<br>Impact on road network/signalised junction. |
| **Legal / Statutory Requirement:** | No |
| **Legislative / Statutory Implications:** | Adverse possession claim not yet granted.<br>Rights of access across car park to existing Boat House in third party ownership. |
| **Planning Permission Required:** | Yes |
| **Building Regulation Required:** | Yes |
| **Details of Other Required Consents:** | EA license possibly for developing within floodplain |
| **Constraints:** | Conservation Area - limits height of structure and number of parking spaces achievable<br>Area of High Flood Risk - safe egress required<br>Right(s) of Way (see Report on Title)<br>Need to keep existing car park (or parts of it) operational during construction if possible |

| | |
|---|---|
| **Assumptions:** | Executive support and project mandate<br>SCC support<br>Existing right(s) of access will not impinge on construction of decking<br>Capital funding will be made available |
| **Changes / Effects:** | Feasibility study will identify if project can go ahead |
| **Measures for Success:** | Feasibility Study delivered on time and within budget<br>Definitive approach for taking project forward identified |
| **Viable Options and Rejection Reasons:** | Do nothing - rejected because of need to reduce pressure on gyratory and to compensate for any town centre parking as may be lost elsewhere<br>Go straight to planning and then design & build phase - rejected because of site constraints and need to understand if scheme is feasible before spending significant amounts on detailed design |

## Costs

| Year | Description | Capital Value (£) | Revenue Code | Revenue Code Name | Revenue Value (£) |
|---|---|---|---|---|---|
| 2018/19 | Commission Feasibilty Study consultancy | 0 | N/A | N/A | |
| | | | N/A | N/A | 80,000 |
| 2019/20 | Design, planning, project management, contractors, construction | 2,000,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |

## Costs Totals

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|
| 2018/19 | £0 | £80,000 |
| 2019/20 | £2,000,000 | £0 |

## Financial Benefits

| Year | Description | Capital Value (£) | Revenue Value (£) |
|---|---|---|---|
| 2019/20 | Net additional car parking receipts | 0 | 125,000 |
| 2020/21 | Net additional car parking receipts | 0 | 250,000 |
| 2021/22 | Net additional car parking receipts | 0 | 260,000 |
| 2022/23 | Net additional car parking receipts | 0 | 270,000 |
| 2023/24 | Net additional car parking receipts | 0 | 280,000 |

## Financial Benefits Totals

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|

| | | |
|---|---|---|
| 2019/20 | 0 | 125,000 |
| 2020/21 | 0 | 250,000 |
| 2021/22 | 0 | 260,000 |
| 2022/23 | 0 | 270,000 |
| 2023/24 | 0 | 280,000 |

## Non Financial Benefits

| Title | Category | Measure | Expected Delivery Date |
|---|---|---|---|
| Reduced pressure on gyratory | Reduced Carbon | Assessment of traffic flows | 01/04/20 |
| Support for local economy & shoppers | Improved Customer Satisfaction | | |

### Fundamental Themes

| | |
|---|---|
| **Our Economy:** | 8 - Medium to High |
| **Our Borough:** | 8 - Medium to High |
| **Our Infrastructure:** | 8 - Medium to High |
| **Our Environment:** | 4 - Low to Medium |
| **Our Society:** | 8 - Medium to High |
| **Your Council:** | 8 - Medium to High |

**Fundamental Themes Total:** **44**

### Other Category Themes

| | |
|---|---|
| **Asset Management:** | 6 - Medium |
| **Business Case:** | 8 - Medium to High |
| **Health and Safety / Statutory Requirement:** | 0 - None |
| **Service Delivery:** | 0 - None |
| **Third Party Funding:** | 0 - None |

**Other Themes Total:** **14**

**Themes Total:** **58**

Agenda item number: 6
Appendix 3

GUILDFORD BOROUGH

# Bid for Funding: Replacement of Pay on Foot Equipment in Castle,

| | | | |
|---|---|---|---|
| **Project Name:** | Replacement of Pay on Foot Equipment in Castle, Tunsgate, York Road and Farnham Road car parks | | |
| **Project Code:** | 2017 181 | | |
| **Project Description:** | To specify , procure and install new pay on foot equipment in Castle, Tunsgate, York Road and Farnham Road car parks which will provide the benefits of Automatic Number plate recognition PR . | | |
| **Project / Programme Manager:** | Kevin McKee | **Ward:** | Holy Trinity Ward |
| **Senior Responsible Officer:** | Robert Crane | **Directorate:** | Environment |
| **Corporate Plan Theme:** | Your Council | **Confidential:** | No |
| **Expected Start Date:** | 01/04/2018 | **Exempt VAT Implications:** | |
| **Target Completion Date:** | 01/10/2020 | **Grant access to someone:** | |

**Drivers and Objectives:**

Our current pay on foot system will be 10 years old in 2020 and the original maintenance agreement will expire. We could continue with the existing system but technology has advanced. There are now different options like on-line accounts and smarter technology for managing entry, exit and payments. The council is also looking at new car parking options for Bedford Road and Leapale Road and building a new car park in Guildford Park. By tendering for a new modern system we will be able to put the latest technology into these car parks when the developments are completed.

**Background Information:**

Our current pay on foot system works well. It provides options to pay with coins, notes and credit/debit cards and provides change in coins and notes. Season ticket holders have proximity cards which allow enter and exit by waving the card near a reader. The system includes a pre-payment card which works like an "oyster card" and allows regular users to come and go and the payment is deduct from a balance held against the card. When the driver needs to add more credit they can top-up their card using a pay station in the car park. We also tried Automatic Number Plate Recognition (ANPR) but the read rate was lower than expected and there were other issues so the system was never accepted.

With a new system we can relook at ANPR. We can also introduce new methods of payment, for example wave and pay and on line accounts for regular users. Some systems are being developed to recognise the signature from a mobile phones or mobile devices and these can be used to record entry and exit times rather than machine issued tickets or tokens. There are also developments looking at lower charges for less polluting vehicles.

**Project / Programme Objectives:**

Initial project plan

Market Research and market testing - April 2018 to November 2018
Design specification and scoring criteria - December 2018 -May 2019
Issue PQQs - June 2019
Evaluate PQQS - July 2019
Issue Tender Documents - August 2019
Evaluate returned tenders - September-October 2019
Award contract - November 2019
Mobilise - December 2019 - February 2020
Implement

**Implications:**

There maybe TUPE implications between the old and new contractor as the current contractor has a full time engineer on site.

We need to manage the implementation to ensure maximum availability of parking space during the work

Easier ways to pay could reduce the number of cash collections needed

**Legal / Statutory Requirement:** No

**Legislative / Statutory Implications:** Need to follow tender procedures

| | |
|---|---|
| **Planning Permission Required:** | No |
| **Building Regulation Required:** | No |
| **Details of Other Required Consents:** | None |

| | |
|---|---|
| **Constraints:** | There are legal constraints on the way we can operate car parks and the type of systems we use. |
| **Assumptions:** | It is assumed that funding will come from the Car Park Maintenance Reserve. |
| **Changes / Effects:** | None |
| **Measures for Success:** | A system which supports new and effective methods of entry and exit and methods of payment. These will be added to as the specification is defined. |
| **Viable Options and Rejection Reasons:** | We could carry on with our existing system but this is becoming older technology. The credit/debit card acceptance system needs to be replaced. We would not be offering our customers better and more efficient ways to pay.<br><br>We could look to upgrade our existing system. We would need to use our existing supplier and be limited to the developments they will bring forward.<br><br>To get the most appropriate system a fresh procurement exercise is recommended. Our currently supplier or other suppliers could re-use equipment that still had life or could be upgraded. |

## Costs

| Year | Description | Capital Value (£) | Revenue Code | Revenue Code Name | Revenue Value (£) |
|---|---|---|---|---|---|
| 2018/19 | Consultants/Legal Fees | 15,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |
| 2019/20 | Implementation | 585,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |

## Costs Totals

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|
| 2018/19 | £15,000 | £0 |
| 2019/20 | £585,000 | £0 |

## Non Financial Benefits

| Title | Category | Measure | Expected Delivery Date |
|---|---|---|---|
| Easier to use parking equipment | Improved Customer Satisfaction | Compliments, customer loyality | 03/03/20 |

## Risks

| Title | Description |
|---|---|
| non -delivery of elements of the specification | With any new technology there is a risk that the system does not perform in the way expected. There is a balance between using tested systems and ensuring a new system is as advanced as posisble. |

## Fundamental Themes

| | | |
|---|---|---|
| **Our Economy:** | 6 - Medium | The car parks support the towns economy and it is important to make access to the town as easy and problem free as possible. |
| **Our Borough:** | 6 - Medium | The car parks provide access to the town and help enhance the leisure and shopping offer. |
| **Our Infrastructure:** | 6 - Medium | The car parks are a key part of the towns infrastructure and encouraging motorists to use car parks reduces congestion on the streets. |
| **Our Environment:** | 4 - Low to Medium | The car parks are a key part of the towns infrastructure and encouraging motorists to use car parks reduces congestion on the streets. We are seeking to develop interceptor car parks to take cars off the roads before they get to congested parts of the town. |
| **Our Society:** | 4 - Low to Medium | Our car parks have very low levels of crime and provide a safe place for the disabled and people with walking difficulties to access the town centre and have an active life. |
| **Your Council:** | 6 - Medium | The car parks provide surplus income to support the council. We need to ensure they are attractive to users. |

**Fundamental Themes Total:** **32**

## Other Category Themes

| | | |
|---|---|---|
| **Asset Management:** | | |
| **Business Case:** | | |
| **Health and Safety / Statutory Requirement:** | | |
| **Service Delivery:** | 8 - Medium to High | We need to ensure we offer visitors to Guildford a first rate experience to ensure they return and enhance the reputation of the town. |
| **Third Party Funding:** | | |

**Other Themes Total:** **8**

**Themes Total:** **40**

# Bid for Funding: Structural Repairs to Multi Storey Car Parks

GUILDFORD BOROUGH

| | | | |
|---|---|---|---|
| **Project Name:** | Structural Repairs to Multi Storey Car Parks | | |
| **Project Code:** | 2017 | 194 | |
| **Project Description:** | Every five years the car parks need to under go a full structural survey, barrier testing and concrete testing to ensure the structures are sound and to identify defects. The initial results of the latest set of structural surveys indicate a level of work required, including concrete and pointing repairs, barrier repairs and repairs to drainage. This project will oversee the work needed to address the issues uncovered by the structural surveys. | | |
| **Project / Programme Manager:** | Asset Development | **Ward:** | Friary St. Nicolas Ward |
| **Senior Responsible Officer:** | Kevin McKee | **Directorate:** | Environment |
| **Corporate Plan Theme:** | Our Infrastructure | **Confidential:** | No |
| **Expected Start Date:** | 01/04/2018 | **Exempt VAT Implications:** | No |
| **Target Completion Date:** | 31/03/2020 | **Grant access to someone:** | |

| | |
|---|---|
| **Drivers and Objectives:** | The car parks must be kept in a safe state of repair and the five yearly structural surveys help identify issues. Repairing defects early helps reduce the overall cost and maintains the car parks to a high standard. |
| **Background Information:** | There are a series of inspections which consist of regular observations by staff and health and safety monitoring on a daily basis. A surveyor visually inspects the multi storey car parks each year and every five years they have a full structural inspection. |
| **Project / Programme Objectives:** | Asset Development to complete structural inspections by the end of 2017. Assess priorities for the work and act on any urgent repairs immediately. With other repairs we will prioritise, estimate the cost and tender for remedial action. |
| **Implications:** | If defects are not identified and repaired then they are likely to get worse, the cost of repair will increase and ultimately the structures could become unsafe. |
| **Legal / Statutory Requirement:** | Yes |
| **Legislative / Statutory Implications:** | We are required to ensure our car parks are safe. To do so we need an adequate inspection programme and need to act on the findings. |
| **Planning Permission Required:** | No |
| **Building Regulation Required:** | Yes |
| **Details of Other Required Consents:** | Any works carry out must comply with building regulations. |
| **Constraints:** | Where possible work needs to be carried out with the car parks operating . |
| **Assumptions:** | The structural surveys are still being undertaken. A review of the initial findings by the Asset Development Manager and Parking Services Manager indicates there are substantial works required. As the age of the car parks increases the costs of maintaining the structure will increase. While we do not have cost estimates for the repairs yet we consider it is prudent to ask for funds of up to £300,000 from the Car Park Maintenance Reserve. The work needed will be prioritised and these funds will enable us to start on the most urgent items if it does not cover the cost of all of the repairs. The funds are requests to be taken from the Car Park Maintenance Reserve. |
| **Changes / Effects:** | The condition of the multi storey car parks will improve and future maintenance costs will be reduced. |

| | |
|---|---|
| **Measures for Success:** | Identifying issues early and avoiding more serious structural or health and safety issues in the multi storey car parks. |
| **Viable Options and Rejection Reasons:** | We must ensure the car parks are safe. We could defer non urgent repairs but this is likely to lead to them becoming worse and lead to higher costs for future repairs.<br><br>We could look at rebuilding some of the multi storeys but this is a very expensive option which will disrupt parking while the work is undertaken. The reduction in maintenance costs would not off set the cost of rebuilding and so there is currently no business case to support such action. |

## Costs

| Year | Description | Capital Value (£) | Revenue Code | Revenue Code Name | Revenue Value (£) |
|---|---|---|---|---|---|
| 2018/19 | Remedial works | 200,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |
| 2019/20 | Remedial works | 100,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |

## Costs Totals

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|
| 2018/19 | £200,000 | £0 |
| 2019/20 | £100,000 | £0 |

## Non Financial Benefits

| Title | Category | Measure | Expected Delivery Date |
|---|---|---|---|
| Well maintained car parks and increased customner satisfaction | Improved Customer Satisfaction | All defects repaired | 01/04/20 |

## Risks

| Title | Description |
|---|---|
| | The risks will be fully assess when the fulll nature of the work is determined by the structural surveys |

## Fundamental Themes

| | |
|---|---|
| **Our Economy:** | 6 - Medium |
| | The car parks provide an important access to the town and support the economy |
| **Our Borough:** | 6 - Medium |
| | The multi storey car parks support the renewal of the town centre and are important to the development of North Street and other business led developments in the town centre. |
| **Our Infrastructure:** | 6 - Medium |
| | The continued maintenance of the multi storey car parks to a high standard supports the aims of the Parking Strategy and provides important infrastructure to help tackle congestion. |
| **Our Environment:** | 0 - None |

**Our Society:** 4 - Low to Medium

The provision of good quality, accessible car parks provides vital access to people with mobility difficulties and other issues.

**Your Council:** 6 - Medium

Maintaining the car parks in a good condition reduces future costs of repair and protects the income the council receives from parking.

**Fundamental Themes Total:** **28**

## Other Category Themes

**Asset Management:** 8 - Medium to High

The multi storey car parks are major assets and need to be maintained.

**Business Case:**

**Health and Safety / Statutory Requirement:** 8 - Medium to High

We must maintain the car parks so they are safe.

**Service Delivery:** 6 - Medium

Failing to maintain the car parks can lead to more serve problems and result in a reduction in service delivery.

**Third Party Funding:**

**Other Themes Total:** **22**

**Themes Total:** **50**

# Bid for Funding: Shawfield Day Centre

GUILDFORD BOROUGH

| | |
|---|---|
| **Project Name:** | Shawfield Day Centre |
| **Project Code:** | 2017 197 |
| **Project Description:** | Rewire including replacement fire alarm system & upgrading lighting to LED |

| | | | |
|---|---|---|---|
| **Project / Programme Manager:** | Jonathan Richards | **Ward:** | Ash and South Tongham Ward |
| **Senior Responsible Officer:** | Helen Buck | **Directorate:** | Community |
| **Corporate Plan Theme:** | Your Council | **Confidential:** | No |
| **Expected Start Date:** | 01/10/2018 | **Exempt VAT Implications:** | Yes |
| **Target Completion Date:** | 01/01/2019 | **Grant access to someone:** | |

| | |
|---|---|
| **Drivers and Objectives:** | Health & Safety - compliance with current electrical standards & periodic inspection report - existing electrical system is over 40 years old<br>Fire strategy & protection - ensure fire alarm system is compliant & protects building & occupants<br>Energy efficiency - installation of LED lighting |
| **Background Information:** | Periodic electrical reports have highlighted that the 30 year old electrical installation requires replacement to current standards. It has had many alterations hence the recommendation for replacement.<br><br>The current fire alarm system has become unreliable & also needs to be replaced to comply with current standards to ensure a high standard of fire safety & asset protection. The existing installation comprises of 2 separate systems which need to be replaced with a single one for effective operation & management.<br><br>Lighting needs to be uprated to LED to increase effectiveness & reduce energy usage |
| **Project / Programme Objectives:** | To provide a safe, effective & maintainable electrical installation<br>To provide a single, reliable fire alarm system to the Centre.<br>To provide energy efficient, effective LED lighting |
| **Implications:** | Renewal of the electrical installation including the fire alarm system is required to provide compliant, reliable systems, maintaining high standards of safety & fire strategy compliance.<br><br>Uprating the lighting to more effective & energy efficient LED units will reduce operational energy costs.<br><br>The works will ensure safety for staff & users of the facility & provide a compliaint, maintainable operational asset for the Council |
| **Legal / Statutory Requirement:** | No |
| **Legislative / Statutory Implications:** | |
| **Planning Permission Required:** | No |
| **Building Regulation Required:** | No |
| **Details of Other Required Consents:** | N/a |
| **Constraints:** | Operational building to be maintained during works - adherance to health & safety, protection of users/staff.<br>Potential affect on some service provision & works need to be programmed around management of facility |

| | |
|---|---|
| **Assumptions:** | Ability to carry out works around operational facility |
| **Changes / Effects:** | Fully compliant & effective electrical & fire alarm installation<br>Effective lighting output & energy savings through LED |
| **Measures for Success:** | Reduction in maintenance costs & call outs<br>LED lighting - energy efficient - reduction in utility costs |
| **Viable Options and Rejection Reasons:** | No viable alternative<br>If works are not carried out this could result in increased risk of electrical safety incident/failure of system, failure of fire alarm leading to risk of life/asset. In addition maintenance costs will increase due to the age of the systems. Parts for systems wil become obsolete & prevent effective repair. |

## Costs

| Year | Description | Capital Value (£) | Revenue Code | Revenue Code Name | Revenue Value (£) |
|---|---|---|---|---|---|
| 2018/19 | Rewire, new alarm, LED lighting | 75,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |
| 2018/19 | internal fees | 7,500 | N/A | N/A | |
| | | | N/A | N/A | 0 |

## Costs Totals

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|
| 2018/19 | £82,500 | £0 |

## Financial Benefits

| Year | Description | Capital Value (£) | Revenue Value (£) |
|---|---|---|---|
| 2019/20 | energy saving estimate LED | 0 | 2,000 |
| 2020/21 | energy saving estimate LED | 0 | 2,000 |
| 2021/22 | energy saving estimate LED | 0 | 2,000 |
| 2022/23 | energy saving estimate LED | 0 | 2,000 |
| 2023/24 | energy saving estimate LED | 0 | 2,000 |

## Financial Benefits Totals

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|
| 2019/20 | 0 | 2,000 |
| 2020/21 | 0 | 2,000 |
| 2021/22 | 0 | 2,000 |
| 2022/23 | 0 | 2,000 |
| 2023/24 | 0 | 2,000 |

## Non Financial Benefits

| Title | Category | Measure | Expected Delivery Date |
|---|---|---|---|
| LED lighting | Reduced Carbon | reduction in electricity usage | 01/04/20 |

## Risks

| Title | Description |
|---|---|

## Fundamental Themes

| | | |
|---|---|---|
| **Our Economy:** | 0 - None | |
| **Our Borough:** | 0 - None | |
| **Our Infrastructure:** | 0 - None | |
| **Our Environment:** | 6 - Medium | energy effcient LED lighting |
| **Our Society:** | 2 - Low | |
| **Your Council:** | 0 - None | |

**Fundamental Themes Total:** **8**

## Other Category Themes

| | | |
|---|---|---|
| **Asset Management:** | 10 - Very High | replacement of M&E services at end of life span |
| **Business Case:** | 0 - None | |
| **Health and Safety / Statutory Requirement:** | 8 - Medium to High | Electrical installation at the end of functional life span & effectiveness<br>Replacement of 2 outdated fire alarm system with a single effective installation |
| **Service Delivery:** | 6 - Medium | Propsosed works will allow facility to continue to provide an effective community service |
| **Third Party Funding:** | 0 - None | Nil |

**Other Themes Total:** **24**

**Themes Total:** **32**

# Bid for Funding: Sutherland Memorial Park - rewire & separate electrical

GUILDFORD BOROUGH

| | | | |
|---|---|---|---|
| **Project Name:** | Sutherland Memorial Park - rewire & separate electrical services | | |
| **Project Code:** | 2017 198 | | |
| **Project Description:** | Separation of supplies & rewire of the electrical installation into 3 buildings/areas to the Sutherland Memorial Park site. | | |
| **Project / Programme Manager:** | Jonathan Richards | **Ward:** | Worplesdon Ward |
| **Senior Responsible Officer:** | Helen Buck | **Directorate:** | Environment |
| **Corporate Plan Theme:** | Your Council | **Confidential:** | No |
| **Expected Start Date:** | 01/09/2018 | **Exempt VAT Implications:** | Yes |
| **Target Completion Date:** | 01/11/2018 | **Grant access to someone:** | |

**Drivers and Objectives:**

To upgrade the existing electrical installation & separate the electrical services into 3 sections for the 3 separate user groups as per Client requirements.
The primary reason for separation being the ability to recharge accurately the 2 external users who occupy the same building & use the same power supply.

**Background Information:**

The electrical installation requires upgrading & at the same time the Client requirement for separation of the electrical services can be achieved. The service will be split into 3 sections for the 3 user groups as follows -
Social Club
Bowling Club
GBC managed area

The current wiring is over 30 years old & requires upgrading

**Project / Programme Objectives:**

To provide an upgraded reliable electrical system which allows utility usage costs to be fairly allocated to the appropriate users.

One of the main Client issues is being able to recharge the use of the supply to the different users. There are three tenants – Burpham Bowling Club, Sutherland Memorial Park Amenities Club and GBC all occupying the same building and using the same power supply. Under the lease each party is responsible for paying for their element of use, this is often a point of contention as no party is able to justified what they have used or manage what they use. Significant issues are caused to the Client department enforcing the leases

**Implications:**

Failure to carry out could lead to increased unreliability of the installation & inability to fairly allocate utility usage costs

**Legal / Statutory Requirement:** No

**Legislative / Statutory Implications:**

**Planning Permission Required:** No

**Building Regulation Required:** No

**Details of Other Required Consents:**

| | |
|---|---|
| **Constraints:** | Works need to be carried out outside busy seasonal times in liaison with Client |
| **Assumptions:** | Ability to work around operation of site & users |
| **Changes / Effects:** | Upgraded compliant system, able to allow separate electric utility charging to user groups |
| **Measures for Success:** | Provides easier management of site charges & billing administration for Client |
| **Viable Options and Rejection Reasons:** | If project is not carried out - issues with user groups & Client charges for energy usage will continue to be difficult to administer - potential for GBC to incur more costs if unable to recharge/dispute fairly |

## Costs

| Year | Description | Capital Value (£) | Revenue Code | Revenue Code Name | Revenue Value (£) |
|---|---|---|---|---|---|
| 2018/19 | Upgrade & separate electrical system | 35,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |
| 2018/19 | internal fees | 3,500 | N/A | N/A | |
| | | | N/A | N/A | 0 |

## Costs Totals

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|
| 2018/19 | £38,500 | £0 |

## Non Financial Benefits

| Title | Category | Measure | Expected Delivery Date |
|---|---|---|---|
| separation & management of utility charges to users | Improved Income Generation | comparison with previous bill records | |
| reduction in administration | Reduced Processing Time | | |

### Fundamental Themes

| | |
|---|---|
| **Our Economy:** | 0 - None |
| **Our Borough:** | 0 - None |
| **Our Infrastructure:** | 0 - None |
| **Our Environment:** | 2 - Low |
| | May reduce usage due to accurate billing |
| **Our Society:** | 0 - None |

**Your Council:** 0 - None

**Fundamental Themes Total:** **2**

## Other Category Themes

**Asset Management:** 6 - Medium

Upgrade to asset installation

Improves asset management for the Client

**Business Case:** 0 - None

**Health and Safety / Statutory Requirement:** 0 - None

**Service Delivery:** 8 - Medium to High

Improves service to users
Provides improved asset management for the Client

**Third Party Funding:**

**Other Themes Total:** **14**

**Themes Total:** **16**

GUILDFORD BOROUGH

# Bid for Funding: Park Barn Day Centre - install new Air Source

| | |
|---|---|
| **Project Name:** | Park Barn Day Centre - install new Air Source heating system |
| **Project Code:** | 2017 / 200 |
| **Project Description:** | Replacement of existing heating & hot water system with Air Source Heat Pump technology |

| | | | |
|---|---|---|---|
| **Project / Programme Manager:** | Jonathan Richards | **Ward:** | Westborough Ward |
| **Senior Responsible Officer:** | Helen Buck | **Directorate:** | Community |
| **Corporate Plan Theme:** | Our Environment | **Confidential:** | No |
| **Expected Start Date:** | 01/06/2018 | **Exempt VAT Implications:** | Yes |
| **Target Completion Date:** | 31/07/2018 | **Grant access to someone:** | |

| | |
|---|---|
| **Drivers and Objectives:** | To replace an inefficient heating & hot water system coming to the end of its asset life with green technology Air Source Heat Pump system.<br>Proposed system will be energy efficient reducing utility costs & providing a government grant payback over 7 years |
| **Background Information:** | Current system is at the end of asset life & has compromised reliability due to age. The new ASHP system will be reliable & provide energy efficient heating & hot water to the centre.<br><br>Air Source Heat Pump systems capture heat from the outside air throughout the year & concentrate it for use inside the building. - this heat is used to raise the temperature of the circulating water in the radiator system. Heat pumps work on a similar basis to refrigerators & air conditioning units. |
| **Project / Programme Objectives:** | To provide a reliable heating & hot water supply to a community facility, with the advantage of utility costs being reduced by 50% |
| **Implications:** | Current system needs to be renewed due to asset age & reliability issues. Failure to do so could result in closure of the facility due to breakdowns.<br><br>Installation of ASHP technology will reduce heating/hot water electric utility costs by 50% |
| **Legal / Statutory Requirement:** | No |
| **Legislative / Statutory Implications:** | |
| **Planning Permission Required:** | No |
| **Building Regulation Required:** | No |
| **Details of Other Required Consents:** | Siting of air fan unit will need to be agreed due to size/location |

| | |
|---|---|
| **Constraints:** | Works need to be carried our during the Summer season & whilst the community facility is in operation |
| **Assumptions:** | Utility cost savings of approx 50% per year |
| **Changes / Effects:** | Energy savings<br>Increased control of heating system |

| | |
|---|---|
| **Measures for Success:** | Energy savings, reduction in maintenance/call out costs |
| **Viable Options and Rejection Reasons:** | Retaining existing system will mean<br>• increased maintenance & break down costs, failure of system affects the use of the community facility.<br>• loss of an opportunity to make energy savings on utility costs, install renewable green energy system & reduce Carbon footprint. |

## Costs

| Year | Description | Capital Value (£) | Revenue Code | Revenue Code Name | Revenue Value (£) |
|---|---|---|---|---|---|
| 2018/19 | new ASHP system | 130,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |
| 2018/19 | internal fees | 13,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |

## Costs Totals

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|
| 2018/19 | £143,000 | £0 |

## Financial Benefits

| Year | Description | Capital Value (£) | Revenue Value (£) |
|---|---|---|---|
| 2019/20 | annual saving on gas utility bill costs | 0 | 4,000 |
| 2019/20 | feed in tariff pay back for renewable energy system | 18,500 | 0 |
| 2020/21 | renewable heating incentive pay back | 18,500 | 0 |
| 2021/22 | renewable heating incentive pay back | 18,500 | 0 |
| 2022/23 | renewable heating incentive pay back | 18,500 | 0 |
| 2023/24 | renewable heating incentive pay back | 18,500 | 0 |
| 2024/25 | renewable heating incentive pay back | 18,500 | 0 |
| 2025/26 | renewable heating incentive pay back | 18,500 | 0 |

## Financial Benefits Totals

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|

| | | |
|---|---|---|
| 2019/20 | 18,500 | 4,000 |
| 2020/21 | 18,500 | 0 |
| 2021/22 | 18,500 | 0 |
| 2022/23 | 18,500 | 0 |
| 2023/24 | 18,500 | 0 |
| 2024/25 | 18,500 | 0 |
| 2025/26 | 18,500 | 0 |

## Non Financial Benefits

| Title | Category | Measure | Expected Delivery Date |
|---|---|---|---|
| renewable energy system | Reduced Carbon | | 31/03/19 |
| reduction break downs & more controllable system for facility | Improved Service Provision | good customer/staff feedback | 01/11/18 |

## Risks

| Title | Description |
|---|---|
| If project not carried out -failure of heating/hot water system | Loss of community facility use |
| If project not carried out - | Loss of energy saving & renewable energy incentive pay back |

## Fundamental Themes

**Our Economy:** 0 - None

**Our Borough:** 6 - Medium

Green renewable energy - environmentally friendly

**Our Infrastructure:** 0 - None

**Our Environment:** 10 - Very High

Green renewable energy - environmentally friendly

**Our Society:** 2 - Low

Community Centre benefit to users

**Your Council:** 0 - None

**Fundamental Themes Total:** **18**

## Other Category Themes

**Asset Management:** 10 - Very High

Renewal of unreliable heating/hw system with new green energy installation

**Business Case:** 0 - None

**Health and Safety / Statutory Requirement:** 4 - Low/Medium

Heating & H/water - reliable system required to operate day centre

**Service Delivery:** 6 - Medium

Heating & H/water - reliable system required to operate day centre & provide community service

**Third Party Funding:** 0 - None

**Other Themes Total:** **20**

**Themes Total:** **38**

GUILDFORD BOROUGH

# Bid for Funding: Millmead House - M&E plant renewal

| | |
|---|---|
| **Project Name:** | Millmead House - M&E plant renewal |
| **Project Code:** | 2017 201 |
| **Project Description:** | Replace kitchen & staff toilets extract & ventilation plant |

| | | | |
|---|---|---|---|
| **Project / Programme Manager:** | Jonathan Richards | **Ward:** | Friary St. Nicolas Ward |
| **Senior Responsible Officer:** | Helen Buck | **Directorate:** | Resources |
| **Corporate Plan Theme:** | | **Confidential:** | No |
| **Expected Start Date:** | 01/08/2018 | **Exempt VAT Implications:** | No |
| **Target Completion Date:** | 01/11/2018 | **Grant access to someone:** | |

| | |
|---|---|
| **Drivers and Objectives:** | Original plant is now life expired. Extraction to the kitchen & staff toilets needs to be replaced.<br>The kitchen plant needs to be reconfigured for current new area/use- this work was not included in the original major refurbishment project |
| **Background Information:** | The kitchen & staff toilets ventilation & extract systems need to be replaced. They are life expired & the kitchen plant needs to be reconfigured to suit the new restaurant facility.<br><br>The work is required to ensure the systems are maintainable & to avoid unnecessary breakdown which affects the operation of the office facilities. |
| **Project / Programme Objectives:** | To replace life expired M&E ventilation & extraction plant to the kitchen & staff toilet areas. To reconfigure kitchen ventilation plant to suit new restaurant facility |
| **Implications:** | M&E works wih regard to ventilation plant are required to ensure continued service operation of the Council kitchen/restarant & toilet facilities.<br><br>Failure to upgrade could lead to breakdown & increased maintenance costs |
| **Legal / Statutory Requirement:** | No |
| **Legislative / Statutory Implications:** | |
| **Planning Permission Required:** | No |
| **Building Regulation Required:** | No |
| **Details of Other Required Consents:** | n/a |

| | |
|---|---|
| **Constraints:** | Operational building to be maintained during the works - adherance to health & safety & protection of visitors/staff. Potential effect on some service provision in restaurant to allow work to be carried out.<br>Project to be programmed around the management of building. |
| **Assumptions:** | Ability to carry out works during operational times, with some out of hours working (eg late evenings) |
| **Changes / Effects:** | Effective M& E ventilation & extraction to the kitchen & staff toilet facilities.<br>Reduction in breakdown & maintenance |

**Measures for Success:** Reduction is maintenance costs & call outs.
Reliable ventilation & extraction to kitchen & staff toilet areas

**Viable Options and Rejection Reasons:** Works could be delayed but this would lead to increased breakdowns/call outs & potential ventilation/extraction system failure.

## Costs

| Year | Description | Capital Value (£) | Revenue Code | Revenue Code Name | Revenue Value (£) |
|---|---|---|---|---|---|
| 2018/19 | Replacement ventilation & extraction plant | 30,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |
| 2018/19 | internal/external fees | 3,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |

## Costs Totals

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|
| 2018/19 | £33,000 | £0 |

## Non Financial Benefits

| Title | Category | Measure | Expected Delivery Date |
|---|---|---|---|
| reduction in maintenance costs | Reduced Asset Costs | maintenance records | |

## Risks

| Title | Description |
|---|---|
| ventilation plant system failure | high revenue cost to repair existing systems |

### Fundamental Themes

| | |
|---|---|
| **Our Economy:** | 0 - None |
| **Our Borough:** | 0 - None |
| **Our Infrastructure:** | 0 - None |
| **Our Environment:** | 2 - Low |
| **Our Society:** | 0 - None |
| **Your Council:** | 0 - None |

**Fundamental Themes Total:** **2**

## Other Category Themes

| | |
|---|---|
| **Asset Management:** | 10 - Very High |
| | replacement of essential M&E plant at the end of its life span & suitability |
| **Business Case:** | 0 - None |
| **Health and Safety / Statutory Requirement:** | 2 - Low |
| | Allows effective continued operation of offices & public service facility |
| **Service Delivery:** | 4 - Low to Medium |
| | Allows effective continued operation of offices & public service facility |
| **Third Party Funding:** | 0 - None |

**Other Themes Total:** **16**

**Themes Total:** **18**

# Bid for Funding: Hydro private wire

| | |
|---|---|
| **Project Name:** | Hydro private wire |
| **Project Code:** | 2017 205 |
| **Project Description:** | Link the Toll House Hydro to Millmead and possibly Yvonne Arnaud Theatre |

| | | | |
|---|---|---|---|
| **Project / Programme Manager:** | Cati Smith | **Ward:** | Holy Trinity Ward |
| **Senior Responsible Officer:** | Kevin Handley | **Directorate:** | Resources |
| **Corporate Plan Theme:** | Our Environment | **Confidential:** | No |
| **Expected Start Date:** | 01/06/2018 | **Exempt VAT Implications:** | No |
| **Target Completion Date:** | 01/08/2018 | **Grant access to someone:** | |

| | |
|---|---|
| **Drivers and Objectives:** | 1 Increase income from hydro generation<br>2 Provide more renewable energy to Millmead and reduce our dependence on the grid supply |
| **Background Information:** | 10-11 years ago when the hydro first started production, it was not cost effective to bring the generated power back to Millmead. This position has now changed with the price we sell the power to the grid reducing to 3p per unit and the price we buy at 12/13p per unit, we believe it will be a reasonable investment to connect the office complex to the hydro. |
| **Project / Programme Objectives:** | 1 Green our assets<br>2 Take another step toward the Millmead complex being electrically self sufficient and off the grid. |
| **Implications:** | We need to get the National trust, Waterways and the Yvonne Arnaud on board and consent to run the private wire through their properties. |
| **Legal / Statutory Requirement:** | No |
| **Legislative / Statutory Implications:** | N/A |
| **Planning Permission Required:** | No |
| **Building Regulation Required:** | Yes |
| **Details of Other Required Consents:** | As already mentioned land owners |
| **Constraints:** | 1 Payback to be confirmed<br>2 Partners grant access over- through or under their land |
| **Assumptions:** | Partners support this concept |
| **Changes / Effects:** | None. The cable will be hidden and will not effect the public using the island for leisure activities |
| **Measures for Success:** | Upon project completion a reduction in purchased Electricity and an improvement in carbon savings for the Council |

| | | |
|---|---|---|
| **Viable Options and Rejection Reasons:** | Not considered, as this project only has benefits. | Agenda item number: 6<br>Appendix 3 |

## Costs

| Year | Description | Capital Value (£) | Revenue Code | Revenue Code Name | Revenue Value (£) |
|---|---|---|---|---|---|
| 2018/19 | Prive wire installed and connected | 85,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |

## Costs Totals

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|
| 2018/19 | £85,000 | £0 |

## Financial Benefits

| Year | Description | Capital Value (£) | Revenue Value (£) |
|---|---|---|---|
| 2018/19 | Part year 1 | 0 | 9,000 |
| 2019/20 | Year 2 and every year onwards | 0 | 11,700 |

## Financial Benefits Totals

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|
| 2018/19 | 0 | 9,000 |
| 2019/20 | 0 | 11,700 |

## Non Financial Benefits

| Title | Category | Measure | Expected Delivery Date |
|---|---|---|---|
| Reduction in energy purchasing | Improved Income Generation | Budgets going forward | 01/08/18 |
| Less electricity puchased | Reduced Carbon | | 01/08/18 |

## Risks

| Title | Description |
|---|---|
| H&S | Initial installation stages whils cables are being installed |

## Fundamental Themes

**Our Economy:** 6 - Medium

**Our Borough:** 6 - Medium

Setting a good example of how to use sustainable energy

| | |
|---|---|
| **Our Infrastructure:** | 0 - None |
| **Our Environment:** | 8 - Medium to High |
| | Continues towards the aim of producing re-newable energy and reducing bills |
| **Our Society:** | 4 - Low to Medium |
| | Setting a good example for others to follow |
| **Your Council:** | 8 - Medium to High |
| | Demonstrates good practice and good management of assets |

**Fundamental Themes Total:** **32**

## Other Category Themes

| | |
|---|---|
| **Asset Management:** | 8 - Medium to High |
| | Demonstrates good practice and good management of assets |
| **Business Case:** | 10 - Very High |
| | Based on 180,000 kWh annual generation, Sale to market at 3.48p = £6264 pa<br><br>Cost of purchase for Millmead. Current tariff – day 10.837p (17 hours per day)/night 8.045p (7 hours per day) Calculate on 10p/kWh = £18,000<br><br>Net avoided cost £11,740 per annum at todays costs. |
| **Health and Safety / Statutory Requirement:** | 2 - Low |
| | Work will be completed by qualified and certified contractors |
| **Service Delivery:** | 8 - Medium to High |
| | Requirement for the team to maximise carbon reduction and deploy renewable energy projects |
| **Third Party Funding:** | 0 - None |
| | N/A |

**Other Themes Total:** **28**

**Themes Total:** **60**

GUILDFORD BOROUGH

# Bid for Funding: Sutherland Memorial Park - Air Source Heat Pump

| | |
|---|---|
| **Project Name:** | Sutherland Memorial Park - Air Source Heat Pump heating system |
| **Project Code:** | 2017 207 |
| **Project Description:** | Replacement of electric heating with an Air Source Heat Pump system |

| | | | |
|---|---|---|---|
| **Project / Programme Manager:** | Jonathan Richards | **Ward:** | Worplesdon Ward |
| **Senior Responsible Officer:** | Helen Buck | **Directorate:** | Environment |
| **Corporate Plan Theme:** | Our Environment | **Confidential:** | No |
| **Expected Start Date:** | 01/09/2018 | **Exempt VAT Implications:** | Yes |
| **Target Completion Date:** | 01/10/2018 | **Grant access to someone:** | |

**Drivers and Objectives:**
To replace an inefficient heating system coming to the end of its asset life with a green technology Air Source Heat Pump installation.
Proposed system will be energy efficient reducing utility costs & providing a renewable heating government incentive payback over 7 years

**Background Information:**
Current system is at the end of its asset life & has compromised reliability & poor controls. The new ASHP system will be reliable, controllable & provide energy efficient heating to the site.

Air Source Heat Pump systems capture heat from the outside air throughout the year & concentrate it for use inside the building. - this heat is used to raise the temperature of the circulating water in the radiator system. Heat pumps work on a similar basis to refrigerators & air conditioning units.

**Project / Programme Objectives:**
To provide reliable & controllable heating to the facility, with the advantage of utility revenue costs being reduced by 50% and a 7yr payback on the cost of the scheme

The proposal is to have 3 separate systems to the following areas
Social Club
Bowls Club
GBC managed areas

**Implications:**
Current system needs to be renewed due to asset age, reliability & controls issues.
Failure could affect facility due to breakdowns

**Legal / Statutory Requirement:** No

**Legislative / Statutory Implications:**

**Planning Permission Required:** No

**Building Regulation Required:** No

**Details of Other Required Consents:** Siting of air fan units will need to be agreed due to size/location

**Constraints:** Works need to be carried our during the Summer season & whilst the facility is in operation

| | |
|---|---|
| **Assumptions:** | Utility bill revenue cost savings of approx. 50% per year<br>Renewable heat incentive - pay back over 7 years |
| **Changes / Effects:** | Energy savings<br><br>Increased control & improved heating system |
| **Measures for Success:** | Energy savings, reduction in maintenance/call out costs |
| **Viable Options and Rejection Reasons:** | Retaining existing system will mean<br>• increased maintenance & break down costs<br>• heating failure<br>• Loss of opportunity to make energy savings on utility costs & install renewable green energy system<br><br>Replacement with a standard electric system<br>• loss of opportunity to make energy savings on utility costs & install renewable green energy system<br>• loss of pay back on full installation |

## Costs

| Year | Description | Capital Value (£) | Revenue Code | Revenue Code Name | Revenue Value (£) |
|---|---|---|---|---|---|
| 2018/19 | new ASHP heating system | 25,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |
| 2018/19 | internal fees | 2,500 | N/A | N/A | |
| | | | N/A | N/A | 0 |

## Costs Totals

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|
| 2018/19 | £27,500 | £0 |

## Financial Benefits

| Year | Description | Capital Value (£) | Revenue Value (£) |
|---|---|---|---|
| 2019/20 | Estimated 50 % reduction in utility cost | 0 | 4,000 |
| 2019/20 | Feed in tariff renewable heating incentive pay back | 3,570 | 0 |
| 2020/21 | Feed in tariff renewable heating incentive pay back | 3,570 | 0 |
| 2021/22 | Feed in tariff renewable heating incentive pay back | 3,570 | 0 |
| 2022/23 | Feed in tariff renewable heating incentive pay back | 3,570 | 0 |
| 2023/24 | Feed in tariff renewable heating incentive pay back | 3,570 | 0 |
| 2024/25 | Feed in tariff renewable | 3,570 | 0 |

| | | | |
|---|---|---|---|
| | heating incentive pay back | | |
| 2025/26 | Feed in tariff renewable heating incentive pay back | 3,570 | 0 |

## Financial Benefits Totals

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|
| 2019/20 | 3,570 | 4,000 |
| 2020/21 | 3,570 | 0 |
| 2021/22 | 3,570 | 0 |
| 2022/23 | 3,570 | 0 |
| 2023/24 | 3,570 | 0 |
| 2024/25 | 3,570 | 0 |
| 2025/26 | 3,570 | 0 |

## Non Financial Benefits

| Title | Category | Measure | Expected Delivery Date |
|---|---|---|---|
| renewable energy system | Reduced Carbon | | |
| reduction in break downs & more controllable system for facility | Reduced Asset Costs | | |

## Risks

| Title | Description |
|---|---|
| If project not carried out - failure of heating | Affect on operational facility |
| If project not commissioned | Loss of potential energy saving & renewable energy incentive pay back |

## Fundamental Themes

**Our Economy:** 0 - None

**Our Borough:** 6 - Medium

Green renewable energy - environmentally friendly

**Our Infrastructure:** 0 - None

**Our Environment:** 10 - Very High

Green renewable energy - environmentally friendly

**Our Society:** 0 - None

**Your Council:** 0 - None

**Fundamental Themes Total:** **16**

## Other Category Themes

| | |
|---|---|
| **Asset Management:** | 10 - Very High |
| | Renewal of unreliable heating/hw system with new green energy installation |
| **Business Case:** | 0 - None |
| **Health and Safety / Statutory Requirement:** | 2 - Low |
| | Statutory requirement to heat areas to minimum temperature |
| **Service Delivery:** | 4 - Low to Medium |
| | Reliable & controllable system required to operate facility |
| **Third Party Funding:** | 0 - None |

**Other Themes Total:** **16**

**Themes Total:** **32**

# Bid for Funding: Stoke Park Masterplan Professional Fees and

| | |
|---|---|
| **Project Name:** | Stoke Park Masterplan Professional Fees and enabling costs |
| **Project Code:** | 2017 210 |
| **Project Description:** | Following the Stoke Park Masterplan, the Council need to appoint a Landscape Architect led design team to include, Architect, Civil Engineers, Quantity Surveyor, Structural Engineer, Mechanical and Electrical Engineers, Project Manager and Ecologists to produce the masterplan and associated professional information. This funding bid is for the whole team to enable the project to be implemented in stages to avoid multiple procurement exercises and ensure continuity of the professional team throughout the project |

| | | | |
|---|---|---|---|
| **Project / Programme Manager:** | Paul Stacey | **Ward:** | Christchurch Ward |
| **Senior Responsible Officer:** | Peter O Connell | **Directorate:** | Environment |
| **Corporate Plan Theme:** | Our Infrastructure | **Confidential:** | No |
| **Expected Start Date:** | 01/11/2018 | **Exempt VAT Implications:** | Yes |
| **Target Completion Date:** | 01/04/2025 | **Grant access to someone:** | |

**Drivers and Objectives:**

Key drivers:

• The production of the Stoke Park Masterplan is a corporate plan target as follows:

'In consultation with existing users and other stakeholders, produce a masterplan for Stoke Park to make it a vibrant community park and visitor destination'

• In 2017 the Council is undertaking the largest consultation ever done on Stoke Park to establish the needs and wishes of the community and visitors. Once complete and assessed this will form part of the brief along with internal service requirements to tender to a design team.

• Much of the fabric of Stoke Park is in need of investment as the park approaches its centenary year in 2025 so work is required to understand this in detail along with how this should be incorporated in to a revitalised park meeting community needs.

• The masterplan will enable GBC to undertake feasibility work on potential income generating opportunities such as catering and events to establish their viability and options for delivery.

• To establish the financial costs and options and opportunities to access external funding

• This will support the Councils work maintaining the sites Green Flag status

**Background Information:**

Stoke Park is Guildford Borough Councils largest park and one of the largest public parks in the county of Surrey. The site has been a green flag award winning park for over 10 years, the national standard for parks. The site is some 57 hectares in size.

The site is home to a number of clubs and community organisations and the home of the Surrey County Show. The number of visits made is in the region of 750,000 per annum. The site has a number of facilities and important amenities such as sports pitches, play area, toilets, paddling pool, mini golf. The site is also of heritage and cultural importance containing the remnants of the former Stoke Park parkland, victorian model farm, and walled garden.

The park became a public pleasure ground in 1925 when it was acquired by the guildford corporation and has remained as the green lung of Guildford ever since. Approaching 100 years old some areas of the park are in need of significant investment through wear and tear and the process of time. The town of Guildford has grown, in size and population along with the needs of society, therefore to guide future investment to ensure it meets peoples needs a new masterplan needs to be developed. This is a significant task to appoint the relevant expertise to develop a masterplan, business cases, funding bids and through to delivery on the ground. It is essential that there is consistency in the professional team from start to finish to be delivered in phases and not multpiple appointments for each stage of the works.

**Project / Programme Objectives:**

• Appoint a professional design team with the relevant skills to produce and deliver a masterplan

• Structure appointment to be called off in phases from initial feasibility work through to implementation and completion

• Deliver a new Masterplan for Stoke Park, including feasibility studies on key elements such as catering provision, options and costs

| | |
|---|---|
| | • Deliver Information to support external funding bids<br><br>• Deliver capacity for implementation of the masterplan<br><br>• Provide a delivery plan for implementation<br><br>• Provide technical documentation for tender and implementation |
| **Implications:** | Resource - Internal Project Management and Board required<br>Financial - GBC funding required to develop plan to obtain external funding<br>Reputation - Consultation under way and expectation from the community that a masterplan will be produced |
| **Legal / Statutory Requirement:** | No |
| **Legislative / Statutory Implications:** | |
| **Planning Permission Required:** | Yes |
| **Building Regulation Required:** | Yes |
| **Details of Other Required Consents:** | Various other consents may be needed to implement the plan |

| | |
|---|---|
| **Constraints:** | • Service capacity - Parks has a number of major projects, however this is being programmed to be accomodated within them as a long as a professional team can be appointed<br><br>• Spectrum 2 - Plan needs to be flexible to work with the redevelopment of spectrum leisure centre<br><br>• Funding - Availability from GBC, External Funders and Open Market |
| **Assumptions:** | That a professional team can be appointed, called off in stages from concept through to delivery |
| **Changes / Effects:** | • To provide a revatilsed park that sustains and grows use by the community and visitors meeting their needs |
| **Measures for Success:** | New masterplan produced, funded and implemented |
| **Viable Options and Rejection Reasons:** | Do nothing - the park remains as it is with ongoing investment to keep in a safe condition. This will not deliver the commitment of the corporate plan, nor ensure that the park is able to meet the needs of the community and possible loss of income streams |

## Costs

| Year | Description | Capital Value (£) | Revenue Code | Revenue Code Name | Revenue Value (£) |
|---|---|---|---|---|---|
| 2018/19 | Professional Fees | 100,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |
| 2019/20 | Professional Fees | 100,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |
| 2020/21 | Professional Fees | 150,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |
| 2022/23 | Professional Fees | 150,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |

## Costs Totals

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|
| 2018/19 | £100,000 | £0 |
| 2019/20 | £100,000 | £0 |
| 2020/21 | £150,000 | £0 |
| 2022/23 | £150,000 | £0 |

## Financial Benefits

| Year | Description | Capital Value (£) | Revenue Value (£) |
|---|---|---|---|
| 2023/24 | Income from Catering | 0 | 25,000 |

## Financial Benefits Totals

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|
| 2023/24 | 0 | 25,000 |

## Non Financial Benefits

| Title | Category | Measure | Expected Delivery Date |
|---|---|---|---|
| Increased visitor numbers | Improved Social Benefits | Increased visitor numbers | 01/04/24 |
| Improved customer satisfaction and feedback | Improved Customer Satisfaction | Comments and compliments, Trip advisor feedback, google feedback | 01/04/24 |
| Improved Green Flag Scores | Improved Management Information | Green Flag Assessment | 01/04/24 |

## Risks

| Title | Description |
|---|---|
| Feasibility work | Feasibility work determines that a new masterplan is unfeasible |
| Financial | Masterplan could be financially unviable or external funding is not available or funding bids are unsuccessful |

| | |
|---|---|
| Community/reputation | Community objects to the masterplan |
| Design Team | Design team fails to produce and accepted plan.  Design team goes bankrupt |

## Fundamental Themes

| | |
|---|---|
| **Our Economy:** | 2  - Low |
| | The masterplan contributes to ensuring local community facilities are available.  Green spaces are shown to support the economic vitality of towns and places of work |
| **Our Borough:** | 6  - Medium |
| | Stoke Park is a key part of the Councils leisure offering and the scheme is important to ensure we protect and sustain one of the boroughs key greenspaces |
| **Our Infrastructure:** | 10 - Very High |
| | Stoke Park is a core part of the boroughs infrastructure and essential to community for health and wellbeing through the activities and facilities provided on the park |
| **Our Environment:** | 10 - Very High |
| | Stoke Park is core to providing a high quality environment in the town. It is key for climate change adaptation, conserving and enhancing biodiversity, air quality, temperature amelioration and surface water attenuation |
| **Our Society:** | 8  - Medium to High |
| | Stoke Park is essential for the community to participate in activities either through clubs and organisations or self guided activities. It is also the home to key local community events such as the county show |
| **Your Council:** | 0  - None |

**Fundamental Themes Total:** **36**

## Other Category Themes

| | |
|---|---|
| **Asset Management:** | 8  - Medium to High |
| | Much of the fabric of Stoke Park is in need of planned investment to ensure the site is safe and opportunities are realised where possible to reduce costs or find income such as through catering |
| **Business Case:** | 6  - Medium |
| | Hard cash options are not able to be directly assessed at this stage until feasibility work is completed.  However the park is core to savings elsewhere in the public sector such as Health through ensuring it is fit for purpose and accessible |
| **Health and Safety / Statutory Requirement:** | 4  - Low to Medium |
| | The masterplan is required to ensure the fabric of the site has planned investment to keep it safe |
| **Service Delivery:** | 10 - Very High |
| | Stoke Park is core to the delivery of the parks service and other core Council Strategies, such as the Play, Sports and Health and Wellbeing Strategies |
| **Third Party Funding:** | 6  - Medium |
| | Unknown at this stage but the masterplan should lead to the opportunity to derive significant external funding from bodies such as the Heritage Lottery Fund |

**Other Themes Total:** **34**

**Themes Total:** **70**

GUILDFORD BOROUGH

# Bid for Funding: Parks and Countryside Roads, Paths and Car Parks

| | | | |
|---|---|---|---|
| **Project Name:** | Parks and Countryside Roads, Paths and Car Parks Repairs and renewal funds | | |
| **Project Code:** | 2017 | 211 | |
| **Project Description:** | To fund a programme of repairs and renewals of paths, roads and car parks within the parks and countryside estate | | |
| **Project / Programme Manager:** | Paul Stacey | **Ward:** | |
| **Senior Responsible Officer:** | Peter O Connell | **Directorate:** | Environment |
| **Corporate Plan Theme:** | Our Environment | **Confidential:** | No |
| **Expected Start Date:** | 01/04/2018 | **Exempt VAT Implications:** | Yes |
| **Target Completion Date:** | 31/03/2022 | **Grant access to someone:** | |

**Drivers and Objectives:**

To repair and renew parks car parks, paths and roads
To ensure assets are safe and fit for purpose
To support planned asset management

**Background Information:**

Following various condition surveys undertaken by Parks and Countryside and the Engineering team across the parks and countryside estate a programme of repairs and renewals is needed to either extend life expectancy of existing surfaces, or to replace and renew them to ensure sites are safe and fit for purpose.

Key sites for repair include:
Stoke Park - urgent repairs and extending the life expectancy of some surfaces while the masterplan is developed, funding found and implemented. Two areas, Burchatts Farm Barn and Greenark, require new design and surfacing to meet future needs.
Allen House grounds
Onslow Recreation ground
Sutherland Memorial Park
Stoughton Recreation Ground
Shalford Park
Castle Gardens
Castle Cliff
Various small green spaces
Various Countryside sites

To give context to the cost of resurfacing, it approxmately costs:

| | |
|---|---|
| To plane the exisiting surface: | £2/m2 |
| Lay a new tarmac base course: | £16/m2 |
| Lay a new wearing course: | £12/m2 |
| Total: | £30/m2 |

Therefore, as general examples without looking at site specific restrictions or issues such new kerbs and manhole covers, to:
1. resurface the Stoke Park car park by the bowling clubs will cost £93,270 plus preliminary costs (circa additional 15%) and line marking.
2. resurface the Footpaths, access road and car park in Stoughton Rec will cost £62,700 plus preliminary costs and line marking
3. resurface Onslow recreation ground access road and car park will cost £27,240 plus preliminary costs and line marking

**Project / Programme Objectives:**

To implement a programme of repairs and renewals
To ensure the safety of users
To improve the quality of the service provided

**Implications:**

Financial - Significant cost
Resource - Large demand on the Engineering team to specify and procure works

**Legal / Statutory Requirement:** Yes

| | |
|---|---|
| **Legislative / Statutory Implications:** | The Council is bound by the Occupiers Liability Act where it must ensure the safety of its sites and assets to both visitors and trespassers. The council supports significant amounts of visitors to our sites therefore it is important they are maintained and safe |
| **Planning Permission Required:** | No |
| **Building Regulation Required:** | No |
| **Details of Other Required Consents:** | Possible drainage consents required on some sites |

| | |
|---|---|
| **Constraints:** | • Some sites such as Stoke Park are going through longer term planning exercises, however there is a need to repair and extend the life expectancy of some areas while this takes place. Appropriate value for money options are needed such as bitumen slurry sealing some areas<br>• Availability of engineers and contractors<br>• Bitumen prices can be volatile |
| **Assumptions:** | The costs are substantial, however the estate is large and various levels of repair and renewal are needed often in awkward and difficult sites |
| **Changes / Effects:** | Safe and maintained sites which are fit for purpose |
| **Measures for Success:** | |
| **Viable Options and Rejection Reasons:** | Do nothing - sites unsafe to users causing the council to fail in its duty of care to users<br>Seek external funding - it is highly unlikely that any external funding body will fund the repair of car parks, roads and footpaths with the parks landholding. |

## Costs

| Year | Description | Capital Value (£) | Revenue Code | Revenue Code Name | Revenue Value (£) |
|---|---|---|---|---|---|
| 2018/19 | Surfacing works | 300,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |
| 2019/20 | Surfacing works | 400,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |
| 2020/21 | Surfacing works | 400,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |
| 2021/22 | Surfacing works | 400,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |
| 2022/23 | Surfacing works | 400,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |

## Costs Totals

Agenda item number: 6
Appendix 3

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|
| 2018/19 | £300,000 | £0 |
| 2019/20 | £400,000 | £0 |
| 2020/21 | £400,000 | £0 |
| 2021/22 | £400,000 | £0 |
| 2022/23 | £400,000 | £0 |

## Risks

| Title | Description |
|---|---|
| Resources | Availability of engineering team resources to support procurement and management of works |
| Bitumen prices | Bitumen prices can be volatile increasing works costs |
| Temporary closure of paths roads and car parks | Some temporary closures while works take place may cause limite disruption to users of sites |

### Fundamental Themes

**Our Economy:** 0 - None

**Our Borough:** 4 - Low to Medium

Will contribute to ensuring our open spaces are safe and fit for purpose and support their usage by residents and visitors

**Our Infrastructure:** 6 - Medium

Will contribute to maintaining high quality greenspace

**Our Environment:** 10 - Very High

Will contribute to maintaining high quality greenspace and access to it

**Our Society:** 4 - Low to Medium

Will supoort the use of our parks sites by the community and various groups that operate within them

**Your Council:** 0 - None

**Fundamental Themes Total:** **24**

### Other Category Themes

**Asset Management:** 10 - Very High

Essential to ensure assets are safe and fit for purpose

**Business Case:** 0 - None

| | | |
|---|---|---|
| **Health and Safety / Statutory Requirement:** | 8 - Medium to High | |
| | Essential to maintaining safe open spaces and meeting our obligations under Health and Safety | |
| **Service Delivery:** | 10 - Very High | |
| | Key to ensuring our open spaces are safe and accessible | |
| **Third Party Funding:** | 0 - None | |

**Other Themes Total:** **28**

**Themes Total:** **52**

GUILDFORD BOROUGH

# Bid for Funding: Stoke Park Nursery - new Air Source heating system

| | |
|---|---|
| **Project Name:** | Stoke Park Nursery - new Air Source heating system |
| **Project Code:** | 2017 212 |
| **Project Description:** | Replacement of existing heating & hot water system with Air Source Heat Pump technology |

| | | | |
|---|---|---|---|
| **Project / Programme Manager:** | Jonathan Richards | **Ward:** | Christchurch Ward |
| **Senior Responsible Officer:** | Helen Buck | **Directorate:** | Environment |
| **Corporate Plan Theme:** | Our Environment | **Confidential:** | No |
| **Expected Start Date:** | 01/08/2018 | **Exempt VAT Implications:** | Yes |
| **Target Completion Date:** | 01/09/2018 | **Grant access to someone:** | |

| | |
|---|---|
| **Drivers and Objectives:** | To replace an inefficient heating & hot water system coming to the end of its asset life with green technology ASHP system.<br>Proposed system will be energy efficient reducing utility costs & providing a renewable heat incentive payback over 7 years |
| **Background Information:** | Current system is at the end of asset life.<br>The new ASHP system will be paid back over 7 years (government incentive feed in tariff) & provide energy saving efficient heating & hot water to the nursery<br><br>Air Source Heat Pump systems capture heat from the outside air throughout the year & concentrate it for use inside the building. - this heat is used to raise the temperature of the circulating water in the radiator system. Heat pumps work on a similar basis to refridgerators & air conditioning units. |
| **Project / Programme Objectives:** | To provide a reliable heating & hot water supply to a community faciity, with the advantage of utility costs being reduced by 50% |
| **Implications:** | Current system needs to be renewed due to asset age & reliability issues. Failure to do so could result in closure of the faciity due to breakdowns<br><br>Failure to replace with ASHP would mean losing opportunity for 50% revenue utility cost saving |
| **Legal / Statutory Requirement:** | No |
| **Legislative / Statutory Implications:** | |
| **Planning Permission Required:** | No |
| **Building Regulation Required:** | No |
| **Details of Other Required Consents:** | Siting of air fan unit will need to be agreed due to size & suitable location |
| **Constraints:** | Works need to be carried our during the Summer season & whilst the community facility is in operation |
| **Assumptions:** | Utility cost savings of approx 50% per year<br>Pay back on system within 7 years |
| **Changes / Effects:** | Energy savings<br>Increased control of heating system |

| | |
|---|---|
| **Measures for Success:** | Energy savings, reduction in maintenance/call out costs |
| **Viable Options and Rejection Reasons:** | Retaining existing system will mean increased maintenance & break down costs, failure of the system affects the use of the facility.<br>Opportunity to make energy savings on utility costs, install renewable green energy system & reduce Carbon footprint will be lost if the project is not carried out. |

## Costs

| Year | Description | Capital Value (£) | Revenue Code | Revenue Code Name | Revenue Value (£) |
|---|---|---|---|---|---|
| 2018/19 | new ASHP system | 15,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |
| 2018/19 | internal fees | 1,500 | N/A | N/A | |
| | | | N/A | N/A | 0 |

## Costs Totals

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|
| 2018/19 | £16,500 | £0 |

## Financial Benefits

| Year | Description | Capital Value (£) | Revenue Value (£) |
|---|---|---|---|
| 2019/20 | annual saving on utility bill 50% | 0 | 3,800 |
| 2019/20 | feed in tariff incentive pay back | 2,145 | 0 |
| 2020/21 | feed in tariff incentive pay back | 2,145 | 0 |
| 2021/22 | feed in tariff incentive pay back | 2,145 | 0 |
| 2022/23 | feed in tariff incentive pay back | 2,145 | 0 |
| 2023/24 | feed in tariff incentive pay back | 2,145 | 0 |
| 2024/25 | feed in tariff incentive pay back | 2,145 | 0 |
| 2025/26 | feed in tariff incentive pay back | 2,145 | 0 |

## Financial Benefits Totals

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|
| 2019/20 | 2,145 | 3,800 |

| | | |
|---|---|---|
| 2020/21 | 2,145 | 0 |
| 2021/22 | 2,145 | 0 |
| 2022/23 | 2,145 | 0 |
| 2023/24 | 2,145 | 0 |
| 2024/25 | 2,145 | 0 |
| 2025/26 | 2,145 | 0 |



## Non Financial Benefits

| Title | Category | Measure | Expected Delivery Date |
|---|---|---|---|
| renewable energy system | Reduced Carbon | | |
| reduction break downs & more controllable system for facility | Improved Service Provision | good customer/staff feedback | |

## Risks

| Title | Description |
|---|---|
| if project is not carried out | Loss of facility use if breakdown occurs, increased maintenance revenue costs |
| if project not carried out | Loss of energy saving & renewal energy incentive pay back |

## Fundamental Themes

**Our Economy:** 0 - None

**Our Borough:** 6 - Medium

Green renewable energy - environmentally friendly

**Our Infrastructure:** 0 - None

**Our Environment:** 10 - Very High

Green renewable energy - environmentally friendly

**Our Society:** 0 - None

**Your Council:** 0 - None

**Fundamental Themes Total:** **16**

## Other Category Themes

**Asset Management:** 10 - Very High

Renewal of unreliable heating/hw system with new green energy installation

**Business Case:** 0 - None

| | |
|---|---|
| **Health and Safety / Statutory Requirement:** | 4 - Low to Medium |
| | Heating & H/water - reliable system required to operate facility |
| **Service Delivery:** | 4 - Low to Medium |
| | Heating & H/water - reliable system required to operate facility |
| **Third Party Funding:** | 0 - None |

| | |
|---|---|
| **Other Themes Total:** | **18** |
| **Themes Total:** | **34** |

GUILDFORD BOROUGH

# Bid for Funding: Sports Pavilions - replace water heaters - Legionella

| | |
|---|---|
| **Project Name:** | Sports Pavilions - replace water heaters - Legionella management project |
| **Project Code:** | 2017 213 |
| **Project Description:** | Renew water heaters (calorifiers) to 14 no sites as defined by Client.<br>Legionella risk management |

| | | | |
|---|---|---|---|
| **Project / Programme Manager:** | Jonathan Richards | **Ward:** | |
| **Senior Responsible Officer:** | Helen Buck | **Directorate:** | Environment |
| **Corporate Plan Theme:** | Our Environment | **Confidential:** | No |
| **Expected Start Date:** | 01/04/2018 | **Exempt VAT Implications:** | Yes |
| **Target Completion Date:** | 31/05/2018 | **Grant access to someone:** | |

| | |
|---|---|
| **Drivers and Objectives:** | The replacement of existing water heaters to 14 no sports pavilions is required to ensure effective & manageable legionella compliance. |
| **Background Information:** | Replacement units will ensure that water within the calorifiers is heated to a minimum temperature periodically to kill legionella & will self regulate without the need to manually control.<br>Current units can be switched off & whilst this improves energy saving - it allows for the risk of Legionella to form in the water.<br><br>The current average age of the water heaters is 20 years - some are older. The new units will be 20% more energy efficient |
| **Project / Programme Objectives:** | Replace 14 no water heaters to 14 sports pavilions with minimal disruption to users and negate the legionella risk highlighted through assessment. Provide more energy efficient low maintenance units. |
| **Implications:** | Failure to carry out the work increases the risk to health of legionella infection affecting facility users/staff. |
| **Legal / Statutory Requirement:** | Yes |
| **Legislative / Statutory Implications:** | Compliance with legionella HSE guidance to reduce risk - ACOP L8 |
| **Planning Permission Required:** | No |
| **Building Regulation Required:** | No |
| **Details of Other Required Consents:** | |
| **Constraints:** | Work to be carried out in liaison with Client dept & user groups |
| **Assumptions:** | 20% energy revenue cost reduction<br>Reduction in staff time attending sites - no manual operation required - thermostatically controlled units |
| **Changes / Effects:** | Legionella compliance - reduced risk<br>Reduction in utility electricity charges<br>More effective hot water heating on sites |

On these sites the current arrangement is for staff ro regularly turn on the heaters to ensure they heat up sufficiently to destroy any bacteria, however this is open to human error which could allow for a unit to not be maintained as effectively. The new heaters are thermostatically controlled & this will ensure that they heat up to the correct temperatures to prevent legionella forming.

**Measures for Success:**

Legionella compliance
Electricity cost reduced by 20%
Positive feedback from users

**Viable Options and Rejection Reasons:**

Failure to carry out works will result in a potential for higher legionella infection risk.

## Costs

| Year | Description | Capital Value (£) | Revenue Code | Revenue Code Name | Revenue Value (£) |
|---|---|---|---|---|---|
| 2018/19 | renewal of 14 no water heaters | 140,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |
| 2018/19 | internal fees | 14,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |

## Costs Totals

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|
| 2018/19 | £154,000 | £0 |

## Financial Benefits

| Year | Description | Capital Value (£) | Revenue Value (£) |
|---|---|---|---|
| 2019/20 | 20% reduction in utility cost across 14 sites @ £200 per site | 0 | 2,000 |

## Financial Benefits Totals

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|
| 2019/20 | 0 | 2,000 |

## Non Financial Benefits

| Title | Category | Measure | Expected Delivery Date |
|---|---|---|---|
| energy efficiency | Reduced Carbon | | |
| no manual operation & attending sites by staff required | Reduced Employee Costs | | |

## Fundamental Themes

**Our Economy:** 0 - None

| | |
|---|---|
| **Our Borough:** | 0 - None |
| **Our Infrastructure:** | 0 - None |
| **Our Environment:** | 10 - Very High |
| | Protection of public heath<br><br>Carbon reduction |
| **Our Society:** | 0 - None |
| **Your Council:** | 0 - None |

**Fundamental Themes Total:** **10**

## Other Category Themes

| | |
|---|---|
| **Asset Management:** | 10 - Very High |
| | Legionella compliance |
| **Business Case:** | 0 - None |
| **Health and Safety / Statutory Requirement:** | 10 - Very High |
| | Legionella compliance |
| **Service Delivery:** | 0 - None |
| **Third Party Funding:** | 0 - None |

**Other Themes Total:** **20**

**Themes Total:** **30**

# Bid for Funding: Millmead Fishpass

GUILDFORD BOROUGH

| | | | |
|---|---|---|---|
| **Project Name:** | Millmead Fishpass | | |
| **Project Code:** | 2017 | 229 | |
| **Project Description:** | To create a new Fish Pass on Millmead Island to improve water quality on the River Wey | | |
| **Project / Programme Manager:** | Hendryk Jurk | **Ward:** | Friary St. Nicolas Ward |
| **Senior Responsible Officer:** | Peter O Connell | **Directorate:** | Environment |
| **Corporate Plan Theme:** | Our Environment | **Confidential:** | No |
| **Expected Start Date:** | 01/04/2019 | **Exempt VAT Implications:** | No |
| **Target Completion Date:** | 01/11/2019 | **Grant access to someone:** | |

**Drivers and Objectives:**

To improve water quality on the River Wey to meet the objectives of the Water Framework Directive (WFD)
Improve the Ecological Potential of the Wey
To improve the amenity value of Millmead Island
To educate the community in regard of water quality
To derive external funding and deliver a flagship project with the Environment Agency

**Background Information:**

For the past 4 years the Council has been working with the Environment Agency and River Wey Landscape Partnership on feasibility work to deliver a fish pass at Millmead Island to improve water quality on the River Wey. The fish pass at Millmead Island is part of a wider project to improve fish migration between the Thames and Tilford. This is intended to be flagship project in an urban area to inform the community on water quality. The EA will derive most of the funding and lead and deliver the project.

The delivery of approximately a dozen fishpasses along the Wey is part of a wider programme to improve the river catchment's ecology. The river catchment approach allows a co-ordinated improvement programme for the River Wey through the Wey Landscape Partnership by adressing various issues that affect the water quality and the riparian habitats.

The Wey Landscape Partnership exists to improve our local waters in the Wey Catchment and achieve more ambitious environmental goals under the European Water Framework Directive. Partners include Surrey Wildlife Trust, Environment Agency, Local Authorities, Thames Water, Affinity Water and Local Volunteer Groups.

The Wey Fish Pass and Wetland Delivery Project (Wey FWD) has been set up to deliver a set of priority projects, largely funded through Water Framework Directive Grant Aid. Wey FWD will deliver a multi benefit programme of works along the seven main water bodies of the Wey Corridor and links to smaller projects on the River's tributaries. Priorities are the removal of barriers to animal migration and reduction of sources of diffuse pollution.

The delivery of the Millmead Fish Pass is a key project to achieve these priorities.

**Project / Programme Objectives:**

- Deliver a new fish pass
- Meet targets of the Water Framework Directive: Removal of barriers to fish migration
- Improve amenity value of Millmead Island
- Deliver intepretation and education

The Environment Agency (EA) is the responsible authority for the implementation of the Water Framework Directive to improve water quality and condition in the river catchment areas in England. The EA has identified a set of measures along the River Wey that reduce pollution, improve the river's self-cleaning ability and enables fish populations to move along the length of the river.
The EA is looking to install a number of fish passes at strategic structures under the umbrella of the Environment Agency and partners Wey Fishpass and Wetland Development project and the Environment Agency’s Wey Weirs refurbishment project. The projects include the installation of fish passes at Millmead Island and Burpham Court Farm.

The proposed fish pass at Millmead Island is to be included within the EA's Wey Weirs Refurbishment project. The weir refurbishment project has identified replacement of the weir structure at Millmead in 2019.

**Implications:**

**Legal / Statutory Requirement:** Yes

**Legislative / Statutory Implications:** To meet objectives of the Water Framework Directive

**Planning Permission Required:** Yes

**Building Regulation Required:** No

**Details of Other Required Consents:** Drainage and Flood Consent

**Constraints:**
Planning
EA funding
Flood Consent

**Assumptions:**

**Changes / Effects:**
Improved water quality
Improved ecological condition of the River Wey
Improved amenity value of Millmead Island

**Measures for Success:** Targets of WFD contributed to (Part of Project to improve fish passage on the Wey to upstream to Tilford)

**Viable Options and Rejection Reasons:**

## Costs

| Year | Description | Capital Value (£) | Revenue Code | Revenue Code Name | Revenue Value (£) |
|---|---|---|---|---|---|
| 2019/20 | Grant to Project - partner funding | 60,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |

## Costs Totals

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|
| 2019/20 | £60,000 | £0 |

## Non Financial Benefits

| Title | Category | Measure | Expected Delivery Date |
|---|---|---|---|
| | | | |

## Risks

| Title | Description |
|---|---|
| EA resources | EA funding and staff resources are required to lead and deliver the project. This could be subject to central government changes |

## Fundamental Themes

**Our Economy:** 2 - Low

Improved water quality can contribute to creating a high quality environment

**Our Borough:** 6 - Medium

Will improve water quality and the environment for residents

**Our Infrastructure:** 8 - Medium to High

Will contribute to delivering safe clean water and the wider environment

**Our Environment:** 10 - Very High

Will improve our open spaces and water quality
Will contribute towards achieving "Good Ecological Potential" for the River Wey.

**Our Society:** 0 - None

**Your Council:** 0 - None

**Fundamental Themes Total:** **26**

## Other Category Themes

**Asset Management:** 0 - None

**Business Case:** 0 - None

**Health and Safety / Statutory Requirement:** 10 - Very High

The Environment Agency is charged with delivering Good ecological water quality through working with partners

**Service Delivery:** 6 - Medium

Will help to deliver on the Councils vision for Guildfords Countryside by improving riverside habitat
Will help to to deliver Corporate Plan targets for the Wey

**Third Party Funding:** 10 - Very High

The capital cost of the project is estimated to be £350,000, Guildford Borough Council will currently only need to contribute £60,000

**Other Themes Total:** **26**

**Themes Total:** **52**

# Bid for Funding: Crematorium Rebuild VAT Implications

**Project Name:** Crematorium Rebuild VAT Implications

**Project Code:** 2017 | 255

**Project Description:** This bid relates to the VAT implications arising from the crematorium redevelopment following advice from HMRC on our partial exemption and our tax advisors PWC

| | | | |
|---|---|---|---|
| **Project / Programme Manager:** | Paul Stacey | **Ward:** | |
| **Senior Responsible Officer:** | Peter O Connell | **Directorate:** | Environment |
| **Corporate Plan Theme:** | Our Infrastructure | **Confidential:** | No |
| **Expected Start Date:** | 09/04/2018 | **Exempt VAT Implications:** | Yes |
| **Target Completion Date:** | 19/08/2019 | **Grant access to someone:** | |

**Drivers and Objectives:** To ensure the corporate taxation implications from the redevelopment of Guildford Crematorium are covered within the Councils Medium Term Financial Strategy

**Background Information:** Guildford Crematorium and the Councils VAT partial exemption will be breached as a result of the Guildford Crematorium Redevelopment creating an additional corporate financial implication. This has currently been confirmed by HMRC and our tax consultants are continuing to investigate the issue

This risk has been monitored and examined through the crematorium project board, by the finance team with support from Price Waterhouse Cooper and by Corporate Management Team.

This bid is therefore for the additional funding to cover the additional tax the council will have to pay resulting from the project

**Project / Programme Objectives:** To ensure the delivery of the redevelopment of Guildford Crematorium

**Implications:** Financial - This bid covers additional tax which needs to be funded by the Council

**Legal / Statutory Requirement:** Yes

**Legislative / Statutory Implications:** Compliance with financial regulation

**Planning Permission Required:** No

**Building Regulation Required:** No

**Details of Other Required Consents:**

**Constraints:**

**Assumptions:**

**Changes / Effects:**

**Measures for Success:**

**Viable Options and Rejection Reasons:**
Stop the project - not feasible as significant investment is needed in the crematorium to provide fit for purpose facilities

Change the project - the rebuilding of the crematorium is the most economical option for the council

## Costs

| Year | Description | Capital Value (£) | Revenue Code | Revenue Code Name | Revenue Value (£) |
|---|---|---|---|---|---|
| 2018/19 | VAT repayable on capital spend | 1,023,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |
| 2018/19 | VAT repayable on spend | 0 | N/A | N/A | |
| | | | N/A | N/A | 153,457 |
| 2019/20 | Vat repayable on spend | 0 | N/A | N/A | |
| | | | N/A | N/A | 159,596 |
| 2019/20 | VAT repayable on capital spend | 669,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |

## Costs Totals

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|
| 2018/19 | £1,023,000 | £153,457 |
| 2019/20 | £669,000 | £159,596 |

## Fundamental Themes

**Our Economy:**

**Our Borough:**

**Our Infrastructure:**

**Our Environment:**

**Our Society:**

**Your Council:**

**Fundamental Themes Total:** 0

## Other Category Themes

| | |
|---|---|
| **Asset Management:** | |
| **Business Case:** | |
| **Health and Safety / Statutory Requirement:** | |
| **Service Delivery:** | |
| **Third Party Funding:** | |

**Other Themes Total:** 0

**Themes Total:** 0

# Bid for Funding: Old Manor House - Replacement of windows

| | |
|---|---|
| **Project Name:** | Old Manor House - Replacement of windows |
| **Project Code:** | 2017   264 |
| **Project Description:** | Renewal of windows to listed asset property |

| | | | |
|---|---|---|---|
| **Project / Programme Manager:** | Jonathan Richards | **Ward:** | Shalford Ward |
| **Senior Responsible Officer:** | Helen Buck | **Directorate:** | Community |
| **Corporate Plan Theme:** | Our Environment | **Confidential:** | No |
| **Expected Start Date:** | 01/08/2018 | **Exempt VAT Implications:** | No |
| **Target Completion Date:** | 01/10/2018 | **Grant access to someone:** | |

| | |
|---|---|
| **Drivers and Objectives:** | To replace defective, poorly insulating, difficult to maintain windows with timber double glazed units to match the existing size & fenestration of the windows within this grade 2 listed building. |
| **Background Information:** | The Old Manor House is a listed building, constructed circa 1867. The existing windows are a mix of original heritage type windows with a number of later replacements which do not match the building. All the windows are single glazed, a few are rotten & will be difficult to effectively repair.<br><br>Proposal is to replace all of the windows in timber double glazed units, some work being required on the design to replace the existing louvred windows. |
| **Project / Programme Objectives:** | To be carried out during summer months<br>Access to be in liaison with residents |
| **Implications:** | Planning permission with the input of the conservation officer who has already been consulted about the proposal |
| **Legal / Statutory Requirement:** | No |
| **Legislative / Statutory Implications:** | |
| **Planning Permission Required:** | Yes |
| **Building Regulation Required:** | No |
| **Details of Other Required Consents:** | |
| **Constraints:** | Planning permission - grade 2 listed building - conservation officer input required<br>Design implications |
| **Assumptions:** | Planning approval<br>Design |
| **Changes / Effects:** | Will reduce maintenance revenue costs to the council<br>Provide residents with energy efficient windows reducing utility bill costs |

| | |
|---|---|
| | Improvement to the aesthetic appearance of the building |
| **Measures for Success:** | Reduced energy costs for residents<br>Resident feedback |
| **Viable Options and Rejection Reasons:** | If the windows are not replaced they will become harder to repair & will need reactive maintenance or replacement over time.<br>Increased revenue costs & complaints from residents with regards to heat loss & poor operation. |

## Costs

| Year | Description | Capital Value (£) | Revenue Code | Revenue Code Name | Revenue Value (£) |
|---|---|---|---|---|---|
| 2018/19 | replacement windows | 175,000 | N/A | N/A | |
| | | | N/A | N/A | 0 |
| 2018/19 | internal fees | 17,500 | N/A | N/A | |
| | | | N/A | N/A | 0 |

## Costs Totals

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|
| 2018/19 | £192,500 | £0 |

## Non Financial Benefits

| Title | Category | Measure | Expected Delivery Date |
|---|---|---|---|
| energy efficient windows | Reduced Carbon | | |
| reduced maintenance & repairs | Reduced Asset Costs | | |

## Fundamental Themes

**Our Economy:** 0 - None

**Our Borough:** 0 - None

**Our Infrastructure:** 0 - None

**Our Environment:** 6 - Medium

Energy efficient DG units

**Our Society:** 0 - None

**Your Council:** 0 - None

**Fundamental Themes Total:** **6**

## Other Category Themes

| | |
|---|---|
| **Asset Management:** | 10 - Very High |
| | Replacement of defective windows |
| **Business Case:** | 0 - None |
| **Health and Safety / Statutory Requirement:** | 0 - None |
| **Service Delivery:** | 0 - None |
| **Third Party Funding:** | 0 - None |

**Other Themes Total:** **10**

**Themes Total:** **16**

Page 173

Agenda item number: 6
Appendix 4

**GENERAL FUND CAPITAL PROGRAMME - ESTIMATED EXPENDITURE 2017-18 to 2022-23**

| | Ref | Directorate/Service and Capital Scheme name | Approved gross estimate | Cumulative spend at 31-03-17 | 2017-18 Estimate approved by Council in February | 2017-18 Revised estimate | 2017-18 Expenditure at 18.12.17 | 2017-18 Projected exp est by project officer | 2018-19 Est for year | 2019-20 Est for year | 2020-21 Est for year | 2021-22 Est for year | Future years est exp | Projected expenditure total | Grants / Contributions towards cost of scheme | Net cost of scheme |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | (a) £000 | (b) £000 | (c) £000 | (d) £000 | (e) £000 | (f) £000 | (i) £000 | (ii) £000 | (iii) £000 | (iv) £000 | (g) £000 | (b)+(g) = (h) £000 | (i) £000 | (h)-(i) = (j) £000 |
| | | **APPROVED SCHEMES** | | | | | | | | | | | | | | |
| | | **COMMUNITY** | | | | | | | | | | | | | | |
| | | **Neighbourhood & housing management** | | | | | | | | | | | | | | |
| | P2 | Safer Guildford: CCTV & Lighting Strategy - Lighting Strategy phase 3 | 116 | 105 | - | 11 | 5 | 11 | - | - | - | - | - | 116 | - | 116 |
| | P3 | Safer Guildford: CCTV & Lighting Strategy - Lighting Strategy phase 4 | 136 | 132 | - | 4 | - | 4 | - | - | - | - | - | 136 | (6) | 130 |
| P | HC3 | Furniture link guildford ( No longer required) | 30 | - | - | 30 | - | - | - | - | - | - | - | - | - | - |
| | ED30 | Home Farm, Effingham - provision of Gypsy and Travellor pitches | 1,000 | 230 | 655 | 770 | 625 | 770 | - | - | - | - | - | 1,000 | - | 1,000 |
| | | **General Fund Housing** | | | | | | | | | | | | | | |
| | | Disabled Facilities Grants | | | 450 | 450 | 287 | 450 | - | | | | - | 450 | (605) | (155) |
| | | Home Improvement Assistance | | | 40 | 40 | 40 | 40 | - | | | | - | 40 | - | 40 |
| | | Solar Energy Loans | | | 30 | 30 | - | 30 | - | | | | - | 30 | - | 30 |
| | | SHIP | | | - | - | 2 | - | - | | | | - | - | - | - |
| | | General Grants to HAs | | | 100 | 100 | - | 100 | 100 | 100 | 100 | 100 | 400 | 500 | - | 500 |
| | | General feasibility, site preparation costs for affordable | | | 120 | 135 | | 135 | 120 | 120 | 120 | 120 | 480 | 615 | - | 615 |
| | | Bright Hill Car Park Site | | 4 | | | 8 | | | | | | - | 4 | - | 4 |
| | | Ladymead/Fire Station site preparation | | 69 | | | 18 | | | | | | - | 69 | - | 69 |
| | | Garage Sites-General | | 146 | | | 11 | | | | | | - | 146 | - | 146 |
| | | Garage Sites Phase 1 | | 1 | | | 1 | | | | | | - | 1 | - | 1 |
| | | Guildford Park Car Park | | 311 | | | 48 | | | | | | - | 311 | - | 311 |
| | | Apple Tree Pub Site | | 66 | | | 8 | | | | | | - | 66 | - | 66 |
| | | **COMMUNITY DIRECTORATE TOTAL** | **1,282** | **1,064** | **1,395** | **1,570** | **1,053** | **1,540** | **220** | **220** | **220** | **220** | **880** | **3,484** | **(611)** | **2,873** |
| | | **CORPORATE** | | | | | | | | | | | | | | |
| | | New War Memorial | 50 | | | 50 | 13 | 50 | | | | | | 50 | | 50 |
| | | | **50** | | | **50** | **13** | **50** | | | | | | **50** | | **50** |
| | | **DEVELOPMENT** | | | | | | | | | | | | | | |
| | | **Economic development** | | | | | | | | | | | | | | |
| P | ED3/15 | Disabled Access (DDA) Improvements: ph.2 & 3 | 390 | 344 | 42 | 46 | 1 | 10 | 36 | - | - | - | 36 | 390 | - | 390 |
| | ED14(e) | Void investment property refurbishment works | 400 | 196 | - | 138 | - | 24 | 116 | - | - | - | 116 | 400 | - | 400 |
| | ED14(f) | Foundation Unit 1 Middleton | | | | 10 | 8 | 8 | | | | | | | | |
| | ED14(g) | Unit 4 Middleton | | | | 50 | 1 | 50 | | | | | | | | |
| | | 16 Ent Est void works | | | | 6 | 6 | 6 | | | | | | | | |
| | | Middleton Ind Est Redevelopment | | | | | | | | | | | | - | | - |
| | ED18 | Museum and castle development | 267 | 3 | 17 | 264 | 25 | 100 | 164 | - | - | - | 164 | 267 | - | 267 |
| | ED19 | Asbestos surveys and removal in non-residential council premises | 158 | 86 | 32 | 40 | 27 | 30 | 42 | - | - | - | 42 | 158 | - | 158 |
| | ED21 | Methane gas monitoring system | 100 | 40 | - | 60 | 0 | 60 | - | - | - | - | - | 100 | - | 100 |
| | ED22 | Energy efficiency compliance - Council owned properties | 45 | 8 | - | 37 | 1 | 20 | 17 | - | - | - | 17 | 45 | - | 45 |
| | ED23 | Rebuild retaining wall on Shalford Park boundary with the Old Vicarage | 60 | 3 | - | 57 | 17 | 40 | - | - | - | - | - | 43 | (20) | 23 |
| | ED26 | Bridges -Inspections and remedial works | 117 | 148 | - | (31) | 20 | (33) | - | - | - | - | - | 115 | - | 115 |
| | ED26© | Bridges - Millmead Footbridge(complete) | | | | | 2 | 2 | | | | | | | | |
| | ED29 | Guildford House courtyard (Complete) | 7 | 5 | - | 2 | - | 2 | - | - | - | - | - | 7 | - | 7 |
| | ED35 | Electric Theatre - new boilers | 120 | - | 120 | 120 | - | 120 | - | - | - | - | - | 120 | - | 120 |

**GENERAL FUND CAPITAL PROGRAMME - ESTIMATED EXPENDITURE 2017-18 to 2022-23**

| | Ref | Directorate/Service and Capital Scheme name | Approved gross estimate (a) £000 | Cumulative spend at 31-03-17 (b) £000 | 2017-18 Estimate approved by Council in February (c) £000 | 2017-18 Revised estimate (d) £000 | 2017-18 Expenditure at 18.12.17 (e) £000 | 2017-18 Projected exp est by project officer (f) £000 | 2018-19 Est for year (i) £000 | 2019-20 Est for year (ii) £000 | 2020-21 Est for year (iii) £000 | 2021-22 Est for year (iv) £000 | Future years est exp (g) £000 | Projected expenditure total (b)+(g) = (h) £000 | Grants / Contributions towards cost of scheme (i) £000 | Net cost of scheme (h)-(i) = (j) £000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | ED39 | Gfd business incubation project (No longer required) | 110 | - | - | 110 | - | - | - | - | - | - | - | - | - | - |
| | ED41 | The Billings roof | 200 | 13 | 150 | 187 | 0 | 10 | 177 | - | - | - | 177 | 200 | - | 200 |
| | ED42 | Guildford house dampproofing- removal of decayed timber panellling and mathematical tiling at high level | 20 | - | - | 20 | 0 | 20 | - | - | - | - | - | 20 | - | 20 |
| | ED44 | Broadwater cottage | 74 | 0 | - | 74 | 1 | 10 | 64 | - | - | - | 64 | 74 | - | 74 |
| | ED45 | Gunpowder mills - scheduled ancient monument | 50 | - | - | 50 | 0 | 10 | 40 | - | - | - | 40 | 50 | - | 50 |
| | ED46 | New House - short term works following acquisition | 70 | - | - | 70 | 11 | 70 | - | - | - | - | - | 70 | - | 70 |
| | ED52 | Chapel Street (Castle Street/Tunsgate Public Realm Scheme) | 835 | - | 835 | 835 | 113 | 835 | - | - | - | - | - | 835 | - | 835 |
| | ED53 | Site clearance costs ahead of sale of Burpham Court Farm Buildings | 50 | - | - | 50 | - | 50 | - | - | - | - | - | 50 | - | 50 |
| | | **PLANNING SERVICES** | | | | | | | | | | | | | | |
| P | P1 | Environmental Improvements: High Street / Chertsey St., Guildford | 60 | - | 60 | 60 | - | - | - | - | - | - | - | - | (20) | (20) |
| | P4 | Guildford Riverside Route Ph 1 (part SPA) complete | 708 | 636 | - | 72 | - | 2 | - | - | - | - | - | 638 | (531) | 107 |
| | | **DEVELOPMENT DIRECTORATE TOTAL** | **3,841** | **1,481** | **1,256** | **2,327** | **234** | **1,446** | **656** | **-** | **-** | **-** | **656** | **3,581** | **(571)** | **3,010** |
| | | **ENVIRONMENT** | | | | | | | | | | | | | | |
| | | **Operational Services** | | | | | | | | | | | | | | |
| | OP1 | Safer Guildford: CCTV & Lighting Strategy - CCTV etc. phase | 93 | 82 | - | 11 | - | 11 | - | - | - | - | - | 93 | - | 93 |
| | OP3 | Sluice Gates Motorisation at Town Mill Toll House(complete) | 70 | 64 | - | 6 | - | - | - | - | - | - | - | 64 | - | 64 |
| | OP5 | Mill Lane (Pirbright) Flood Protection Scheme | 71 | 55 | - | 16 | - | - | 16 | - | - | - | 16 | 71 | (19) | 52 |
| | OP6 | Vehicles, Plant & Equipment Replacement Programme | 6,445 | 5,018 | 300 | 827 | 155 | 827 | 600 | - | - | - | 600 | 6,445 | - | 6,445 |
| | | Ash Surface Water (grant funded) | 22 | 22 | - | - | - | - | - | - | - | - | - | 22 | (22) | 0 |
| | | William Road Flood (grant funded) | 15 | 15 | - | - | - | - | - | - | - | - | - | 15 | (15) | 0 |
| | OP19 | Flexford Flood (EA grant) | 50 | 59 | - | - | - | - | - | - | - | - | - | 59 | (59) | 0 |
| | Opxx | Ashenden rd (EA grant) | 3 | 3 | - | - | - | - | - | - | - | - | - | 3 | (3) | 0 |
| | | Mary Road Flood (EA grant) | - | - | | 45 | 16 | 45 | | | | | | 45 | (45) | - |
| | OP20 | Flood resilience measures (use in conjunction with grant funded schemes) | 100 | - | 100 | 100 | - | - | - | 100 | - | - | 100 | 100 | - | 100 |
| | OP22 | Litter bins replacement | 265 | 31 | 230 | 234 | 6 | 234 | - | - | - | - | - | 265 | - | 265 |
| | OP23 | Flats recycling - new bins | 50 | 19 | - | 31 | 13 | 31 | - | - | - | - | - | 50 | - | 50 |
| | OP24 | WRD security barriers | 15 | 11 | - | 4 | 1 | 4 | - | - | - | - | - | 15 | - | 15 |
| | OP25 | WRD roads and footpaths | 150 | 59 | 100 | 91 | - | 11 | 40 | 40 | - | - | 80 | 150 | - | 150 |
| | OP26 | Merrow lane grille & headwall construction | 60 | 3 | - | 57 | - | 5 | 52 | - | - | - | 52 | 60 | - | 60 |
| | OP27 | Merrow & Burpham surface water study | 15 | - | - | 15 | - | - | 15 | - | - | - | 15 | 15 | - | 15 |
| | OP28 | Crown court CCTV | 10 | - | - | 10 | - | 10 | - | - | - | - | - | 10 | - | 10 |
| | | **Parks and Leisure** | | | | | | | | | | | | | | |
| P | PL4 | Crematorium - mercury abatement/new cremators | 1,266 | 988 | - | 278 | 132 | 278 | - | - | - | - | - | 1,266 | - | 1,266 |
| P | PL11 | Spectrum Roof replacement | 4,000 | 147 | 3,420 | 3,464 | 1,077 | 2,503 | - | - | - | - | - | 2,650 | - | 2,650 |
| | | Spectrum roof - steelwork ph2 | - | 389 | - | - | 6 | 1 | - | - | - | - | - | 390 | - | 390 |
| | | Spectrum roof - steelwork ph3 | - | - | | | 493 | 160 | | | | | | 160 | | 160 |
| | PL15 | Infrastructure works: Guildford Commons | 150 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | PL15(a) | Infrastructure works: Guildford Commons: Merrow | - | 10 | 10 | 13 | 2 | 13 | - | - | - | - | - | 23 | - | 23 |
| | PL15(b) | Infrastructure works: Guildford Commons: Shalford | - | 63 | 40 | 44 | 23 | 27 | 33 | - | - | - | 33 | 123 | - | 123 |
| | PL15(c) | Infrastructure works: Guildford Commons: Compton | - | - | - | 4 | 3 | 3 | - | - | - | - | - | 3 | - | 3 |
| | PL20(a) | Onslow Rec play area | 174 | 156 | - | 18 | 9 | 18 | - | - | - | - | - | 174 | - | 174 |
| | PL20(b) | Westnye Gardens play area | 125 | - | 125 | 125 | 10 | 15 | 110 | - | - | - | 110 | 125 | - | 125 |
| | PL22 | Stoke Park Paddling Pool (ph1&2) | 423 | 376 | - | 47 | 42 | 40 | - | - | - | - | - | 416 | - | 416 |
| | PL26 | Replacement roundabout planters | 20 | 18 | - | 2 | 3 | 2 | - | - | - | - | - | 20 | - | 20 |
| | PL32 | Stoke Park Bowls Club | 102 | - | - | 62 | 90 | 102 | - | - | - | - | - | 102 | (40) | 62 |
| | PL34 | Stoke cemetry re-tarmac | 47 | - | - | 47 | - | - | 47 | - | - | - | 47 | 47 | - | 47 |
| | PL35 | Woodbridge rd sportsground replace fencing | 160 | 38 | - | 122 | 1 | 122 | - | - | - | - | - | 160 | - | 160 |
| | PL36 | Stoke Park Composting facility | 105 | - | 105 | 105 | - | - | 105 | - | - | - | 105 | 105 | - | 105 |
| | PL38 | Chantry wood campsite | 216 | 3 | 200 | 213 | 3 | 3 | 210 | - | - | - | 210 | 216 | - | 216 |
| | PL40 | Replace hanging basket posts | 88 | 13 | - | 75 | 40 | 75 | - | - | - | - | - | 88 | (44) | 44 |

Page 175

Agenda item number: 6
Appendix 4

**GENERAL FUND CAPITAL PROGRAMME - ESTIMATED EXPENDITURE 2017-18 to 2022-23**

| | Ref | Directorate/Service and Capital Scheme name | Approved gross estimate (a) £000 | Cumulative spend at 31-03-17 (b) £000 | 2017-18 Estimate approved by Council in February (c) £000 | 2017-18 Revised estimate (d) £000 | 2017-18 Expenditure at 18.12.17 (e) £000 | 2017-18 Projected exp est by project officer (f) £000 | 2018-19 Est for year (i) £000 | 2019-20 Est for year (ii) £000 | 2020-21 Est for year (iii) £000 | 2021-22 Est for year (iv) £000 | Future years est exp (g) £000 | Projected expenditure total (b)+(g) = (h) £000 | Grants / Contributions towards cost of scheme (i) £000 | Net cost of scheme (h)-(i) = (j) £000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | PL41 | Stoke pk office accomodation & storage buildings (Greenhouse)Complete | 65 | 15 | - | 50 | 55 | 55 | - | - | - | - | - | 70 | - | 70 |
| | PL42 | Pre-sang costs | 100 | 1 | - | 99 | 15 | 20 | 79 | - | - | - | 79 | 100 | - | 100 |
| | PL43 | Stoke Cemetry Chapel - phase 2 | 75 | 0 | 3 | 3 | 1 | 3 | 72 | - | - | - | 72 | 75 | - | 75 |
| | PL46(p) | Replace stoke pk gardens attendent hut/Visitor information | 70 | 0 | 70 | 120 | 10 | 120 | - | - | - | - | - | 120 | - | 120 |
| | PL50 | Countryside fence replacement | 97 | - | 50 | 50 | 56 | 50 | 47 | - | - | - | 47 | 97 | - | 97 |
| | PL51 | Purchase of Park Iroko Timber Bins | | | | 22 | 22 | 22 | | | | | | | | |
| | PL52 | Sutherland Memorial Park LED lighting | 25 | - | - | 25 | - | 25 | - | - | - | - | - | 25 | - | 25 |
| | | **ENVIRONMENT TOTAL DIRECTORATE** | **14,742** | **7,657** | **4,753** | **6,435** | **2,284** | **4,835** | **1,426** | **140** | **-** | **-** | **1,566** | **14,036** | **(247)** | **13,789** |
| | | **RESOURCES** | | | | | | | | | | | | | | |
| | | **Business Systems** | | | | | | | | | | | | | | |
| P | BS1 | Investment in Millmead House campus | 3,884 | 3,828 | - | 56 | 42 | 56 | - | - | - | - | - | 3,884 | - | 3,884 |
| | BS2 | Millmead House Toilet refurb | 121 | 13 | - | 108 | 71 | 108 | - | - | - | - | - | 121 | - | 121 |
| | | **Financial Services** | | | | | | | | | | | | | | |
| | FS1 | Capital contingency fund | annual | - | 5,000 | 4,527 | - | 4,527 | 5,000 | 5,000 | 5,000 | 5,000 | 20,000 | 24,527 | - | 24,527 |
| | | **RESOURCES DIRECTORATE TOTAL** | **4,005** | **3,841** | **5,000** | **4,691** | **113** | **4,691** | **5,000** | **5,000** | **5,000** | **5,000** | **20,000** | **28,532** | **0** | **28,532** |
| | | **DEVELOPMENT/INCOME GENERATING/COST REDUCTION PROJECTS** | | | | | | | | | | | | | | |
| | ED25 | Guildford Park - new MSCP and infrastructure works | 6,500 | 503 | 4,500 | 5,997 | 341 | 5,997 | - | - | - | - | - | 6,500 | - | 6,500 |
| | ED32 | Clay lane link road | 700 | 802 | - | (102) | 184 | (102) | - | - | - | - | - | 700 | - | 700 |
| P | ED6 | Slyfield Area Regeneration Project (SARP) | 1,984 | 217 | - | 1,767 | 821 | 1,767 | - | - | - | - | - | 1,984 | - | 1,984 |
| | ED27 | North Street Development / Guild Town Centre regeneration | 977 | 640 | 100 | 237 | 61 | 237 | 100 | - | - | - | 100 | 977 | (50) | 927 |
| | ED27a | Pop up Village(complete) | 553 | 695 | - | 100 | 103 | 100 | - | - | - | - | - | 795 | - | 795 |
| | | Investment in North Downs Housing | 24,340 | 1,440 | 3,300 | 3,300 | - | 900 | 12,840 | - | - | - | 12,840 | 15,180 | - | 15,180 |
| | | Equity shares in Guildford Holdings ltd | 960 | 960 | 2,200 | 2,200 | - | 600 | 8,560 | - | - | - | 8,560 | 10,120 | - | 10,120 |
| | P5 | Walnut Bridge replacement | 3,341 | 481 | 1,884 | 1,834 | 344 | 1,834 | 1,026 | - | - | - | 1,026 | 3,341 | (1,530) | 1,811 |
| | P9c | TCMP Sites U: Bedford Rd Wharf | 14,176 | - | 14,176 | 14,176 | - | - | - | 14,176 | - | - | 14,176 | 14,176 | - | 14,176 |
| | P9c | TCMP Sites U: Bedford Rd Wharf | 3,523 | - | 3,523 | 3,523 | - | - | - | 3,523 | - | - | 3,523 | 3,523 | - | 3,523 |
| | PL9 | Rebuild Crematorium | 10,040 | 158 | 3,410 | 3,792 | 360 | 500 | 9,312 | 70 | - | - | 9,382 | 10,040 | - | 10,040 |
| | PL25 | Spectrum Combined Heat and Power (GF contr) | 1,110 | 21 | 869 | 848 | 90 | 848 | - | - | - | - | - | 869 | - | 869 |
| | PL29 | Woodbridge Rd sportsground | 1,900 | 516 | 1,150 | 1,384 | 1,232 | 1,384 | - | - | - | - | - | 1,900 | (775) | 1,125 |
| | | **DEVELOPMENT/INCOME GENERATING/COST REDUCTION** | **70,104** | **6,434** | **35,112** | **39,056** | **3,535** | **14,065** | **31,838** | **17,769** | **0** | **0** | **49,607** | **70,106** | **(2,355)** | **67,751** |
| | | **APPROVED SCHEMES TOTAL** | **94,024** | **20,477** | **47,516** | **54,129** | **7,232** | **26,627** | **39,140** | **23,129** | **5,220** | **5,220** | **72,709** | **119,790** | **(3,784)** | **116,005** |
| | | non-development projects total | 23,920 | 14,044 | 12,404 | 15,073 | 3,697 | 12,562 | 7,302 | 5,360 | 5,220 | 5,220 | 23,102 | 49,684 | (1,430) | 48,254 |
| | | **SUMMARY** | | | | | | | | | | | | | | |
| | | **APPROVED SCHEMES - TOTAL** | 94,024 | 20,477 | 47,516 | 54,129 | 7,232 | 26,627 | 39,140 | 23,129 | 5,220 | 5,220 | 72,709 | 119,790 | (3,784) | 116,005 |
| | | **GRAND TOTAL** | **94,024** | **20,477** | **47,516** | **54,129** | **7,232** | **26,627** | **39,140** | **23,129** | **5,220** | **5,220** | **72,709** | **119,790** | **(3,784)** | **116,005** |

| **FINANCED as follows :** | Estimate approved by Council in February £000 | Revised estimate £000 | Expenditure at 18.12.17 £000 | Projected exp est by project officer £000 | 2018-19 Est for year £000 | 2019-20 Est for year £000 | 2020-21 Est for year £000 | 2021-22 Est for year £000 | Future years est exp £000 |
|---|---|---|---|---|---|---|---|---|---|
| CONTRIBUTIONS | 531 | | | 2,555 | 0 | 0 | 0 | 0 | 0 |
| CAPITAL RECEIPTS | - | | | 324 | 0 | 0 | 0 | 0 | 0 |
| **R.C.C.O. :** | | | | | | | | | 0 |
| SPECIFIC | - | | | 0 | 0 | 0 | 0 | 0 | 0 |
| GF CAPITAL SCHEMES RESERVE | - | | | 1,000 | 0 | 0 | 0 | 0 | 0 |
| OTHER RESERVES | 177 | | | 5,280 | 11,778 | 220 | 220 | 220 | 12,438 |
| **FUNDING REQUIREMENT: HOUSING RECEIPTS** | - | | | 0 | 0 | 0 | 0 | 0 | 0 |
| **FUNDING REQUIREMENT: BORROWING** | 46,808 | | | 17,469 | 27,362 | 22,909 | 5,000 | 5,000 | 60,271 |

Agenda item number: 6
Appendix 4

**GENERAL FUND CAPITAL PROGRAMME - ESTIMATED EXPENDITURE 2017-18 to 2022-23**

| Ref | Directorate/Service and Capital Scheme name | Approved gross estimate | Cumulative spend at 31-03-17 | 2017-18 Estimate approved by Council in February | Revised estimate | Expenditure at 18.12.17 | Projected exp est by project officer | 2018-19 Est for year | 2019-20 Est for year | 2020-21 Est for year | 2021-22 Est for year | Future years est exp | Projected expenditure total | Grants / Contributions towards cost of scheme | Net cost of scheme |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | (a) | *(b)* | *(c)* | *(d)* | *(e)* | *(f)* | *(i)* | *(ii)* | *(iii)* | *(iv)* | *(g)* | *(b)+(g) = (h)* | *(i)* | *(h)-(i) = (j)* |
| | | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| | **TOTAL** | | | **47,516** | **-** | **-** | **26,627** | **39,140** | **23,129** | **5,220** | **5,220** | **72,709** | | | |

Page 176

GENERAL FUND CAPITAL PROGRAMME - ESTIMATED EXPENDITURE 2017-18 to 2022-23

| Ref | Directorate / Service Units Capital Schemes | | | 2017-18 | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Gross estimate approved by Executive | Cumulative spend at 31-03-17 | Estimate approved by Council in February | Revised estimate | Expenditure at 18.12.17 | Projected exp est by project officer | 2018-19 Est for year | 2019-20 Est for year | 2020-21 Est for year | 2021-22 Est for year | 2022-23 Est for year | 2023-24 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 |
| | | (a) | *(b)* | *(c)* | *(e)* | *(f)* | *(g)* | *(i)* | *(ii)* | *(iii)* | *(iv)* | *(v)* | *(v)* | *(h)* | *(b) to (g)=(i)* | *(j)* | *(i) - (j) = (k)* |
| | | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| | **PROVISIONAL SCHEMES (schemes approved in principle; further report to the Executive required)** | | | | | | | | | | | | | | | | |
| | **COMMUNITY DIRECTORATE** | | | | | | | | | | | | | | | | |
| | **COMMUNITY DIRECTORATE TOTAL** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **CORPORATE DIRECTORATE**<br>no projects | | | | | | | | | | | | | | | | |
| | **CORPORATE DIRECTORATE TOTAL** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **DEVELOPMENT DIRECTORATE** | | | | | | | | | | | | | | | | |
| ED14(P) | Void investment property refurbishment works | 300 | - | 100 | 100 | - | - | 200 | 100 | - | - | - | - | 300 | 300 | - | 300 |
| ED18(P) | Guildford Museum | 4,750 | - | 2,000 | 2,000 | - | - | - | - | 4,750 | - | - | - | 4,750 | 4,750 | - | 4,750 |
| ED21(P) | Methane gas monitoring system | 150 | - | - | 150 | - | 150 | - | - | - | - | - | - | - | 150 | - | 150 |
| ED22(P) | Energy efficiency compliance - Council owned properties | 1,150 | - | 920 | 920 | - | - | 1,150 | - | - | - | - | - | 1,150 | 1,150 | - | 1,150 |
| ED26(P) | Bridges | 570 | - | 570 | 570 | - | 100 | 470 | - | - | - | - | - | 470 | 570 | - | 570 |
| ED45(P) | Gunpowder mills - scheduled ancient monument | 172 | - | - | 172 | - | - | 172 | - | - | - | - | - | 172 | 172 | - | 172 |
| P6(P) | Guildford Riverside Route PH 2&3 - NO LONGER RQD (moved to vision) | 2,400 | - | 2,400 | 2,400 | 2 | - | - | - | - | - | - | - | - | - | - | - |
| ED47(p) | Cladding of Ash Vale units | 145 | - | 145 | 145 | - | - | 145 | - | - | - | - | - | 145 | 145 | - | 145 |
| ED48(p) | Westfield/Moorfield rd resurfacing | 3,152 | - | 3,152 | 3,152 | - | - | 3,152 | - | - | - | - | - | 3,152 | 3,152 | - | 3,152 |
| ED50(p) | Burpham Court Farm | 365 | - | 365 | 365 | - | - | - | - | - | - | - | - | - | - | - | - |
| ED51(p) | Exhibition lighting at Guildford House | 50 | - | 50 | 50 | - | 50 | - | - | - | - | - | - | - | 50 | - | 50 |
| ED52(p) | Chapel Street (Castle Street/Tunsgate Public Realm Scheme) | 1,165 | - | 1,165 | 1,165 | - | 15 | 1,150 | - | - | - | - | - | 1,150 | 1,165 | - | 1,165 |
| | **DEVELOPMENT DIRECTORATE TOTAL** | **14,369** | **-** | **10,867** | **11,189** | **2** | **315** | **6,439** | **100** | **4,750** | **-** | **-** | **-** | **11,289** | **11,604** | **-** | **11,604** |
| | **ENVIRONMENT DIRECTORATE** | | | | | | | | | | | | | | | | |
| OP5(P) | Mill Lane (Pirbright) Flood Protection Scheme | 200 | - | - | 200 | - | - | 200 | - | - | - | - | - | 200 | 200 | (20) | 180 |
| OP6(P) | Vehicles, Plant & Equipment Replacement Programme | 5,900 | - | - | - | - | - | - | 4,000 | 1,000 | - | - | - | 5,000 | 5,000 | - | 5,000 |
| OP17(P) | New vehicle washing system | 155 | - | 155 | 155 | 0 | - | 155 | - | - | - | - | - | 155 | 155 | - | 155 |
| OP21(P) | Surface water management plan | 200 | - | - | 200 | - | - | 200 | - | - | - | - | - | 200 | 200 | - | 200 |
| OP22(P) | WRD - cleansing office heating system | 11 | - | 11 | 11 | 11 | 11 | - | - | - | - | - | - | - | 11 | - | 11 |
| P PL12(P) | Spectrum schemes to be agreed with Freedom Leisure | 700 | - | 700 | 700 | - | 700 | - | - | - | - | - | - | - | 700 | - | 700 |
| PL16(P) | New burial grounds - acquisition & development | 7,834 | 26 | 2,490 | 2,508 | - | - | 2,508 | 5,300 | - | - | - | - | 7,808 | 7,834 | - | 7,834 |
| PL18(P) | Refurbishment / rebuild Sutherland Memorial Park Pavilion | 150 | - | 150 | 150 | - | - | 150 | - | - | - | - | - | 150 | 150 | - | 150 |
| PL20(P) | Council owned playground refurbishment | 320 | - | - | 100 | - | - | 200 | 120 | - | - | - | - | 320 | 320 | - | 320 |
| PL21(P) | Council tennis courts refurbishment | 295 | - | 215 | 245 | - | 50 | 195 | - | - | - | - | - | 195 | 245 | (10) | 235 |
| PL24(P) | Kings college astro turf | 120 | - | 120 | 120 | - | - | 120 | - | - | - | - | - | 120 | 120 | - | 120 |
| PL39(P) | Aldershot rd allotment expansion & improvement | 200 | - | - | 200 | - | - | 200 | - | - | - | - | - | 200 | 200 | - | 200 |

Page 177

Agenda item number: 6
Appendix 5

Agenda item number: 6
Appendix 5

**GENERAL FUND CAPITAL PROGRAMME - ESTIMATED EXPENDITURE 2017-18 to 2022-23**

| | Ref | Directorate / Service Units Capital Schemes | Gross estimate approved by Executive | Cumulative spend at 31-03-17 | 2017-18 Estimate approved by Council in February | 2017-18 Revised estimate | 2017-18 Expenditure at 18.12.17 | 2017-18 Projected exp est by project officer | 2018-19 Est for year | 2019-20 Est for year | 2020-21 Est for year | 2021-22 Est for year | 2022-23 Est for year | 2023-24 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | (a) | (b) | (c) | (e) | (f) | (g) | (i) | (ii) | (iii) | (iv) | (v) | (v) | (h) | (b) to (g)=(i) | (j) | (i) - (j) = (k) |
| | | | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| | PL41(P) | Stoke pk office accomodation & storage buildings | 665 | - | 625 | 665 | - | 50 | 615 | - | - | - | - | - | 615 | 665 | - | 665 |
| | PL44(p) | Sutherland memorial park all weather courts | 25 | - | 25 | 25 | - | 25 | - | - | - | - | - | - | - | 25 | - | 25 |
| | PL45(p) | Stoke Pk gardens water feature refurb | 81 | - | 81 | 81 | - | 81 | - | - | - | - | - | - | - | 81 | (59) | 22 |
| | PL47(p) | Wall repairs for parks, cemeteries & recreation facilities | 195 | 0 | 15 | 15 | 8 | 15 | 180 | - | - | - | - | - | 180 | 195 | - | 195 |
| | PL48(p) | Bellfields YCC | 60 | 1 | 60 | 59 | 2 | 59 | - | - | - | - | - | - | - | 60 | - | 60 |
| | PL49(p) | Resurface Lido Rd CP | 100 | - | 100 | 100 | - | - | 100 | - | - | - | - | - | 100 | 100 | - | 100 |
| | PL52(p) | Sutherland Memorial Park LED lighting | 10 | - | 35 | 10 | - | 10 | - | - | - | - | - | - | - | 10 | - | 10 |
| | PL53(p) | Park Barn CC LED lighting upgrade | 22 | - | 22 | 22 | - | 22 | - | - | - | - | - | - | - | 22 | - | 22 |
| | | **ENVIRONMENT DIRECTORATE TOTAL** | **17,243** | **27** | **4,804** | **5,566** | **21** | **1,023** | **4,823** | **9,420** | **1,000** | **-** | **-** | **-** | **15,243** | **16,293** | **(89)** | **16,204** |
| | | **RESOURCES DIRECTORATE** | | | | | | | | | | | | | | | | |
| | CD3(P) | Renewables | 65 | | - | 65 | - | 65 | - | - | - | - | - | - | - | 65 | - | 65 |
| | | **RESOURCES DIRECTORATE TOTAL** | **65** | **-** | **-** | **65** | **-** | **65** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **65** | **-** | **65** |
| | | **DEVELOPMENT/INCOME GENERATING/COST REDUCTION PROJECTS** | | | | | | | | | | | | | | | | |
| | ED25(P) | Guildford Park new MSCP and infrastructure works | 23,125 | - | 11,645 | 11,645 | - | - | 18,625 | 4,500 | - | - | - | - | 23,125 | 23,125 | - | 23,125 |
| | ED32(P) | Clay lane link road | 10,439 | - | 100 | 1,100 | - | 1,100 | 4,339 | 5,000 | - | - | - | - | 9,339 | 10,439 | (1,340) | 9,099 |
| P | ED16(P) | Slyfield Area Regeneration Project (SARP) (GBC share) | 72,324 | - | 15,000 | 15,058 | - | - | 900 | 6,000 | 700 | 22,962 | 41,762 | - | 72,324 | 72,324 | (7,500) | 64,824 |
| | ED38(P) | North Street development | 29,590 | - | 1,000 | 1,000 | - | - | - | 29,590 | - | - | - | - | 29,590 | 29,590 | - | 29,590 |
| | ED49(p) | Redevelop Midleton industrial estate | 14,907 | - | 1,837 | 1,837 | 5 | 53 | 1,784 | - | 13,070 | - | - | - | 14,854 | 14,907 | - | 14,907 |
| | HC4(p) | Bright Hill Development | 13,500 | - | 500 | 500 | - | - | 500 | 1,250 | 6,250 | 5,500 | - | - | 13,500 | 13,500 | - | 13,500 |
| | P7(P) | Transport schemes for future Local Growth Fund and other funding opportunities | 4,000 | - | 4,000 | 4,000 | - | - | 4,000 | - | - | - | - | - | 4,000 | 4,000 | (3,500) | 500 |
| | P8(P) | Town centre transport infrastructure package | 217 | - | 217 | 217 | - | 217 | - | - | - | - | - | - | - | 217 | - | 217 |
| | P10(p) | Sustainable Movement Corridor | 9,895 | - | - | - | - | - | 850 | 1,500 | 1,500 | - | 6,045 | - | 9,895 | 9,895 | (2,725) | 7,170 |
| | P11(p) | Guildford West (PB) station | 5,000 | - | 500 | 500 | - | - | 1,000 | 1,000 | 3,000 | - | - | - | 5,000 | 5,000 | (3,750) | 1,250 |
| | P12(p) | Strategic property acquisitions | 34,120 | - | - | - | - | - | - | 7,020 | 13,300 | 13,800 | - | - | 34,120 | 34,120 | - | 34,120 |
| | P13(p) | Bedford Wharf | 23,000 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | P13(p) | Guildford Gyratory & approaches | 12,000 | - | - | - | - | - | 200 | 833 | 3,500 | 3,500 | 3,967 | - | 12,000 | 12,000 | (5,700) | 6,300 |
| | | Investment in North Downs Housing | 31,540 | 1,440 | - | - | - | - | - | 6,120 | 11,940 | - | - | | 18,060 | 19,500 | - | 19,500 |
| | | Equity shares in Guildford Holdings ltd | 960 | 960 | - | - | - | - | - | 4,080 | 7,960 | - | - | | 12,040 | 13,000 | - | 13,000 |
| | PL51(p) | Stoke Park - Home Farm Redevelopment | 4,000 | - | - | - | - | - | - | - | - | - | - | 4,000 | 4,000 | 4,000 | - | 4,000 |
| P | | Additional Parking Space Mary Rd & Millbrook Car Parks; Option 1: Mary Road decking (Option 3 being the more expensive option has been included in the figures) | - | - | - | - - | - - | - | - | - | - | - | - | - | - | - | - | - |
| P | OP13(P) | Option 2: Millbrook decking | 1,025 | - | - | - | - | - | - | 1,025 | - | - | - | - | 1,025 | 1,025 | - | 1,025 |
| P | OP14(P) | Option 3: Mary Road Multi Storey (this more expensive option has been included in the figures) | 5,565 | - | - | - | - | - | - | 5,565 | - | - | - | - | 5,565 | 5,565 | - | 5,565 |

Page 178

GENERAL FUND CAPITAL PROGRAMME - ESTIMATED EXPENDITURE 2017-18 to 2022-23

| Ref | Directorate / Service Units Capital Schemes | Gross estimate approved by Executive | Cumulative spend at 31-03-17 | 2017-18 Estimate approved by Council in February | Revised estimate | Expenditure at 18.12.17 | Projected exp est by project officer | 2018-19 Est for year | 2019-20 Est for year | 2020-21 Est for year | 2021-22 Est for year | 2022-23 Est for year | 2023-24 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | (a) | *(b)* | *(c)* | *(e)* | *(f)* | *(g)* | *(i)* | *(ii)* | *(iii)* | *(iv)* | *(v)* | *(v)* | *(h)* | *(b) to (g)=(i)* | *(j)* | *(i) - (j) = (k)* |
| | | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| | **ELOPMENT/INCOME GENERATING/COST REDUCTION PROJECTS TOTAL** | **295,207** | **2,400** | **34,799** | **35,857** | **5** | **1,370** | **32,198** | **73,483** | **61,220** | **45,762** | **51,774** | **4,000** | **268,437** | **272,207** | **(24,515)** | **247,692** |
| | **PROVISIONAL SCHEMES - GRAND TOTALS** | **326,884** | **2,427** | **50,470** | **52,677** | **28** | **2,773** | **43,460** | **83,003** | **66,970** | **45,762** | **51,774** | **4,000** | **294,969** | **300,169** | **(24,604)** | **275,565** |
| | non development projects | 31,677 | 27 | 15,671 | 16,820 | 23 | 1,403 | 11,262 | 9,520 | 5,750 | - | - | - | 26,532 | 27,962 | (89) | 27,873 |
| | **SUMMARY** | | | | | | | | | | | | | | | | |
| | **PROVISIONAL SCHEMES - TOTAL** | 326,884 | 2,427 | 50,470 | 52,677 | 28 | 2,773 | 43,460 | 83,003 | 66,970 | 45,762 | 51,774 | 4,000 | 294,969 | 300,169 | (24,604) | 275,565 |
| | **GRAND TOTAL** | **326,884** | **2,427** | **50,470** | **52,677** | **28** | **2,773** | **43,460** | **83,003** | **66,970** | **45,762** | **51,774** | **4,000** | **294,969** | **300,169** | **(24,604)** | **275,565** |

| FINANCED as follows : | Estimate approved by Council in February | Revised estimate | Projected exp est by project officer | 2018-19 Est for year | 2019-20 Est for year | 2020-21 Est for year | 2021-22 Est for year | 2022-23 Est for year | 2023-24 Est for year | Future years estimated expenditure | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | |
| CONTRIBUTIONS | 211 | | 1,746 | 1,121 | 2,250 | 4,750 | 1,750 | 0 | 0 | 9,871 | |
| CAPITAL RECEIPTS | - | | 0 | 4,000 | 9,200 | 9,075 | 6,000 | 0 | 0 | 28,275 | *gfd pk* |
| CAPITAL RECEIPTS | - | | 0 | 0 | 0 | 26,800 | 0 | 0 | 0 | 26,800 | *MPU* |
| **R.C.C.O. :** | | | | | | | | | | | |
| GF CAPITAL SCHEMES RESERVE | - | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| OTHER RESERVES | 1,885 | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| **FUNDING REQUIREMENT: HOUSING RECEIPTS** | 10,885 | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| **FUNDING REQUIREMENT: BORROWING** | 37,489 | | 1,027 | 38,339 | 71,553 | 26,345 | 38,012 | 51,774 | 4,000 | 226,023 | |
| **TOTAL** | **50,470** | **-** | **2,773** | **43,460** | **83,003** | **66,970** | **45,762** | **51,774** | **4,000** | **290,969** | |

Page 179

Agenda item number: 6
Appendix 5

**GENERAL FUND CAPITAL SCHEMES - PROJECTS FUNDED VIA RESERVES: ESTIMATED EXPENDITURE 2016-17 to 2020-21**

| Item No. | Projects & Sources of Funding | Approved gross estimate | Cumulative spend at 31-03-17 | 2017-18 Estimate approved by Council in February | 2017-18 Revised estimate | 2017-18 Expenditure at 18.12.17 | 2017-18 Projected exp est by project officer | 2018-19 Est for year | 2019-20 Est for year | 2020-21 Est for year | 2021-22 Est for year | 2022-23 Est for year | Future years est exp | Projected expenditure total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | (a) | (b) | (c) | | (e) | (f) | (i) | (ii) | (iii) | (iv) | (v) | (g) | (b)+(g) = (h) |
| | | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| | **RESOURCES DIRECTORATE** | | | | | | | | | | | | | |
| | ENERGY PROJECTS per SALIX RESERVE:(PR220) | | | - | | - | - | - | | | | | - | - |
| R-EN10 | LED Lighting replacement | 80 | 49 | - | 31 | - | 19 | - | - | - | - | - | - | 69 |
| | Salix lighting Harbour Hotel | | | | | 2 | 2 | | | | | | | 2 |
| | Salix lighting Black Horse | | | | | 10 | 10 | | | | | | | 10 |
| R-EN11 | WRD energy reduction | 70 | - | - | 70 | - | 70 | - | - | - | - | - | - | 70 |
| | ENERGY PROJECTS per GBC INVEST TO SAVE RESERVE: | | | | | | | | | | | | | |
| | *GBC 'Invest to Save' energy projects (to be repaid in line with savings)* | | | - | 164 | - | 164 | - | | | | | - | |
| R-EN12 | PV/energy efficiency projects | 100 | 2 | - | 98 | - | 98 | - | - | - | - | - | - | 100 |
| | **ENERGY RESERVES TOTAL** | **250** | **51** | **-** | **363** | **12** | **363** | **-** | **-** | **-** | **-** | **-** | **-** | **250** |
| | **BUDGET PRESSURES RESERVE** | | | | | | | | | | | | | |
| R-BP1 | Surreysave Credit Union - purchase of shares | 100 | 50 | - | 50 | 50 | 50 | - | - | - | - | - | - | 100 |
| | **BUDGET PRESSURES RESERVE TOTAL** | **100** | **50** | **-** | **50** | **50** | **50** | **-** | **-** | **-** | **-** | **-** | **-** | **100** |
| | LABGI RESERVE | | | | | | | | | | | | | |
| R-LB1 | Bedford Rd Bus Station | 250 | 59 | - | - | 174 | 191 | - | - | - | - | - | - | 250 |
| | **LABGI RESERVE TOTAL** | **250** | **59** | **-** | **-** | **174** | **191** | **-** | **-** | **-** | **-** | **-** | **-** | **250** |
| | INFORMATION TECHNOLOGY - IT Renewals Reserve (PR265) : approved annually | | | | | | | | | | | | | |
| | Hardware / software budget | | - | 350 | 854 | - | 469 | 350 | 350 | 350 | - | - | 1,050 | 1,519 |
| R-IT1 | Hardware | annual | annual | - | - | 377 | 377 | - | - | - | - | - | - | 377 |
| R-IT2 | Software | annual | annual | - | - | - | - | - | - | - | - | - | - | - |
| | ICT infrastructure improvements | 1,250 | | - | - | - | - | 1,250 | - | - | - | - | 1,250 | 1,250 |
| | Efin upgrade and eproc implement | | 12 | | - | 8 | 8 | | | | | | | 8 |
| | Replace Ocella (Tascomi) | | 10 | | - | - | - | | | | | | | |
| | **IT RENEWALS RESERVE TOTAL** | **1,250** | **22** | **350** | **854** | **385** | **854** | **1,600** | **350** | **350** | **-** | **-** | **2,300** | **3,154** |
| | **ENVIRONMENT DIRECTORATE** | | | | | | | | | | | | | |
| | **SPECTRUM RESERVE** | | | | | | | | | | | | | |
| R-S10 | Chiller Replacement & CHO absorption chiller | 245 | - | - | 243 | - | 243 | - | - | - | - | - | - | 243 |
| R-S13 | Lift controls - replacement | 310 | 48 | - | 262 | - | 262 | - | - | - | - | - | - | 310 |
| | **SPECTRUM RESERVE TOTAL** | **555** | **48** | **-** | **505** | **-** | **505** | **-** | **-** | **-** | **-** | **-** | **-** | **553** |
| | **CAR PARKS RESERVE** | | | | | | | | | | | | | |
| R-CP1 | Car parks - install/replace pay-on-foot equipment | 570 | 240 | 334 | 330 | - | 330 | - | - | - | - | - | - | 570 |
| | Car Parks - Lighting & Electrical improvements: | | | | | | - | | | | | | | |
| R-CP13 | - Castle, Farnham & York Rd Lighting | 300 | - | - | 300 | - | 300 | - | - | - | - | - | - | 300 |
| | Car parks - Deck surfacing: | | | | | | - | | | | | | | |
| R-CP8 | - Castle car park (PR000299) | 325 | - | - | - | - | - | 325 | - | - | - | - | 325 | 325 |
| R-CP10 | - Bedford Road (PR000243) | 512 | - | 512 | 512 | - | 59 | - | - | - | - | - | - | 59 |
| R-CP12 | Replacement of collapsed retaining wall Bright Hill | 321 | 16 | - | 305 | 31 | 30 | - | - | - | - | - | - | 46 |
| R-CP14 | Lift replacement (PR000293) | 841 | - | 187 | 280 | 68 | 280 | 187 | 187 | 187 | - | - | 561 | 841 |
| R-CP15 | Merrow P&R CCTV (PR000298) | 50 | - | - | 50 | - | 50 | - | - | - | - | - | - | 50 |
| R-CP16 | Bright Hill Barrier essential works (PR000425) | 80 | 1 | - | 79 | 51 | 79 | - | - | - | - | - | - | 80 |
| R-CP17 | Leapale rd MSCP drainage (PR000433) | 90 | - | 90 | 90 | - | - | 90 | - | - | - | - | 90 | 90 |
| | **CAR PARKS RESERVE TOTAL** | **3,089** | **257** | **1,123** | **1,946** | **150** | **1,128** | **602** | **187** | **187** | **-** | **-** | **976** | **2,361** |
| | **SPA RESERVE :** | | | | | | | | | | | | | |
| | SPA schemes (various) | 100 | annual | 100 | 165 | - | 151 | 100 | - | - | - | - | 100 | 265 |
| R-SPA1 | Chantry Woods | | | | | - | - | | | | | | - | |
| R-SPA2 | Effingham | | | | | 1 | 1 | | | | | | - | |

Page 181

Agenda item number: 6
Appendix 6

**GENERAL FUND CAPITAL SCHEMES - PROJECTS FUNDED VIA RESERVES: ESTIMATED EXPENDITURE 2016-17 to 2020-21**

| Item No. | Projects & Sources of Funding | Approved gross estimate | Cumulative spend at 31-03-17 | 2017-18 Estimate approved by Council in February | 2017-18 Revised estimate | 2017-18 Expenditure at 18.12.17 | 2017-18 Projected exp est by project officer | 2018-19 Est for year | 2019-20 Est for year | 2020-21 Est for year | 2021-22 Est for year | 2022-23 Est for year | Future years est exp | Projected expenditure total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | (a) | (b) | (c) | | (e) | (f) | (i) | (ii) | (iii) | (iv) | (v) | (g) | (b)+(g) = (h) |
| | | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| R-SPA3 | Lakeside | | | | | - | - | | | | | | - | |
| R-SPA4 | Riverside | | | | | 10 | 10 | | | | | | - | |
| R-SPA5 | Parsonage | | | | | 3 | 3 | | | | | | - | |
| R-SPA7 | Access tracks at Chantry Wood | 60 | - | - | 60 | - | 60 | - | - | - | - | - | - | 60 |
| | **SPA RESERVE TOTAL** | **160** | **-** | **100** | **225** | **14** | **225** | **100** | **-** | **-** | **-** | **-** | **100** | **325** |
| | **GRAND TOTALS** | **5,654** | **486** | **1,573** | **3,943** | **785** | **3,316** | **2,302** | **537** | **537** | **-** | **-** | **3,376** | **6,993** |

| FUNDING SUMMARY | Estimate approved by Council in February | Revised estimate | Expenditure at 18.12.17 | Projected exp est by project officer | 2018-19 Est for year | 2019-20 Est for year | 2020-21 Est for year | 2021-22 Est for year | 2022-23 Est for year |
|---|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Reserves (various) | 1,473 | 3,718 | 771 | 3,091 | 2,202 | 537 | 537 | - | - |
| Grants & contributions | 100 | 225 | 14 | 275 | 100 | - | - | - | - |
| **TOTALS** | **1,573** | **3,943** | **785** | **3,366** | **2,302** | **537** | **537** | **-** | **-** |

Agenda item number: 6
Appendix 6

**GENERAL FUND CAPITAL PROGRAMME - S106 ESTIMATED EXPENDITURE 2015-16 to 2020-21**

| Ref | Service Units / Capital Schemes | Approved gross estimate | Cumulative spend at 31-03-17 | 2017-18 | | | |
|---|---|---|---|---|---|---|---|
| | | | | Estimate approved by Council in February | Revised estimate | Expenditure at 18.12.17 | Projected exp est by project officer |
| | | (a) £000 | (b) £000 | (c) £000 | (d) | (e) £000 | (f) £000 |
| | **APPROVED SCHEMES (fully funded from S106 contributions)** | | | | | | |
| | **OPERATIONAL SERVICES** | | | | | | |
| S-OP3 | Hayden Place CCTV - P92310 | 35 | | | 35 | 0 | 35 |
| | **OPERATIONAL SERVICES S106 - Totals** | **-** | **-** | **-** | **35** | **-** | **35** |
| | **ENVIRONMENT DIRECTORATE** | | | | | | |
| S-PL1 | Woodbridge Meadow Artwork | 104 | 103 | - | 1 | (0) | 1 |
| S-PL2 | G Live Artwork | 34 | 32 | - | 2 | - | 2 |
| S-PL3 | Art Print Hse Sq (Sculpture Martyr Rd) | 36 | 25 | - | 11 | - | 11 |
| S-PL7 | Tilehouse Open Space - Playground Refurbishment & Fitness Equipment | 132 | 102 | - | 30 | - | 30 |
| S-PL8 | Baird Drive/Briars Playground Refurb | 10 | - | - | 10 | 3 | 10 |
| S-PL13 | Stoke Recreation Ground play area | 41 | 37 | - | 4 | - | 4 |
| S-PL17 | Bushy Hill Facilities | 27 | 16 | - | 11 | - | 11 |
| S-PL23 | 75-78 Woodbridge Rd | 15 | 4 | - | 11 | 4 | 11 |
| S-PL29 | Greening the approaches - roundabouts | 40 | 5 | - | 35 | - | 35 |
| S-PL33 | Installation of trampoline play equipment | 11 | - | - | 11 | - | 11 |
| S-PL36 | Gunpowder mills - signage, access and woodland imps | 16 | 11 | - | 5 | - | 5 |
| S-PL38 | Goose green play area improvements | 21 | 20 | - | - | 1 | - |
| S-PL40 | Ripley PC skate ramp | 47 | 22 | - | 25 | - | 25 |
| S-PL42 | Sutherland memorial park public art project | 23 | 22 | - | 1 | 0 | 1 |
| S-PL46 | Shalford Park Pavilion Improvements - COMPLETE | 23 | 22 | - | 1 | 2 | 1 |
| S-PL47 | Fir Tree Garden | 28 | - | 28 | 28 | - | 28 |
| S-PL48 | Stoke Park Trim Trail | 23 | | | 23 | - | 23 |
| | **ENVIRONMENT DIRECTORATE TOTAL** | **527** | **317** | **28** | **208** | **9** | **208** |
| | **APPROVED SCHEMES continued (fully funded from S106 contributions)** | | | | | | |
| | **DEVELOPMENT DIRECTORATE** | | | | | | |
| S-P1 | Haydon Place / Martyr Road | 67 | 64 | - | 3 | 12 | 12 |
| S-P3 | North Street Rejuvenation Project | 489 | 257 | 232 | 232 | - | - |
| S-P5 | Falcon Rd Guildford | 6 | - | - | 6 | - | 6 |
| S-P7 | Woodbridge meadows | 243 | 197 | - | 46 | - | 46 |
| S-P8 | Woodbridge Hill environmental improvements | 226 | 17 | 180 | 210 | 30 | 210 |
| S-P10 | G Live Lighting and Signage York Road | 32 | 23 | - | 9 | 0 | 9 |
| S-P11 | G Live Bus stop/drop off point | 11 | 4 | - | 7 | - | 7 |
| S-P12 | Espom Rd/Boxgrove Road | 150 | 87 | - | 63 | - | 63 |
| S-P13 | Kingpost Parade car park | 20 | 19 | - | 2 | - | 2 |
| S-P14 | Bridge Street Waymarking | 5 | 1 | - | 4 | - | 4 |
| | **DEVELOPMENT DIRECTORATE TOTOAL** | **1,249** | **668** | **412** | **582** | **43** | **359** |
| | **APPROVED S106 SCHEMES TOTAL** | **1,775** | **985** | **440** | **825** | **52** | **602** |

# 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 2016-17 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, dependnding 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)** | **2016-17 Actuals £000** | **2017-18 Budget £000** | **2017-18 Est Outturn £000** | **2018-19 Estimate £000** | **2019-20 Estimate £000** | **2020-21 Estimate £000** | **2021-22 Estimate £000** | **2022-23 Estimate £000** |
|---|---|---|---|---|---|---|---|---|
| Balance as at 1 April | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Add estimated usable receipts in year | 259 | 330 | 324 | 4,000 | 9,200 | 9,075 | 16,000 | 0 |
| Less applied re funding of capital schemes | (259) | (330) | (324) | (4,000) | (9,200) | (9,075) | (16,000) | 0 |
| ***Balance after funding capital expenditure as at 31 March*** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |

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

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



| 3.0 **Capital expenditure and funding - summary** | **2016-17 Actuals £000** | **2017-18 Budget £000** | **2017-18 Est Outturn £000** | **2018-19 Estimate £000** | **2019-20 Estimate £000** | **2020-21 Estimate £000** | **2021-22 Estimate £000** | **2022-23 Estimate £000** |
|---|---|---|---|---|---|---|---|---|
| Estimated captial expenditure | | | | | | | | |
| Main programme - approved | 33,836 | 47,516 | 26,627 | 39,140 | 23,129 | 5,220 | 5,220 | 0 |
| Main programme - provisional | 20 | 50,470 | 2,773 | 43,460 | 83,003 | 66,970 | 45,762 | 51,774 |
| s106 | 447 | 440 | 602 | 0 | 0 | 0 | 0 | 0 |
| Reserves | 3,199 | 1,573 | 3,316 | 2,302 | 537 | 537 | 0 | 0 |
| GF Housing | 744 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total estimated capital expenditure** | **38,246** | **99,999** | **33,318** | **84,902** | **106,669** | **72,727** | **50,982** | **51,774** |
| **To be funded by:** | | | | | | | | |
| Capital receipts *(per 2.above)* | (2,860) | (330) | (324) | (4,000) | (9,200) | (9,075) | (16,000) | 0 |
| Contributions | (3,128) | (3,982) | (3,432) | (1,221) | (2,250) | (4,750) | (1,750) | 0 |
| R.C.C.O. : | | | | | | | | |
| Other reserves | (1,523) | (7,973) | (8,371) | (13,980) | (757) | (757) | (220) | 0 |
| | (7,511) | (12,285) | (12,127) | (19,201) | (12,207) | (14,582) | (17,970) | 0 |
| Balance of funding to be met from (i) the Capital Reserve, and (ii) borrowing | (30,735) | (87,714) | (21,192) | (65,701) | (94,462) | (58,145) | (33,012) | (51,774) |
| **Total funding required** | **(38,246)** | **(99,999)** | **(33,318)** | **(84,902)** | **(106,669)** | **(72,727)** | **(50,982)** | **(51,774)** |



| 4.0 **General Fund Capital Schemes Reserve (U01030)** | **2016-17 Actuals £000** | **2017-18 Budget £000** | **2017-18 Est Outturn £000** | **2018-19 Estimate £000** | **2019-20 Estimate £000** | **2020-21 Estimate £000** | **2021-22 Estimate £000** | **2022-23 Estimate £000** |
|---|---|---|---|---|---|---|---|---|
| Balance as at 1 April | 639 | 0 | 1,000 | 0 | 0 | 0 | 0 | 0 |
| Add: General Fund Revenue Budget variations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Contribution from revenue | 1,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 1,639 | 0 | 1,000 | 0 | 0 | 0 | 0 | 0 |
| Less: Applied re funding of capital programme | (639) | 0 | (1,000) | 0 | 0 | 0 | 0 | 0 |
| **Balance after funding capital expenditure etc.as at 31 March** | **1,000** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| ***Estimated shortfall at year-end to be funded from borrowing*** | **30,096** | **87,714** | **20,192** | **65,701** | **94,462** | **58,145** | **33,012** | **51,774** |

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

| 5.0 **Housing capital receipts (pre 2013-14) - estimated availability/usage for Housing, Affordable Housing and Regeneration projects - GBC policy** | **2016-17 Actuals £000** | **2017-18 Budget £000** | **2017-18 Est Outturn £000** | **2018-19 Estimate £000** | **2019-20 Estimate £000** | **2020-21 Estimate £000** | **2021-22 Estimate £000** | **2022-23 Estimate £000** |
|---|---|---|---|---|---|---|---|---|
| Balance as at 1 April (T01008) | 17,276 | 14,201 | 14,861 | 13,361 | 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 | (2,415) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Less: Applied re Housing company | 0 | (5,500) | (1,500) | (13,361) | 0 | 0 | 0 | 0 |
| | 14,861 | 8,701 | 13,361 | 0 | 0 | 0 | 0 | 0 |
| Less: Applied on regeneration schemes | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Housing receipts - estimated balance in hand at year end** | **14,861** | **8,701** | **13,361** | **0** | **0** | **0** | **0** | **0** |

| 5.1 **Housing capital receipts (post 2013-14) - estimated availal availability/usage for Housing, Affordable Housing and Regeneration projects only (statutory (impact CFR))** | **2016-17 Actuals £000** | **2017-18 Budget £000** | **2017-18 Est Outturn £000** | **2018-19 Estimate £000** | **2019-20 Estimate £000** | **2020-21 Estimate £000** | **2021-22 Estimate £000** | **2022-23 Estimate £000** |
|---|---|---|---|---|---|---|---|---|
| Balance as at 1 April (T01012) | 3,449 | 3,151 | 2,938 | 2,428 | 1,933 | 1,438 | 943 | 448 |
| Add: Estimated receipts in year | 1,418 | 200 | 200 | 200 | 200 | 200 | 200 | 200 |
| Less: Applied re Housing (General Fund) capital programme | (135) | (220) | (235) | (220) | (220) | (220) | (220) | (220) |
| Less: Applied re Housing Improvement programme | (1,794) | (475) | (475) | (475) | (475) | (475) | (475) | (475) |
| | 2,938 | 2,656 | 2,428 | 1,933 | 1,438 | 943 | 448 | (47) |
| Less: Applied on regeneration schemes | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Housing receipts - estimated balance in hand** | **2,938** | **2,656** | **2,428** | **1,933** | **1,438** | **943** | **448** | **(47)** |

| | | | | | | | | | **Total £'000s** |
|---|---|---|---|---|---|---|---|---|---|
| 6.1 Estimated annual borrowing requirement | **30,096** | **87,714** | **20,192** | **65,701** | **94,462** | **58,145** | **33,012** | **51,774** | **323,286** |
| Bids for funding (net) | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total estimated borrowing requirement if all bids on Appendix 1 appro** | | **87,714** | **20,192** | **65,701** | **94,462** | **58,145** | **33,012** | **51,774** | **323,286** |

This page is intentionally left blank

**Capital vision items**

| Ref | Project | Verto ref | Date entered on Verto | Date Verto last updated | Verto Gateway | timescale | Estimated gross cost | Local growth fund bid | Other funding | S106/CIL | GBC cost | Notes |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CV2 | Stoke Park drainage and water features | | | | | | 77,000 | | | | 77,000 | |
| CV3 | Castle valley gardens automated watering system | | | | | 2020 likely timescale | 30,000 | | | | 30,000 | |
| CV4 | North side drainage scheme | | | | | | 130,000 | | | | 130,000 | |
| CV10 | Transport - Yorkies bridge part of Substainable Movement Corridor | | | | | 2024-2029 | 10,000,000 | 5,000,000 | 1,250,000 | 2,500,000 | 1,250,000 | SCC other funding |
| CV22 | Stoke Park Masterplan Implementation | PR418 | 08.08.16 | 11.08.16 | CV | 2021-2022 | 3,000,000 | | 1,500,000 | | 1,500,000 | external funding to be identified |
| CV23 | Lakeside Nature Reserve Visitor Facility | PR419 | 08.08.16 | 11.08.16 | CV | 2020 | 500,000 | | | 250,000 | 250,000 | |
| CV24 | Stoughton Recreation ground Landscape Improvements | PR421 | 08.08.16 | 10.08.16 | CV | 2023 | 150,000 | | 75,000 | | 75,000 | external funding to be identified (possible HLF) |
| P13(p) | Bedford Wharf | PR372 | | | | | 23,000,000 | | | | 23,000,000 | |
| | Town centre masterplan (heading not related to schemes below) | | | | | | | | | | | |
| CV12 | A3 Interim intervention schemes (inc.Beechcroft Drive safety scheme) | | | | | 2018-2020 | unknown | | | | unknown | |
| CV13 | Gosdon Hill P&R | | | | | 2021-2023 | 7,500,000 | | | | unknown | |
| CV14 | Merrow station | | | | | 2024-2029 | 10,000,000 | | | | unknown | |
| CV17 | Redevelopment of woodbridge meadows industrial estate | | | | | 6-10 years | unknown | | | | unknown | |
| | Corporate plan | | | | | | | | | | | |
| CV18 | Leisure centre replacement/multi use sports centre | PR464 | 13.02.17 | 13.02.17 | CV | 15-20 years | £80m-£100m | | | | 100,000,000 | |
| CV19 | Set up community energy scheme/heat network | | | | | 2020 | unknown | | | | unknown | |
| CV20 | Set up a water discharge system | | | | | 2017 | unknown | | | | unknown | |
| | SARP | | | | | | | | | | | |
| | **Expenditure** | | | | | | | | | | | |
| | Slyfield area regeneration project (GF element) | | | | | 2023-24 thru 2034-35 | 65,606,000 | | | | | moved from provisional 22.11.17 as per CW |
| | Slyfield area regeneration project (GF element) | | | | | 2023-24 thru 2034-35 | 72,535,800 | | | | | additional costs identified as per reprofile 22.11.17 |
| | Slyfield area regeneration project (HRA element) | | | | | 2033-34 thur 2034-35 | 31,423,672 | | | | | new estimate £38,793,672 (£7,370.000 on HRA provisonal) original bid £50M |
| | **Income** | | | | | | | | | | | |
| CVi1 | Slyfield area regeneration project | | | | | 2024-25 | (20,545,000) | | | | (20,545,000) | |
| CVi1 | Slyfield area regeneration project | | | | | 2025-26 | (20,545,000) | | | | (20,545,000) | |
| CVi1 | Slyfield area regeneration project | | | | | 2027-28 thru 2034-35 | (137,572,200) | | | | (137,572,200) | |
| CVi2 | Major projects unit - possible revenue income | | | | | 2019-20 (at the earlies) | (24,832,000) | | | | (24,832,000) | |



Agenda item number: 6
Appendix 9

This page is intentionally left blank

# Treasury management policy statement

## Background

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

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

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

## CIPFA requirement

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

1. The Council defines its treasury management activities are:

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

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

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

## The Council's requirements

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

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

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

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

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

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

# Treasury Management Practices (TMPs) Principles and Schedules 2017-18

Revised December 2017

## Contents

This document has been prepared in the format provided by CIPFA. For ease of use, the key areas for Guildford Borough Council treasury operations are referenced below:

# Introduction

The CIPFA Code of Practice on Treasury Management in the public Services (the Code) which was last revised in 2017. The code requires the setting out of the responsibilities and duties of Councillors and officers, allowing a framework for reporting and decision making on all aspects of treasury management. The Code recommends the creation and maintenance of:

- A Treasury Management Policy Statement, stating the policies, objectives and approach to risk management of its treasury management activities,
- Treasury Management Practices (TMPs) setting out the way in which we will seek to achieve those policies and objectives and prescribing how it will manage and control those activities.

The TMPs comprise:

| | |
|---|---|
| TMP 1: | Risk management |
| TMP 2: | Performance measurement |
| TMP 3: | Decision-making and analysis |
| TMP 4: | Approved instruments, methods and techniques |
| TMP 5: | Organisation, clarity and segregation of responsibilities and dealing arrangements |
| TMP 6: | Reporting requirements and management information arrangements |
| TMP 7: | Budgeting, accounting and audit arrangements |
| TMP 8: | Cash and cash flow management |
| TMP 9: | Money laundering |
| TMP 10: | Training and qualifications |
| TMP 11: | Use of external service providers |
| TMP 12: | Corporate governance |

Schedules supporting these practices and other documents held at an operational level specify the systems and routines to be employed and the records to be maintained in fulfilling the Council’s treasury functions.

# Treasury Management Practices (TMPs)

## TMP 1: Risk Management

All treasury management activities involve both risk and the pursuit of reward or gain for the Council. The council's policies and practices emphasise that the effective identification, management and containment of risk are the prime objectives of treasury management activities.

The following risks are relevant:

- credit and counterparty risk
- liquidity risk
- interest rate risk
- exchange rate risk
- legal and regulatory risk
- fraud, error and corruption and contingency management
- market risk

The Chief Financial Officer (CFO) will design, implement and monitor all arrangements for the identification, management and control of treasury management risk. They will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Council's objectives in this respect, all in accordance with the procedures set out in *TMP6: Reporting requirements and management information arrangements.* In respect of each of the following risks, how we will seek to ensure compliance with these objectives are set out in the schedules below.

### Credit and Counterparty Risk Management

Credit and counterparty risk is the risk of failure by a third party to meet its contractual obligations to the Council under an investment, borrowing, capital, project or partnership financing, particularly as a result of the third party's diminished creditworthiness, and the resulting detrimental effect on the Council's capital and revenue resources.

**Principle**

The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited. It will limit its investment activities to the instruments, methods and techniques referred to in *TMP4: Approved instruments, methods and techniques*, and listed in the schedule. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

**Schedule**

| | |
|---|---|
| Criteria to be used for creating/managing approved counterparty lists/limits | The CFO is responsible for setting prudent criteria and the Council's treasury advisors will also provide guidance and assistance in setting the criteria.<br><br>The criteria will be agreed by the Executive as part of the annual capital and investment strategy.<br><br>The Council's treasury management advisors will advise on credit policy and creditworthiness related issues. The Council will maintain a counterparty list based on its criteria and will monitor and update the credit standing of the institutions at least monthly. This assessment will include consideration of credit ratings from all three main credit ratings agencies and other alternative assessments of credit strength (for example, statements of potential government support, which now includes resolution mechanisms for failing financial institutions, CDS information, the composition of an institution's balance sheet liabilities). The Council will also take into account information on corporate developments of and market sentiment towards investment counterparties.<br><br>The credit rating criteria will also apply to securities issued by financial and non-financial institutions, which in some instances, might be higher than that of the issuing institution.<br><br>Higher time and cash limits may be set for secured investments (e.g. those with underlying collateral or which are by regulation excluded from being bailed-in/restructured in the event of financial distress).<br><br>Where there is no investment-specific rating, but collateral upon which the investment secured is rated, then the higher of the collateral and counterparty rating will be used to determine time and cash limits. |
| Approved methodology for changing limits and adding/removing counterparties<br><br><u>Risk management:</u><br>(a) creditworthiness deteriorates below the minimum criteria<br><br>(b) ratings are placed on review for downgrade | The CFO has delegated responsibility to add or delete counterparties and to review limits within the parameters of the criteria detailed above.<br><br>Where an entity's credit rating is downgraded so that it fails to meet the minimum criteria, then:<br>• no new investment will be made<br>• any existing investments that can be recalled or sold at no cost will be, and<br>• full consideration will be given to the recall or sale of other existing investments with the affected counterparty<br><br>Where a credit rating is placed on review for possible downgrade (also termed 'rating watch negative' or 'credit watch negative') so that is may fall below the minimum approved credit criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the rating review has been completed and its outcome known.<br><br>The policy in (b) will not apply for 'negative outlooks' which indicate a long-term direction of travel rather than a possibility of an imminent downgrade. |

| | |
|---|---|
| Counterparty list and limits | A full individual listing of banking* counterparties based on the criteria will be maintained. As credit ratings etc. are subject to change without notice, an up-to-date lending list will be maintained on an ongoing basis within the Procedure Notes file.<br><br>*it may be impractical to determine a specific list of non-financial counterparties in whose securities investments might be made. The minimum credit rating criteria and whether the security is secured or unsecured will determine its selection for investment.<br><br>The Council's external fund manager(s) will adhere to the counterparty credit criteria and maximum individual limits set by the Council; however it is understood that the fund manager(s) may use a subset of the list so derived. |
| Details of credit rating agencies' services and their application | The Council considers the ratings of all the three main credit rating agencies (Standard & Poor's, Moody's and Fitch) when making investment decisions. Credit rating agency information is just one of a range of instruments used to assess creditworthiness of institutions.<br><br>No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the minimum credit rating criteria |
| Description of the general approach to collecting/using information other than credit ratings for counterparty risk assessment | The Council's Treasury Advisor, Arlingclose, provides timely information on counterparties, in terms of credit rating updates and economic summaries. CDS information is received monthly, as well as information on share price.<br><br>The Council's treasury advisor also undertakes analysis on the balance sheet structure of key banking institutions to help inform the potential restructure (i.e. bail-in) of a banks unsecured liabilities should this be required by the regulatory authorities.<br><br>In addition, the Principal Group Accountant reads quality financial press for information on counterparties. |
| Country, sector and group listings of counterparties and overall limits applied to each, where appropriate | Investments will be displayed to show total group exposure, total country exposure and total sector exposure.<br><br>Group limits have been set for the above, in terms of monetary value, where appropriate. Group limits for organisations under the same ownership will be set at the same level as the lead institution in that group |

## Liquidity Risk Management

Liquidity risk is the risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the Council's business/service objectives will be thereby compromised.

### Principle

The CFO will ensure the Council has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.

The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to fund future debt maturities.

**Schedule**

| | |
|---|---|
| Cash flow and cash Balances | The Council will aim for effective cash flow forecasting and monitoring of cash balances and will maintain a rolling daily and monthly cash flow forecast.<br><br>The treasury team shall seek to optimise the balance held in the Council's main bank accounts at the close of each working day in order to minimise the amount of bank overdraft interest payable or maximise the amount of interest that can be earned.<br><br>In order to achieve the maximum return from investments, a daily cash balance of +/- £50,000 is the objective for the Council's bank account. |
| Short term investments | The Council holds a call account with HSBC (our bankers) to act as a sweeping account to deal with day-to-day cash flow fluctuations.<br><br>The Council also uses various reserve/call accounts and money market funds to manage its liquidity requirements. These accounts/funds are named on the Council's approved counterparty list. We review and set the maximum balance on each of these accounts as part of the Council's annual capital and investment strategy.<br><br>Short-term investments through the money market, mainly for cash flow purposes, are managed in-house. We review and set the maximum balance on each of these accounts as part of the Council's annual capital and investment strategy. |
| Temporary Borrowing | Temporary borrowing up to 364 days through the money market is available should there be a cash flow deficit at any point during the year.<br><br>At no time will the outstanding total of temporary and long-term borrowing, together with any bank overdraft, exceed the Prudential Indicator for the Authorised Borrowing Limit, set out in the annual capital and investment strategy, agreed by Council before the start of each financial year. |
| Bank Overdraft and standby facilities | The Council has an authorised overdraft limit with its bankers HSBC of £500,000 at an agreed rate of 1.75% over base rate, renewable annually.<br><br>The facility is used as a contingency when temporary borrowing is difficult or more expensive. |

## Interest Rate Risk Management

Interest Rate risk is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself adequately.

**Principle**

The Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with *TMP6: Reporting requirements and management information arrangements*.

**Schedule**

| | |
|---|---|
| Minimum/ maximum proportions of fixed/variable rate debt/interest | Borrowing/investments may be at a fixed or variable rate.<br><br>The Prudential Code requires the Council to determine each year the maximum proportion of interest payable on net borrowing, which is subject to fixed and variable interest rates. We set this each year as part of the annual budget setting process and the annual capital and investment strategy.<br><br>In setting our forward treasury strategy on an annual basis, we will determine the necessary degree of certainty required for our plans and budgets but will allow sufficient flexibility enable us to benefit from potentially advantageous changes in market conditions and level of interest rates and also to mitigate the effects of potentially disadvantageous changes.<br><br>The Council will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility. |
| Managing changes to interest rate levels | The main impact of changes in interest rate levels is to monies borrowed and invested at variable rates of interest, and those borrowed or invested for a shorter period of time.<br><br>The Council will consider matching borrowing at variable rates with investments similarly exposed to changes in interest rates as a way of mitigating any adverse budgetary impact.<br><br>The Council may determine it is more cost effective in the short-term to fund its borrowing requirement through the use of internal resources ('internal borrowing) or through borrowing short-term loans. The benefits of such borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing or refinancing in future years when interest rates are expected to be higher.<br><br>Interest rate forecasts are provided by the Council's advisors and are closely monitored by the Principal Group Accountant. Variations from original estimates and their impact on the Council's debt and investments are notified to the Executive quarterly as part of the budget monitoring process.<br><br>We maintain an Interest Rate Equalisation Fund in the accounts to address interest rate risk.<br><br>For our investments, we also consider dealing from forward periods dependent upon market conditions. The Council's counterparty term limits will apply and will include the forward period of the investment. |

| | |
|---|---|
| Details of approved interest rate exposure limits | The upper limits on net fixed interest rate and net variable interest rate exposures are determined each year as part of the treasury management indicators included as part of the annual capital and investment strategy.<br><br>We invest internally managed funds primarily to meet future cash outflow requirements and we place deposits for periods so that funds are available when required. In the event that surplus funds are available for investment for longer periods, or forward deals, the annual capital and investment strategy details our policy. |
| Details of hedging tools used to manage risk | The Council's legal power to use derivative instruments remains unclear. The General Power of Competence enshrined in the Localism Act is not sufficiently explicit. Consequently, the Council does not intend to use derivatives to manage interest rate risk.<br><br>Should this position change, the Council will develop a detailed risk management framework governing the use of derivatives, but this will also require full Council approval. |

## Exchange Rate Risk Management

The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the Council's finances against which the Council has failed to protect itself adequately.

### Principle

The Council will ensure that it protects itself adequately against the risk of fluctuations in foreign exchange rates creating an unexpected or unbudgeted burden on the Council's finances. It will manage any exposure to fluctuations in exchange rates so-as-to minimise any detrimental impact on its budgeted income/expenditure levels.

### Schedule

| | |
|---|---|
| Exchange rate risk management | This Council does not, on a day-to-day basis, have foreign currency transactions or receipts. Unexpected receipt of foreign currency will be converted to sterling at the earliest opportunity.<br><br>If the Council has a contractual obligation to make a payment in a currency other than sterling then forward foreign exchange transactions will be considered, with professional advice.<br><br>At the present time statute prevents the Council borrowing in currencies other than Sterling. The Council has also determined that all its investments will be in Sterling. |

## Refinancing Risk Management

The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancings, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.

### Principle

The Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over reliance on any one source of funding if this might jeopardise achievement of the above.

**Schedule**

| | |
|---|---|
| Projected capital investment requirements | Five year projections are in place for capital expenditure and its financing or funding. Financing will be from capital receipts, reserves and any grants or contributions, revenue resources or reserves. Funding will be from internal or external borrowing, as decided.<br><br>We also have a 'capital vision', which holds details of possible capital income and expenditure in the future.<br><br>As required by the Prudential Code, the Council will undertake an Options Appraisal exercise to evaluate the best capital expenditure financing route.<br><br>The Council's projected long-term borrowing requirement will be linked to the liability benchmark. |
| Debt profiling, policies and practices | Any longer term borrowing will be undertaken in accordance with the Prudential Code and will comply with the Council's Prudential Indicators and the annual capital and investment.<br><br>The Council will maintain, through its treasury system, currently Latima, reliable records of the terms and maturities of its borrowings, capital, project and partnership funding and, where appropriate, plan and successfully negotiate terms for its refinancing.<br><br>Where the lender to the Council is a commercial body the Council will aim for diversification in order to spread risk and avoid over-reliance on a small number of counterparties. |
| Policy concerning limits on revenue consequences of capital financings | The revenue consequences of financing the capital programme are included in cash flow models, annual revenue estimates and medium term forecasts. |

## Legal and Regulatory Risk Management

The risk that the Council itself, or a third party with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the Council suffers losses accordingly.

**Principle**

The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. We will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing our credit and counterparty policy under *TMP1(1): Credit and counterparty risk management,* we will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the Council, particularly with regard to duty of care and fees charged.

The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

**Schedule**

<table>
<tr><td>References to relevant statutes and regulations</td><td>The treasury management activities of the Council shall comply fully with legal statute and the regulations of the Council. These are:<br><br>▪ CIPFA’s Treasury Management Code of Practice 2001 and subsequent amendments<br>▪ CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities<br>▪ CIPFA Prudential Code for Capital Finance in Local Authorities and subsequent amendments<br>▪ CIPFA Standard of Professional Practice on Treasury Management<br>▪ The Local Government Act 2003<br>▪ The Local Authorities (Capital Finance and Accounting) (England ) Regulations 2003 SI 2003 No 3146, and subsequent amendments<br>▪ The CLG’s statutory Guidance on Minimum Revenue Provision (MRP)<br>▪ Pensions, England and Wales – The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 – SI 2009 No 3093<br>▪ The ODPM’s (now CLG’s) Guidance on Local Government Investments in England issued March 2004 and subsequent amendments<br>▪ The Local Authorities (Contracting out of Investment Functions) Order 1996 SI 1996 No 1883<br>▪ LAAP Bulletins<br>▪ Code of Practice on Local Authority Accounting in the United Kingdom based on International Financial Reporting Standards (from 2011-12 onwards)<br>▪ Accounts and Audit Regulations 2003, as amended together with CLG’s Guidance<br>▪ The Localism Act<br>▪ The Non Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.<br>▪ CLG’s Self-Financing Policy Documentation and subsequent amendments<br>▪ Council’s Constitution including:-<br>    o Standing Order relating to Contracts<br>    o Financial Procedure Rules<br>    o Scheme of Delegation</td></tr>
<tr><td>Procedures for evidencing the organisation’s powers/ authorities to counterparties</td><td>The Council’s Financial Procedure Rules contain evidence of the power/ authority to act as required by section 151 of the Local Government Act 1972, under the general direction of the Executive.<br><br>The Council will confirm, if requested to do so by counterparties, the powers and authorities under which the Council effects transactions with them.<br><br>Where required, the Council will also establish the powers of those with whom they enter into transactions, including any compliance requirements in respect of a duty of care and best practice.</td></tr>
<tr><td>Required information from counterparties concerning their powers/ authorities</td><td>We shall only lend to institutions on our authorised lending list, or in securities which meet the Council’s approved credit criteria.<br><br>The Council will only undertake borrowing from approved sources listed in TMP 4: Approved Instruments, Methods and Techniques.</td></tr>
<tr><td>Statement on political risks and management of the same</td><td>Political risk is managed by:<br>• adoption of the CIPFA Treasury Management Code of Practice<br>• adherence to Corporate Governance (TMP 12 – Corporate Governance)<br>• adherence to the Statement of Professional Practice by the CFO<br>• the roles of the Corporate Governance and Standards Committee</td></tr>
</table>

## Fraud, Error and Corruption, and Contingency Management

This is the risk that the Council fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk referred to as operational risk.

**Principle**

The Council will ensure that we have identified the circumstances which may expose us to the risk of loss through fraud, error, corruption or other eventualities in our treasury management dealings. Accordingly, we will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

**Schedule**

<table>
<tr>
<td>Details of systems and procedures to be followed, including Internet services</td>
<td>Segregation of duties minimises the possibility of fraud and loss due to error, and is detailed in TMP5: Organisation, clarity and segregation of responsibilities, and dealing arrangements.<br><br>We review officer access to all systems at least six-monthly or as necessary.<br><br>1. <u>Electronic Banking and Dealing</u><br>(a) <u>Banking</u>: The Council’s online banking service provided by HSBC is subject to separate log-on and security device control allowing varying levels of access. Details of transactions and balances are available as required, and the system also holds historic data. Officers having access to the bank’s online system are as follows:<br><u>System Administrators</u><br>• Principal Group Accountant<br>• Accountancy Technician (Capital, Treasury and Assets)<br>• Head of Financial Services (HoFS)<br><u>Officers who can authorise payments</u><br>• Director of Resources<br>• HoFS<br>• Principal Group Accountant<br>• Principal Management Accountant<br>• Senior Financial Reporting Accountant<br><u>Other end users</u><br>• Accountant (Capital, Treasury and Assets)<br>• Accountancy Assistant – Financial and Reporting<br>• Cash office / payments staff<br>(b) Access to the Council’s <u>treasury management system</u>, currently Latima, is limited to those officers listed below, each having a separate log-on and password.<br>• Principal Group Accountant<br>• Accountancy Technician (Capital, Treasury and Assets)<br>• Accountant (Capital, Treasury and Assets)<br>• Accountancy Intern<br><br>Full procedure notes covering the day-to-day operation of the on-line banking system and the treasury management system are held in the Procedure Notes file, and electronically on the Council’s network.<br><br>2. <u>Standard Settlement Instructions</u> (SSI) list: a list is maintained of named officers who have the authority to transact loans and investments:<br>• Brokers and counterparties with whom the Council deals direct are provided a copy of the SSI list.<br>• A list of named officers with authority to borrow from the PWLB and invest with the Debt Management Agency Deposit Facility is also maintained with the PWLB/DMADF.<br>3. <u>Payment Authorisation</u> :<br>• Payments can only be authorised by agreed cheque signatories of the Council, the list of signatories having previously been agreed with the Council’s bank.<br>• Inflow and outflow of monies borrowed and invested will only be from the counterparty’s bank accounts, or their nominated custody account.<br>• Separate officers will carry out (a) dealing and (b) recording of transactions and disbursements.</td>
</tr>
</table>

| | |
|---|---|
| Verification | Loans and investments will be maintained in spreadsheet registers and the treasury management system which will include fees and brokerage paid.<br><br>Transactions will be cross-checked against broker notes, counterparty confirmations and PWLB loan schedules by verifying dates, amounts, interest rates, maturity, interest payment dates etc.<br><br>When receiving requests for change of payment details, due care will be exercised to ascertain the bona fide of the request and avoid potential fraud. Additional checks will be made through pre-existing contact details for the payee before altering payment details. |
| Substantiation | 1. The treasury management system balances are reconciled with financial ledger codes at the end of each month and at the financial year-end.<br><br>2. Working papers are retained for audit inspection.<br><br>3. The bank reconciliation is carried out monthly from the bank statement to the general ledger. |
| Internal Audit | Internal Audit carry out an annual regulatory review of the treasury management function including probity testing. *See TMP7: Budgeting, accounting and audit arrangements*. |
| Contingency Management | 1. Treasury systems, other than Latima, are retained on the Council's network. Daily back-ups are taken and maintained and network back-ups can be used by ICT to restore files, if necessary.<br>2. Backups for Latima are carried out by the provider as part of the contract and include a daily electronic backup to an appropriate medium for off-site storage.<br>3. Temporary off-site working facility: The officers who can avail of this facility following an emergency are Principal Group Accountant, Accountancy Technician (Capital, Treasury and Assets) who will individually be made aware of the procedures to follow.<br>4. Electronic Banking System Failure: Emergency procedures have been agreed with HSBC, for instance manual CHAPS payments can be undertaken and balances can be provided over the phone. |
| Insurance Cover details | The Council has Fidelity Guarantee cover up to £5 million. Details of the provider and cover are held by the Payroll and Insurance Manager. |

## Market Risk Management

This is the risk that, through adverse market fluctuations in the value of the principal sums the Council borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

### Principle

This Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

**Schedule**

| | |
|---|---|
| Details of approved procedures and limits for controlling exposure to investments whose capital value may fluctuate (gilts, CDs etc) | Investment instruments used by the external fund managers are subject to fluctuation in capital movements and exposed to interest rate risk. In order to minimise these risks capital preservation is set as the primary objective and pursuit of investment performance should be commensurate with this objective.<br><br>Additionally the following risk control guidelines are set for each fund as part of the fund management agreement to control market risk<br><br>(a) Maximum weighted average duration of the fund;<br>(b) Maximum permitted exposure to gilts/bonds;<br>(c) Maximum maturity of any instrument.<br><br>Pooled funds with a Variable Net Asset Value (VNAV) – the Council may use these types of funds in line with its capital and investment strategy and on advice from its treasury advisors.<br><br>The annual TMSS sets out the details and limits that can be invested in these sorts of instruments. |
| Accounting for unrealised gains/losses | The method of accounting for unrealised gains or losses on the valuation of financial assets comply with Accounting Code of Practice.<br><br>VNAV pooled funds will be treated as Available for Sale Assets. Segregated funds with external managers will be treated as Fair Value through Profit or Loss. |

# TMP 2: PERFORMANCE MEASUREMENT

## Principle

The Council is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the Council's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, or the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. The performance of the treasury management function will be measured using the criteria set out below.

## Schedule

| | |
|---|---|
| Policy concerning methods for testing value for money | Best value reviews will include the production of plans to review the way services are provided by<br><br>• Challenging<br>• Comparing performance<br>• Consulting with other users and interested parties<br>• Applying competition principles<br><br>in order to pursue continuous improvement in the way the Council's functions are exercised, having regard to a combination of value for money, efficiency and effectiveness.<br><br>The Council is a member of CIPFA benchmarking club, and benchmarking is provided by the Council's treasury management advisors, Arlingclose, against their clients.<br><br>As well as enabling comparison of performance with other authorities over a range of operations, the clubs provide a forum to discuss treasury management issues, and provide opportunities to review further and improve treasury management operations.<br><br>The Council is a member of the Surrey treasury management officers group who meet twice a year to discuss treasury management issues. |

| | |
|---|---|
| Policy concerning methods for performance measurement | • Performance measurement at this Council is intended to calculate the effectiveness of treasury activity in delivering the strategic objectives set through the Capital and Investment Strategy and the Council's Prudential Indicators and to enhance accountability.<br><br>• Prudential Indicators are local to the Council and are not intended as a comparator between authorities.<br><br>• The Council will use local indicators as set out in the Capital and Investment Strategy<br><br>• The performance review will be made in the light of general trends in interest rates during the year and how the decisions made corresponded with these trends and the Council's agreed strategy, i.e. the Council will avoid hindsight analysis.<br><br>Any comparison of the Council's treasury portfolio against recognised industry standards, market indices and other portfolios is intended to<br><br>(i) allow the Council the opportunity to assess the potential to add value through changes to the existing ways in which its portfolio is managed and<br>(ii) permit an informed judgement about the merits or otherwise of using new treasury management techniques or instruments.<br><br>In drawing any conclusions the Council will bear in mind that the characteristics of its treasury operations may differ from those of other councils, particularly with regard to the position on risk. |
| Methodology to be applied for evaluating the impact of treasury management decisions | Monitoring of the outcome of treasury management activity against Prudential Indicators and Performance Indicators approved by the Council is carried out on a monthly basis and reported to the HoFS/CFO, as part of the monthly Treasury Management monitor.<br><br>The monthly budget monitoring report to Corporate Management Team includes an interest projection, compared to budget, to highlight any potential surpluses or deficits on return on investments in the year.<br><br>Quarterly monitoring is presented to the Corporate Governance and Standards Committee as part of the Financial Monitoring report of the Council.<br><br>The year-end Annual Treasury Report will also include, as a matter of course, the outturn against the PIs set prior to the commencement of the financial year and any in-year amendments.<br><br>The Council's Treasury Management advisers review the existing debt portfolio on a regular basis and all transactions that have occurred in the interim in order to ensure that best practice has been achieved.<br><br>The Council's treasury management advisors compare the performance of the Council's in-house funds against the cash benchmark and the performance of the externally managed funds is benchmarked against each funds individually set benchmark. Performance is also compared with funds managed on a similar basis in the local authority manager peer group. |

| | |
|---|---|
| Methodology to be employed for measuring the performance of the Council's treasury management activities | Treasury management activity is reviewed monthly against strategy and prevailing economic and market conditions through the treasury management monitoring report presented to HoFS/CFO.<br><br>The report will include:<br>a) Total debt including average rate and maturity profile<br>b) The effect of new borrowing and/or maturities on the above<br>c) The effect of any debt restructuring on the debt portfolio<br>d) An analysis of any risks inherent within the debt portfolio (e.g. exposure to variable rate)<br>e) Total investments including average rate, credit and maturity profile<br>f) The effect of new investments/redemptions/maturities on the above<br>g) The rate of return on investments against their indices for internally and externally managed funds<br>h) An analysis of any risks inherent within the investment portfolio (e.g. exposure to market movements in the value of CDs, gilts/bonds, callable deposits in their call period)<br>i) A statement whether the treasury management activity resulted in a breach of the Prudential Indicators and other limits set within the capital and investment strategy.<br>j) Performance Indicators against target<br>k) Daily bank balances: any major deviations from the target bank balances |
| Benchmarks and calculation methodology with regard to risk and return | **Treasury Management Costs**<br>Costs are split into debt management, investment management and other. Investment management is then shown as cost per £m invested, and debt management costs per £m value of debt.<br><br>**Investment returns** are compared to the 7-day rate or the Bank of England base rate.<br>• internally managed investment returns - total interest accruing during the month or year on average daily balances invested during the calendar month.<br>• externally managed investment returns - the growth (i.e. increase in value of the fund) in respect of the monthly average value of the fund.<br><br>**Debt Management**<br>▪ average rate on all external debt<br>▪ average rate on external debt borrowed in financial year<br>▪ average rate on internal borrowing<br>▪ average period to maturity of external debt<br>▪ average period to maturity of new loans in financial year<br>▪ ratio of PWLB and market debt (beginning and end of period)<br>▪ ratio of fixed and variable rate debt (beginning and end of period) |

| | |
|---|---|
| Best value | The treasury management function will be the subject of ongoing analysis of the value it adds in support of the Council's stated corporate and service objectives.<br><br>When tendering for treasury-related or banking services, the Council adheres to its Financial Procedure Rules. These require that:<br><br>a) for contracts under £xx, at least x quotes and service delivery proposals are generally obtained<br>b) when placing a contract with a value in excess of £xx, a tendering process that meets the requirements of the EU procurement procedures (OJEU) is undertaken.<br>c) if necessary, the Council will also consult with other users of similar services as well as with interested parties.<br>d) the Council will also evaluate alternative methods of the availability of fiscal, grant or subsidy initiatives, and service delivery. |

# TMP 3: DECISION-MAKING AND ANALYSIS

## Principle

The Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issued relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed below.

## Schedule

| | |
|---|---|
| Major treasury decisions | As a public service organisation, there is a requirement to demonstrate openness and accountability in treasury management activities. Accordingly, the Council will create and maintain an audit trail of major treasury management decisions which comprise either:<br><br>a) changes to Prudential Indicator(s) during the course of the financial year<br>b) Options Appraisal to determine a funding decision<br>c) raising a new long-term loan / long-term source of finance<br>d) prematurely restructuring/redeeming an existing long-term loan(s)<br>d) investing longer-term (i.e. in excess of 1-year)<br>f) utilisation of investment instruments which constitute capital expenditure (i.e. loan capital/share capital in a body corporate)<br>g) leasing<br>h) change in banking arrangements<br>i) appointing/replacing a treasury advisor<br>j) appointing/replacing a fund manager |
| Process | The Council's strategy for the application of its treasury policy is set out in the annual capital and investment strategy.<br><br>Based on the annual Treasury Management Strategy, the CFO will prepare, monthly, for the ensuing 12 months rolling forecasts of the financing, borrowing and surplus cash requirements of the Council, for the purpose of:<br>• applying the strategy on a day-to-day basis<br>• monitoring the results of the strategy<br>• recommending amendments to the strategy to the Executive, where applicable, during the course of the year. |
| Delegated powers for treasury management | The CFO has delegated powers to carry out the Council's strategy for debt management, capital finance and borrowing, depositing surplus funds and managing the cash flows of the Council. |

| | |
|---|---|
| Issues to be addressed, evaluation, authorisation | In exercising these powers, the CFO, and those to whom the treasury activity have been delegated, will<br>• have regard to the nature and extent of any associated risks to which the Council may become exposed;<br>• be certain about the legality of the decision reached and that the necessary authority to proceed has been obtained;<br>• be satisfied that the documentation is adequate to deliver the Council's objectives, protect the Council's interests, and to maintain an effective audit trail;<br>• ensure that the perceived credit risk associated with the approved counterparties parties is judged satisfactory and is within agreed limits;<br>• be satisfied that the terms of any transactions have been fully checked against the market, and have been found to be competitive;<br>• follow best practice in implementing the treasury transaction.<br><br>In exercising Borrowing and Funding decisions, the CFO will<br>• evaluate economic and market factors that may influence the manner and timing of any decision to fund;<br>• consider alternative forms of funding, including use of revenue resources, leasing and private partnerships;<br>• consider the use of internal resources and/or the most appropriate periods to fund and repayment profiles to use;<br>• consider ongoing revenue liabilities created;<br>• where applicable, monitor regularly the benefits of internal borrowing against the potential for incurring additional costs by deferring borrowing into future years.<br><br>In exercising Investment decisions, the CFO will<br>• determine that the investment is within the Council's strategy and pre-determined instruments and criteria;<br>• consider the optimum period, in the light of core balances and reserves, cash flow availability and prevailing market conditions;<br>• the credit risk associated with unsecured investments with banks and building societies<br>• consider the alternative investment products and techniques available if appropriate. |
| Processes to be followed | The processes to be followed will be in keeping with *TMP 4: The Council's Approved, Instruments, Methods and Techniques*. |
| Evidence and records to be kept | The Council will maintain a record of all major treasury management decisions, the processes undertaken and the rationale for reaching the decision made.  These will allow for an historical assessment of decisions made and verification that any checks and safeguards are indeed in place and operating correctly.<br><br>Records and working papers will be maintained by the Council electronically, and /or in relevant files. |

# TMP 4: APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

## Principle
The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in *TMP1 Risk Management*.

## Schedule

| | |
|---|---|
| Approved treasury management activities | The Council is permitted to undertake the following activities:<br><br>▪ managing cashflow<br>▪ capital financing<br>▪ borrowing including debt restructuring and debt repayment<br>▪ lending including redemption of investments<br>▪ banking<br>▪ leasing<br>▪ managing the underlying risk associated with the Council's capital financing and surplus funds activities.<br><br>The above list is not finite and the Council would, from time-to- time, consider and determine new financial instruments and treasury management techniques. The Council will, however, consider carefully whether the officers have the skills and experience to identify and manage the advantages and risks associated with using the instruments/techniques before undertaking them, more so as some risks may not be wholly or immediately transparent. |
| Approved capital financing methods and types/sources of funding | • Public Works Loans Board (PWLB) loans<br>• long term money market loans including LOBOs<br>• temporary money market loans (up to 364 days).<br>• bank overdraft<br>• loans from bodies such as the European Investment Bank (EIB)<br>• stock issues<br>• operating and finance Leases<br>• deferred Purchase<br>• Government and EU Capital Grants<br>• lottery monies<br>• other Capital Grants and Contributions<br>• private finance initiative<br>• hire purchase<br>• sale and leaseback<br><br>Internal Resources<br>• Capital receipts<br>• Revenue balances<br>• Use of Reserves<br><br>Approved sources of long-term and short-term borrowing include:<br>▪ PWLB and its successor body<br>▪ any institutions approved for investments<br>▪ any other bank or building society authorised to operate in the UK<br>▪ UK public and private sector pension funds (other than SCC)<br>▪ Local Capital Finance Company and other special purpose vehicles created to enable local authority bond issues<br><br>The level of debt will be consistent with the capital and investment strategy and the Prudential Indicators. |

| | |
|---|---|
| Approved investment instruments | The Council will determine through our Annual Investment Strategy (AIS) which instruments we will use, giving priority to the security and liquidity (in that order) of its invested monies. The investments will be categorised as 'Specified' or 'Non Specified' based on the criteria set out by the ODPM (now CLG) in its Investment Guidance March 2004 (as amended).<br><br>The Council will determine through the Annual Investment Strategy (AIS) which instruments will be used in-house and which will be used by the appointed external fund manager(s) including the maximum exposure for each category of non-specified investments. Where applicable, the Council's credit criteria will also apply.<br><br>Examples include, and are not limited to:<br>▪ deposits with the UK government, the DMADF, and UK local authorities<br>▪ fixed term deposits with banks and building societies<br>▪ certificates of deposit<br>▪ Callable deposits<br>▪ investments in money market funds<br>▪ treasury bills<br>▪ gilts<br>▪ bonds issued by multilateral development banks<br>▪ sterling nominated bonds by non-UK sovereign governments<br>▪ covered bonds (ie those with underlying collateral)<br>▪ unsecured corporate bonds<br>▪ reverse repurchase agreements (reverse repo)<br>▪ investments with registered providers of social housing (ie housing associations)<br>▪ commercial paper<br>▪ floating rate notes<br>▪ pooled funds (ie collective investment schemes meeting the criteria in SI 2004 No 534 and subsequent amendments<br>▪ Pooled funds (ie collective investment schemes which do not meet the definition of collective investment schemes in SI 2004 No 534 and subsequent amendments – these will be capital expenditure investments<br><br>The use of the above instruments by the Council's fund manager will be by reference to the fund guidelines contained in the agreement between the Council and the manager.<br><br>The external fund managers have the expertise to deal in CDs, treasury bills and corporate bonds and debt instruments, all of which are instruments that may expose the Council to changes in the value of capital. |
| Use of Derivatives | The general power of competence in Section 1 of the Localism Act 2011 removed much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are no embedded into a loan or investment).<br><br>The Council intends to use derivative instruments for the management of risks, limited to those set out in the annual treasury strategy. The Council will seek proper advice and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products.<br><br>Embedded derivatives will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy. |

# TMP 5: ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

## Principle

The Council considers it essential, for the:

- purposes of the effective control and monitoring of its treasury management activities,
- reduction of the risk of fraud or error, and
- pursuit of optimum performance

that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when the Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the CFO will ensure that the reasons are properly reported in accordance with *TMP6: Reporting requirements and management information arrangements*, and the implications properly considered and evaluated.

The CFO will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The CFO will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed in the schedule below.

The CFO will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedule below.

The delegations to the finance team in respect of treasury management are set out in the schedule below. The finance team will fulfil all such responsibilities in accordance with the organisation’s policy statement and TMPs and, if a CIPFA member, the Standard of Professional Practice on Treasury Management.

## Schedule

| | |
|---|---|
| Limits to responsibilities at Executive levels | Full Council:<br>• receiving and reviewing Prudential Indicators as part of the budget setting process (following receipt by the Executive)<br>• receiving and reviewing reports on treasury management policies, practices and activities (following receipt by the Executive)<br><br>The Executive:<br>• approval of amendments to adopted clauses, and treasury management policy statement<br>• budget consideration and approval<br>• receiving and reviewing external audit reports and acting on recommendations<br>• approving the selection of external service providers and agreeing terms of appointment |
| Principles and practices concerning segregation of duties | The segregation of duties will be determined by the CFO.<br><br>Segregation of duties exists in that:<br><br>• the officer(s) responsible for negotiating and closing treasury management deals are completely separate from the officer with responsibility for recording the transactions in the cash book and completing cheque and bank reconciliations<br>• the officer(s) responsible for negotiating and closing treasury management deals is separate from officer(s) authorising payments<br>• all borrowing/investments decisions must be authorised by one of the Managing Director, CFO/HoFS, Deputy CFO, Director of Resources, Principal Group Accountant, Principal Management Accountant, Senior Financial Reporting Accountant .<br><br>Additionally, The Council receives bank statements on a daily basis.<br><br>These are posted independent of the treasury function in order to maintain an adequate separation of duties. |

| | |
|---|---|
| Statement of duties/ responsibilities of each treasury post | The CFO is responsible for:<br><br>• submitting budgets and budget variations<br>• recommending clauses, treasury management policy, practices for approval, reviewing the same regularly and monitoring compliance<br>• determining Prudential Indicators and treasury management strategy including the Annual Investment Strategy (AIS)<br>• submitting regular treasury management policy reports<br>• receiving and reviewing management information reports<br>• reviewing the performance of the treasury management function and promoting best value reviews<br>• ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function<br>• ensuring the adequacy of internal audit and liaising with external audit<br>• recommending the appointment of external service providers<br>• determining long-term capital financing and investment decisions.<br><br>• The CFO has delegated powers to determine and undertake the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.<br><br>• The CFO may delegate her power to borrow and invest to Principal Group Accountant, Accountant (Capital, Assets and Treasury) Accountancy Technician (Capital, Assets and Treasury),<br><br>Principal Group Accountant<br>• Deputise for the CFO in their absence<br>• execution of transactions<br>• adherence to agreed policies and practices on a day-to-day basis<br>• maintaining relationships with third parties and external service providers<br>• monitoring performance on a day-to-day basis<br>• submitting management information reports to the responsible officer<br>• identifying and recommending opportunities for improved practices.<br>• prepare the capital and investment strategy<br><br>Accountancy Technician (Capital, Assets and Treasury)<br>• execution of transactions<br>• reconciling treasury management transactions to the general ledger<br>• recording / reconciling counterparty documentation and custody accounts<br><br>Accountant (Capital, Assets and Treasury)<br>• execution of transactions<br>• adherence to agreed policies and practices on a day to day basis<br><br>Accountancy Assistant – Financial Reporting<br>• recording treasury management transactions and investment income in the cash book,<br>• cheque and bank reconciliation |

| | |
|---|---|
| Absence cover arrangements | Cover in the absence of the Principal Group Accountant is provided by<br><br>• Accountancy Technician (Capital, Assets and Treasury)<br>• Accountant (Capital, Assets and Treasury)<br>• Accountancy Intern<br>• Head of Financial Services<br><br>Cover is reviewed at least every six months, or as necessary.<br><br>Full procedure notes are available, detailing the processes required to enable the day-to-day operation of the treasury management function. |
| Description of the relationships between the chief finance officer, the monitoring officer and the head of paid service. | The Managing Director is the Head of Paid Service. The Head of Financial Services is the s1515 officer. The legal Services manager and the audit and performance manager are the Monitoring Officers'. They report to the Director of Resources and the Managing Director respectively. |

**Dealing**

| | |
|---|---|
| Authorised officers | Responsible officers for borrowing/investment decisions:<br><br><u>Borrowing activity</u><br>• HoFS<br>• Principal Group Accountant<br>• Accountancy Technician (Capital, Assets and Treasury)<br>• Accountant (Capital, Assets and Treasury)<br><br><u>Lending activity</u><br>• HoFS<br>• Principal Group Accountant<br>• Accountancy Technician (Capital, Assets and Treasury)<br>• Accountant (Capital, Assets and Treasury)<br><br><u>Authorising payments for borrowing/lending (HSBC net)</u><br>• HoFS<br>• Principal Group Accountant<br>• Principal Management Accountant<br>• Senior Financial Reporting Accountant<br>• Director of Resources<br><br><u>Transaction recording (bank statements)</u><br>• Accountancy Assistant – financial reporting |
| Dealing limits | <u>Internally Managed Investments</u><br>• the maximum for any one investment deal is subject to the lending limits detailed in the Council's AIS<br><br><u>Externally Managed Investments</u><br>• the maximum amount placed with any single financial institution is detailed in the Council's AIS |
| List of approved brokers | Brokers used by the Council are named in *TMP 11: External Service Providers* |
| Policy on brokers' services | It is the Council's policy to utilise the services between at least two brokers. The Council will maintain a spread of business between them in order to avoid relying on the services of any one broker. |
| Policy on taping of conversations | Conversations with brokers are taped by the brokers. No taping is carried out by the Council at present. |

| | |
|---|---|
| Direct dealing practices | Direct dealing is carried out with institutions and with external pooled funds identified in the procedure notes file subject to counterparty and maturity limits and dealing limits.<br><br>Prior to undertaking direct dealing, the Council will ensure that each counterparty/fund has been provided with the Council's list of authorised dealers and the Council's Standard Settlement Procedures. |
| Deal Ticket pro forma | Deals will be recorded as per the deal ticket pro-formas<br>(pro forma maintained at operational level) |
| Settlement transmission procedures | • settlements are made by online by CHAPS<br>• all CHAPS payments relating to settlement transactions require authorisation by an authorised officer,<br>• all CHAPS payments require authorisation online by an authorised signatory as set out in *TMP:1 Risk Management (Fraud, error and corruption and contingency management)* |
| Documentation requirements | For each deal undertaken a record should be prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payments date(s), broker.<br><br>Investments<br>• deal ticket authorising the investment<br>• confirmation from the broker<br>• confirmation from the counterparty<br>• contract notes for the purchase and sale of shares/units in pooled funds from the fund's manager/administrator<br>• Chaps payment transmission document<br><br>Loans<br>• deal ticket with signature to agree loan<br>• confirmation from the broker<br>• confirmation from PWLB/market counterparty<br>• Chaps payment transmission document for repayment of loan. |
| Arrangements concerning the management of counterparty funds | The CFO has responsibility for updating the Council's records with any credit developments.<br><br>The Principal Group Accountant is tasked with the responsibility for checking that records have been correctly updated to reflect any credit developments |

# TMP 6: REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

## Principle

The Council will ensure that regular reports are prepared and considered on the implementation of its treasury management policies

- on the effects of decisions taken and transactions executed in pursuit of those policies;
- the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and
- the performance of the treasury management function.

As a minimum, the Executive will receive:

- an annual report on the strategy and plan to be pursued in the coming year
- a mid-year review
- an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy statement and TMPs.

The CFO and Councillors will receive regular monitoring reports on treasury management activities and risks.

The Corporate Governance and Standards Committee will have responsibility for the scrutiny of treasury management policies and practices.

The present arrangements and the form of these reports are outlined below.

## Schedule

| | |
|---|---|
| Frequency of executive reporting requirements | The CFO will annually submit budgets and will report on budget variations as appropriate.<br><br>The CFO will submit the **Prudential Indicators** and the **Treasury Strategy Statement (including Annual Investment Strategy)** and report on the projected borrowing and investment strategy and activity for the forthcoming financial year to the Executive and full Council before the start of the year.<br><br>The **Annual Treasury Report** will be prepared as soon as practicable after the financial year-end and, in all cases, before the end of September, and reported to Corporate Governance and Standards Committee, the Executive and full Council.<br><br>A **Mid-Year Treasury Report** will be prepared by the Principal Group Accountant which will report on treasury management activities for the first part of the financial year. The report will also provide a forecast for the current year. The mid-year report will be submitted to the Corporate Governance and Standards Committee during the year.<br><br>Monthly reports are reported and discussed internally as part of the monthly treasury management strategy meetings |

| | |
|---|---|
| Content of Reporting:<br>1. Prudential Indicators | The Council will set the following Prudential Indicators, revise if necessary, and in its annual / semi-annual reports publish actual outturn (where appropriate) in respect of, as a minimum<br><br>▪ Financing costs as a proportion of net revenue stream (estimate; actual)<br>▪ Capital expenditure (estimate; actual)<br>▪ Incremental impact of capital financing decisions (estimate)<br>▪ Capital Financing Requirement (estimates; actual)<br>▪ Authorised limit for external debt<br>▪ Operational boundary for external debt<br>▪ Actual external debt<br>▪ Upper limits on fixed and variable rate interest exposures<br>▪ Upper and lower limits to maturity structure of fixed rate borrowing<br>▪ Upper limit to total of principal sums invested longer than 364 days.<br><br>The Prudential Indicators are approved and revised by the Executive and full Council and are integrated into the Council's overall financial planning and budget process.<br><br>The Corporate Governance and Standards Committee will also receive a copy of this report to carry out its scrutiny role of treasury management. |
| 2. Treasury Strategy Statement including the Annual Investment Strategy | The capital and investment strategy integrates with the Prudential Indicators being set and will include the following<br><br>• link to capital financing and treasury management Prudential Indicators for the current and ensuing five years<br>• strategy for financing new borrowing requirements (if any) and refinancing maturing borrowing (if any) over the next three years and for restructuring of debt<br>• the extent to which surplus funds are earmarked for short term requirements<br>• the investment strategy for the forthcoming year(s) *(see below*)*<br>• the minimum to be held in short term/specified investment during the coming year<br>• the interest rate outlook against which the treasury activities are likely to be undertaken.<br><br>*Based on the CLG Guidance on Investments, the Council will produce an AIS which sets out<br>▪ the objectives, policies and strategy for managing its investments;<br>▪ the determination of which Specified and Non-Specified Investments the Council will utilise during the forthcoming financial year(s) based on the Council's economic and investment outlook and the expected level of investment balances;<br>▪ the limits for the use of Non-Specified Investments.<br><br>The AIS will be integrated into the treasury strategy statement.<br><br>The Corporate Governance and Standards Committee will also receive a copy of this report to carry out its scrutiny role of treasury management. |

| | |
|---|---|
| 3. Annual Treasury Report | The CFO will produce an annual report for the Executive on all activities of the treasury management function (including the performance of fund managers) as soon as practicable after year end and in all cases no later than 30 September of the succeeding financial year.<br><br>The main contents of the report will comprise<br><br>▪ confirmation that the Council calculated its budget requirements and set a balanced budget for the FY;<br>▪ the prevailing economic environment<br>▪ a commentary on treasury operations for the year, including their revenue effects;<br>▪ commentary on the risk implications of treasury activities undertaken and the future impact on treasury activities of the Council<br>▪ compliance with agreed policies/practices and statutory/regulatory requirements<br>▪ compliance with Prudential Indicators;<br>▪ performance measures.<br><br>The Corporate Governance and Standards Committee will also receive a copy of this report to carry out its scrutiny role of treasury management. |
| 4. Mid-Year Treasury Report | The CFO will produce a mid-year report for Councillors on the borrowing and investment activities of the treasury management function (including performance of fund managers) for the first six months of the financial year.<br><br>The main contents of the report will comprise<br>• Economic background<br>• Economic forecast (including interest rates forecast)<br>• Treasury Management Strategy Statement update<br>• Performance versus benchmarks<br>• Borrowing information (including premature repayment, new loans information)<br>• Information on investments, including current lending list<br>• Prudential indicators relating to treasury management<br>• Governance framework and scrutiny arrangements<br><br>The Corporate Governance and Standards Committee will receive a copy of this report as part of the financial monitoring of the Council, to carry out its scrutiny role of treasury management. |

| | |
|---|---|
| Content and frequency of management information reports | The Principal Group Accountant produces a monthly monitoring report for the CFO/HoFS, and the Lead Councillor for Finance.<br><br>This report includes details of:<br><br>• borrowing and investment activity undertaken<br>• performance of internal and external investments against benchmark<br>• cash flow monitoring<br>• interest rates and forecasts<br>• extent of compliance with the treasury strategy and reasons for variance (if any)<br>• any other, e.g. details of daily bank balances against target balances<br>• Prudential Indicator monitoring and compliance<br>• performance indicator monitoring<br>• reconciliations of temporary investments, balances and interest |

# TMP 7: BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

## Principle

The CFO will prepare, and the Council will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with *TMP1: Risk management, TMP2: Performance measurement, and TMP4: Approved instruments, methods and techniques*. The form which the Council's budget will take is set out in the schedule below.

The CFO will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with *TMP6: Reporting requirements and management information arrangements*.

The Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being. The present form of the Council's accounts is set out in the schedule.

The Council will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices. The information made available under present arrangements is detailed below.

## Schedule

| | |
|---|---|
| Statutory/regulatory requirements | ***Balanced Budget Requirement*** : The provisions of S32 and S43 of the Local Government Finance Act 1992 require this Council to calculate its budget requirement for each financial year including, among other aspects:<br><br>(a) the expenditure which is estimated to be incurred in the year in performing its functions and which will be charged to a revenue account and<br>(b) revenue costs which flow from capital financing decisions.<br><br>S33 of the Act requires the Council to set a council tax sufficient to meet expenditure after taking into account other sources of income. |
| Proper accounting practice | CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (the local authority SORP) constitutes "proper accounting practice under the terms of S21 (2) of the Local Government Act 2003". |

| | |
|---|---|
| Financial Statements | The Financial Statements comprise:<br>▪ An explanatory foreword<br>▪ Accounting policies, changes in accounting estimates and errors<br>▪ Presentation of financial statements<br>▪ Movement in reserves statement<br>▪ Comprehensive income and expenditure statement<br>▪ Balance sheet<br>▪ Cash flow statement<br>▪ Housing revenue account<br>▪ Collection Fund (England)<br>▪ Statement of Responsibilities<br>▪ The Accounting Statements<br>▪ Additional Financial Statements (Housing Revenue Account, Collection Fund)<br>▪ Notes to the financial statements<br>▪ Statements reporting reviews of internal controls or internal financial controls<br>▪ Events after the reporting period<br>▪ Related party disclosures |
| Format of the Council's accounts | The current form of the Council's accounts is available within the Financial Services department. |
| Disclosures relating to treasury management | Due regard will be given to the disclosure requirements under CIPFA's Accounting Code of Practice. |
| Treasury-related information requirements of external auditors | The following information is specifically requested by the external auditor and should be considered an initial request for information. It is usually followed by more detailed audit testing work which often requires further information and/or explanations from the Council's officers.<br><br>Information is this context includes internally generated documents including those from the Council's treasury management system, externally generated documents, observation of treasury management practices which support and explain the operation and activities of the treasury management function.<br><br>▪ Determination of Affordable Borrowing Limit under Section 3 of the Local Government Act 2003.<br>▪ Prudential Indicators.<br>▪ Capital and Investment Strategy including the AIS.<br><br><u>External borrowing</u>:<br>• new loans borrowed during the year: PWLB certificates / documentation in relation to market loans borrowed (including copy of agreements, schedule of commitments)<br>• loan maturities in the year<br>• compliance with proper accounting practice, regulations and determinations for the amortisation of premiums and discounts arising on loans restructured during the year and previous years.<br>• analysis of loans outstanding at year end including maturity analysis.<br>• analysis of borrowing between long- and short-term<br>• debt management and financing costs<br>    ▪ calculation of (i) interest paid (ii) accrued interest<br>    ▪ interest paid<br>• MRP calculation and analysis of movement in the CFR.<br>• bank overdraft position.<br>• brokerage/commissions/transaction related costs. |

| | |
|---|---|
| | <u>Investments</u>:<br>• investment transactions during the year including any transaction-related costs<br>• cash and bank balances at year end<br>• short-term investments at year end<br>• long-term investments at year end (including investments in associates and joint ventures) by asset type, including unrealised gains or losses at year end<br>• calculation of (i) interest received (ii) accrued interest<br>• actual interest received<br>• external fund manager valuations including investment income schedule and movement in capital values, transaction confirmations received (if any)<br>• basis of valuation of investments<br>• evidence of existence and title to investments (e.g. Custodian's Reports;<br>• schedule of any investments in companies together with their latest financial statements); statement of transactions between the company and the Council. |
| | <u>Cash Flow</u><br>▪ reconciliation of the movement in cash to the movement in net debt<br>▪ cash inflows and outflows (in respect of long-term financing)<br>▪ cash inflows and outflows (in respect of purchase/sale of long-term investments)<br>▪ net increase/decrease in (i) short-term loans (ii) short-term deposits (iii) other liquid resources<br><br><u>Other</u><br>▪ external advisors'/consultants' charges |
| Internal Audit | Internal Audit generally conducts an annual review of the treasury management function and probity testing.<br><br>The internal auditors will be given access to treasury management information/documentation as required by them. |
| Compliance with CIPFA Treasury Management and Prudential Codes | Auditors may require evidence/demonstration of compliance with external and internal treasury management policies and strategy.<br><br>Any serious breach of the TM Code's recommendations or Prudential Indicators should be brought to the attention of the external auditor. |
| Costs for treasury management | The budget for treasury management forms part of the Corporate Services budget.  Investment income and borrowing costs form a separate item in the Council's accounts. |

# TMP 8: CASH AND CASH FLOW MANAGEMENT

## Principle

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the CFO, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the CFO will ensure that these are adequate for the purposes of monitoring compliance with *TMP1 [2] liquidity risk management*. The present arrangements for preparing cash flow projections and their form are set out in the schedule below.

## Schedule

| | |
|---|---|
| Arrangements for preparing /submitting cash flow statements | Cash flow forecasts will be viewed over five time horizons and will be used to formulate the Council's borrowing and investment strategy by identifying periods of surplus or shortfall of cash balances.<br><br>The cash flow forecasts and statements are held at operational level electronically.<br><br>The accuracy and effectiveness of the Council's cash flows are dependent on the accuracy of estimating expenditure, income and their corresponding time periods.<br><br>An **outline medium-term cash flow** model is prepared as part of the budget process, with projections for five further years. It is summarised and looks mainly at cash flows arising from the capital programme, the in-year capital financing requirement, scheduled loan repayments and long-term investment maturities, and anticipated movements in reserves.<br><br>A **detailed annual cash flow** is prepared for the financial year once the budget for the ensuing year has been agreed, which is monitored and updated on a monthly basis. It identifies the major inflows and outflows on a month-by-month basis.<br><br>It is prepared using the agreed revenue budget and capital programme for the financial year and based on the knowledge obtained from the Council's various service sections incurring the expenditure /receiving the income and can be supplemented by the experience from previous years.<br><br>**Daily cash flows** show forecast and planned movements of cash on a daily basis, including the matching of known inflows and payments. This is recorded in the Latima system. |

| | |
|---|---|
| Content and frequency of cash flow projections | The detailed annual cash flow model includes the following:<br>• revenue income and expenditure based on the budget.<br>• profiled capital income and expenditure as per the capital programme.<br><br>**Revenue activities**:<br>Inflows :<br>▪ revenue support grant<br>▪ precepts received<br>▪ non domestic rates receipts<br>▪ NNDR receipts from national pool<br>▪ council tax and business rates receipts<br>▪ other government grants<br>▪ cash for goods and services<br>▪ other operating cash receipts<br><br>Outflows:<br>▪ salaries and payments on behalf of employees<br>▪ operating cash payments<br>▪ housing benefit paid<br>▪ precepts paid<br>▪ NNDR payments to national pool<br>▪ payments to the capital receipts pool<br><br>**Capital activities including financing**<br>Inflows:<br>▪ capital grants received<br>▪ sale of fixed assets<br>▪ other capital cash receipts<br><br>Outflows:<br>▪ purchase of fixed assets<br>▪ purchase of long-term investments<br>▪ other capital cash payments<br><br>**Financing, Servicing of Finance/Returns on Investments**<br>Inflows:<br>▪ new long-term loans raised<br>▪ new short-term loans raised<br>▪ details of withdrawals from investment funds<br>▪ interest received<br>▪ discount on premature repayment of loan<br><br>Outflows:<br>▪ loan repayments<br>▪ premia on premature repayment of loan<br>▪ short-term investments<br>▪ capital element of finance lease rental payments<br>▪ interest paid<br>▪ interest element of finance lease rental payments |

| | |
|---|---|
| Monitoring, frequency of cash flow updates | The annual cash flow statement is updated monthly with the actual cash inflows and outflows after taking account of any revisions including those relating to grant income and capital expenditure and will be reconciled with:<br><br>• net RSG and NNDR payments as notified;<br>• county council and police authority precepts as notified;<br>• actual salaries and other employee costs paid from account bank statements;<br>• actual payments to Inland Revenue from general account bank statements;<br>• actual council tax received from the general ledger;<br>• actual rent allowances paid from the general ledger;<br>• actual housing benefit;<br>• actual council house rent cash received from the general ledger;<br>• actual capital programme expenditure and receipts from the general ledger;<br>• loan principal and interest repayments from bank statements. |
| Bank statements procedures | The Council receives bank statements on a daily basis. These are posted independent of the treasury function in order to maintain an adequate separation of duties and are reconciled to the general ledger on a monthly basis. |
| Payment scheduling | The Council has a policy of paying suppliers in line with agreed terms of trade and the following service standards:<br>• to make accurate and timely payments to creditors of the Council<br>• to make urgent payments to creditors within one day if required<br>• to respond to all written enquiries within five working days |
| Monitoring debtor/ creditor levels | Debtor levels are monitored by a monthly Sundry Debtors Monitoring Report to the CFO and the Head of Financial Services which will include an analysis of debt by age and details and details of recovery status. A monthly performance indicator is also produced with details of outstanding debt of more than three months old.<br><br>The level of Creditor invoices being processed / remaining unpaid is monitored on a daily basis by the e-payments manager. A monthly performance monitor report is produced. Payment runs are three times a week and details of all BACS and cheque payments per run are held by the payments department with a summary of the totals reported to the Principal Group Accountant. |
| Banking of funds | Instructions for the banking of income are set out in the Council's Financial Procedure Rules.<br><br>Cheques received by the Council are collated by the Payments department and sent to a cheque bureau on a daily basis.<br><br>The Council does not accept cash at the main office, but for the outstations each department is responsible for banking the cash received.<br><br>All the Council's sections are advised of the requirement to bank on a regular basis in order to comply with recommended best practice and also remain within the particular insurance limits for the Council's premises. |
| Listing of sources of information | The treasury function receives cash flow information as identified above. |

| | |
|---|---|
| Practices concerning prepayments to obtain benefits | The Council would not normally expect to make prepayments. However, each case will be examined on its merits, including the risk and potential benefit. |

# TMP 9: MONEY LAUNDERING

## Background

The Proceeds of Crime Act (POCA) 2002 consolidated, updated and reformed criminal law in the UK in relation to money laundering. The principal offences relating to money laundering are:

- Concealing, disguising, converting, transferring or removing criminal property from England and Wales, from Scotland or from Northern Ireland
- Being concerned in an arrangement which a person knows or suspects facilitates the acquisition, retention use or control of criminal property
- Acquiring, using or possessing criminal property.

Other offences include failure to disclose money laundering offences, tipping off a suspect either directly or indirectly, and doing something that might prejudice an investigation.

Organisations pursuing relevant businesses were required to
- appoint a nominated officer and implement internal reporting procedures;
- train relevant staff in the subject;
- establish internal procedures with respect to money laundering;
- obtain, verify and maintain evidence and records of the identity of new clients and transactions undertaken and report their suspicions.

In December 2007, the UK Government published the Money Laundering Regulations 2007, which replaced the 2003 Regulations.

CIPFA believes that public sector organisations should “embrace the underlying principles behind the money laundering legislation and regulations and put in place anti money laundering policies, procedures and reporting arrangements appropriate and proportionate to their activities”.

## Principle

The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff members involved in this are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed in the schedule below.

## Schedule

| | |
|---|---|
| Anti money laundering policy | This Council’s policy is to prevent, wherever possible, the organisation and its staff being exposed to money laundering, to identify the potential areas where it may occur and to comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases.<br><br>The Council has accepted responsibility to ensure that those of its staff who are most likely to be exposed to money laundering can make themselves fully aware of the law and, where necessary, are suitably trained. |

| | |
|---|---|
| Treasury Documentation | The Council will reflect the anti-laundering measures it has in place as part of its treasury documentation. Such measures include:<br><br>• Awareness of what constitutes money laundering<br>• The obligation to report knowledge of / having reasonable grounds to believe an offence might be committed<br>• Maintaining up to date direct dealing and SSI mandates with counterparties |
| Nomination of Responsible Officer(s) | (a) The Council has nominated Head of Audit and Performance to be the Money Laundering Reporting Officer to whom any suspicions relating to transactions involving the Council will be communicated.<br><br>(b) The responsible officer will be conversant with the requirements of the Proceeds of Crime Act 2002 and will ensure relevant staff are appropriately trained and informed so they are alert for suspicious transactions.<br><br>(c) The responsible officer will make arrangements to receive and manage the concerns of staff about money laundering and their suspicion of it, to make internal enquiries and to make reports, where necessary, to National Criminal Intelligence Services (NCIS).<br><br>(d) It is the responsibility of all Chief Officers to report all suspected irregularities to the Money Laundering Reporting Officer.<br><br>(e) It is the responsibility of the CFO to ensure all suspected financial irregularities are reported to the Money Laundering Reporting Officer, Chief Executive, the Executive and Standards Committee. |

| | |
|---|---|
| Procedures for establishing the Identity of Lenders and Borrowers | (a) In the course of its treasury activities, the Council will only borrow from permitted sources identified in *TMP 4*.<br><br>(b) The Council will not accept loans from individuals.<br><br>(c) In the course of its treasury activities, the Council will only invest with those counterparties which are on its approved lending list.<br><br>(d) The identity and authenticity of commercial institutions (banks, building societies and other financial institutions) authorised to carry out borrowing and lending activity in the UK will be checked via the Bank of England / Prudential Regulation Authority's website.<br><br>(e) All receipts/disbursements of funds will be undertaken by BACS or CHAPS settlement.<br><br>(f) Direct Dealing mandates: The Council will provide (in the case of lending) / obtain (in the case of borrowing) and maintain on file dealing mandates with any new money market counterparty. The mandates should be on letter-headed paper, dated and signed.<br><br>(g) All banking transactions will only be undertaken by the personnel authorised to operate the Council's banks accounts.<br><br>(h) If the Council takes / provides loans from individuals, it will establish robust procedures for verifying and recording the appropriate financial and personal information of such individuals.<br><br>(i) When receiving requests for change in payment details, due care will be exercised to ascertain the bona fide of the request and avoid potential fraud. Additional checks will be made through pre-existing contact details for the payee before altering payment details. |

# TMP 10: TRAINING AND QUALIFICATIONS

## Principle

The Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The CFO will recommend and implement the necessary arrangements.

The CFO will ensure that council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

The present arrangements are detailed in the schedule below.

**Schedule:**

| | |
|---|---|
| Qualifications/ experience for treasury staff | Treasury staff are expected to have a professional accountancy qualification or be an experienced member of the Association of Accounting Technicians.<br><br>Cover for day-to-day treasury management can be provided by suitably trained staff with the approval of the CFO. |
| Details of approved training courses | The courses/events the Council would expect its treasury personnel to consider are:<br><br>▪ Certificate in International Treasury Management – Public Finance (no longer available for new entrants)<br>▪ Training courses for Accounting, Auditing, Best Value/Competition, Budgeting, Capital Finance & Borrowing, Financial Management run by CIPFA and IPF<br>▪ Any courses/seminars run by Treasury Management Consultants.<br>▪ Attending CIPFA Conference<br>▪ Training attended by those responsible for scrutiny of the treasury function<br><br>The Council participates in a CIPFA Employer Accreditation Scheme for CPD purposes which is based on planning, recording and evaluating development. Employees are required to register with the scheme and declare participated in the CPD scheme annually. The Council has been awarded Platinum status |
| Records of training received by treasury staff | Treasury-related training records are maintained by each officer. |
| Records of training received by those charged with governance | Training records are maintained by those people/committees responsible for governance of treasury management. |

# TMP 11: USE OF EXTERNAL SERVICE PROVIDERS

## Principle

The Council recognises that responsibility for the treasury management decisions remains with the organisation at all times. We recognise the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When we employ such service providers, we will ensure it does so for reasons which will have been submitted to a full evaluation of the costs and benefits. we will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. And we will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the CFO, and details of the current arrangements are set out in the schedule below.

## Schedule

| | |
|---|---|
| Contract threshold | The Council's Financial Procedure Rules require that a formal contract is in place with all external service providers. The contract will clearly state the services to be provided and the terms on which they will be provided. |
| Details of service providers and procedures and frequency for tendering services | (a) Bankers to the Council:<br>HSBC,<br>12a North Street, Guildford, Surrey, GU1 4AF<br>Contract period: January 2017 to December 2023, extension to December 2016<br>This service will be re-tendered regularly<br><br>(b) Treasury advisor<br>Arlingclose,<br>35 Chiswell Street, London, EC1Y 4SE (0844 8808 200)<br>Contract period: April 2017 to March 2024<br>This service will be re-tendered regularly<br><br>(c) External Fund Managers<br>Payden & Rygel - Invested in 2011<br>CCLA – invested in March 2013<br>Aberdeen – invested in February 2014<br>M&G – invested in February 2014<br>Schroders – invested in February 2014<br>City Financials – invested in May 2015<br>UBS – invested in June 2015<br><br>(d) Brokers:<br>It is considered good practice for the Council to have at least two brokers and to spread business between them. The Council is not contracted to any of its brokers.<br><br>Tradition - 0207 422 3566<br>RP Martins - 0207 469 9580<br>Tullett Prebonne - 0207 200 7042<br>King and Shaxson – 0207 929 8529<br>ICAP – 0207 532 3560<br>BGC – 0207 894 7742<br><br>(e) Treasury System:<br>07796 114 246<br>Contract period: from 26 June 2000 |

| | |
|---|---|
| Regulatory status of services provided | The Council's external service providers are all regulated by the FCA |
| Details of service provided by Treasury Advisor | • Strategic Advice on Council Treasury Management Strategy<br>• Capital Finance advice<br>• Advice on Housing Finance<br>• Assistance with the Treasury Management annual strategy report and policy statement<br>• Interest rate forecasting, market updates and economic advice<br>• Investment policy<br>• Credit ratings and counterparty creditworthiness<br>• Debt management<br>• Fund manager monitoring<br>• Seminars and training<br>• Access to website |
| Bribery Act | The Council is mindful of the requirements of the Bribery Act 2011 and in its dealings with external providers |

# TMP 12: CORPORATE GOVERNANCE

## Principle

The Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

The Council has adopted and has implemented the key recommendations of the Treasury Management Code of Practice (Revised 2009). This, together with the other arrangements detailed in the schedule below, are considered vital to the achievement of proper corporate governance in treasury management, and CFO will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

## Schedule

| | |
|---|---|
| Stewardship responsibilities | The CFO ensures that systems exist to deliver proper financial administration and control and maintaining a framework for overseeing and reviewing the treasury management function. |
| List of documents to be made available for public inspection. | The following documents are freely available for public inspection:<br>▪ annual statement of accounts<br>▪ medium term financial strategy<br>▪ 5-year capital programme<br>▪ treasury management policy<br>▪ treasury management strategy<br>▪ budget monitoring reports<br>▪ annual treasury report |
| Council's website. | Financial information is additionally available on the Council's website. |
| Procedures for consultation with stakeholders. | Members and senior officers of the Council are consulted via reports to the Executive and officer/member briefing sessions. |
| List of external funds managed on behalf of others and the basis of attributing interest earned and costs to these investments | The Council does not manage any external funds on behalf of others. |

Note:

Items the Council would maintain at operational level in the procedures notes file as referred to in this template:

1. the Council's credit criteria
2. current lending list
3. business reserve accounts / money market funds
4. counterparties with whom the Council deals direct
5. dealing checklist
6. deal ticket proforma
7. format of the Council's Standard Settlement Instructions form
8. settlement procedures
9. procedure notes for the Council's on-line banking system
10. procedure notes for the Council's treasury management system
11. procedure notes for dealing online with counterparties
12. procedure for dealing with requests for change of banking/payment details

This page is intentionally left blank

# Money Market Code Principles

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

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

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

**Ethics**

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

**Governance and Risk Management**

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

**Information Sharing, Confidentiality and Communications**

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

**Execution, Surveillance, Confirmations and Settlement**

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

This page is intentionally left blank

# Arlingclose Economic Forecast

**Underlying assumptions:**

- In a 7-2 vote, the MPC increased Bank Rate in line with market expectations to 0.5%. Dovish accompanying rhetoric prompted investors to lower the expected future path for interest rates. The minutes re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.

- Further potential movement in Bank Rate is reliant on economic data and the likely outcome of the EU negotiations. Policymakers have downwardly assessed the supply capacity of the UK economy, suggesting inflationary growth is more likely. However, the MPC will be wary of raising rates much further amid low business and household confidence.

- The UK economy faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. While recent economic data has improved, it has done so from a low base: UK Q3 2017 GDP growth was 0.4%, after a 0.3% expansion in Q2.

- Household consumption growth, the driver of recent UK GDP growth, has softened following a contraction in real wages, despite both saving rates and consumer credit volumes indicating that some households continue to spend in the absence of wage growth. Policymakers have expressed concern about the continued expansion of consumer credit; any action taken will further dampen household spending.

- Some data has held up better than expected, with unemployment continuing to decline and house prices remaining relatively resilient. However, both of these factors can also be seen in a negative light, displaying the structural lack of investment in the UK economy post financial crisis. Weaker long-term growth may prompt deterioration in the UK’s fiscal position.

- The depreciation in sterling may assist the economy to rebalance away from spending. Export volumes will increase, helped by a stronger Eurozone economic expansion.

- Near-term global growth prospects have continued to improve and broaden, and expectations of inflation are subdued. Central banks are moving to reduce the level of monetary stimulus.

- Geo-political risks remains elevated and helps to anchor safe-haven flows into the UK government bond (gilt) market.

**Forecast:**

- The MPC has increased Bank Rate, largely to meet expectations they themselves created. Future expectations for higher short-term interest rates are subdued. On-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions.

- Our central case for Bank Rate is 0.5% over the medium term. The risks to the forecast are broadly balanced on both sides.

- The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

| | Dec-17 | Mar-18 | Jun-18 | Sep-18 | Dec-18 | Mar-19 | Jun-19 | Sep-19 | Dec-19 | Mar-20 | Jun-20 | Sep-20 | Dec-20 | Average |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Official Bank Rate | | | | | | | | | | | | | | |
| Upside risk | 0.00 | 0.00 | 0.00 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | **0.19** |
| Arlingclose Central Case | **0.50** | **0.50** | **0.50** | **0.50** | **0.50** | **0.50** | **0.50** | **0.50** | **0.50** | **0.50** | **0.50** | **0.50** | **0.50** | **0.50** |
| Downside risk | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | **-0.15** |
| 3-month LIBID rate | | | | | | | | | | | | | | |
| Upside risk | 0.10 | 0.10 | 0.10 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | **0.22** |
| Arlingclose Central Case | **0.50** | **0.50** | **0.50** | **0.50** | **0.50** | **0.50** | **0.50** | **0.50** | **0.50** | **0.50** | **0.50** | **0.50** | **0.50** | **0.50** |
| Downside risk | -0.10 | -0.10 | -0.15 | -0.15 | -0.15 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | **-0.20** |
| 1-yr LIBID rate | | | | | | | | | | | | | | |
| Upside risk | 0.15 | 0.15 | 0.20 | 0.30 | 0.30 | 0.30 | 0.30 | 0.30 | 0.30 | 0.30 | 0.30 | 0.30 | 0.30 | **0.27** |
| Arlingclose Central Case | **0.70** | **0.70** | **0.70** | **0.70** | **0.80** | **0.80** | **0.80** | **0.80** | **0.80** | **0.80** | **0.80** | **0.80** | **0.80** | **0.77** |
| Downside risk | -0.15 | -0.20 | -0.30 | -0.30 | -0.30 | -0.30 | -0.30 | -0.30 | -0.30 | -0.30 | -0.30 | -0.15 | -0.15 | **-0.26** |
| 5-yr gilt yield | | | | | | | | | | | | | | |
| Upside risk | 0.20 | 0.25 | 0.25 | 0.25 | 0.30 | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 | 0.40 | **0.32** |
| Arlingclose Central Case | **0.75** | **0.75** | **0.80** | **0.80** | **0.80** | **0.85** | **0.90** | **0.90** | **0.95** | **0.95** | **1.00** | **1.05** | **1.10** | **0.89** |
| Downside risk | -0.20 | -0.20 | -0.25 | -0.25 | -0.25 | -0.35 | -0.40 | -0.40 | -0.40 | -0.40 | -0.40 | -0.40 | -0.40 | **-0.33** |
| 10-yr gilt yield | | | | | | | | | | | | | | |
| Upside risk | 0.20 | 0.25 | 0.25 | 0.25 | 0.30 | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 | 0.40 | **0.32** |
| Arlingclose Central Case | **1.25** | **1.25** | **1.25** | **1.25** | **1.25** | **1.30** | **1.30** | **1.35** | **1.40** | **1.45** | **1.50** | **1.55** | **1.55** | **1.36** |
| Downside risk | -0.20 | -0.25 | -0.25 | -0.25 | -0.25 | -0.30 | -0.35 | -0.40 | -0.40 | -0.40 | -0.40 | -0.40 | -0.40 | **-0.33** |
| 20-yr gilt yield | | | | | | | | | | | | | | |
| Upside risk | 0.20 | 0.25 | 0.25 | 0.25 | 0.30 | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 | 0.40 | **0.32** |
| Arlingclose Central Case | **1.85** | **1.85** | **1.85** | **1.85** | **1.85** | **1.90** | **1.90** | **1.95** | **1.95** | **2.00** | **2.05** | **2.05** | **2.05** | **1.93** |
| Downside risk | -0.20 | -0.30 | -0.25 | -0.25 | -0.30 | -0.35 | -0.40 | -0.45 | -0.50 | -0.50 | -0.50 | -0.50 | -0.50 | **-0.38** |
| 50-yr gilt yield | | | | | | | | | | | | | | |
| Upside risk | 0.20 | 0.25 | 0.25 | 0.25 | 0.30 | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 | 0.40 | **0.32** |
| Arlingclose Central Case | **1.70** | **1.70** | **1.70** | **1.70** | **1.70** | **1.75** | **1.80** | **1.85** | **1.90** | **1.95** | **1.95** | **1.95** | **1.95** | **1.82** |
| Downside risk | -0.30 | -0.30 | -0.25 | -0.25 | -0.30 | -0.35 | -0.40 | -0.45 | -0.50 | -0.50 | -0.50 | -0.50 | -0.50 | **-0.39** |

This page is intentionally left blank

## Credit Rating Equivalents and Definitions

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

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

# Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**CLG** – Department for Communities and Local Government

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

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

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

**Counterparty** – the organisation the Council is investing with

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

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

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

**Creditworthiness** – a measure of the ability to meet debt obligations

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

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

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

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

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

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

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

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

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

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

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

**Housing Grants** – see Affordable Housing Grants

**Illiquid –** cannot be easily converted into cash

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

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

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

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

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

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

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

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

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

**Money Market** - the market in which institutions borrow and lend

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

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

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

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

**Money Market Rates –** interest rates on money market investments

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

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

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

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

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

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

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

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

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

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

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

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

**Sovereign** – the countries the Council are able to invest in

**Specified Investments** - Specified investments are defined as:

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

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

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

**SWAP Bid** – a benchmark interest rate used by institutions

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

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

**Treasurynet** – the Council's cash management system

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

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

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

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

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

Document is Restricted

This page is intentionally left blank