GUILDFORD BOROUGH

**James Whiteman**
Managing Director

**www.guildford.gov.uk**

Contact: Andrea Carr
Committee Services
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2 January 2019

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 **THURSDAY 10 JANUARY 2019** at **7.00 pm**.

Yours faithfully

James Whiteman
Managing Director

**MEMBERS OF THE EXECUTIVE ADVISORY BOARD**

Councillor Adrian Chandler
Councillor Alexandra Chesterfield
Councillor Nils Christiansen
Councillor David Elms
Councillor Andrew Gomm
Councillor Angela Goodwin
Councillor Murray Grubb Jnr
Councillor Angela Gunning
Councillor Christian Holliday
Councillor Mike Hurdle
Councillor Jennifer Jordan
Councillor Nigel Kearse
Councillor Sheila Kirkland
Councillor Julia McShane
Councillor Bob McShee
Councillor Dennis Paul
Councillor Tony Phillips
Councillor Mike Piper
Councillor David Quelch
Councillor Tony Rooth
Councillor Matthew Sarti
Councillor Pauline Searle
Councillor Jenny Wicks

**Authorised Substitute Members:**

Councillor Colin Cross
Councillor David Goodwin
Councillor Gillian Harwood
Councillor Liz Hogger
Councillor Liz Hooper
Councillor Susan Parker
Councillor Caroline Reeves
Councillor James Walsh

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**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.

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

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

### Values for our residents

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

# A G E N D A

**ITEM NO.**

1 **ELECTION OF CHAIRMAN**

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

3 **LOCAL CODE OF CONDUCT AND DECLARATION OF DISCLOSABLE PECUNIARY INTERESTS**

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

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

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

4 **MINUTES** (Pages 1 - 4)

To confirm the minutes of the Joint Executive Advisory Board meeting held on 21 November 2018.

5 **ANNOUNCEMENTS**

6 **CAPITAL AND INVESTMENT STRATEGY 2019-20 TO 2023-24** (Pages 5 - 174)

7 **HOUSING REVENUE ACCOUNT 2019-20** (Pages 175 - 246)

8 **EXCLUSION OF THE PUBLIC**

The Joint Executive Advisory Board is asked to 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’.

9 **GENERAL FUND CAPITAL PROGRAMME BIDS** (Pages 247 - 254)

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

# JOINT EXECUTIVE ADVISORY BOARD

21 November 2018

* Councillor Nils Christiansen (Chairman)
* Councillor Adrian Chandler (Vice-Chairman)

| | |
|---|---|
| Councillor Alexandra Chesterfield | Councillor Julia McShane |
| Councillor David Elms | * Councillor Bob McShee |
| * Councillor Andrew Gomm | Councillor Dennis Paul |
| * Councillor Angela Goodwin | Councillor Tony Phillips |
| Councillor Murray Grubb Jnr | * Councillor Mike Piper |
| * Councillor Angela Gunning | * Councillor David Quelch |
| * Councillor Christian Holliday | * Councillor Caroline Reeves |
| * Councillor Mike Hurdle | Councillor Tony Rooth |
| Councillor Jennifer Jordan | * Councillor Matthew Sarti |
| * Councillor Nigel Kearse | Councillor Pauline Searle |
| Councillor Sheila Kirkland | * Councillor Jenny Wicks |

* Present

## 18 ELECTION OF CHAIRMAN

The Joint Executive Advisory Board

RESOLVED

that Councillor Nils Christiansen be elected as Chairman for the meeting.

## 19 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

Apologies for absence were received from Councillors Alexandra Chesterfield, Jennifer Jordan, Sheila Kirkland, Julia McShane, Tony Phillips and Pauline Seale. In accordance with Council Procedure Rule 23(i), Councillor Caroline Reeves was present as a substitute for Councillor Julia McShane.

## 20 LOCAL CODE OF CONDUCT AND DECLARATION OF DISCLOSABLE PECUNIARY INTERESTS

There were no declarations of disclosable pecuniary interests or non-pecuniary interests.

## 21 MINUTES

The minutes of the meeting of the Joint Executive Advisory Board (EAB) held on 23 April 2018 were confirmed as a correct record, and signed by the Chairman. The reference in minute number 17 to the advancing redevelopment of North Street, Guildford, was raised.

## 22 BUSINESS PLANNING - GENERAL FUND OUTLINE BUDGET 2019-20

The EAB was invited to consider a report outlining the current position with the 2019-20 outline budget and submit its comments thereon to the Executive to assist it with the preparation of the General Fund estimates for 2019-20. The outline budget had been considered by the Joint EAB Budget Task Group at its meeting on 8 November 2018 when it had examined capital bids for consideration by the EAB at its next meeting, in January 2019. There were no revenue bids for the EAB to consider at this meeting.

The report explained that the budget included government grant at a level based on the 4-year local government finance settlement issued by the Government in February 2016.

However, the amount of grant would not be confirmed until the Government released the draft local government finance settlement which the Ministry of Housing, Communities and Local Government had provisionally indicated would take place on 6 December 2018. As it was early in the budget process, the report also set out the areas of uncertainty that may influence the final position.

The budget assumed a £5 (3.0%) increase in Council Tax in line with the Budget Assumptions 2019-20 to 2022-23 report approved by the Executive on 17 July 2018. The draft Council Tax base was 56,795, which was 0.53% lower than 2018-19. This had reduced the resources available by approximately £52,200. The outcome of the Surrey Business Rates Pilot bid for 2019-20 was awaited.

The financial monitoring report for the first six months of 2018-19 would be reported to the Corporate Governance and Standards Committee on 29 November 2018. The projected net expenditure on the General Fund for the current financial year was estimated to be £1.2 million less than the original estimate. The current outline budgetary position showed no shortfall between the likely resources and the proposed net expenditure.

The major reasons for movements between 2018-19 and 2019-20 and the variances at service level were set out in the report and appendices. Although no revenue growth bids had been received for 2019-20, some capital bids may have revenue implications attached to them. These would be considered by the Executive as part of the Capital and Investment Strategy report in January 2019, along with a schedule of proposed fees and charges for 2019-20.

The Director of Finance gave a presentation which provided a progress statement in respect of the 2019/20 budget. The presentation explained the service and financial planning process, the factors affecting the General Fund revenue budget, the Capital and Investment Strategy, the capital scheme process and the capital programme. The Director advised that a balanced budget for 2019/20 had been achieved following the reduction of the deficit of approximately £700,000 to zero. However, a longer term gap of £8.5 million was anticipated by 2022/23.

The following points arose from questions and discussion:

- The Deputy Leader, the Lead Councillor for Finance and Asset Management, and the Financial Services Manager had recently met the Under Secretary of State for Housing, Communities and Local Government to explain the Council's challenging financial position and seek increases in funding by various means. The response had indicated that it was unlikely that any further government funding would be made available to this Council as the Government was focusing on funding the statutory services provided by upper tier local authorities such as social care.
- In terms of Council Tax income, the outline budget took account of housing delivery trajectories with reference to the Local Plan, however, several years could elapse before planned housing was constructed and occupied.
- Risks associated with external factors which could impact on the Council's finances were monitored and a budget assumption was that the grant of £2.1 million received from Surrey County Council would significantly reduce in the future. The level of Government grant was expected to change in April 2020 following review and would be the subject of a consultation. Looking ahead four to five years, it was assumed that the authority would not benefit from Business Rates and would need to rely on Council Tax for future funding. Also, there was potential for the Government to collect Council Tax payments from local authorities.

- The twelve week public consultation being undertaken by Surrey County Council in respect of its budget related to possible service reductions being proposed by that Council. However, such reductions could have implications for this Council such as waste disposal.
- Although the Car Park Reserve fund was not utilised to support the Park and Ride service, there was a separate Park and Ride reserve held by this Council for the Joint Committee and surplus income from on-street parking could be used to support the service.
- Slippage in the delivery of the capital programme could result in decreased debt costs and interest charges and in delayed income streams between years. In response to a Councillor's question, information concerning the level of debt charges associated with the £396 million borrowing anticipated on the Council's existing capital programme would be provided.
- A corporate project involving a local business to explore the possibility of utilising the Council's assets and events for sponsorship and advertising purposes was proposed.
- The payment of the salaries of three officers from reserves was a temporary measure pending the identification of alternative funding sources such as rental income or joint funding.
- Attention was drawn to budget variances in the property portfolio of the Community Services Directorate. Although much of the budget was rolled forward from the previous year with adjustments for inflation, interest rates and underspends etc., the property elements were zero based and involved examining leases and projecting rent levels to minimise the risk of variances in the portfolio. The repair and maintenance fund was controlled. Some variances were the result of recharges and not due to growth pressures whilst others, such as Middleton Industrial Estate, were owing to a decline in rental income during redevelopment. Lease break clauses were complications as new rental levels depended on future market factors and were difficult to predict and early engagement took place with leaseholders with break clauses to retain their business. As the retail and office markets were not currently strong, the Council was focusing on the stronger industrial and residential quarters. These matters were monitored by the Property Review Group.
- A budget variance relating to The Village in 2019/20 was the result of printing recharges being wrongly coded to the cost centre in error and the recharge would be recoded to the correct budget.
- Staff vacancies and a reduction in posts were the reasons for the budget variance of £89,860 relating to Affordable Housing Development.
- The Budget Pressure Reserve and the Invest to Save Reserve could be utilised to support the Future Guildford programme. An all councillor briefing in respect of the programme was proposed for 6 February 2019.

In conclusion, the EAB noted the current 2019/20 outline budget position and indicated support for the proposal to use the Business Rates reserve and other earmarked reserves for specific projects as detailed in the report.

Councillors expressed appreciation of this new approach, involving a brief report and presentation, to considering the outline budget. This was in line with feedback from the Local Government Association corporate peer review.

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Joint Executive Advisory Board Report
Ward(s) affected: All
Report of Director of Finance
Author: Vicky Worsfold
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Date: 10 January 2019

# Capital and Investment Strategy 2019-20 to 2023-24

**Executive Summary**

This report details the Council's capital and investment strategy, including the capital programme new bids plus the requirements of the Prudential Code and the investment strategy covering treasury management investments, commercial investments plus the requirements of the Treasury Management Code and the Ministry of Housing, Communities and Local Government (MHCLG) Statutory Guidance.

Capital Strategy
The aim of the capital strategy 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 the impact on the achievement of priority outcomes.

The 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.

The Council has a current underlying need to borrow for the general fund capital programme of £333 million. Officers have put forward bids, with a net cost to the Council of £6.4 million, increasing the underlying need to borrow to £339 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 report, shows a high-level position. To ensure the Council demonstrates that its capital expenditure plans are affordable, sustainable and prudent, we set Prudential Indicators that must be monitored each year (shown in **Appendix 1**).

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

**Appendix 2** contains a summary of the new bids submitted, **Appendices 3 to 7** show the position and profiling of the current capital programme (2018-19 to 2022-23) and **Appendix 8** the capital vision schemes.

The Capital Programme Monitoring Group, Corporate Management Team, the Lead Councillor for Finance and Asset Management, and the Joint Executive Advisory Board Budget Task Group (JEABBTG) have reviewed the bids presented in this report.

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

<u>Treasury Management and treasury investment strategy</u>
Treasury management is the control and management of the Council's cash, regardless of its source. It covers management of the daily cash position, investments and borrowing.

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

The Council considers security, liquidity and yield when making treasury management decisions, across the portfolio as a whole. The security of the portfolio is the security of our capital sums, ensuring we get our money back. Liquidity is considered 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.

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 2019-20 is £1.503 million, based on an average investment portfolio of £52.8 million, at an average rate of 3%. The budget for debt interest paid is £5.755 million, of which £5.156 million relates to the HRA.

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

The Council has £147.412 million of investment property on its balance sheet, generating a return of £8.9 million and a current yield of 6.59%.

In 2014, the Executive endorsed a new asset investment strategy and business case to invest in new suitable properties within the borough for two major reasons. First, to increase the income generated, and, second, to stimulate and encourage business growth and development by investing in key sites for regeneration purposes. The Council's target was to increase annual income by £2 million from March 2012 to March 2018. By April 2017, it had achieved and exceeded this target.

The criteria for purchasing investment property, when originally approved were to achieve a minimum qualitative score and yield an internal rate of return (IRR) of at least 8%. It is now recommended that the IRR is changed to 5.5% due to the change in the market forces and recognition of the move to investing for strategic purposes, for example economic growth and housing and regeneration. The Council is not proposing to purchase outright investment property, but making purchases for strategic reasons. We are not looking to purchase properties outside the borough.

The Council has invested £4.501 million in our housing company – North Downs Housing (NDH). This is via 40% equity to Guildford Holdings Limited (£1.803 million) (who in turn pass the equity to NDH) and 60% loan direct to NDH (£2.698 million) at a rate of base plus 5% (currently 5.75%). The loan is a repayment loan in line with the NDH business plan – with loan repayment anticipated to start in 2021-22.

Flexible use of Capital Receipts policy
The Council has the option of setting a policy where it can use new capital receipts to fund revenue expenditure that will generate ongoing savings – we may use this towards the Future Guildford project.

Due to the specialised nature of treasury management and capital finance, there is a glossary of terms at **Appendix 13**.

**Recommendation to Joint Executive Advisory Board**

The Joint Executive Advisory Board is invited to consider the Capital and Investment Strategy 2019-20 to 2023-24 and comment on the following recommendations to the Executive at its meeting on 22 January 2019 and to full Council at the budget meeting on 26 February 2019:

**Recommendation to Executive**
Subject to Council approving the budget on 26 February, the Executive is asked to agree the following:

(1) That the following new capital proposals referred to in Appendix 2 to this report:

- Sss

be added to the General Fund Capital programme approved list and that the relevant officer be authorised to implement the schemes.

(2) That the following new capital proposals referred to in Appendix 2 to this report

- Ssss

be added to the General Fund Capital programme provisional list and that these schemes, subject to the limits in the Financial Procedure Rules, be subject to a further report to the Executive, before being progressed.

(3) That the following new capital proposals referred to in Appendix 2 to this report

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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.

(4) That the revenue implications of the new capital schemes referred to in paragraphs (1), (2) and (3) above be implemented in the relevant years stated in the bid

(5) That the affordability limit for schemes to be funded by borrowing be set as per para xxx

**Recommendation to Council**

The Executive is also asked to recommend to Council:

(1) That the General Fund capital estimates, as shown in Appendices 3 and 4 (current approved and provisional schemes), as amended to include such bids as may be approved by the Executive at its meeting on 22 January 2018, Appendix 5 (schemes funded from reserves) and Appendix 6 (s106 schemes), be approved.
(2) That the Minimum Revenue Provision policy, referred to in section 5 of this report be approved.
(3) That the capital and investment strategy be approved, specifically the Investment Strategy and Prudential Indicators contained within this report and Appendix 1.

Reason(s) for Recommendation:

- To enable the Council to approve the Capital and Investment strategy for 2019-20 to 2023-24.
- To enable the Council, at its budget meeting on 26 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.

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

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

1.4 The Council must put aside resources where the Council finances capital expenditure by debt (internal or external borrowing), to repay that debt in later years. This cost is charged to the revenue account annually, and forms part of the Council Tax cost to taxpayers and is known as Minimum Revenue Provision (MRP). The annual MRP statement for 2019-20 is included in section 5 of this report.

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

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

## 2. Strategic Priorities

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

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

## 3. Background

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

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

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

3.4 Local authorities need to have the use of sufficient capital assets to deliver their responsibilities efficiently, effectively and economically.

3.5 We must put aside resources where the Council finances capital expenditure by borrowing (internal or external), to repay that debt in later years. This code is charged to the revenue account annually and is known as Minimum Revenue Provision (MRP). The annual MRP statement for 2019-20 is included in section 5 of this report. There is not an earmarked reserve for MRP, it is represented in the balance sheet as increased cash.

3.6 The Council invests its money for three broad purposes:

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

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

3.8 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.

3.9 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

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

## 4. Capital Expenditure and Financing

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

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

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

### Current capital programmes (Appendices 3 to 8)

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

4.5 The revised estimates for 2018-19 is the original estimate approved by Council in February 2018, plus any unspent approved expenditure from 2017-18, now planned for 2018-19, plus any amendments or additions to schemes approved during the course of the financial year.

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

4.7 The ICT renewals fund has been in place for many years, is well managed and supports many projects. Business cases are submitted during the budget process, and throughout the year, to the ICT manager for approval and prioritisation.

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

4.9 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.

4.10 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.

4.11 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 financial year. This also feeds into the MRP calculations, and the liability benchmark, to ensure we are not being over prudent in our budgeting.

**New capital schemes**

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

4.13 Bids are reviewed by the Capital Programme Monitoring Group (officer group), and are then seen by CMT. The JEABBTG will see the bids from a councillor perspective and comments from that group are detailed later in the report.

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

4.15 A summary of the new bids can be found in **Appendix 2**.

4.16 The Council has a current underlying need to borrow for the GF capital programme of £333 million. Officers have put forward schemes with a net cost to the Council of £6.4 million, increasing the underlying need to borrow to £339 million, should these proposals be approved for inclusion in the programme.

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

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

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

**Prudential Indicators**

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

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

4.21 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.

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

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

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

*Estimates of Capital expenditure*

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

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

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

| CAPITAL EXPENDITURE SUMMARY | 2018-19 Approved £000 | 2018-19 Outturn £000 | 2018-19 variance £000 | 2019-20 Estimate £000 | 2020-21 Estimate £000 | 2021-22 Estimate £000 | 2022-23 Estimate £000 | 2023-24 Estimate £000 |
|---|---|---|---|---|---|---|---|---|
| **General Fund Capital Expenditure** | | | | | | | | |
| - Main Programme | 44,437 | 47,350 | 2,913 | 42,249 | 17,484 | 8,641 | 5,825 | 5,825 |
| - Provisional schemes | 50,953 | 2,985 | (47,968) | 30,171 | 88,402 | 64,983 | 85,788 | 4,820 |
| - Schemes funded by reserves | 4,351 | 5,540 | 1,189 | 3,849 | 687 | 500 | 500 | 0 |
| - S106 Projects | 0 | 350 | 350 | 0 | 0 | 0 | 0 | 0 |
| **Total Expenditure** | **99,741** | **56,225** | **(43,516)** | **76,269** | **106,573** | **74,124** | **92,113** | **10,645** |
| Financed by : | | | | | | | | |
| Capital Receipts | (5,290) | (5,726) | (436) | 0 | 0 | (4,000) | (11,200) | (10,645) |
| Capital Grants/Contributions | (5,465) | (2,466) | 2,999 | (7,145) | (4,500) | (5,500) | (5,500) | 0 |
| Capital Reserves/Revenue | (17,832) | (13,158) | 4,674 | (10,829) | (907) | (720) | (500) | 0 |
| Borrowing | (71,154) | (34,874) | 36,280 | (58,295) | (101,166) | (63,904) | (74,913) | 0 |
| **Financing - Totals** | **(99,741)** | **(56,225)** | **43,516** | **(76,269)** | **(106,573)** | **(74,124)** | **(92,113)** | **(10,645)** |
| **Housing Revenue Account Capital Expenditure** | | | | | | | | |
| **Total Expenditure** | **21,970** | **14,548** | **(7,422)** | **8,095** | **13,260** | **18,176** | **14,001** | **10,275** |
| Financed by : | | | | | | | | |
| - Capital Receipts | (4,974) | (2,984) | 1,990 | (6,151) | (2,586) | (4,060) | (400) | (1,690) |
| - Capital Reserves/Revenue | (16,996) | (11,563) | 5,433 | (1,944) | (10,675) | (14,116) | (13,601) | (8,585) |
| **Financing - Totals** | **(21,970)** | **(14,548)** | **7,422** | **(8,095)** | **(13,260)** | **(18,176)** | **(14,001)** | **(10,275)** |

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

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

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

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

4.31 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.

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

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

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

| Guildford BC<br>Balance Sheet Summary and Projections in £000 - last updated 12 Dec 2018 | | | | | | |
|---|---|---|---|---|---|---|
| 31st March: | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Loans Capital Financing Req. | 271,443 | 305,522 | 362,851 | 461,889 | 522,635 | 593,203 |
| Less: External Borrowing | (241,625) | (192,895) | (192,665) | (192,435) | (147,435) | (147,435) |
| **Internal (Over) Borrowing** | **29,818** | **112,627** | **170,186** | **269,454** | **375,200** | **445,768** |
| Less: Usable Reserves | (156,150) | (150,755) | (156,473) | (162,156) | (170,882) | (181,281) |
| Less: Working Capital Surplus | (7,761) | (7,761) | (7,761) | (7,761) | (7,761) | (7,761) |
| **(Investments) / New Borrowing** | **(134,093)** | **(45,889)** | **5,952** | **99,537** | **196,557** | **256,726** |
| Net Borrowing Requirement | 107,532 | 147,006 | 198,617 | 291,972 | 343,992 | 404,161 |
| Preferred Year-end Position | 45,000 | 45,000 | 45,000 | 45,000 | 45,000 | 45,000 |
| **Liability Benchmark** | **152,532** | **192,006** | **243,617** | **336,972** | **388,992** | **449,161** |

| Housing Revenue Account - Summary and Projections in £000 | | | | | | |
|---|---|---|---|---|---|---|
| HRA Loans CFR | 197,024 | 197,024 | 197,024 | 197,024 | 197,024 | 197,024 |
| HRA Reserves | (110,378) | (108,301) | (113,561) | (119,473) | (127,070) | (140,589) |
| HRA Working Capital | 0 | 0 | 0 | 0 | 0 | 0 |
| HRA Borrowing | (193,125) | (192,895) | (192,665) | (192,435) | (147,435) | (147,435) |
| **HRA Cash Balance** | **(106,479)** | **(104,172)** | **(109,202)** | **(114,884)** | **(77,481)** | **(91,000)** |

| General Fund - Summary and Projections in £000 | | | | | | |
|---|---|---|---|---|---|---|
| GF Loans CFR | 74,419 | 108,498 | 165,827 | 264,865 | 325,611 | 396,179 |
| GF Reserves | (45,772) | (42,454) | (42,912) | (42,683) | (43,812) | (40,692) |
| GF Working Capital | (7,761) | (7,761) | (7,761) | (7,761) | (7,761) | (7,761) |
| GF Borrowing | (48,500) | 0 | 0 | 0 | 0 | 0 |
| **GF Cash Balance** | **(27,614)** | **58,283** | **115,154** | **214,421** | **274,038** | **347,726** |

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

4.36 The GF CFR is forecast to increase by £321 million over the period, as capital expenditure financed by borrowing is greater than resources put aside for debt repayment.

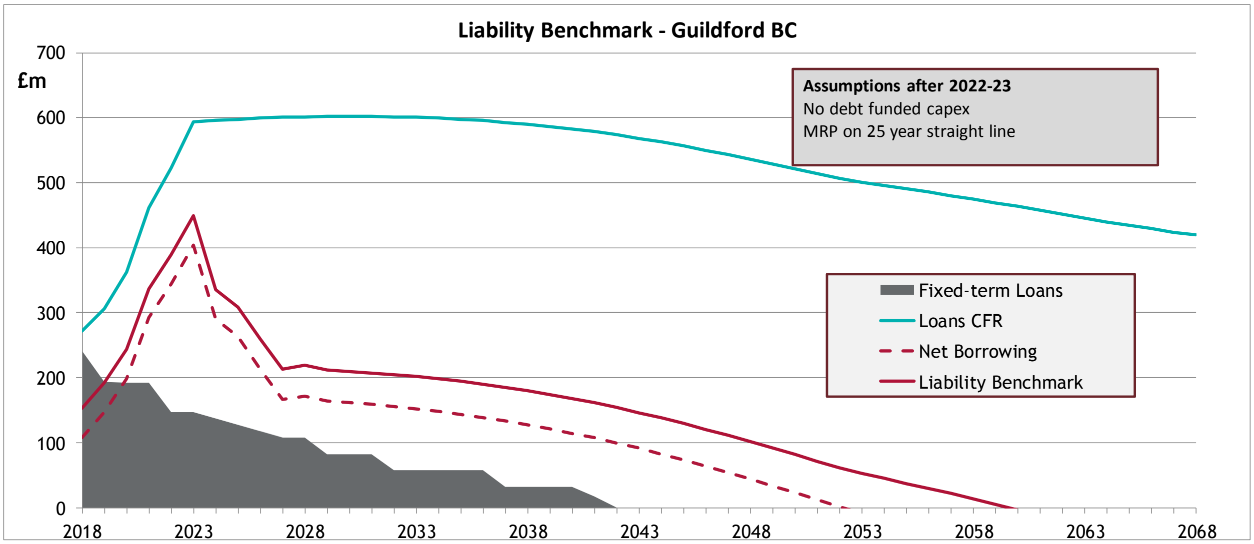
4.37 The HRA debt cap has now been removed. The implications of this are being worked through, and as such, the liability benchmark still currently assumes no increase in the CFR balance.

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

4.39 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 debt is only for a capital purpose.

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

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




4.42 The difference between the liability benchmark (solid red line) and the red dotted line is our minimum liquidity requirement of £45 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 and authorised limit for external debt*

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

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

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

| **Authorised Limit for External Debt** | **2018-19 Approved £000** | **2018-19 Revised £000** | **2019-20 Estimate £000** | **2020-21 Estimate £000** | **2021-22 Estimate £000** | **2022-23 Estimate £000** | **2023-24 Estimate £000** |
|---|---|---|---|---|---|---|---|
| Borrowing - General Fund | 368,526 | 158,096 | 231,326 | 324,866 | 392,206 | 467,576 | 475,276 |
| Borrowing - HRA | 197,024 | 197,024 | 207,024 | 217,024 | 227,024 | 237,024 | 247,024 |
| Other Long Term Liabilities | 26,000 | 26,000 | 26,000 | 26,000 | 26,000 | 26,000 | 26,000 |
| **Total** | **591,550** | **381,120** | **464,350** | **567,890** | **645,230** | **730,600** | **748,300** |

| **Operational Boundary of External Debt** | **2018-19 Approved £000** | **2018-19 Revised £000** | **2019-20 Estimate £000** | **2020-21 Estimate £000** | **2021-22 Estimate £000** | **2022-23 Estimate £000** | **2023-24 Estimate £000** |
|---|---|---|---|---|---|---|---|
| Borrowing - General Fund | 312,126 | 113,496 | 170,826 | 269,866 | 330,606 | 401,176 | 403,576 |
| Borrowing - HRA | 197,024 | 197,024 | 207,024 | 217,024 | 227,024 | 237,024 | 247,024 |
| Other Long Term Liabilities | 26,000 | 26,000 | 26,000 | 26,000 | 26,000 | 26,000 | 26,000 |
| **Total** | **535,150** | **336,520** | **403,850** | **512,890** | **583,630** | **664,200** | **676,600** |

4.46 The authorised limit gives headroom for significant cash-flow movements. We are required to set a limit for other long-term liabilities, for example finance leases. We have included £26 million for items that can be classed as a finance lease, particularly with the introduction of IFRS[1] 16 in April 2019.

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

*Ratio of financing costs to net revenue stream*

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

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

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

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

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

| | 2018-19 Approved | 2018-19 Outturn | 2019-20 Estimate | 2020-21 Estimate | 2021-22 Estimate | 2022-23 Estimate | 2023-24 Estimate |
|---|---|---|---|---|---|---|---|
| General Fund | 10.61% | 0.37% | 6.41% | 19.22% | 28.38% | 43.47% | 63.85% |
| HRA | 30.13% | 31.93% | 32.16% | 32.29% | 32.24% | 32.12% | 32.01% |

4.53 The GF outturn is lower than estimate because investment income is anticipated to be higher than budgeted due to more cash than expected in the year and interest paid on borrowing lower due to slippage in the capital programme and anticipated long-term loans were not taken out. The 2019-20 estimate is higher than 2018-19 outturn because of the increasing MRP and reducing cash balances. The large increase from 2020-21 relates to an increase in the MRP budget and a large increase in interest payable as external loans are taken out – a direct result of increasing capital expenditure.

4.54 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.

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

## 5. Minimum Revenue Provision (MRP)

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

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

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

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

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

5.6 Based on the Council's estimate of its CFR on 31 March 2019, and unfinanced capital expenditure in 2018-19 of £110 million, the budget for MRP for 2019-20 and future years is:

| | |
|---|---|
| 2019-20 | £0.966 million |
| 2020-21 | £2.127 million |
| 2021-22 | £3.158 million |

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

### MRP Policy

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

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

5.10 Where we acquire assets ahead of a development scheme, we will charge MRP based on the income flow of the asset or as service benefit is obtained. Therefore, where construction, major refurbishment or redevelopment of an asset occurs, we will not charge MRP during the period of construction, refurbishment or redevelopment. MRP will not be charged from the date a property is vacant (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.

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

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

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

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

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

## 6. Treasury Management

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

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

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

6.4 Due to past decisions, the Council currently has £193 million long-term borrowing (all related to the HRA) at an average rate of 3.16% and an investment portfolio of £110 million at an average rate of 1.3%.

### Borrowing strategy

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

6.6 Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. The Liability benchmark in paragraphs 4.37 to 4.42 show that we are meeting the statutory guidance.

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

**Investment strategy**

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

6.9 The contribution that treasury management investments make to the objectives of the Council is to support effective treasury management activities. Interest receipts of the council are budgeted to be £1.5 million in 2019-20.

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

6.11 The Council's current portfolio is:

| | March 18 Actual £'000 | Nov 18 position £'000 |
|---|---|---|
| **Investments** | | |
| Managed in-house | | |
| Call Accounts | 436 | 1,052 |
| Notice Accounts - UK | 11,000 | 11,000 |
| Money Market Funds | 8,324 | 9,169 |
| Temporary Fixed Deposits | 35,000 | 11,000 |
| Long term Fixed Deposits | 16,500 | 21,500 |
| Certificates of Deposit | 3,000 | 0 |
| Unsecured bonds | 5,803 | 5,300 |
| Covered Bonds | 30,829 | 28,200 |
| Revolving credit facility | 2,500 | 2,500 |
| **Total investments managed in-house** | **113,392** | **89,721** |
| Pooled Funds | | |
| **Total pooled funds investments** | **20,245** | **20,287** |
| **Total Investments** | **133,637** | **110,008** |

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

## 7. Asset management/Non-financial investments

### Property asset management

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

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

### Investments for service purposes

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

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

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

7.5 Accounting standards require the Council to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures in the Statement of Accounts from 2018-19 will be shown net of this loss allowance. However, the

Council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

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

**Other non-treasury investments**

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

7.8 Until the recession in 2008, the Council achieved good investment returns on its surplus cash balances. Since then, however, falling interest rates and investment returns contributed to the pressure on its revenue budget. Combined with the budget shortfall the Council faced and the continued low return on its cash investments, plus central government financial support for local public services declining, the Council invested in new commercial property purely or mainly for financial gain, and to generate a return that can be spent on local public services.

7.9 By 2014, the Executive endorsed a new asset investment strategy and business case for buying assets within Guildford for two major reasons: to increase the income generated; and to stimulate and encourage business growth and sustainable development by investing in key sites for regeneration purposes. A capital budget of £25.7 million was established for further acquisitions.

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

7.11 Investment property is valued at £147.4 million as per the 2017-18 Statement of Accounts, with rent receipts of £8.9 million.

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

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

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

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

7.16 In accordance with the Council's Constitution, the Director of Community Services is authorised to acquire investment property up to £1 million in consultation with the Lead Councillor, where budget provision exists in the approved general fund capital programme. Investment property acquisitions must be in consultation with the Chief Finance Officer in line with the criteria set out in the asset investment strategy.

7.17 The Council is not intending to increase its exposure to investment property purely for financial gain, instead it has budgets in the capital programme for strategic property purchases, which may generate a financial return, in relation to its regeneration plans.

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

**Liabilities**

7.19 On the face of the Council's balance sheet, there is £90.217 million of other long-term liabilities.

7.20 The Council is committed to making future payments to cover its share of the pension fund deficit - valued at £3.3 million as per the 2017-18 statement of accounts.

7.21 We have also set aside £6.5 million to cover risks of NDR appeals plus other smaller provisions. We have not allowed for any financial guarantees, but have identified one relating to the Electric Theatre, which will be included in the 2018-19 accounts.

7.22 The Council is also at risk of having to pay for levies relating to our liability for asbestos but has not put aside money into a provision because it is not yet certain. Details can be found in the 2017-18 Statement of Accounts.

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

**Proportionality**

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

| | 2017-18 Actual £000 | 2018-19 Outturn £000 | 2019-20 Budget £000 | 2020-21 Budget £000 | 2021-22 Budget £000 | 2022-23 Budget £000 |
|---|---|---|---|---|---|---|
| Gross Service Expenditure | 106,515 | | 111,550 | 112,634 | 114,001 | 115,390 |
| Investment property income | 8,900 | 9,052 | 8,539 | 7,890 | 7,744 | 7,816 |
| Treasury management income | 1,853 | 1,976 | 1,503 | 1,488 | 1,509 | 1,322 |
| Investment income % | 10% | #DIV/0! | 9% | 8% | 8% | 8% |

7.25 The table shows that the income from both investment property and treasury management income ("investment income") contributes around 8% to 10% to the gross cost of services across the Council.

## 8. Flexible use of capital receipts policy

8.1 When a capital asset is no longer needed, it may be sold to generate a capital receipt to be spent on new assets or to repay debt. However, local authorities are also permitted to spend capital receipts on service transformation projects until 2021-22.

8.2 The Future Guildford project is a transformation project that falls under the remit of this flexibility. The blueprint is currently being analysed and the Managing Director will report the detailed business case at the Budget Council meeting - this report will highlight the financial information (for example planned savings) that is required as part of this policy. This policy needs to be approved by Council.

8.3 The recommendation in this report is to request Councillors to approve the flexible use of capital receipts policy, for the Future Guildford project, subject to the approval of the business case in February 2019, should we wish to use this flexibility.

## 9. Knowledge and Skills

9.1 The Council employs qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example the Director of Finance and Financial Services Manager (s151 and Deputy s151 respectively) are both qualified accountants with many years' post qualification experience. The Corporate Property Manager is a qualified chartered surveyor and member of the Royal Institution of Chartered

Surveyors (RICS) as are members of the Corporate Property team. The Council pays for junior staff to study towards relevant professional qualifications including CIPFA, ACT (treasury), and RICS.

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

9.3 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.

## 10. Risks

### Capital programme

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

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

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

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

### Treasury Management risks

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

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

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

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

**Risks relating to non-financial assets**

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

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

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

10.12 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.

## 11. Consultations

11.1 The new capital bids have been reviewed by the JEABBTG.

11.2 The Lead Councillor for Finance and Asset Management supports the recommendations in this report.

## 12. Executive Advisory Board comment

12.1 The following highlights the specific comments from the JEABBTG. Where there are no comments, the bids were supported

- Shalford Common – is the scheme necessary? 1/3 of the budget is on admin costs? Has the Parish Council been asked to contribute?
- High street protection – the effectiveness of the options proposed were discussed

## 13. Equality and Diversity Implications

13.1 There are no equality and diversity implications

## 14. Financial Implications

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

14.2 The budget for treasury management investment income in 2019-20 is £1.5 million, based on an average investment portfolio of £53 million, at a weighted average rate of 3%. The budget for debt interest paid is £5.75 million, of which £5.15 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.

14.3 Income from investment property is estimated to be £8.539 million in 2019-20.

14.4 The MRP budget is £0.966 million in 2019-20.

**Risk indicators**

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

*Total risk exposure*

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

| **Total Investment Exposure** | **2017-18 Actual £000** | **2018-19 Forecast £000** | **2019-20 Forecast £000** |
|---|---|---|---|
| Treasury management investments | 137,460 | 52,801 | 44,200 |
| Service investments: Loans | 2,698 | 5,398 | 8,998 |
| Service investments: Shares | 1,903 | 3,713 | 6,113 |
| Investment property | 147,412 | 143,967 | 143,967 |
| **Total Investments** | **289,473** | **205,879** | **203,278** |

*How investments are funded*

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

14.8 The Council is not expected to borrow externally for any of the investment exposure in the table at para 14.6, within this timeframe. The only exception in the medium term could be the service investments in shares (Guildford Holdings) and loans (North Downs Housing).

*Rate of return achieved*

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

| Investments net rate of return | 2017-18 Actual £000 | 2018-19 Forecast £000 | 2019-20 Forecast £000 |
|---|---|---|---|
| Treasury management investments | 1.08% | 1.17% | 1.71% |
| Service investments: Loans | 5.35% | 5.63% | 5.75% |
| Service investments: Shares | 0.00% | 0.00% | 0.00% |
| Investment property | | | |

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

## 15. Legal Implications

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

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

## 16. Human Resource Implications

16.1 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.

## 17. Summary of Options

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

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

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

## 18. Conclusion

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

18.2 If all schemes proceed within the timescales indicated, there will be an underlying need to borrow of £339 million by 31 March 2024.

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

## 19. Background Papers

None

## 20. Appendices

| | |
|---|---|
| Appendix 1: | Detailed capital and investment strategy |
| Appendix 2: | Schedule of new GF capital bids for 2019-20 to 2023-24 |
| Appendix 3: | Schedule of approved GF capital programme |
| Appendix 4: | Schedule of provisional GF capital programme |
| Appendix 5: | Schedule of reserves funded capital schemes |
| Appendix 6: | Schedule of s106 funded schemes |
| Appendix 7: | Summary of resources and financial implications |
| Appendix 8: | Capital vision |
| Appendix 9: | Treasury Management Policy Statement |
| Appendix 10: | Money Market Code Principles |
| Appendix 11: | Arlingclose Economic and Interest Rate Forecast November 2019 |
| Appendix 12: | Credit rating equivalents and definitions |
| Appendix 13: | Glossary |
| Appendix 14: | Detailed capital bids |

# Capital, Treasury and Investment Strategy - detail

## 1. Introduction

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

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

1.3 Capital expenditure is defined as:

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

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

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

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

1.7 The CIPFA definition of treasury management is:

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

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

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

1.10 An authority invests its money for three broad purposes:

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

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

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

Capital expenditure

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

Debt and borrowing and treasury management

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

Commercial activity

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

Other long-term liabilities

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

Knowledge and skills

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

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

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

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

## 2. External Context

### Economic Background

2.1 The UK's progress negotiating its exit from the EU, together with its future trading arrangements, will continue to be a major influence on the Council's treasury management strategy for 2019-20.

2.2 UK GDP growth is slow, at an annual rate of 1.5%, which is below trend. The Bank of England, in its November Inflation Report, expects GDP growth to average around 1.75% over the forecast time horizon, providing the UKs exit from the EU is relatively smooth.

2.3 The headline rate of UK Consumer Price Inflation (CPI) rose to 2.4% year on year in October, slightly below the consensus forecast and the Bank of England November inflation report.

2.4 The labour market data is continuing to look positive. The unemployment rate fell to 4.1%, and the employment rate was 75.7% - the joint highest in record. The 3-month average annual growth rate for pay excluding bonuses was 3.3% as wages continue to steadily rise and provide some pull on general inflation. However, adjusting for inflation this means that real wages grew by 1% and likely to have little impact on household spending.

2.5 The US economy continues to perform robustly. The US Federal Reserve continued its' tightening throughout 2018, pushing interest rates to the current 2%-2.25% in September. Markets continue to expect another rise in December, but expectations are fading that further increases previously expected in 2019 will materialise as there are concerns over trade wars that are dragging on economic activity.

### Credit outlook

2.6 The big four UK banking groups have now divided their retail and investment banking divisions into separate legal entities under ring-fencing regulation. Bank of Scotland, Barclays Bank UK, HSBC UK Bank, Lloyds Bank, National Westminster Bank, Royal Bank of Scotland and Ulster Bank are the ring-fenced banks that now only conduct lower risk retail banking activities. Barclays Bank, HSBC Bank, Lloyds Bank Corporate Markets and NatWest Markets are the investment banks. Credit rating agencies have adjusted the ratings of some of these banks with the ring-fenced banks generally being better rated than their non ring-fenced banks.

2.7 European banks are considering their approach to Brexit, with some looking to create new UK subsidiaries to ensure they can continue to trade in the UK. The credit strength of these new - banks remains unknown, although the chance of parental support is assumed to be high if needed. The uncertainty caused by protracted negotiations between the UK and the EU is weighing on the creditworthiness of both UK and European banks with substantial operations in both jurisdictions.

### Interest rate forecast

2.8 Arlingclose forecast the bank rate to increase during 2019 with two 0.25% rate rises, taking the official rate to 1.25%. The Monetary Policy Committee (MPC) has maintained expectations for slow and steady rate rises over the forecast horizon. The MPC continues to have a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly.

2.9 The market is assuming that a Brexit deal will be struck and some agreement will be reached on transition and future trading arrangements before the UK leaves the EU, there is a possibility of a 'no deal' Brexit hanging over the economic activity. As such, the risks to the interest rate forecasts are considered to the downside.

2.10 Gilt yields and therefore long-term borrowing rates have remained at low levels but some upward movement is expected due to the strength of the US economy and the European Central Bank's (ECB's) forward guidance on higher rates. 10-year and 20-year gilt yields are forecast to remain around 1.5% to 2% respectively over the interest forecast horizon, however volatility arises from both economic and economic events that are likely to mean borrowing opportunities.

## 3. Balance sheet and treasury position

### Balance Sheet

3.1 The Council has a strong asset backed balance sheet

| Item | Balance at 31 Mar 17 | | | Balance at 31 Mar 18 | | |
|---|---|---|---|---|---|---|
| | £000 | £000 | | £000 | £000 | |
| Long-term Assets | 872,338 | | | 893,702 | | |
| Short-term assets | 7,664 | | | 27,189 | | |
| | | 880,002 | 87% | | 920,891 | 88% |
| Long-term investments | 45,749 | | | 34,335 | | |
| Short-term investments | 82,894 | | | 94,075 | | |
| | | 128,643 | 13% | | 128,410 | 12% |
| **Total assets** | | **1,008,645** | | | **1,049,301** | |
| | | | | | | |
| Current liabilities | (26,688) | | | (29,796) | | |
| Long-term liabilities | (93,449) | | | (90,217) | | |
| | | (120,137) | 34% | | (120,013) | 33% |
| Short-term borrowing | (35,461) | | | (48,965) | | |
| Long-term borrowing | (198,125) | | | (192,895) | | |
| | | (233,586) | 66% | | (241,860) | 67% |
| **Total liabilities** | | **(353,723)** | | | **(361,873)** | |
| | | | | | | |
| **Net assets** | | **654,922** | | | **687,428** | |

3.2 The summary balance sheet shows that cash investments make up only 12% of the Councils assets, and investment property makes up 16% of the long-term assets (being £147.412 million). The largest proportion of our liabilities is long-term borrowing, which is predominately HRA debt.

*Financial Stability/Sustainability*

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

| | 2017-18 Actual (£000) | 2018-19 Estimate (£000) | 2018-19 Outturn (£000) | 2019-20 Estimate (£000) | 2020-21 Estimate (£000) | 2021-22 Estimate (£000) | 2022-23 Estimate (£000) | 2023-24 Estimate (£000) |
|---|---|---|---|---|---|---|---|---|
| Total debts | 361,873 | 570,447 | 396,747 | 455,042 | 556,208 | 620,112 | 695,025 | 695,025 |
| Total assets | 1,049,301 | 1,256,777 | 1,120,074 | 1,204,257 | 1,325,090 | 1,413,870 | 1,512,984 | 1,529,604 |
| Debt Ratio % | 34% | 45% | 35% | 38% | 42% | 44% | 46% | 45% |

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

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

*Local indicators*

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

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

3.7 Suggested MHCLG local indicators are:

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

| | |
|---|---|
| Vacancy levels and tenant exposures for non-financial investments | Monitoring vacancy levels (voids) ensure the property portfolio is being managed (including marketing and tenant relations) to ensure the portfolio is as productive as possible |

**Treasury position**

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

| | March 18 Actual £'000 | Nov 18 position £'000 |
|---|---|---|
| **Investments** | | |
| Managed in-house | | |
| Call Accounts | 436 | 1,052 |
| Notice Accounts - UK | 11,000 | 11,000 |
| Money Market Funds | 8,324 | 9,169 |
| Temporary Fixed Deposits | 35,000 | 11,000 |
| Long term Fixed Deposits | 16,500 | 21,500 |
| Certificates of Deposit | 3,000 | 0 |
| Unsecured bonds | 5,803 | 5,300 |
| Covered Bonds | 30,829 | 28,200 |
| Revolving credit facility | 2,500 | 2,500 |
| **Total investments managed in-house** | **113,392** | **89,721** |
| Pooled Funds | | |
| **Total pooled funds investments** | **20,245** | **20,287** |
| **Total Investments** | **133,637** | **110,008** |
| **Borrowing** | | |
| Temporary borrowing | 43,500 | 19,500 |
| Long-term borrowing (PWLB) | 193,125 | 193,010 |
| Long-term borrowing (LAs) | 5,000 | 0 |
| **Total borrowing** | **241,625** | **212,510** |
| **Net investments / (borrowing)** | **(107,988)** | **(102,502)** |

3.9 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 2018 (the latest position).

3.10 Investment balances are lower, due to less temporary borrowing. The net borrowing position has decreased since March 2018 by £5.5 million because there is a net reduction in external borrowing.

## 4. Capital expenditure

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

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

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

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

4.4 The Council splits the schemes into development and non-development (i.e. 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.

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

4.6 Any projects that are expected to be delivered after the first five years of the programme, or those where the scheme has not yet been fully identified are placed on the 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.

4.7 Many of the bids in the capital programme are development projects, and their expenditure and income profile can span beyond the five-year timeframe. The 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.

4.8 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.

4.9 The programme is also split 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.

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

4.11 Type (b) '<u>investment schemes</u>' are required to provide a positive or neutral impact on the Council's GF revenue account. It is envisaged that this is achieved by the revenue income generated by the completed scheme/project being greater than the capital financing costs on the GF revenue account.

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

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

4.14 The capital programme is also reviewed by CMT and Corporate Governance and Standards Committee (CGSC) as part of the regular financial monitoring for months 3, 6, 8, 10 and then as part of the final accounts report. Officers are proposing the timing of these reporting months are changed from 2019-20 to months 2, 4, 7, 10 and 11, to allow more regular reporting for Councillors.

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

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

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

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

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

| CAPITAL EXPENDITURE SUMMARY | 2018-19 Approved £000 | 2018-19 Outturn £000 | 2018-19 variance £000 | 2019-20 Estimate £000 | 2020-21 Estimate £000 | 2021-22 Estimate £000 | 2022-23 Estimate £000 | 2023-24 Estimate £000 |
|---|---|---|---|---|---|---|---|---|
| **General Fund Capital Expenditure** | | | | | | | | |
| - Main Programme | 44,437 | 47,350 | 2,913 | 42,249 | 17,484 | 8,641 | 5,825 | 5,825 |
| - Provisional schemes | 50,953 | 2,985 | (47,968) | 30,171 | 88,402 | 64,983 | 85,788 | 4,820 |
| - Schemes funded by reserves | 4,351 | 5,540 | 1,189 | 3,849 | 687 | 500 | 500 | 0 |
| - S106 Projects | 0 | 350 | 350 | 0 | 0 | 0 | 0 | 0 |
| **Total Expenditure** | **99,741** | **56,225** | **(43,516)** | **76,269** | **106,573** | **74,124** | **92,113** | **10,645** |
| Financed by : | | | | | | | | |
| Capital Receipts | (5,290) | (5,726) | (436) | 0 | 0 | (4,000) | (11,200) | (10,645) |
| Capital Grants/Contributions | (5,465) | (2,466) | 2,999 | (7,145) | (4,500) | (5,500) | (5,500) | 0 |
| Capital Reserves/Revenue | (17,832) | (13,158) | 4,674 | (10,829) | (907) | (720) | (500) | 0 |
| Borrowing | (71,154) | (34,874) | 36,280 | (58,295) | (101,166) | (63,904) | (74,913) | 0 |
| **Financing - Totals** | **(99,741)** | **(56,225)** | **43,516** | **(76,269)** | **(106,573)** | **(74,124)** | **(92,113)** | **(10,645)** |
| **Housing Revenue Account Capital Expenditure** | | | | | | | | |
| **Total Expenditure** | **21,970** | **14,548** | **(7,422)** | **7,915** | **14,260** | **14,656** | **7,001** | **5,975** |
| Financed by : | | | | | | | | |
| - Capital Receipts | (4,974) | (2,984) | 1,990 | (982) | (2,886) | (3,004) | (400) | (400) |
| - Capital Reserves/Revenue | (16,996) | (11,563) | 5,433 | (6,933) | (11,375) | (11,652) | (6,601) | (5,575) |
| **Financing - Totals** | **(21,970)** | **(14,548)** | **7,422** | **(7,915)** | **(14,260)** | **(14,656)** | **(7,001)** | **(5,975)** |

4.19 The programme has slipped significantly in 2018-19 – estimated expenditure on the GF of £99.7 million, has been reduced to £56.2 million. The majority of this relates to expenditure on regeneration schemes and has been moved into later years.

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

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

**New capital schemes**

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

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

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

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

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

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

4.27 Each project will require a business case, in line with guidance set out in the HM Treasury Green Book (‘Green book’). The following applies:

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

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

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

b) Each scheme must be assessed against the fundamental themes within the 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 cash-flows and quantifiable economic benefits, payback period, Internal Rate of Return (IRR), Peak Debt and the assessment of its Revenue impact.

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

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

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

g) All projects should assess the qualitative benefits

4.29 Bids are submitted for initial review by the officer led CMG in September. Their role is to scrutinise the bids, and review them in line with the overall capital programme. CMT will then review the updated bids, along with the financial impacts and NPV scores. Once CMT are fully supportive of the bids the relevant Lead Councillor will be given a copy, and they will be presented to Councillors in the JEABBWG for review and scrutiny in November/December before being passed through the Committee Cycle and ultimately being approved at Full Council in February.

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

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

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

| | **2019-20 Projection** | **2020-21 Projection** | **2021-22 Projection** | **2022-23 Projection** | **2023-24 Projection** |
|---|---|---|---|---|---|
| Affordable increase in financing costs | 283,977 | 191,681 | 197,895 | 204,719 | 206,882 |
| Maximum limit on type A essential capital schemes | 7,099,419 | 4,792,027 | 4,947,382 | 5,117,980 | 5,172,051 |

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

4.34 A summary of the new bids can be seen in Appendix 2

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

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

4.37 The table below highlights the current approved programme with the new bids submitted as part of this report

| CAPITAL EXPENDITURE SUMMARY | 2018-19 Approved £000 | 2018-19 Outturn £000 | 2018-19 variance £000 | 2019-20 Estimate £000 | 2020-21 Estimate £000 | 2021-22 Estimate £000 | 2022-23 Estimate £000 | 2023-24 Estimate £000 |
|---|---|---|---|---|---|---|---|---|
| **General Fund Capital Expenditure** | | | | | | | | |
| - Main Programme | 44,437 | 47,350 | 2,913 | 42,249 | 17,484 | 8,641 | 5,825 | 5,825 |
| - Provisional schemes | 50,953 | 2,985 | (47,968) | 30,171 | 88,402 | 64,983 | 85,788 | 4,820 |
| - Schemes funded by reserves | 4,351 | 5,540 | 1,189 | 3,849 | 687 | 500 | 500 | 0 |
| - S106 Projects | 0 | 350 | 350 | 0 | 0 | 0 | 0 | 0 |
| - New Bids (net cost) | 0 | 0 | 0 | 1,323 | 131 | 0 | 0 | 5,000 |
| **Total Expenditure** | **99,741** | **56,225** | **(43,516)** | **77,592** | **106,704** | **74,124** | **92,113** | **15,645** |
| Financed by : | | | | | | | | |
| Capital Receipts | (5,290) | (5,726) | (436) | 0 | 0 | (4,000) | (11,200) | (10,645) |
| Capital Grants/Contributions | (5,465) | (2,466) | 2,999 | (7,145) | (4,500) | (5,500) | (5,500) | 0 |
| Capital Reserves/Revenue | (17,832) | (13,158) | 4,674 | (10,829) | (907) | (720) | (500) | 0 |
| Borrowing | (71,154) | (34,874) | 36,280 | (59,618) | (101,297) | (63,904) | (74,913) | (5,000) |
| **Financing - Totals** | **(99,741)** | **(56,225)** | **43,516** | **(77,592)** | **(106,704)** | **(74,124)** | **(92,113)** | **(15,645)** |
| **Housing Revenue Account Capital Expenditure** | | | | | | | | |
| - Existing programme | 21,970 | 14,548 | (7,422) | 7,915 | 14,260 | 14,656 | 7,001 | 5,975 |
| - New Bids (net cost) | 0 | 0 | 0 | 733 | 5,197 | 7,861 | 1,666 | 0 |
| **Total Expenditure** | **21,970** | **14,548** | **(7,422)** | **8,648** | **19,457** | **22,517** | **8,667** | **5,975** |
| Financed by : | | | | | | | | |
| - Capital Receipts | (4,974) | (2,984) | 1,990 | (1,226) | (4,618) | (5,625) | (955) | (400) |
| - Borrowing | 0 | 0 | 0 | (244) | (1,732) | (2,620) | (555) | 0 |
| - Capital Reserves/Revenue | (16,996) | (11,563) | 5,433 | (7,177) | (13,107) | (14,272) | (7,156) | (5,575) |
| **Financing - Totals** | **(21,970)** | **(14,548)** | **7,422** | **(8,648)** | **(19,457)** | **(22,517)** | **(8,667)** | **(5,975)** |

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

## 5. Treasury management, borrowing and investment strategy

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

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

**Capital Financing Requirement (CFR)**

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

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

5.5 The 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 £45 million. This represents the minimum level of cash / investments we will always maintain at any point in time, to maintain sufficient liquidity.

5.6 The liability benchmark assumes:

- an allowance for currently known capital expenditure, until 2023-24, and then an assumed level of £10 million per annum for general capital bids, plus anticipated capital programme and capital vision items where the costs and timings can be estimated
- MRP has been allowed for based on the underlying need to borrow for the GF capital programme until 2023-24, and then projected forward based on the assumed level of capital expenditure with MRP over 25 years' repayment period
- income, expenditure and reserves are updated until 2029-30, based on estimated income and expenditure and then projected forward by using 1% inflation adjustment each year to allow for transfers to reserves each year.

| Guildford BC<br>Balance Sheet Summary and Projections in £000 - last updated 12 Dec 2018 | | | | | | |
|---|---|---|---|---|---|---|
| 31st March: | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** |
| Loans Capital Financing Req. | 271,443 | 305,522 | 362,851 | 461,889 | 522,635 | 593,203 |
| Less: External Borrowing | (241,625) | (192,895) | (192,665) | (192,435) | (147,435) | (147,435) |
| **Internal (Over) Borrowing** | **29,818** | **112,627** | **170,186** | **269,454** | **375,200** | **445,768** |
| Less: Usable Reserves | (156,150) | (150,755) | (156,473) | (162,156) | (170,882) | (181,281) |
| Less: Working Capital Surplus | (7,761) | (7,761) | (7,761) | (7,761) | (7,761) | (7,761) |
| **(Investments) / New Borrowing** | **(134,093)** | **(45,889)** | **5,952** | **99,537** | **196,557** | **256,726** |
| Net Borrowing Requirement | 107,532 | 147,006 | 198,617 | 291,972 | 343,992 | 404,161 |
| Preferred Year-end Position | 45,000 | 45,000 | 45,000 | 45,000 | 45,000 | 45,000 |
| **Liability Benchmark** | **152,532** | **192,006** | **243,617** | **336,972** | **388,992** | **449,161** |
| Housing Revenue Account - Summary and Projections in £000 | | | | | | |
| HRA Loans CFR | 197,024 | 197,024 | 197,024 | 197,024 | 197,024 | 197,024 |
| HRA Reserves | (110,378) | (108,301) | (113,561) | (119,473) | (127,070) | (140,589) |
| HRA Working Capital | 0 | 0 | 0 | 0 | 0 | 0 |
| HRA Borrowing | (193,125) | (192,895) | (192,665) | (192,435) | (147,435) | (147,435) |
| **HRA Cash Balance** | **(106,479)** | **(104,172)** | **(109,202)** | **(114,884)** | **(77,481)** | **(91,000)** |

| General Fund - Summary and Projections in £000 | | | | | | |
|---|---|---|---|---|---|---|
| GF Loans CFR | 74,419 | 108,498 | 165,827 | 264,865 | 325,611 | 396,179 |
| GF Reserves | (45,772) | (42,454) | (42,912) | (42,683) | (43,812) | (40,692) |
| GF Working Capital | (7,761) | (7,761) | (7,761) | (7,761) | (7,761) | (7,761) |
| GF Borrowing | (48,500) | 0 | 0 | 0 | 0 | 0 |
| **GF Cash Balance** | **(27,614)** | **58,283** | **115,154** | **214,421** | **274,038** | **347,726** |

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

5.8 The differential between the CFR and the level of reserves is the 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 overall cash). Items on the capital vision are currently excluded, mainly because the cost and/or timings of the schemes are unknown.

5.9 The Prudential Code recommends that the 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.

5.10 The table shows our gross debt position against our CFR. This is one of the Prudential Indicators, and is a key indicator of prudence. This indicator aims to ensure that, over the medium-term, debt will only be for a capital purpose. We monitor this position and demonstrate prudence by ensuring that medium to long-term debt does not exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years (2017-18 to 2020-21). The liability benchmark is expected to increase to £449 million by March 2024.

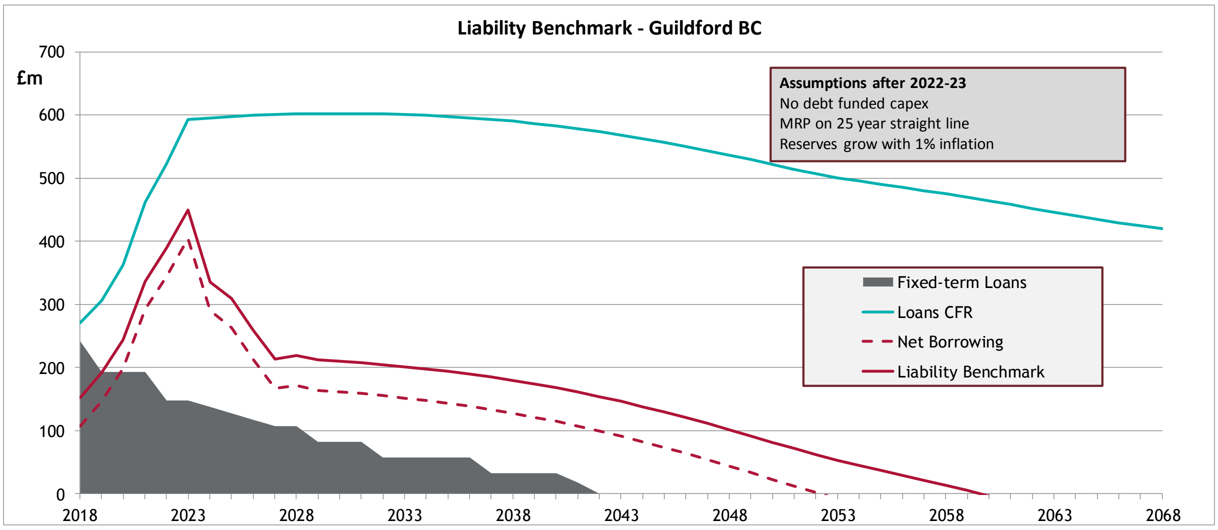
5.11 The Council has an increasing CFR due to the increasing need to borrow for the GF capital programme. The increase in estimated capital spend is more than the annual MRP. We are projecting the cash balance of the Council to reduce, whilst maintaining a good level of (core) reserves over the period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

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

5.13 GF reserves are projected to remain stable (our core cash). The CFR is increasing sharply due to the proposed capital programme. We are projecting a small need to borrow for the Council as a whole from 2019-20, based on the current profile of the capital programme. We have taken out short-term loans in the year to cover cash flow.

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

5.15 The liability benchmark can also be presented graphically:




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

**Borrowing strategy**

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

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

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

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

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

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

5.23 We will continue to monitor our internal borrowing position against the potential of incurring additional interest costs if we defer externalising borrowing into the future when long-term borrowing costs are forecast to rise modestly. Arlingclose will assist us with this 'cost of carry' and breakdown analysis in line with our capital spending plans. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2019-20 with a view to keeping future interest costs low, even if this causes additional cost in the short term.

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

5.25 Its output may determine whether we arrange forward stating loans during 2019-20, where the interest is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

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

*Sources of borrowing*

5.27 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
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except the local pension fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

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

- leasing
- hire purchase
- sale and leaseback

5.29 The Council has previously raised the majority of its 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)*

5.30 UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to uses bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB because

a) borrowing authorities will be required to provide bonds investors with a joint and several guarantee to refund their investment in the event that the agency is unable to for any reason and

b) there will be a lead time of several months between committing to borrow and knowing the interest rate payable.

*Short-term and variable rate loans*

5.31 These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the following interest rate exposure limits indicator, which is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be £200,000.

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

5.33 We are also required to present the maturity structure of borrowing. This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits of on the maturity structure of borrowing will be:

| Maturity Structure of borrowing | | |
|---|---|---|
| | 2019-20 | |
| | Lower | Upper |
| Under 12 months | 0% | 30.00% |
| 1 year to 2 years | 0% | 20.00% |
| 3 years to 5 years | 0% | 35.00% |
| 6 years to 10 years | 0% | 50.00% |
| 11 years and above | 0% | 100.00% |

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

*Debt Rescheduling*

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

**Investment strategy**

5.36 The CIPFA TM code requires 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 investment money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

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

5.38 If the UK enters into a recession in 2019-20, 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. The 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.

5.39 Given the increasing risk and very low returns from short-term unsecured bank investments, the Council aims to continue to diversify into more secure and, where possible, higher yielding asset classes during 2019-20. This is especially the case for our longer-term investments. This diversification will represent a continuation of the new strategy adopted in 2015-16.

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

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

*Counterparty limits*

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

| Credit Rating | Banks - unsecured | Banks - secured | Government (incl LAs) | Corporates | Asset backed securities |
|---|---|---|---|---|---|
| **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 | | | | |

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

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

5.45 To mitigate the risk of default, we will ensure that no more than £10 million will be invested in any one institution or institutions within the same group (other than the UK Government). 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.

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

5.47 Banks unsecured: accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral banks. These investments re subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

5.48 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 limited 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 higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit or secured investments.

5.49 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 generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government may be made in unlimited amounts for up to 50-years.

5.50 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. Loans to unrated companies will only be made either following an external credit assessment or as part of a diversified pool to spread the risk widely.

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

5.52 Pooled funds: shares or units in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. 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.

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

5.54 Real estate investment trusts: shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with the property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

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

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

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

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

*Risk and credit ratings*

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

- no new investments will be made

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

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

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

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

5.63 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of our investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to meet the Council's cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office or invested in government treasury bills for example or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

5.64 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 for A for 2019-20.
- <u>Liquidity</u>: we monitor our liquidity 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 £40 million as our minimum liquidity requirement. We also have a high-level cash flow projection over four years.

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

| | 2019-20 Approved | 2020-21 Estimate | 2022-23 Estimate | 2023-24 Estimate |
|---|---|---|---|---|
| Upper limit for total principal sums invested for longer than a year | £50m | £50m | £40m | £30m |

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

## 6. Other items

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

**Policy on the use of Financial Derivatives**

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

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

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

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

**Markets in Financial Instruments Derivative**

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

**Policy on apportioning interest to the HRA**

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

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

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

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

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SCHEDULE OF GENERAL FUND CAPITAL BIDS 2019-20 TO 2023-24

| Bid number | Project title | GROSS ESTIMATES 2019-20 £000 | 2020-21 £000 | 2021-22 £000 | 2022-23 £000 | 2023-24 £000 | TOTAL COST £000 | Third party contr £000 | Specific reserves £000 | General reserves/ borrowing £000 |
|---|---|---|---|---|---|---|---|---|---|---|
| | **General fund** | | | | | | | | | |
| | Approved programme | | | | | | | | | |
| 1 | Shalford Common - regularising car parking and reduction of encroachments | 60 | 61 | 0 | 0 | 0 | **121** | 0 | 0 | 121 |
| 2 | Foxenden tunnels safety works | 110 | 0 | 0 | 0 | 0 | **110** | 0 | 0 | 110 |
| 3 | Holy Trinity Church boundary wall | 63 | 0 | 0 | 0 | 0 | **63** | 0 | 0 | 63 |
| 4 | Broadwater cottage structural works | 150 | 0 | 0 | 0 | 0 | **150** | 0 | 0 | 150 |
| | Provisional programme | | | | | | | | | |
| 5 | Town centre CCTV upgrade | 250 | 0 | 0 | 0 | 0 | **250** | 0 | 0 | 250 |
| 6 | High Street protection | 260 | 0 | 0 | 0 | 0 | **260** | 0 | 0 | 260 |
| 7 | Traveller encampments | 180 | 70 | 0 | 0 | 0 | **250** | 0 | 0 | 250 |
| 8 | Access for all Ash station funding | 250 | 0 | 0 | 0 | 0 | **250** | 0 | 0 | 250 |
| | Capital Contingency fund (annual budget) | 0 | 0 | 0 | 0 | 5,000 | **5,000** | 0 | 0 | 5,000 |
| | **Total** | **1,323** | **131** | **0** | **0** | **5,000** | **6,454** | **0** | **0** | **6,454** |
| | | | | | | | | | | |
| | **For reserves programme (approved prog)** | | | | | | | | | |
| 9 | ICT renewals | 1,481 | 50 | 0 | 0 | 0 | **1,531** | 0 | (1,531) | 0 |
| | Future Guildford Implementation team | 1,000 | 1,600 | 0 | 0 | 0 | **2,600** | 0 | (2,600) | 0 |
| 10 | MSCP repairs and maintenance | 593 | 0 | 0 | 0 | 0 | **593** | 0 | (593) | 0 |
| | **Total funded from reserves** | **3,074** | **1,650** | **0** | **0** | **0** | **4,724** | **0** | **(4,724)** | **0** |
| | | | | | | | | | | |
| | **HRA (For information only)** | | | | | | | | | |
| 11 | HRA opportunity land and property acquisition | 5,000 | 0 | 0 | 0 | 0 | **5,000** | 0 | (5,000) | 0 |
| 12 | Pipeline projects | 575 | 1,825 | 3,325 | 1,825 | 1,875 | **9,425** | 0 | (9,425) | 0 |
| 13 | Redevelopment: See "Not for Publication" item | 533 | 3,197 | 5,861 | 1,066 | 0 | **10,657** | 0 | (10,657) | 0 |
| | | | | | | | | | | |
| | **Total HRA** | **6,108** | **5,022** | **9,186** | **2,891** | **1,875** | **25,082** | **0** | **(25,082)** | **0** |
| | | | | | | | | | | |
| | **Gross total** | **10,505** | **6,803** | **9,186** | **2,891** | **6,875** | **36,260** | **0** | **(29,806)** | **6,454** |
| | Funded by reserves or contributions | (9,182) | (6,672) | (9,186) | (2,891) | (1,875) | **(29,806)** | | | |
| | **Cost to the Council** | **1,323** | **131** | **0** | **0** | **5,000** | **6,454** | | | |
| | Already in programme | 0 | 0 | 0 | 0 | 0 | **0** | | | |
| | **Net addition to the programme** | **1,323** | **131** | **0** | **0** | **5,000** | **6,454** | | | |
| | | | | | | **6,454** | | | | |

GENERAL FUND CAPITAL PROGRAMME - ESTIMATED EXPENDITURE 2018-19 to 2023-24

| Ref | Directorate/Service and Capital Scheme name | Approved gross estimate | Cumulative spend at 31-03-18 | 2018-19 Estimate approved by Council in February | Revised estimate | Projected exp est by project officer | 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 est exp | Projected expenditure total | Grants / Contributions towards cost of scheme | Net cost of scheme |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | *(a)* £000 | *(b)* £000 | *(c)* £000 | *(d)* £000 | *(f)* £000 | *(ii)* £000 | *(iii)* £000 | *(iv)* £000 | *(v)* £000 | *(v)* £000 | *(g)* £000 | *(b)+(g) = (h)* £000 | *(i)* £000 | *(h)-(i) = (j)* £000 |
| | **APPROVED SCHEMES** | | | | | | | | | | | | | | |
| | **COMMUNITY DIRECTORATE** | | | | | | | | | | | | | | |
| | **General Fund Housing** | | | | | | | | | | | | | | |
| ED30 | Home Farm, Effingham - provision of Gypsy and Travellor pitches | 1,000 | 987 | - | 13 | 13 | - | - | - | - | - | - | 1,000 | - | 1,000 |
| | Disabled Facilities Grants | | | - | 605 | 605 | 605 | 605 | 605 | 605 | 605 | 3,025 | 3,630 | (658) | 2,972 |
| | Better Care Fund | | | - | | - | - | | | | | | - | | - |
| | Home Improvement Assistance | | | - | - | - | - | | | | | - | - | - | - |
| | Solar Energy Loans | | | - | - | - | - | | | | | - | - | - | - |
| | SHIP | | | - | - | - | - | | | | | - | - | - | - |
| | General Grants to HAs | | | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 500 | 600 | - | 600 |
| | General feasibility, site preparation costs for affordable housing | | | 120 | 188 | 188 | 120 | 120 | 120 | 120 | 120 | 600 | 1,453 | - | 1,453 |
| | Bright Hill Car Park Site | | 17 | | | | | | | | | - | - | - | - |
| | Ladymead/Fire Station site preparation | | 95 | | | | | | | | | - | - | - | - |
| | Garage Sites-General | | 159 | | | | | | | | | - | - | - | - |
| | Garage Sites Phase 1 | | 5 | | | | | | | | | - | - | - | - |
| | Guildford Park Car Park | | 312 | | | | | | | | | - | - | - | - |
| | Apple Tree Pub Site | | 75 | | | | | | | | | - | - | - | - |
| | Pak Barn | | | | | | | | | | | | | | |
| | Japonica Court/Shawfield Day Centre | | | | | | | | | | | | | | |
| | **Asset Development** | | | | | | | | | | | | | | |
| ED3/15 | Disabled Access (DDA) Improvements: ph.2 & 3 | 390 | 348 | 26 | 42 | 42 | - | - | - | - | - | - | 390 | - | 390 |
| ED14(e) | Void investment property refurbishment works | 400 | 219 | 177 | 60 | 60 | - | - | - | - | - | - | 400 | - | 400 |
| ED14 | 5 High Street void works | | - | - | 106 | 106 | | | | | | | | | |
| ED14(i) | 12/13 Enterprise Est void work | | | - | 15 | 15 | | | | | | | | | |
| ED19 | Asbestos surveys and removal in non-residential council premises | 158 | 114 | 42 | 44 | 44 | - | - | - | - | - | - | 158 | - | 158 |
| ED21 | Methane gas monitoring system | 100 | 45 | 60 | 55 | 55 | - | - | - | - | - | - | 100 | - | 100 |
| ED22 | Energy efficiency compliance - Council owned properties | 45 | 16 | 25 | 29 | 29 | - | - | - | - | - | - | 45 | - | 45 |
| ED23 | Rebuild retaining wall on Shalford Park boundary with the Old Vicarage (COMPLETE) | 60 | 32 | 9 | 28 | - | - | - | - | - | - | - | 32 | (16) | 16 |
| ED26 | Bridges -Inspections and remedial works | 317 | 173 | 200 | 144 | 144 | - | - | - | - | - | - | 317 | - | 317 |
| ED26 | Bridges - Millmead Footbridge | | | | | | | | | | | | | | |
| ED26 | Bridges - Shalford Common | | | - | | - | | | | | | | | | |
| ED26 | Bridges - Millmead Lattice | | | | | | | | | | | | | | |
| ED26 | Bridges - Shalford Rd/Millmead Island | | | | | | | | | | | | | | |
| ED35 | Electric Theatre - new boilers | 120 | - | - | 120 | 120 | - | - | - | - | - | - | 120 | - | 120 |
| ED41 | The Billings roof | 200 | 13 | 187 | 187 | 12 | 175 | - | - | - | - | 175 | 200 | - | 200 |
| ED42 | Guildford house dampproofing- removal of decayed timber panellling and mathematical tiling at high level | 20 | 4 | 20 | 16 | 16 | - | - | - | - | - | - | 20 | - | 20 |
| ED44 | Broadwater cottage | 74 | 2 | 64 | 72 | 72 | - | - | - | - | - | - | 74 | - | 74 |
| ED45 | Gunpowder mills - scheduled ancient monument | 50 | 5 | 50 | 45 | 45 | - | - | - | - | - | - | 50 | - | 50 |
| ED46 | New House - short term works following acquisition | 70 | 18 | 22 | 52 | 52 | - | - | - | - | - | - | 70 | - | 70 |
| ED52 | Chapel Street (Castle Street/Tunsgate Public Realm Scheme) | 835 | 113 | - | 722 | 722 | - | - | - | - | | - | 835 | - | 835 |
| ED53 | Site clearance costs ahead of sale of Burpham Court Farm Buildings | 50 | - | - | 50 | 50 | - | - | - | - | - | - | 50 | - | 50 |
| ED47 | Cladding of Ash Vale units | 145 | - | 145 | 145 | 145 | - | - | - | - | - | - | 145 | - | 145 |
| ED55 | 48 Quarry Street, Museum - structural works | - | - | 30 | 30 | 30 | - | - | - | - | - | - | 30 | - | 30 |

GENERAL FUND CAPITAL PROGRAMME - ESTIMATED EXPENDITURE 2018-19 to 2023-24

| Ref | Directorate/Service and Capital Scheme name | Approved gross estimate (a) £000 | Cumulative spend at 31-03-18 (b) £000 | 2018-19 Estimate approved by Council in February (c) £000 | Revised estimate (d) £000 | Projected exp est by project officer (f) £000 | 2019-20 Est for year (ii) £000 | 2020-21 Est for year (iii) £000 | 2021-22 Est for year (iv) £000 | 2022-23 Est for year (v) £000 | 2023-24 Est for year (v) £000 | Future years est exp (g) £000 | Projected expenditure total (b)+(g) = (h) £000 | Grants / Contributions towards cost of scheme (i) £000 | Net cost of scheme (h)-(i) = (j) £000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| PL53 | Park Barn CC LED lighting upgrade (Complete) | 3 | - | 3 | 3 | 3 | - | - | - | - | - | - | 3 | - | 3 |
| | **Office Services** | | | | | | | | | | | | | | |
| | Replace Hydro Gates Toll House | | | | 16 | 16 | | | | | | | 16 | - | 16 |
| BS4 | Hydro private wire - Tollhouse to Millmead | | | 4 | 4 | 4 | - | - | - | - | - | - | 4 | - | 4 |
| | **COMMUNITY DIRECTORATE TOTAL** | **4,037** | **2,752** | **1,283** | **2,891** | **2,688** | **1,000** | **825** | **825** | **825** | **825** | **4,300** | **9,740** | **(674)** | **9,067** |
| | **ENVIRONMENT DIRECTORATE** | | | | | | | | | | | | | | |
| | **Operational Services** | | | | | | | | | | | | | | |
| OP1 | Safer Guildford: CCTV & Lighting Strategy - Lighting Strategy phase 3 & 4 | 345 | 324 | - | 21 | 21 | - | - | - | - | - | - | 345 | - | 345 |
| OP5 | Mill Lane (Pirbright) Flood Protection Scheme | 71 | 55 | 16 | 16 | (0) | 16 | - | - | - | - | 16 | 71 | (19) | 52 |
| OP6 | Vehicles, Plant & Equipment Replacement Programme | 6,445 | 5,366 | 600 | 1,079 | 500 | 579 | - | - | - | - | 579 | 6,445 | (26) | 6,419 |
| | Mary Road Flood (EA grant) | 45 | 16 | | 29 | 29 | | | | | | | 45 | (45) | - |
| OP20 | Flood resilience measures (use in conjunction with grant funded schemes) | 100 | - | - | - | - | 100 | - | - | - | - | 100 | 100 | - | 100 |
| OP22 | Litter bins replacement | 265 | 104 | - | 161 | 161 | - | - | - | - | - | - | 265 | - | 265 |
| OP23 | Flats recycling - new bins | 50 | 39 | - | 11 | 11 | - | - | - | - | - | - | 50 | - | 50 |
| OP25 | WRD roads and footpaths | 150 | 59 | 51 | 51 | 51 | 40 | - | - | - | - | 40 | 150 | - | 150 |
| OP26 | Merrow lane grille & headwall construction | 60 | 3 | 52 | 57 | 57 | - | - | - | - | - | - | 60 | - | 60 |
| OP27 | Merrow & Burpham surface water study | 15 | - | 15 | 15 | 15 | - | - | - | - | - | - | 15 | - | 15 |
| OP28 | Crown court CCTV | 10 | - | 10 | 10 | 10 | - | - | - | - | - | - | 10 | - | 10 |
| | **Parks and Leisure** | | | | | | | | | | | | | | |
| PL11 | Spectrum Roof replacement | 4,000 | 1,420 | 43 | 276 | 276 | - | - | - | - | - | - | 2,800 | - | 2,800 |
| | Spectrum roof - steelwork ph2 | - | 407 | - | - | - | - | - | - | - | - | - | - | - | - |
| | Spectrum roof - steelwork ph3 | - | 697 | | | - | | | | | | | - | | - |
| PL15 | Infrastructure works: Guildford Commons | 150 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| PL15(a) | Infrastructure works: Guildford Commons: Merrow | - | 12 | - | 5 | 5 | - | - | - | - | - | - | 17 | - | 17 |
| PL15(b) | Infrastructure works: Guildford Commons: Shalford | - | 97 | 33 | 33 | 33 | - | - | - | - | - | - | 130 | - | 130 |
| PL15(c) | Infrastructure works: Guildford Commons: Compton | - | 3 | - | - | - | - | - | - | - | - | - | 3 | - | 3 |
| PL20(a) | Onslow Rec play area | 174 | 165 | - | 9 | 9 | - | - | - | - | - | - | 174 | - | 174 |
| PL20(b) | Westnye Gardens play area | 125 | 10 | 110 | 115 | 115 | - | - | - | - | - | - | 125 | - | 125 |
| PL21 | Stoke Park Tennis Courts refurbishment (COMPLETE) | 90 | 85 | | 5 | 5 | | | | | | - | 90 | - | 90 |
| PL22 | Stoke Park Paddling Pool (ph1&2) (COMPLETE) | 423 | 418 | - | 5 | 5 | - | - | - | - | - | - | 423 | - | 423 |
| PL32 | Stoke Park Bowls Club | 102 | 112 | - | (10) | 2 | - | - | - | - | - | - | 114 | (44) | 70 |
| PL34 | Stoke cemetry re-tarmac | 47 | - | 47 | 47 | 47 | - | - | - | - | - | - | 47 | - | 47 |
| PL35 | Woodbridge rd sportsground replace fencing | 250 | 39 | - | 211 | 211 | - | - | - | - | - | - | 250 | - | 250 |
| PL36 | Stoke Park Composting facility | 105 | - | 105 | 105 | 105 | - | - | - | - | - | - | 105 | - | 105 |
| PL38 | Chantry wood campsite | 216 | 7 | 210 | 209 | (0) | 209 | - | - | - | - | 209 | 216 | (116) | 100 |
| PL41 | Stoke pk office accomodation & storage buildings (Greenhouse)Complete | 65 | 74 | - | (9) | 2 | - | - | - | - | - | - | 76 | - | 76 |
| PL42 | Pre-sang costs | 100 | 19 | 79 | 81 | 81 | - | - | - | - | - | - | 100 | - | 100 |
| PL43 | Stoke Cemetry Chapel - phase 2 | 75 | 7 | 72 | 68 | 68 | - | - | - | - | - | - | 75 | - | 75 |
| PL46 | Replace Stoke Park gardens attendent hut/Visitor information point ( COMPLETE) | 143 | 14 | 80 | 128 | 128 | - | - | - | - | - | - | 143 | - | 143 |
| PL47 | Wall repairs for parks, cemeteries & recreation facilities | 195 | 10 | 180 | 185 | 185 | - | - | - | - | - | - | 195 | - | 195 |
| PL48 | Bellfields Community Centre - Subsidence Repairs | 60 | 3 | 49 | 57 | 57 | - | - | - | - | - | - | 60 | - | 60 |
| PL50 | Countryside fence replacement | 97 | 64 | 47 | 33 | 33 | - | - | - | - | - | - | 97 | - | 97 |
| PL52 | Sutherland Memorial Park LED lighting for courts/football pitch | 25 | - | - | 25 | 25 | - | - | - | - | - | - | 25 | - | 25 |
| PL53 | New War Memorial | 50 | 16 | | 34 | 34 | | | | | | | 50 | | 50 |
| ED18 | Museum and castle development | 267 | 3 | 164 | 264 | 264 | | - | - | - | - | - | 267 | - | 267 |
| PL57 | Parks and Countryside - repairs and renewal of paths,roads and car parks | 100 | - | 100 | 100 | 100 | - | - | - | - | - | - | 100 | - | 100 |
| PL24 | Kings college astro turf | 120 | - | 120 | 120 | 120 | - | - | - | - | - | - | 120 | - | 120 |
| | **Econmonic Development** | | | | | | | | | | | | | | |
| | Broadband for Surrey Hills | | | | 10 | 10 | | | | | | | 10 | - | 10 |

GENERAL FUND CAPITAL PROGRAMME - ESTIMATED EXPENDITURE 2018-19 to 2023-24

| Ref | Directorate/Service and Capital Scheme name | Approved gross estimate (a) £000 | Cumulative spend at 31-03-18 (b) £000 | 2018-19 Estimate approved by Council in February (c) £000 | Revised estimate (d) £000 | Projected exp est by project officer (f) £000 | 2019-20 Est for year (ii) £000 | 2020-21 Est for year (iii) £000 | 2021-22 Est for year (iv) £000 | 2022-23 Est for year (v) £000 | 2023-24 Est for year (v) £000 | Future years est exp (g) £000 | Projected expenditure total (b)+(g) = (h) £000 | Grants / Contributions towards cost of scheme (i) £000 | Net cost of scheme (h)-(i) = (j) £000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **ENVIRONMENT TOTAL DIRECTORATE** | **14,535** | **9,648** | **2,183** | **3,556** | **2,775** | **944** | **-** | **-** | **-** | **-** | **944** | **13,368** | **(250)** | **13,118** |
| | **FINANCE DIRECTORATE** | | | | | | | | | | | | | | |
| | **Financial Services** | | | | | | | | | | | | | | |
| FS1 | Capital contingency fund | annual | - | 5,000 | 3,074 | 3,074 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 25,000 | 28,074 | - | 28,074 |
| | **RESOURCES DIRECTORATE TOTAL** | **0** | **0** | **5,000** | **3,074** | **3,074** | **5,000** | **5,000** | **5,000** | **5,000** | **5,000** | **25,000** | **28,074** | **0** | **28,074** |
| | **DEVELOPMENT/INCOME GENERATING/COST REDUCTION PROJECTS** | | | | | | | | | | | | | | |
| | **COMMUNITY DIRECTORATE** | | | | | | | | | | | | | | |
| ED25 | Guildford Park - new MSCP and infrastructure works | 6,500 | 1,118 | 4,497 | 4,768 | 1,259 | 3,509 | - | - | - | - | 3,509 | 6,500 | - | 6,500 |
| | Guildford Park - Housing for private sale | | 614 | | | - | | | | | | | | | |
| | Investment in North Downs Housing (60%) | 15,180 | 2,698 | 12,840 | 12,482 | 2,700 | 3,600 | 4,500 | 1,682 | - | - | 9,782 | 15,180 | - | 15,180 |
| | Equity shares in Guildford Holdings ltd (40%) | 10,120 | 1,803 | 8,560 | 8,317 | 1,800 | 2,400 | 3,000 | 1,117 | - | - | 6,517 | 10,120 | - | 10,120 |
| ED49 | Middleton Ind Est Redevelopment | 3,850 | 36 | 1,637 | 1,801 | 1,801 | 2,013 | - | - | - | | 2,013 | 3,850 | | 3,850 |
| | **ENVIRONMENT DIRECTRORATE** | | | | | | | | | | | | | | |
| P5 | Walnut Bridge replacement | 3,341 | 896 | 1,026 | 2,445 | 533 | 801 | 1,094 | 17 | - | - | 1,912 | 3,341 | (1,226) | 2,115 |
| PL9 | Rebuild Crematorium | 11,732 | 560 | 10,335 | 5,000 | 5,000 | 6,172 | - | - | - | - | 6,172 | 11,732 | - | 11,732 |
| PL25 | Spectrum Combined Heat and Power (GF contr) | 1,110 | 216 | - | 651 | 651 | - | - | - | - | - | - | 867 | - | 867 |
| PL29 | Woodbridge Rd sportsground | 1,900 | 1,918 | - | (18) | (18) | - | - | - | - | - | - | 1,900 | (746) | 1,154 |
| | **PLANNING & REGENERATION DIRECTORATE** | | | | | | | | | | | | | | |
| ED32 | Internal Estate Road - CLLR Phase 1 | 11,139 | 1,173 | 4,339 | 4,966 | 3,466 | 6,500 | - | - | - | - | 6,500 | 11,139 | (1,000) | 10,139 |
| ED6 | Slyfield Area Regeneration Project (SARP) | 5,225 | 1,252 | 900 | 1,632 | 1,632 | 2,341 | - | - | - | - | 2,341 | 5,225 | - | 5,225 |
| ED27 | North Street Development / Guild Town Centre regeneration | 977 | 721 | 337 | 256 | 256 | - | - | - | - | - | - | 977 | (50) | 927 |
| P9c | TCMP Sites U: Bedford Rd Wharf | 15,576 | - | - | 1,400 | 15,576 | - | - | - | - | - | - | 15,576 | - | 15,576 |
| P9c(a) | Walnut Bridge Land Acquisition | | 9 | | 491 | 491 | | | | | | | 500 | - | 500 |
| P9c | Town Centre Gateway Regeneration | 3,523 | 11 | - | (11) | (11) | 3,523 | - | - | - | - | 3,523 | 3,523 | - | 3,523 |
| | SMC(West) Phase 1 | 3,850 | | 850 | 850 | 802 | 1,383 | 1,665 | | | | 3,048 | 3,850 | (2,725) | 1,125 |
| P16 | A331 hotspots | 3,930 | - | 300 | 300 | 300 | 2,230 | 1,400 | - | - | - | 3,630 | 3,930 | (1,965) | 1,965 |
| P14 | Town Centre Approaches | 1,033 | - | 200 | 200 | 200 | 833 | - | - | - | - | 833 | 1,033 | (700) | 333 |
| P12 | Strategic property acquisitions - 23 Woodbridge Meadows | 830 | - | - | 830 | 830 | - | - | - | - | - | - | 830 | - | 830 |
| P13 | Strategic property acquisitions - 41 Moorfield Road | 1,544 | | - | 1,544 | 1,544 | - | - | - | - | - | - | 1,544 | - | 1,544 |
| | **DEVELOPMENT/INCOME GENERATING/COST REDUCTION** | **101,359** | **13,024** | **45,821** | **47,904** | **38,812** | **35,305** | **11,659** | **2,816** | **0** | **0** | **49,780** | **101,616** | **(8,413)** | **93,203** |
| | **APPROVED SCHEMES TOTAL** | **119,931** | **25,425** | **54,287** | **57,426** | **47,350** | **42,249** | **17,484** | **8,641** | **5,825** | **5,825** | **80,024** | **152,798** | **(9,336)** | **143,462** |
| | non-development projects total | 18,571 | 12,401 | 8,466 | 9,522 | 8,538 | 6,944 | 5,825 | 5,825 | 5,825 | 5,825 | 30,244 | 51,182 | (924) | 50,259 |

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**GENERAL FUND CAPITAL PROGRAMME - ESTIMATED EXPENDITURE 2018-19 to 2023-24**

| Ref | Directorate / Service Units Capital Schemes | Gross estimate approved by Executive | Cumulative spend at 31-03-18 | 2018-19 Estimate approved by Council in February | Revised estimate | Projected exp est by project officer | 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) | (g) | (i) | (ii) | (iii) | (iv) | (v) | (h) | (b) to (g)=(i) | (j) | (i) - (j) = (k) |
| | | £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** | | | | | | | | | | | | | | |
| | **General Fund Housing** | | | | | | | | | | | | | | |
| CM1(p) | Old Manor House - replacement windows | 193 | - | 193 | 193 | 96 | 97 | - | - | - | - | 97 | 193 | - | 193 |
| | **Asset Deveplopment** | | | | | | | | | | | | | | |
| ED14(P) | Void investment property refurbishment works | 300 | - | 200 | 200 | - | 300 | - | - | - | - | 300 | 300 | - | 300 |
| ED18(P) | Guildford Museum | 6,395 | - | 185 | 185 | 185 | 180 | 6,030 | - | - | - | 6,210 | 6,395 | - | 6,395 |
| ED21(P) | Methane gas monitoring system | 150 | - | 150 | 150 | 50 | 100 | - | - | - | - | 100 | 150 | - | 150 |
| ED22(P) | Energy efficiency compliance - Council owned properties | 1,150 | - | 1,150 | 1,150 | - | 1,150 | - | - | - | - | 1,150 | 1,150 | - | 1,150 |
| ED26(P) | Bridges | 370 | - | 270 | 370 | 370 | - | - | - | - | - | - | 370 | - | 370 |
| ED45(P) | Gunpowder mills - scheduled ancient monument | 172 | - | 172 | 172 | - | 172 | - | - | - | - | 172 | 172 | - | 172 |
| ED48(p) | Westfield/Moorfield rd resurfacing | 3,152 | - | 3,152 | 3,152 | - | 3,152 | - | - | - | - | 3,152 | 3,152 | - | 3,152 |
| 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 | - | 1,150 | 1,165 | - | 1,165 | - | - | - | - | 1,165 | 1,165 | - | 1,165 |
| ED53(p) | Tyting Farm Land-removal of barns and concrete hardstanding | 250 | - | 250 | 250 | 250 | - | - | - | - | - | - | 250 | - | 250 |
| ED54(p) | Rodboro Buildings - electric theatre through road and parking | 450 | - | 450 | 450 | - | 450 | - | - | - | - | 450 | 450 | - | 450 |
| ED55(p) | 48 Quarry Street, Museum - structural works | 220 | - | - | - | - | 220 | - | - | - | - | 220 | 220 | - | 220 |
| ED56(p) | Land to the rear of 39-42 Castle Street | 10 | | 10 | 10 | - | 10 | - | - | - | - | 10 | 10 | - | 10 |
| PL53(p) | Park Barn CC LED lighting upgrade (Complete) | 19 | - | 19 | 19 | 19 | - | - | - | - | - | - | 19 | - | 19 |
| PL54(p) | Shawfield DC - fire alarm system and LED lighting upgrade | 83 | - | 83 | 83 | - | 83 | - | - | - | - | 83 | 83 | - | 83 |
| | **Office Services** | | | | | | | | | | | | | | |
| CD3(P) | Renewables | 65 | | 65 | 65 | 65 | - | - | - | - | - | - | 65 | - | 65 |
| BS3(p) | Millmead House - M&E plant renewal | 33 | | 33 | 33 | 33 | - | - | - | - | - | - | 33 | - | 33 |
| BS4(p) | Hydro private wire - Tollhouse to Millmead | 85 | | 82 | 82 | 82 | - | - | - | - | - | - | 82 | - | 82 |
| | **COMMUNITY DIRECTORATE TOTAL** | **14,312** | **-** | **7,664** | **7,779** | **1,200** | **7,079** | **6,030** | **-** | **-** | **-** | **13,109** | **14,309** | **-** | **14,309** |
| | **ENVIRONMENT DIRECTORATE** | | | | | | | | | | | | | | |
| | **Operational Services** | | | | | | | | | | | | | | |
| OP5(P) | Mill Lane (Pirbright) Flood Protection Scheme | 200 | - | 200 | 200 | - | 200 | - | - | - | - | 200 | 200 | (20) | 180 |
| OP6(P) | Vehicles, Plant & Equipment Replacement Programme | 5,000 | - | - | - | - | - | 5,000 | - | - | - | 5,000 | 5,000 | - | 5,000 |
| OP17(P) | New vehicle washing system | 155 | 0 | 155 | 155 | 155 | - | - | - | - | - | - | 155 | - | 155 |
| OP21(P) | Surface water management plan | 200 | - | 200 | 200 | - | 200 | - | - | - | - | 200 | 200 | - | 200 |
| | **Parks and Leisure** | | | | | | | | | | | | | | |
| PL16(P) | New burial grounds - acquisition & development | 7,834 | 33 | 2,508 | 2,501 | - | 2,501 | 5,300 | - | - | - | 7,801 | 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 | - | 200 | 200 | - | 320 | - | - | - | - | 320 | 320 | - | 320 |
| PL21(P) | Council tennis courts refurbishment | 155 | - | 155 | 155 | 155 | - | - | - | - | - | - | 155 | (10) | 145 |
| PL39(P) | Aldershot rd allotment expansion & improvement | 200 | - | 200 | 200 | 200 | - | - | - | - | - | - | 200 | - | 200 |
| PL41(P) | Stoke pk office accomodation & storage buildings | 665 | - | 665 | 665 | - | 665 | - | - | - | - | 665 | 665 | - | 665 |
| PL44(p) | Sutherland memorial park all weather courts new posts and barriers | 25 | - | - | 25 | 25 | - | - | - | - | - | - | 25 | - | 25 |
| PL45(p) | Stoke Pk gardens water feature refurb | 81 | - | 81 | 81 | 81 | - | - | - | - | - | - | 81 | (59) | 22 |
| PL49(p) | Resurface Lido Rd CP | 100 | - | 100 | 100 | 100 | - | - | - | - | - | - | 100 | - | 100 |
| PL52(p) | Sutherland Memorial Park LED lighting | 10 | - | 10 | 10 | 10 | - | - | - | - | - | - | 10 | - | 10 |
| PL55(p) | Stoke Memorial Park - electrical works | 39 | - | 39 | 39 | 39 | - | - | - | - | - | - | 39 | - | 39 |
| PL56(p) | Stoke Park Masterplan enabling costs | 500 | - | 100 | 100 | 100 | 100 | 150 | - | 150 | | 400 | 500 | - | 500 |
| PL57(p) | Parks and Countryside - repairs and renewal of paths,roads and car parks | 1,800 | - | 200 | 200 | 200 | 400 | 400 | 400 | 400 | - | 1,600 | 1,800 | - | 1,800 |
| PL58(p) | Sports pavillions - replace water heaters | 154 | - | 154 | 154 | 154 | - | - | - | - | - | - | 154 | - | 154 |

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Appendix 4

GENERAL FUND CAPITAL PROGRAMME - ESTIMATED EXPENDITURE 2018-19 to 2023-24

| | Ref | Directorate / Service Units Capital Schemes | Gross estimate approved by Executive | Cumulative spend at 31-03-18 | 2018-19 Estimate approved by Council in February | Revised estimate | Projected exp est by project officer | 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)* | *(g)* | *(i)* | *(ii)* | *(iii)* | *(iv)* | *(v)* | *(h)* | *(b) to (g)=(i)* | *(j)* | *(i) - (j) = (k)* |
| | | | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| | PL59(p) | Millmead fish pass | 60 | - | - | - | - | 60 | - | - | - | - | 60 | 60 | - | 60 |
| | | **ENVIRONMENT DIRECTORATE TOTAL** | **17,648** | **34** | **5,117** | **5,135** | **1,219** | **4,596** | **10,850** | **400** | **550** | **-** | **16,396** | **17,648** | **(89)** | **17,559** |
| | | **DEVELOPMENT/INCOME GENERATING/COST REDUCTION PROJECTS** | | | | | | | | | | | | | | |
| | | **COMMUNITY DIRECTORATE** | | | | | | | | | | | | | | |
| | ED25(P) | Guildford Park new MSCP and infrastructure works | 23,125 | - | 18,625 | 18,625 | - | 4,380 | 11,625 | 7,120 | - | - | 23,125 | 23,125 | - | 23,125 |
| | | Investment in North Downs Housing | 30,100 | - | - | - | - | - | - | 5,518 | 12,539 | - | 18,057 | 18,057 | - | 18,057 |
| | | Equity shares in Guildford Holdings ltd | - | - | - | - | - | - | - | 3,683 | 8,360 | - | 12,043 | 12,043 | - | 12,043 |
| | ED49(p) | Redevelop Midleton industrial estate | 11,057 | - | - | - | - | - | 11,057 | - | - | - | 11,057 | 11,057 | - | 11,057 |
| | | **ENVIRONMENT DIRECTRORATE** | | | | | | | | | | | | | | |
| | PL51(p) | Stoke Park - Home Farm Redevelopment | 4,000 | - | - | - | - | - | - | - | - | 4,000 | 4,000 | 4,000 | - | 4,000 |
| P | OP14(P) | Mary Road Multi Storey (this more expensive option has been included in the figures) | 5,565 | - | - | - | - | - | - | - | 5,565 | - | 5,565 | 5,565 | - | 5,565 |
| | | **PLANNING & REGENERATION DIRECTORATE** | | | | | | | | | | | | | | |
| P | ED16(P) | Slyfield Area Regeneration Project (SARP) (GBC share) | 69,083 | - | - | - | - | 3,659 | 700 | 22,962 | 41,762 | - | 69,083 | 69,083 | (7,500) | 61,583 |
| | ED38(P) | North Street development | 29,590 | - | - | - | - | - | 29,590 | - | - | - | 29,590 | 29,590 | - | 29,590 |
| | HC4(p) | Bright Hill Development | 13,500 | - | 500 | 500 | - | 180 | 500 | 5,000 | 7,000 | 820 | 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 Corrider | 6,045 | - | - | - | - | - | - | - | 6,045 | - | 6,045 | 6,045 | - | 6,045 |
| | P11(p) | Guildford West (PB) station | 5,200 | - | 1,150 | 1,150 | 350 | 800 | 1,050 | 3,000 | - | - | 4,850 | 5,200 | (3,750) | 1,450 |
| | P12(p) | Strategic property acquisitions | 31,747 | - | - | - | - | 4,647 | 13,300 | 13,800 | - | - | 31,747 | 31,747 | - | 31,747 |
| | P14(p) | Guildford Gyratory & approaches | 10,967 | - | - | - | - | - | 3,500 | 3,500 | 3,967 | - | 10,967 | 10,967 | (5,000) | 5,967 |
| | P15(p) | Guildford bike share | 530 | - | 530 | 530 | - | 530 | - | - | - | - | 530 | 530 | - | 530 |
| | P17(p) | Bus station relocation | 500 | - | 300 | 300 | - | 300 | 200 | - | - | - | 500 | 500 | - | 500 |
| | P18(p) | Student Housing | 81,000 | | 3,000 | - | - | - | - | - | - | - | - | - | - | - |
| | | **ELOPMENT/INCOME GENERATING/COST REDUCTION PROJECTS TOTAL** | **326,226** | **-** | **28,322** | **25,322** | **567** | **18,496** | **71,522** | **64,583** | **85,238** | **4,820** | **244,659** | **245,226** | **(19,750)** | **225,476** |
| | | **PROVISIONAL SCHEMES - GRAND TOTALS** | **358,186** | **34** | **41,103** | **38,235** | **2,985** | **30,171** | **88,402** | **64,983** | **85,788** | **4,820** | **274,164** | **277,183** | **(19,839)** | **257,344** |
| | | non development projects | 31,960 | 34 | 12,781 | 12,913 | 2,418 | 11,675 | 16,880 | 400 | 550 | - | 29,505 | 31,957 | (89) | 31,868 |

Agenda item number: 6
Appendix 5

**GENERAL FUND CAPITAL SCHEMES - PROJECTS FUNDED VIA RESERVES: ESTIMATED EXPENDITURE 2018-19 to 2023-24**

| Item No. | Projects & Sources of Funding | Approved gross estimate | Cumulative spend at 31-03-18 | 2018-19 Estimate approved by Council in February | Revised estimate | Projected exp est by project officer | 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 est exp | Projected expenditure total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | (a) £000 | (b) £000 | (c) £000 | £000 | (f) £000 | (i) £000 | (ii) £000 | (iii) £000 | (iv) £000 | (v) £000 | (g) £000 | (b)+(g) = (h) £000 |
| | **COMMUNITY DIRECTORATE** | | | | | | | | | | | | |
| | ENERGY PROJECTS per SALIX RESERVE:(PR220) | | | - | | - | - | | | | | - | - |
| R-EN10 | LED Lighting replacement | 80 | 49 | - | 19 | 19 | - | - | - | - | - | - | 68 |
| 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 | 164 | - | | | | | - | 164 |
| R-EN12 | PV/energy efficiency projects | 100 | 2 | 98 | 98 | 98 | - | - | - | - | - | - | 100 |
| R-EN13 | Park Barn Day Centre - air source heat pump | 143 | - | 143 | 143 | 143 | - | - | - | - | - | - | 143 |
| R-EN14 | SMP - air source heat pump | 28 | - | 28 | 28 | 28 | - | - | - | - | - | - | 28 |
| R-EN15 | Stoke Park Nursery - air source heat pump | 17 | - | 17 | 17 | 17 | - | - | - | - | - | - | 17 |
| | **ENERGY RESERVES TOTAL** | **438** | **51** | **450** | **539** | **539** | **-** | **-** | **-** | **-** | **-** | **-** | **590** |
| | **FINANCE DIRECTORATE** | | | | | | | | | | | | |
| | INFORMATION TECHNOLOGY - IT Renewals Reserve (PR265) : approved annually | | | | | | | | | | | | |
| | Hardware / software budget | | - | 1,034 | 1,500 | 1,500 | 527 | 500 | 500 | 500 | - | 2,027 | 3,527 |
| R-IT1 | Hardware | annual | annual | - | - | - | - | - | - | - | - | - | - |
| R-IT2 | Software | annual | annual | - | - | - | - | - | - | - | - | - | - |
| | ICT infrastructure improvements | 1,250 | | 1,250 | 1,250 | 1,250 | - | - | - | - | - | - | 1,250 |
| | **IT RENEWALS RESERVE TOTAL** | **1,250** | **90** | **2,284** | **2,750** | **2,750** | **527** | **500** | **500** | **500** | **-** | **2,027** | **4,816** |
| | **ENVIRONMENT DIRECTORATE** | | | | | | | | | | | | |
| | **SPECTRUM RESERVE** | | | | | | | | | | | | |
| R-S14 | Spectrum schemes (to be agreed with Freedom Leisure) | 700 | - | 700 | 700 | 250 | 450 | | | | | 450 | 700 |
| | **SPECTRUM RESERVE TOTAL** | **700** | **-** | **700** | **700** | **250** | **450** | **-** | **-** | **-** | **-** | **450** | **700** |
| | **CAR PARKS RESERVE** | | | | | | | | | | | | |
| R-CP1 | Car parks - install/replace pay-on-foot equipment | 570 | 240 | - | 330 | 330 | - | - | - | - | - | - | 570 |
| | Car Parks - Lighting & Electrical improvements: | | | | | - | | | | | | | |
| R-CP13 | - Castle, Farnham & York Rd Lighting | 300 | - | - | 300 | 300 | - | - | - | - | - | - | 300 |
| R-CP8 | - Castle car park (PR000299) deck surfacing | 325 | - | 325 | 325 | 325 | - | - | - | - | - | - | 325 |
| R-CP10 | - Bedford Road (PR000243) deck replacement | 512 | - | - | 59 | 59 | - | - | - | - | - | - | 59 |
| R-CP18 | - Deck Millbrook car park | 2,000 | - | - | - | - | 2,000 | - | - | - | - | 2,000 | 2,000 |
| R-CP12 | Replacement of collapsed retaining wall Bright Hill | 321 | 54 | - | - | - | - | - | - | - | - | - | 54 |
| R-CP14 | Lift replacement (PR000293) | 841 | 68 | 187 | 399 | 399 | 187 | 187 | - | - | - | 374 | 841 |
| R-CP16 | Bright Hill Barrier essential works (PR000425) | 80 | 2 | - | 78 | 78 | - | - | - | - | - | - | 80 |
| R-CP17 | Leapale rd MSCP drainage (PR000433) | 90 | - | 90 | 90 | 40 | - | - | - | - | - | - | 40 |
| R-CP21 | Tunsgate Car Park Lighting | | 48 | | - | - | | | | | | | 48 |
| R-CP19 | Structural works to MSCP | 300 | - | 200 | 200 | 145 | 100 | - | - | - | - | 100 | 245 |
| R-CP20 | New pay-on-foot equipment | 600 | - | 15 | 15 | 15 | 585 | - | - | - | - | 585 | 600 |
| | **CAR PARKS RESERVE TOTAL** | **5,939** | **413** | **817** | **1,795** | **1,690** | **2,872** | **187** | **-** | **-** | **-** | **3,059** | **5,162** |
| | **SPA RESERVE :** | | | | | | | | | | | | |
| | SPA schemes (various) | 100 | annual | 100 | 251 | 230 | - | - | - | - | - | - | 251 |
| R-SPA1 | Chantry Woods | | | | | - | | | | | | - | |
| R-SPA2 | Effingham | | | | | - | | | | | | - | |
| R-SPA3 | Lakeside | | | | | - | | | | | | - | |

Agenda item number: 6
Appendix 5

**GENERAL FUND CAPITAL SCHEMES - PROJECTS FUNDED VIA RESERVES: ESTIMATED EXPENDITURE 2018-19 to 2023-24**

| Item No. | Projects & Sources of Funding | Approved gross estimate (a) £000 | Cumulative spend at 31-03-18 (b) £000 | 2018-19 Estimate approved by Council in February (c) £000 | Revised estimate £000 | Projected exp est by project officer (f) £000 | 2019-20 Est for year (i) £000 | 2020-21 Est for year (ii) £000 | 2021-22 Est for year (iii) £000 | 2022-23 Est for year (iv) £000 | 2023-24 Est for year (v) £000 | Future years est exp (g) £000 | Projected expenditure total (b)+(g) = (h) £000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| R-SPA4 | Riverside | | | | | 21 | | | | | | - | |
| R-SPA5 | Parsonage | | | | | - | | | | | | - | |
| R-SPA7 | Access tracks at Chantry Wood | 60 | - | - | 60 | 60 | - | - | - | - | - | - | 60 |
| | **SPA RESERVE TOTAL** | **160** | **-** | **100** | **311** | **311** | **-** | **-** | **-** | **-** | **-** | **-** | **311** |
| | **GRAND TOTALS** | **8,562** | **629** | **4,351** | **6,095** | **5,540** | **3,849** | **687** | **500** | **500** | **-** | **5,536** | **11,654** |

**GENERAL FUND CAPITAL PROGRAMME - S106 ESTIMATED EXPENDITURE 2018-19 to 2023-24**

| Ref | Service Units / Capital Schemes | Approved gross estimate (a) £000 | Cumulative spend at 31-03-18 (b) £000 | 2018-19 Estimate approved by Council in February (c) £000 | Revised estimate (d) | Projected exp est by project officer (f) £000 | 2019-20 Est for year (i) £000 | 2020-21 Est for year (ii) £000 | 2021-22 Est for year (iii) £000 | 2022-23 Est for year (iv) £000 | 2023-24 Est for year (v) £000 | Future years est exp (g) £000 | Projected expenditure total (b)+(g) = (h) £000 | Grants / Contributions towards cost of scheme (i) £000 | Net cost of scheme (h)-(i) = (j) £000 | Total net cost approved by Executive (k) *£000* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **APPROVED SCHEMES (fully funded from S106 contributions)** | | | | | | | | | | | | | | | |
| | **ENVIRONMENT DIRECTORATE** | | | | | | | | | | | | | | | |
| | **Operational Services** | | | | | | | | | | | | | | | |
| S-OP3 | Hayden Place CCTV - P92310 | 35 | 12 | | 23 | 23 | | | | | | | 35 | (35) | | |
| | **Parks and Leisure** | | | | | | | | | | | | | | | |
| S-PL7 | Tilehouse Open Space - Playground Refurbishment & Fitness Equipment | 132 | 102 | - | 30 | 30 | - | - | - | - | - | - | 132 | (132) | - | - |
| S-PL8 | Baird Drive/Briars Playground Refurb | 10 | 8 | - | 2 | 2 | - | - | - | - | - | - | 10 | (10) | - | - |
| S-PL17 | Bushy Hill Facilities | 27 | 16 | - | 11 | 11 | - | - | - | - | - | - | 27 | (27) | - | - |
| S-PL23 | 75-78 Woodbridge Rd (complete) | 15 | 11 | - | 4 | 4 | - | - | - | - | - | - | 15 | (15) | - | - |
| S-PL29 | Greening the approaches - roundabouts | 40 | 5 | - | 35 | 35 | - | - | - | - | - | - | 40 | (40) | - | - |
| S-PL33 | Installation of trampoline play equipment Pirbright | 11 | - | - | 11 | 11 | - | - | - | - | - | - | 11 | (11) | - | |
| S-PL36 | Gunpowder mills - signage, access and woodland imps | 36 | 17 | - | 19 | 19 | - | - | - | - | - | - | 36 | (36) | - | |
| S-PL47 | Fir Tree Garden | 28 | - | - | 28 | 28 | - | - | - | - | - | - | 28 | (28) | - | |
| S-PL48 | Stoke Park Trim Trail | 23 | 22 | | 1 | 1 | - | - | - | - | - | - | 23 | (23) | - | |
| S-PL50 | Stoke Park New Playground Entrance | 13 | 6 | | 7 | 7 | - | - | - | - | - | - | 13 | (13) | - | |
| S-PL51 | Pound Place Playarea | 23 | | | 23 | 23 | | | | | | | 23 | (23) | - | |
| S-PL52 | Benches on Ripley Green | 5 | | | 5 | 5 | | | | | | | 5 | (5) | - | |
| S-PL53 | WW1 Commemorative Orchard | 14 | | | 14 | 14 | | | | | | | 14 | (14) | - | |
| | **ENVIRONMENT DIRECTORATE TOTAL** | **376** | **199** | **-** | **212** | **212** | **-** | **-** | **-** | **-** | **-** | **-** | **376** | **(376)** | **-** | **-** |
| | **APPROVED SCHEMES continued (fully funded from S106 contributions)** | | | | | | | | | | | | | | | |
| | **COMMUNITY DIRECTORATE** | | | | | | | | | | | | | | | |
| P S-P1 | Haydon Place / Martyr Road | 67 | 64 | - | 3 | 3 | - | - | - | - | - | - | 67 | (67) | - | - |
| S-P7 | Woodbridge meadows | 243 | 197 | - | 46 | 46 | - | - | - | - | - | - | 243 | (243) | - | - |
| S-P8 | Woodbridge Hill environmental improvements | 226 | 220 | - | 6 | 6 | - | - | - | - | - | - | 226 | (226) | - | - |
| S-P10 | G Live Lighting and Signage York Road | 32 | 23 | - | 9 | 9 | - | - | - | - | - | - | 32 | (32) | - | - |
| S-P11 | G Live Bus stop/drop off point | 11 | 4 | - | 7 | 7 | - | - | - | - | - | - | 11 | (11) | - | - |
| S-P12 | Espom Rd/Boxgrove Road | 150 | 87 | - | 63 | 63 | - | - | - | - | - | - | 150 | (150) | - | - |
| S-P14 | Bridge Street Waymarking | 5 | 1 | - | 4 | 4 | - | - | - | - | - | - | 5 | (5) | - | - |
| | **DEVELOPMENT DIRECTORATE TOTOAL** | **734** | **595** | **-** | **139** | **139** | **-** | **-** | **-** | **-** | **-** | **-** | **734** | **(734)** | **-** | **-** |
| | **APPROVED S106 SCHEMES TOTAL** | **1,110** | **794** | **-** | **350** | **350** | **-** | **-** | **-** | **-** | **-** | **-** | **1,110** | **(1,110)** | **-** | **-** |

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# 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 2017-18 have been audited.

1.3 **Funding assumptions:**

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

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

| 2.0 **Capital receipts - Balances (T01001)** | **2017-18 Actuals £000** | **2018-19 Budget £000** | **2018-19 Est Outturn £000** | **2019-20 Estimate £000** | **2020-21 Estimate £000** | **2021-22 Estimate £000** | **2022-23 Estimate £000** | **2023-24 Estimate £000** |
|---|---|---|---|---|---|---|---|---|
| Balance as at 1 April | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Add estimated usable receipts in year | 496 | 5,290 | 5,726 | 0 | 0 | 4,000 | 11,200 | 55,067 |
| Less applied re funding of capital schemes | (496) | (5,290) | (5,726) | 0 | 0 | (4,000) | (11,200) | (10,645) |
| ***Balance after funding capital expenditure as at 31 March*** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **44,422** |

# 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

| | 2017-18 Actuals £000 | 2018-19 Budget £000 | 2018-19 Est Outturn £000 | 2019-20 Estimate £000 | 2020-21 Estimate £000 | 2021-22 Estimate £000 | 2022-23 Estimate £000 | 2023-24 Estimate £000 |
|---|---|---|---|---|---|---|---|---|
| Estimated captial expenditure | | | | | | | | |
| Main programme - approved | 12,627 | 54,287 | 47,350 | 42,249 | 17,484 | 8,641 | 5,825 | 5,825 |
| Main programme - provisional | 19 | 41,103 | 2,985 | 30,171 | 88,402 | 64,983 | 85,788 | 4,820 |
| s106 | 90 | 0 | 350 | 0 | 0 | 0 | 0 | 0 |
| Reserves | 1,204 | 4,351 | 5,540 | 3,849 | 687 | 500 | 500 | 0 |
| GF Housing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total estimated capital expenditure** | **13,940** | **99,741** | **56,225** | **76,269** | **106,573** | **74,124** | **92,113** | **10,645** |
| **To be funded by:** | | | | | | | | |
| Capital receipts *(per 2.above)* | (2,597) | (5,290) | (5,726) | 0 | 0 | (4,000) | (11,200) | (10,645) |
| Contributions | (1,966) | (5,465) | (2,466) | (7,145) | (4,500) | (5,500) | (5,500) | 0 |
| R.C.C.O. : | | | | | | | | |
| Other reserves | (1,204) | (17,832) | (11,517) | (10,829) | (907) | (720) | (500) | 0 |
| Capital Schemes Reserve (*para.4 below*) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | (5,767) | (28,587) | (19,710) | (17,974) | (5,407) | (10,220) | (17,200) | (10,645) |
| Balance of funding to be met from (i) the Capital Reserve, and (ii) borrowing | (8,173) | (71,154) | (36,515) | (58,295) | (101,166) | (63,904) | (74,913) | 0 |
| **Total funding required** | **(13,940)** | **(99,741)** | **(56,225)** | **(76,269)** | **(106,573)** | **(74,124)** | **(92,113)** | **(10,645)** |



## 4.0 General Fund Capital Schemes Reserve (U01030)

| | 2017-18 Actuals £000 | 2018-19 Budget £000 | 2018-19 Est Outturn £000 | 2019-20 Estimate £000 | 2020-21 Estimate £000 | 2021-22 Estimate £000 | 2022-23 Estimate £000 | 2023-24 Estimate £000 |
|---|---|---|---|---|---|---|---|---|
| Balance as at 1 April | 1,400 | 0 | 1,641 | 0 | 0 | 0 | 0 | 0 |
| Add: General Fund Revenue Budget variations | 1,201 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Contribution from revenue | 40 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2,641 | 0 | 1,641 | 0 | 0 | 0 | 0 | 0 |
| Less: Applied re funding of capital programme | (1,000) | 0 | (1,641) | 0 | 0 | 0 | 0 | 0 |
| **Balance after funding capital expenditure etc.as at 31 March** | **1,641** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| ***Estimated shortfall at year-end to be funded from borrowing*** | **7,173** | **71,154** | **34,874** | **58,295** | **101,166** | **63,904** | **74,913** | **0** |

# 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 | 2017-18 Actuals £000 | 2018-19 Budget £000 | 2018-19 Est Outturn £000 | 2019-20 Estimate £000 | 2020-21 Estimate £000 | 2021-22 Estimate £000 | 2022-23 Estimate £000 | 2023-24 Estimate £000 |
|---|---|---|---|---|---|---|---|---|
| Balance as at 1 April (T01008) | 14,861 | 13,361 | 12,760 | 6,760 | 0 | 0 | 0 | 0 |
| Add: Estimated receipts in year | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Less: Applied re Housing (General Fund) capital programme | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Less: Applied re Housing company | (2,101) | (13,361) | (6,000) | (6,760) | 0 | 0 | 0 | 0 |
| | 12,760 | 0 | 6,760 | 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** | **12,760** | **0** | **6,760** | **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)) | 2017-18 Actuals £000 | 2018-19 Budget £000 | 2018-19 Est Outturn £000 | 2019-20 Estimate £000 | 2020-21 Estimate £000 | 2021-22 Estimate £000 | 2022-23 Estimate £000 | 2023-24 Estimate £000 |
|---|---|---|---|---|---|---|---|---|
| Balance as at 1 April (T01012) | 2,938 | 2,428 | 422 | 0 | 0 | 0 | 0 | 0 |
| Add: Estimated receipts in year | 506 | 200 | 286 | 289 | 292 | 295 | 298 | 301 |
| Less: Applied re Housing (General Fund) capital programme | 0 | (220) | (288) | (220) | (220) | (220) | (220) | (220) |
| Less: Applied re Housing Improvement programme | (3,022) | (475) | (420) | (69) | (72) | (75) | (78) | (81) |
| | 422 | 1,933 | 0 | 0 | 0 | 0 | 0 | 0 |
| Less: Applied on regeneration schemes | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Housing receipts - estimated balance in hand** | **422** | **1,933** | **0** | **0** | **0** | **0** | **0** | **0** |

| | 2017-18 | 2018-19 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | **Total £'000s** |
|---|---|---|---|---|---|---|---|---|---|
| 6.1 Estimated annual borrowing requirement | **7,173** | **71,154** | **34,874** | **58,295** | **101,166** | **63,904** | **74,913** | **0** | **333,152** |
| Bids for funding (net) | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total estimated borrowing requirement if all bids on Appendix 1 appro** | | **71,154** | **34,874** | **58,295** | **101,166** | **63,904** | **74,913** | **0** | **333,152** |

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Appendix 7

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**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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 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 | ####### | 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) |
| P6(p) | Guildford Riverside Phase 2&3 | | | | | unknown | 2,400,000 | | | | | |
| 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 £50 |
| | **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) | |

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# Treasury management policy statement

**Background**

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

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

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

**CIPFA requirement**

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

1. The Council defines its treasury management activities are:

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

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

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

**The Council's requirements**

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

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

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

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

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

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

# Money Market Code Principles

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

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

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

**Ethics**

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

**Governance and Risk Management**

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

**Information Sharing, Confidentiality and Communications**

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

**Execution, Surveillance, Confirmations and Settlement**

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

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# Economic and Interest Rate Forecast November/December 2018

- **Our central interest rate forecasts are predicated on there being a transitionary period following the UK's official exit from the EU.**
- The MPC has a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. We believe that MPC members consider that: 1) tight labour markets will prompt inflationary pressure in the future, 2) ultra-low interest rates result in other economic problems, and 3) higher Bank Rate will be a more effective policy weapon if downside risks to growth crystallise.
- **Both our projected outlook and the increase in the magnitude of political and economic risks facing the UK economy means we maintain the significant downside risks to our forecasts**, despite the potential for slightly stronger growth next year as business investment rebounds should the EU Withdrawal Agreement be approved. The potential for severe economic outcomes has increased following the poor reception of the Withdrawal Agreement by MPs. We expect the Bank of England to hold at or reduce interest rates from current levels if Brexit risks materialise.
- The UK economic environment is relatively soft, despite seemingly strong labour market data. GDP growth recovered somewhat in the middle quarters of 2018, but more recent data suggests the economy slowed markedly in Q4. Our view is that the UK economy still faces a challenging outlook as the country exits the European Union and Eurozone economic growth softens.
- Cost pressures are easing but inflation is forecast to remain above the Bank's 2% target through most of the forecast period. Lower oil prices have reduced inflationary pressure, but the tight labour market and decline in the value of sterling means inflation may remain above target for longer than expected.
- Global economic growth is slowing. Despite slower growth, the European Central Bank is conditioning markets for the end of QE, the timing of the first rate hike (2019) and their path thereafter. More recent US data has placed pressure on the Federal Reserve to reduce the pace of monetary tightening - previous hikes and heightened expectations will, however, slow economic growth.
- Central bank actions and geopolitical risks have and will continue to produce significant volatility in financial markets, including bond markets.

| | Dec-18 | Mar-19 | Jun-19 | Sep-19 | Dec-19 | Mar-20 | Jun-20 | Sep-20 | Dec-20 | Mar-21 | Jun-21 | Sep-21 | Dec-21 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Official Bank Rate** | | | | | | | | | | | | | |
| Upside risk | 0.00 | 0.00 | 0.00 | 0.00 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 |
| Arlingclose Central Ca | 0.75 | 0.75 | 1.00 | 1.00 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 |
| Downside risk | 0.00 | 0.50 | 0.75 | 0.75 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| **3-mth money market rate** | | | | | | | | | | | | | |
| Upside risk | 0.10 | 0.10 | 0.10 | 0.10 | 0.15 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 |
| Arlingclose Central Ca | 0.90 | 0.95 | 1.10 | 1.30 | 1.40 | 1.40 | 1.40 | 1.35 | 1.35 | 1.35 | 1.35 | 1.35 | 1.35 |
| Downside risk | 0.20 | 0.45 | 0.60 | 0.80 | 0.90 | 0.90 | 0.90 | 0.85 | 0.85 | 0.85 | 0.85 | 0.85 | 0.85 |
| **1-yr money market rate** | | | | | | | | | | | | | |
| Upside risk | 0.20 | 0.30 | 0.30 | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 |
| Arlingclose Central Ca | 1.15 | 1.25 | 1.35 | 1.50 | 1.70 | 1.60 | 1.50 | 1.40 | 1.35 | 1.35 | 1.35 | 1.35 | 1.35 |
| Downside risk | 0.35 | 0.50 | 0.60 | 0.80 | 0.90 | 0.90 | 0.90 | 0.85 | 0.85 | 0.85 | 0.85 | 0.85 | 0.85 |
| **5-yr gilt yield** | | | | | | | | | | | | | |
| Upside risk | 0.25 | 0.30 | 0.30 | 0.35 | 0.35 | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 |
| Arlingclose Central Ca | 1.15 | 1.25 | 1.35 | 1.50 | 1.50 | 1.40 | 1.35 | 1.35 | 1.30 | 1.30 | 1.30 | 1.30 | 1.30 |
| Downside risk | 0.50 | 0.60 | 0.65 | 0.80 | 0.80 | 0.70 | 0.65 | 0.65 | 0.65 | 0.65 | 0.65 | 0.65 | 0.65 |
| **10-yr gilt yield** | | | | | | | | | | | | | |
| Upside risk | 0.25 | 0.30 | 0.30 | 0.35 | 0.35 | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 |
| Arlingclose Central Ca | 1.50 | 1.65 | 1.70 | 1.80 | 1.80 | 1.75 | 1.75 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 |
| Downside risk | 0.55 | 0.70 | 0.70 | 0.80 | 0.80 | 0.75 | 0.75 | 0.70 | 0.70 | 0.70 | 0.70 | 0.70 | 0.70 |
| **20-yr gilt yield** | | | | | | | | | | | | | |
| Upside risk | 0.25 | 0.30 | 0.30 | 0.35 | 0.35 | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 |
| Arlingclose Central Ca | 2.00 | 2.10 | 2.20 | 2.20 | 2.20 | 2.20 | 2.20 | 2.20 | 2.20 | 2.20 | 2.20 | 2.20 | 2.20 |
| Downside risk | 0.60 | 0.70 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 |
| **50-yr gilt yield** | | | | | | | | | | | | | |
| Upside risk | 0.25 | 0.30 | 0.30 | 0.35 | 0.35 | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 |
| Arlingclose Central Ca | 1.90 | 1.95 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 |
| Downside risk | 0.60 | 0.70 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 |

**PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%**

**PWLB Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%**

- **The MPC has maintained expectations of a slow rise in interest rates over the forecast horizon, but recent events around Brexit have dampened interest rate expectations. Our central case is for Bank Rate to rise twice in 2019, after the UK exits the EU. The risks are weighted to the downside.**
- **Gilt yields have remained at low levels. We expect some upward movement from current levels based on our central case that the UK will enter a transitionary period following its EU exit in March 2019. However, our projected weak economic outlook and volatility arising from both economic and political events will continue to offer borrowing opportunities.**

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## Credit Rating Equivalents and Definitions

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

| Fitch | Moody's | Standard & Poor's |
|---|---|---|
| **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:

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

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

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

**Money Market Rates –** interest rates on money market investments

**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)

# Bid for Funding

GUILDFORD BOROUGH

| | | | |
|---|---|---|---|
| **Project Name:** | Shalford Common – Regularising Car Parking and Reduction of Encroachments | | |
| **Project Code:** | 2018 | TBA | |
| **Project Description:** | Implementation of measures to reduce encroachments onto Shalford Common from un-authorised vehicle access. This includes necessary works to improve authorised access and compliance with Commons legislation and statutory access rights.<br><br>The project will propose, consult on and implement an action plan to put measures in place to comply with Commons regulations for car parking, access, leisure activities and highway improvements. | | |
| **Project / Programme Manager:** | Hendryk Jurk | **Ward:** | Shalford |
| **Senior Responsible Officer:** | Peter O'Connell | **Directorate:** | Environment |
| **Lead Councillor:** | David Bilbe | **Service:** | P&L |
| **Corporate Plan Theme:** | Community | **Confidential:** | No |
| **Expected Start Date:** | 01/04/2019 | **Exempt VAT Implications:** | No |
| **Target Completion Date:** | 29/03/2021 | | |

# Section A – Strategic Content

| | |
|---|---|
| **A01. What is the project trying to achieve?** | Shalford Common experiences an increased demand of use of the Common Land for car parking and frequent encroachments occur.<br><br>The Council receives regular complaints regarding cars parked on Common Land including access tracks that are in breach of Common Land legislation.<br><br>The project is intended to resolve the current issues on the Common. It will propose, consult on and implement an action plan to put measures in place to comply with Commons regulations for car parking, access, leisure activities and highway improvements.<br><br>The outcomes of the project are:<br>• Compliance with the Council's landowner obligations to protect the Common Land at Shalford<br>• Reduction of conflicts and complaints<br>• Significant reduction in time and resources to deal with complaints that arise |
| **A02. Which strategic priorities in the Council's Corporate Plan is the project trying to achieve?** | ☐ Delivering the Guildford Borough Local Plan and providing the range of housing that people need, particularly affordable homes.<br><br>☐ Making Travel in Guildford and Across the borough easier.<br><br>☐ Regenerating and improving Guildford town centre and other urban areas.<br><br>☐ Supporting older, more vulnerable and less advantaged people in our community. |

| | |
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| | ☒ Protecting our environment.<br><br>☒ Enhancing sporting, cultural, community and recreational facilities.<br><br>☐ Encouraging sustainable and proportionate economic growth to help provide the prosperity and employment that people need.<br><br>☐ Creating smart places infrastructure in Guildford.<br><br>☐ Using innovation, technology and new ways of working to improve value for money and efficiency in Council Services. |
| **A03. How does it meet the strategic priorities outlined?** | The key outcome from the project will be compliance with Common Land legislation by Guildford Borough Council.<br><br>It will improve Shalford Common as a community facility by managing the increased demand of car parking and restricting encroachments from traffic onto the Common.<br><br>It will improve safety for site users and residents, improve access for recreation and protect the site's biodiversity. |
| **A04. Explain the problem that is being addressed and why the project is necessary.** | Shalford Common is a registered Common in the ownership of Guildford Borough Council. The management of Registered Commons is regulated through the Commons Act 2006. This act places restrictions on the landowner for the maintenance of the Common, which are mainly concerned with the preservation of the landscape character, free public access and prevention of encroachments.<br><br>Shalford Common experiences an increased demand of use of the Common Land for car parking and frequent encroachments occur.<br><br>The Council receives regular complaints regarding cars parked on Common Land, including cars parked on grassed areas, laybys and access tracks. Whilst the Common Legislation states that Common Land requires protection from encroachments, it does not provide for effective enforcement mechanisms.<br><br>This means that the Countryside section receives a large number of complaints around car parking without having effective means to address the issues. This situation leads to a) continued complaints and b) long processes to gather evidence and issue notices in order to address encroachments from car parking.<br><br>Over the years, several hard surfaced access tracks to properties were constructed on the Common, without obtaining consent under the Commons Act and therefore do not comply with existing legislation.<br><br>There are areas where the Council has actively developed parking areas, for example the Parrot Pub car park, where it appears Common Land consent was not obtained.<br><br>We recognise there is a need for managed car parking in Shalford. Parking provision needs to comply with Commons legislation and should not create a nuisance to local residents. The project has the following aims:<br><br>• Minimise loss of existing Common Land<br>• Reduce illegal encroachments<br>• Ensure Common Land remains accessible for recreational purposes.<br>• Protect biodiversity on Shalford Common which is a designated SNCI.<br><br>The project aims to manage car parking and access easements in a consistent way across the Common in compliance with the Commons Act. |
| **A05. What are the critical success factors or KPI's of the project? ie which measures will you use to** | • Compliance with Commons Act 2006<br>• Removal of encroachments<br>• Reduction of complaints regarding un-authorised car parking |

| | |
|---|---|
| **determine success?** | • Provision of car parking areas compliant with the Commons Act 2006 |
| **A06. What are the expected benefits or outcomes for local residents and businesses?** | Better management of the increased demand of car parking at Shalford Common, which will provide better access to recreation and local shops.<br>Removal of nuisances to local residents. |
| **A07. Outline options considered or that will be considered for delivery of the project.** | The project aims to apply several methods to effectively manage car parking around the Common.<br><br>• Implement physical restrictions to prevent encroachments.<br>• Repairs to legitimate access tracks<br>• Create the legal background for effective enforcement action<br>• Identify car-parking areas and ensure compliance with the Commons Act 2006.<br>• Installation of signage.<br><br>Consultation with residents is required for the Secretary of State to consider any Common Land applications.<br><br>Commons consent for works and de-registration of Common Land requires notifying a range of stakeholders so that they can submit representations to the Secretary of State. Stakeholders include amongst others Commoners, Parish Council, Natural England, Historic England and the Open Spaces Society.<br><br>In addition, engagement with residents is important as the project aims to reduce complaints from residents.<br><br>Please note that the status of the Common Land does not allow using the same mechanisms to manage parking as the public highway.<br><br>Due to complicated Commons legislation, it is proposed to engage an appropriate consultant to identify appropriate options available under the Commons Act and lead the preparation for public consultation. |
| **A08. Outline project dependencies eg with other projects or partner organisations.** | None. |
| **A09. Legal / statutory requirement?** | Yes<br>Compliance with Commons Act 2006 |
| **A10. Legislative / statutory implications?** | Yes<br>Project should create legal background (bye-laws/ parking orders) to manage car parking and enforcement against encroachments |
| **A11. Planning permission required?** | No |
| **A12. Building regulation required?** | No |
| **A13. Land acquisition required?** | No |
| **A14. Environmental consents?** | No |
| **A15. Highways / traffic consents?** | Yes<br>Applies where works affect public highway. |
| **A16. Details of other required consents.** | Commons consent is required for de-registration and exchange of Common Land. The Planning Inspectorate carries out this process on behalf of the Security of State. The Planning Inspectorate does not commit to any timescales. A minimum period of 3 months is required in order to follow the statutory notification process.<br><br>The Planning Inspectorate may decide that a public enquiry may be appropriate for complex cases, which could extend the process over a 9 month period.<br>The main area of land that we consider for deregistration is the Parrot Pub Car Park. This will allow continued lease of this car park to the pub without conflicting with Common Land legislation We have identified exchange land adjacent to the Common that is owned by Guildford Borough Council (the Carnation Nursery Land). This land |

| | |
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| | requires initial clearance in order to provide public access. |

# Section B – The Financial Case

**B01. Costs**

| Year | Description | Capital Value (£) | Revenue Cost Centre Code | Revenue Cost Centre Name | Revenue Account Code | Revenue Account Name | Revenue Value (£) |
|---|---|---|---|---|---|---|---|
| 2019/20 | Shalford Common works and fees | 60,200 | | | | | |
| 2020/21 | Shalford Common works and fees | 55,000 | | | | | |
| 2020/21 | Contingency | 5,760 | | | | | |
| 2020/21 | | | | | | | |
| 2020/21 | | | | | | | |
| 35T | | | | | | | |
| 35T | | | | | | | |

**B02. Costs Totals**

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|
| 2019/20 | 60,200 | |
| 2020/21 | 60,760 | |
| 35T | | |
| 35T | | |
| 35T | | |

| | |
|---|---|
| **B03. Outline the assumptions used to cost the project.** | The Capital estimates are based on previous works.<br><br>The detailed implementation of the Project will be influenced by public consultation and further work to explore legislative options and their revenue implications.<br><br>The estimated project costs include external fees and consultation, and internal recharges to services that require participation in the project (Legal, Engineers).<br><br>Cost Breakdown:<br><br>• Surface repairs: £30,000 (approx. 1,500m$^2$, this cost will be covered by the existing path repairs budget held by parks)<br>• Access restrictions (Bunds, bollards, planting etc.): £10,000 (approx. 500m)<br>• Signage: £5,000<br>• Clearance and preparation of Commons exchange land: £3,000 (4,000m$^2$ future maintenance will by existing revenue) |

| | |
|---|---|
| | • Highway Edge repairs at Snooty Fox: £30,000<br>• Legal Fees: £15,000<br>• Costs for externally lead consultation: £8,000<br>• Production of consultation documents and visual displays: £6,000<br>• Publishing costs for statutory notices: £1,200<br>• Common Land application to PINS: £7,000<br>• Contingency 5%: £5,760 |

**B04. Financial Benefits eg savings or additional income**

| Year | Description | Capital Value (£) | Revenue Value (£) |
|---|---|---|---|
| 35T | n/a | | |
| 35T | | | |
| 35T | | | |
| 35T | | | |
| 35T | | | |

**B05. Funding**

| Year | GBC Funding Request (£) | Third Party Contributions (£) | Sources of Third Party Contributions |
|---|---|---|---|
| 2019/20 | 45,200 | 15,000 | Existing Capital Funds (Parks path repairs) |
| 2020/21 | 45,760 | 15,000 | Existing Capital Funds (Parks path repairs) |
| 35T | | | |
| 35T | | | |
| 35T | | | |

**B06. Non Financial Benefits**

| Title | Category | Measure | Expected Delivery Date |
|---|---|---|---|
| Legal compliance with Commons Legislation | **Improved Service Provision** | Compliance with Common Legislation | 2021 |
| Reduction of Complaints | **Improved Customer Satisfaction** | Number of complaints | 2021 |
| Reduction of encroachments | **Improved Service Provision** | Number of encroachments | 2021 |
| Improved recreational facility | **Improved Social Benefits** | Customer satisfaction | 2021 |
| | **35T** | | |
| | **35T** | | |
| | **35T** | | |
| | **35T** | | |

# Section C – The Economic Case

| | |
|---|---|
| **C01. Expected number of homes brought forward.** | n/a |
| **C02. Expected number of jobs created.** | n/a |
| **C03. Expected amount of employment floor space delivered.** | n/a |

| | |
|---|---|
| **C04. Outline your assumptions in determining the economic benefits.** | n/a |
| **C05. Describe any other economic benefits.** | It is expected that a side effect of the project will be greater availability of short term parking for local shops. |

# Section D – The Commercial Case

| | |
|---|---|
| **D01. Outline any procurement requirements.** | Common Land consultant to lead on proposals<br>Infrastructure work carried out by contractors<br>External Legal fees |
| **D02. Outline preferred procurement route / strategy.** | 3 written quotes for infrastructure works and consultants<br>Existing frameworks for works affecting public highway (Snooty Fox) and external legal work. |
| **D03. Outline key procurement risks.** | Consultants/ Contractor availability |

# Section E – The Management Case

**E01. High Level Project Timetable**

| Item | Stage of Project | Start Date | Finish Date |
|---|---|---|---|
| Cllr decision on Project Options | Outline options subject to further legal clarifications | | 31/12/2018 |
| Public Consultation (12 weeks) | | June 2019 | August 2019 |
| Introduction of legal framework | Different options to apply enforcement are currently explored | May 2019 | October 2019 |
| Common Land consent process from Planning Inspectorate/ Secretary of State | (Please note that not all proposed works will require Common Land consent and can progress ahead of receiving consent for other work) | September 2019 | July 2020 |
| Work implementation | Please note that some works are already supported locally, do not require additional consents and are expected to be able to go ahead early in the project. | 01/4/2019 | 31/3/2021 |
| | | | |

**E02. High Level Project Milestones**

| Milestone | Description | Indicative Date |
|---|---|---|
| Project detail agreed | Agree detailed options on car parking management for various locations on the Common with Ward members | December 2018 |
| Main Public consultation | Public consultation on major changes to parking enforcement and changes to Common Land Status | June 2019 |
| Project Implementation and public engagement where works affect individual access tracks. | Works to protect Common Land from encroachments and prevent blocking of access ways affect individual properties and residents and require tailored approaches. | From April 2019 |
| Common Land consent received | Common Land consent to de-register and swap areas of Common Land. | July 2020 |
| | | |

**E03. Project Risks**

| Title | Description |
|---|---|
| Public acceptance | It is necessary to ensure that residents are consulted throughout the project. There is strong local support as well as opposition. The risks will be mitigated by securing Councillor commitment to agree direction of travel. |
| Financial | Project costs |
| Common's consent | Consent from the Secretary of State is required for some elements of the project. There is no guarantee on the timescale or success when applying for consent. |

| | |
|---|---|
| | Public engagement is crucial to mitigate this risk. |
| | |
| | |

| | |
|---|---|
| **E04. Provide high level details of proposed project management arrangements & project team (please use post names / titles rather than naming individuals).** | Project will be managed by the Countryside Manager<br>It is proposed to employ a Common Land Consultant to manage the Commons consent applications and public consultation. |
| **E05. Provide a brief outline of key stakeholders eg who they are and how they will be engaged.** | Local residents.<br>Parish Council meetings |
| **E06. Will any public consultations be required? If so, provide a brief outline.** | Yes.<br>Parish Council meetings<br>Website<br>Statutory notices |
| **E07. How will the project be evaluated post implementation?** | Site monitoring:<br>The project goals are:<br>No encroachments,<br>No complaints about car parking |
| | |

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

| Committee / Board | Type of Decision | Expected Date |
|---|---|---|
| Council | | |
| Executive | | |
| Place-making and Innovation Executive Advisory Board | | |
| Community Executive Advisory Board | | |
| Overview and Scrutiny | | |
| Planning | Highway works may be subject to planning | |
| Licensing | | |
| Corporate Governance and Standards | | |

# Bid for Funding

| | | | |
|---|---|---|---|
| **Project Name:** | Foxenden Tunnels Safety Works | | |
| **Project Code:** | 2018 | TBA | |
| **Project Description:** | Works to make safe and prevent further deterioration, and to make it available for alternative uses. | | |
| **Project / Programme Manager:** | Darren Burgess | **Ward:** | Holy Trinity |
| **Senior Responsible Officer:** | Marieke van der Reijden | **Directorate:** | Community Services |
| **Lead Councillor:** | Nigel Manning | **Service:** | Asset Development |
| **Corporate Plan Theme:** | Community | **Confidential:** | No |
| **Expected Start Date:** | 01/04/19 | **Exempt VAT Implications:** | No |
| **Target Completion Date:** | 31/11/19 | | |

# Section A – Strategic Content

| | |
|---|---|
| **A01. What is the project trying to achieve?** | To prevent a property asset of local historical significance from deteriorating and becoming unsafe. To enable the asset to be considered for alternative uses.<br>Given the potential for a significant failure of the structure, it may be prudent to consider allocating this project directly to the 'approved' programme |
| **A02. Which strategic priorities in the Council's Corporate Plan is the project trying to achieve?** | ☐ Delivering the Guildford Borough Local Plan and providing the range of housing that people need, particularly affordable homes.<br>☐ Making Travel in Guildford and Across the borough easier.<br>☒ Regenerating and improving Guildford town centre and other urban areas.<br>☐ Supporting older, more vulnerable and less advantaged people in our community.<br>☒ Protecting our environment.<br>☒ Enhancing sporting, cultural, community and recreational facilities.<br>☐ Encouraging sustainable and proportionate economic growth to help provide the prosperity and employment that people need.<br>☐ Creating smart places infrastructure in Guildford.<br>☐ Using innovation, technology and new ways of working to improve value for money and efficiency in Council Services. |
| **A03. How does it meet the strategic priorities outlined?** | By protecting a property asset of local historical importance from deteriorating. |
| **A04. Explain the problem that is being addressed and why the project is necessary.** | The property comprises a series a tunnels cut into the chalk beneath Allen House Grounds and accessed from within York Road car park. They were originally formed to serve as an air raid shelter in 1941. |

| | |
|---|---|
| | The tunnels have remained unused for a number of years. Water has seeped in through the surrounding chalk and that, coupled with the lack of ventilation, has caused significant deterioration to various steel supports and other timber fixtures and fittings. The tunnels are a unique structure and it is therefore difficult assess their safety in any quantifiable manner. However, based on a visual inspection by an engineer some time ago and the extent of corrosion to structural steelwork now evident they are currently deemed unsafe for visitors.<br><br>If allowed to continue to deteriorate, there is the possibility of them collapsing and it is difficult to predict what effect that might have on the car park and on Allen House Grounds above.<br><br>The proposed works are solely intended to ensure that the structure is safe and prevent future deterioration. However, once complete it will be available for use, which may include, for example, tourism or commercial storage. |
| **A05. What are the critical success factors or KPI's of the project? ie which measures will you use to determine success?** | That the cost of the repair works are contained within the anticipated budget and that the works are completed in a timely manner without detriment to its' surroundings.<br><br>That the tunnels are made safe and protected from future deterioration. |
| **A06. What are the expected benefits or outcomes for local residents and businesses?** | The contract will be let to a suitable building contractor, which is likely to be a local company.<br><br>Once completed, the tunnels may be available for letting on a commercial basis, which may generate income and create employment. |
| **A07. Outline options considered or that will be considered for delivery of the project.** | It is anticipated that the project will be designed and implemented by an external specialist engineer as the in-house building surveying team does not possess the skills to undertake this type of work. |
| **A08. Outline project dependencies eg with other projects or partner organisations.** | Undertaking the works themselves will rely upon co-operation with the management team of York Road car park.<br><br>Any future use will also require their assistance to facilitate. |
| **A09. Legal / statutory requirement?** | No |
| **A10. Legislative / statutory implications?** | No |
| **A11. Planning permission required?** | No |
| **A12. Building regulation required?** | No |
| **A13. Land acquisition required?** | No |
| **A14. Environmental consents?** | Yes |
| **A15. Highways / traffic consents?** | No |
| **A16. Details of other required consents.** | None anticipated. |

# Section B – The Financial Case

**B01. Costs**

| Year | Description | Capital Value (£) | Revenue Cost Centre Code | Revenue Cost Centre Name | Revenue Account Code | Revenue Account Name | Revenue Value (£) |
|---|---|---|---|---|---|---|---|
| 2019/20 | Refurbishment works | 75,000 | | | | | |
| 2019/20 | Contingency | 15,000 | | | | | |
| 2019/20 | Professional fees | 20,000 | | | | | |
| Choose an item | | | | | | | |
| 35T | | | | | | | |
| 35T | | | | | | | |
| 35T | | | | | | | |

**B02. Costs Totals**

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|
| 2019/20 | 110,000.00 | |
| 35T | | |
| 35T | | |
| 35T | | |
| 35T | | |

| | |
|---|---|
| **B03. Outline the assumptions used to cost the project.** | The nature of the property and the works required means that standard methods of estimating are not appropriate. Repair costs are therefore an extrapolation from costs for similar works obtained some years ago that were not implemented.<br><br>There will be a cost associated with suspension of a number of parking bays around the entrance to allow for deliveries and contractor vehicle parking. It is difficult to estimate timescales for this need until the project has been developed in more detail. |

**B04. Financial Benefits eg savings or additional income**

| Year | Description | Capital Value (£) | Revenue Value (£) |
|---|---|---|---|
| | Unknown | | |

**B05. Funding**

| Year | GBC Funding Request (£) | Third Party Contributions (£) | Sources of Third Party Contributions |
|---|---|---|---|
| 2019/20 | 100,000.00 | | |

**B06. Non Financial Benefits**

| Title | Category | Measure | Expected Delivery Date |
|---|---|---|---|
| Reputation | **Improved Customer Satisfaction** | The Council is open to criticism where it fails to protect its' assets that have historic value. | From 01/09/19 |
| Heritage value | **Improved Social Benefits** | Regenerating this asset could enable the Heritage service to better interpret the history of the area. | From 01/01/20 |

# Section C – The Economic Case

| | |
|---|---|
| **C01. Expected number of homes brought forward.** | 0 |
| **C02. Expected number of jobs created.** | 0 |
| **C03. Expected amount of employment floor space delivered.** | 0 |

| | |
|---|---|
| **C04. Outline your assumptions in determining the economic benefits.** | N/A |
| **C05. Describe any other economic benefits.** | Once restored, there may be commercial opportunities to use the tunnels, e.g. certain types of storage. |

# Section D – The Commercial Case

| | |
|---|---|
| **D01. Outline any procurement requirements.** | The project will be let under an industry standard JCT contract for which the assistance of the Legal service will be required to prepare. |
| **D02. Outline preferred procurement route / strategy.** | The works will be specified and a single stage tender sought from suitable contractors. |
| **D03. Outline key procurement risks.** | That sufficient tenders are not returned to enable a meaningful comparison.<br>That the value of tenders returned exceed the anticipated costs. The unique nature of the works required make assessing the likely costs extremely difficult. |

# Section E – The Management Case

### E01. High Level Project Timetable

| Item | Stage of Project | Start Date | Finish Date |
|---|---|---|---|
| Investigations | Pre-contract | Apr-19 | Apr-19 |
| Design | Pre-contract | Apr-19 | Jun-19 |
| Tender | Pre-contract | Jun-19 | Jul-19 |
| Appoint contractor | Pre-contract | Early Aug-19 | |
| Works on site | Contract period | Sep-19 | Nov-19 |

### E02. High Level Project Milestones

| Milestone | Description | Indicative Date |
|---|---|---|
| Design | Detailed design completed without revealing any significant obstacles | Mid Jun-19 |
| Tender | Tenders returned are compatible with anticipated costs | Mid Jul-19 |
| Completion | All repair works completed. | End of Nov-19 |

### E03. Project Risks

| Title | Description |
|---|---|
| Budget | As with all construction projects, there is the risk of costs escalating due to unforeseen circumstances. That is particularly so in this case, which is why a generous contingency has been included. |
| Long term use of the asset | If allowed to deteriorate, there is the possibility of the tunnels collapsing. It is difficult to predict what effect that might have on the car park and on Allen House Grounds above. |

| | |
|---|---|
| **E04. Provide high level details of proposed project management arrangements & project team (please use post names / titles rather than naming individuals).** | The project will be project managed by the Building Surveyor Manager.<br><br>The works will be designed and implemented by a specialist external engineer. |
| **E05. Provide a brief outline of key stakeholders eg who they are and how they will be engaged.** | As the asset is unused, there are no directly affected stakeholders.<br><br>Access to the asset is via York Road car park and so liaison with colleagues in the Parking team will be necessary to facilitate the work. This will be accommodated through formal project meetings along with the design team and, when appointed, the contractor.<br><br>Whilst the tunnels are not formally acknowledged as an historic structure, they do have local historic value. As such, colleagues in the Heritage team will be consulted on the proposed work so as to ensure that original features are protected and preserved. |
| **E06. Will any public consultations be required? If so, provide a brief outline.** | No. |
| **E07. How will the project be evaluated post implementation?** | Final project costs will be reported to the Capital Monitoring Group. |

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

| Committee / Board | Type of Decision | Expected Date |
|---|---|---|
| Council | None. | |
| Executive | None. | |
| Place-making and Innovation Executive Advisory Board | None. | |
| Community Executive Advisory Board | None. | |
| Overview and Scrutiny | None. | |
| Planning | None. | |
| Licensing | None. | |
| Corporate Governance and Standards | None. | |

# Bid for Funding

GUILDFORD BOROUGH

| | | | |
|---|---|---|---|
| **Project Name:** | Holy Trinity Church Boundary Wall Repairs | | |
| **Project Code:** | 2018 | TBA | |
| **Project Description:** | Repairs to boundary walls enclosing the closed burial ground associated with Holy Trinity church. | | |
| **Project / Programme Manager:** | Darren Burgess | **Ward:** | Holy Trinity |
| **Senior Responsible Officer:** | Marieke van der Reijden | **Directorate:** | Community Services |
| **Lead Councillor:** | Nigel Manning | **Service:** | Asset Development |
| **Corporate Plan Theme:** | Community | **Confidential:** | No |
| **Expected Start Date:** | 01/04/19 | **Exempt VAT Implications:** | No |
| **Target Completion Date:** | 31/11/19 | | |

# Section A – Strategic Content

| | |
|---|---|
| **A01. What is the project trying to achieve?** | To fulfil the Council's statutory obligations to maintaining closed burial grounds by substantially repairing a dilapidated boundary wall. |
| **A02. Which strategic priorities in the Council's Corporate Plan is the project trying to achieve?** | ☐ Delivering the Guildford Borough Local Plan and providing the range of housing that people need, particularly affordable homes.<br><br>☐ Making Travel in Guildford and Across the borough easier.<br><br>☒ Regenerating and improving Guildford town centre and other urban areas.<br><br>☐ Supporting older, more vulnerable and less advantaged people in our community.<br><br>☒ Protecting our environment.<br><br>☐ Enhancing sporting, cultural, community and recreational facilities.<br><br>☐ Encouraging sustainable and proportionate economic growth to help provide the prosperity and employment that people need.<br><br>☐ Creating smart places infrastructure in Guildford.<br><br>☐ Using innovation, technology and new ways of working to improve value for money and efficiency in Council Services. |
| **A03. How does it meet the strategic priorities outlined?** | Whilst this proposal is to fulfil a statutory obligation, it does have the added benefit of making aesthetic and safety improvements to a prominent site within the town. |

| | |
|---|---|
| **A04. Explain the problem that is being addressed and why the project is necessary.** | The boundary wall to the cemetery of Holy Trinity church is dilapidated and in need of repair.<br><br>Where a Church of England churchyard is closed to further burials in accordance with an Order in Council under the Burial Act 1853, responsibility for maintenance may at the request of the Church be transferred to the relevant local authority. The transfer, in accordance with Section 215 of the Local Government Act 1972, is compulsory, not dependent on the condition of the churchyard in question, and not dependent on the local authority's ability to meet the additional maintenance costs.<br><br>Holy Trinity cemetery is the subject of such an Order and it's maintenance is the responsibility of Guildford Borough Council. |
| **A05. What are the critical success factors or KPI's of the project? ie which measures will you use to determine success?** | That the cost of the repair works are contained within the anticipated budget and that the works are completed in a timely manner without detriment to its' surroundings. |
| **A06. What are the expected benefits or outcomes for local residents and businesses?** | Keeping this publically important area in good repair. |
| **A07. Outline options considered or that will be considered for delivery of the project.** | It is anticipated that the project will be designed and delivered by an external consultant that is familiar with the requirements of working on church property.<br><br>Whilst it may be possible for the in-house team to undertake this work, experience has shown that the church authorities are more likely to look favourably on the proposals when presented by an independent designer. This ultimately makes this approach more cost effective in this circumstance. |
| **A08. Outline project dependencies eg with other projects or partner organisations.** | It will be necessary to obtain approval for the works from the Guildford Diocese. |
| **A09. Legal / statutory requirement?** | Yes |
| **A10. Legislative / statutory implications?** | No |
| **A11. Planning permission required?** | Yes |
| **A12. Building regulation required?** | No |
| **A13. Land acquisition required?** | No |
| **A14. Environmental consents?** | No |
| **A15. Highways / traffic consents?** | No |
| **A16. Details of other required consents.** | None anticipated. |

# Section B – The Financial Case

**B01. Costs**

| Year | Description | Capital Value (£) | Revenue Cost Centre Code | Revenue Cost Centre Name | Revenue Account Code | Revenue Account Name | Revenue Value (£) |
|---|---|---|---|---|---|---|---|
| 2019/20 | Refurbishment works | 50,000 | | | | | |
| 2019/20 | Contingency | 5,000 | | | | | |
| 2019/20 | Professional fees | 8,000 | | | | | |
| Choose an item. | | | | | | | |
| 35T | | | | | | | |
| 35T | | | | | | | |
| 35T | | | | | | | |

**B02. Costs Totals**

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|
| 2019/20 | 63,000.00 | |
| 35T | | |
| 35T | | |
| 35T | | |
| 35T | | |

| | |
|---|---|
| **B03. Outline the assumptions used to cost the project.** | Repair costs are based on recent similar works carried out at other locations across the Borough. |

**B04. Financial Benefits eg savings or additional income**

| Year | Description | Capital Value (£) | Revenue Value (£) |
|---|---|---|---|
| | None | | |

**B05. Funding**

| Year | GBC Funding Request (£) | Third Party Contributions (£) | Sources of Third Party Contributions |
|---|---|---|---|
| 2019/20 | 63,000.00 | | |

**B06. Non Financial Benefits**

| Title | Category | Measure | Expected Delivery Date |
|---|---|---|---|
| Reputation | **Improved Customer Satisfaction** | The Council is open to criticism where it fails to protect assets for which it has a responsibility. | From 01/11/19 |

# Section C – The Economic Case

| | |
|---|---|
| **C01. Expected number of homes brought forward.** | 0 |
| **C02. Expected number of jobs created.** | 0 |
| **C03. Expected amount of employment floor space delivered.** | 0 |

| | |
|---|---|
| **C04. Outline your assumptions in determining the economic benefits.** | N/A |
| **C05. Describe any other economic benefits.** | None. |

# Section D – The Commercial Case

| | |
|---|---|
| **D01. Outline any procurement requirements.** | The project will be let under an industry standard JCT contract for which the assistance of the Legal service will be required to prepare. |
| **D02. Outline preferred procurement route / strategy.** | The works will be specified and a single stage tender sought from suitable contractors. |
| **D03. Outline key procurement risks.** | That sufficient tenders are not returned to enable a meaningful comparison.<br>That the value of tenders returned exceed the anticipated costs. |

# Section E – The Management Case

### E01. High Level Project Timetable

| Item | Stage of Project | Start Date | Finish Date |
|---|---|---|---|
| Design | Pre-contract | Apr-19 | Mid May-19 |
| Design Approval | Pre-contract | Mid May-19 | Mid Jul-19 |
| Tender | Pre-contract | Mid Jul-19 | Early Aug-19 |
| Appoint contractor | Pre-contract | Mid Aug-19 | |
| Works on site | Contract period | Sep-19 | Nov-19 |

### E02. High Level Project Milestones

| Milestone | Description | Indicative Date |
|---|---|---|
| Design | Detailed design completed without revealing any significant obstacles | Mid May-19 |
| Design Approval | Approval for the proposed works from the Guildford Diocese | Mid Jul-19 |
| Tender | Tenders returns are compatible with anticipated costs | Early Aug-19 |
| Completion | All repair works completed. | End of Nov-19 |

### E03. Project Risks

| Title | Description |
|---|---|
| Budget | As with all construction projects, there is the risk of costs escalating due to unforeseen circumstances. |
| Programme | The requirement to seek approval from the Guildford Diocese is a significant risk to the programme as experience has shown this to sometimes be a difficult process. |

| | |
|---|---|
| **E04. Provide high level details of proposed project management arrangements & project team (please use post names / titles rather than naming individuals).** | The project will be project managed by a member of the Building Surveying team.<br>The works will be designed and implemented by a specialist external engineer. |
| **E05. Provide a brief outline of key stakeholders eg who they are and how they will be engaged.** | Despite our statutory obligation to maintain them, the boundary walls remain the property of the church. It will be necessary to liaise with them about the works and seek their approval before proceeding. The engineer who will undertake the design and management will be chosen for their experience in this area. |
| **E06. Will any public consultations be required? If so, provide a brief outline.** | No. |
| **E07. How will the project be evaluated post implementation?** | Final project costs will be reported to the Capital Monitoring Group. |

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

| Committee / Board | Type of Decision | Expected Date |
|---|---|---|
| Council | None. | |
| Executive | None. | |
| Place-making and Innovation Executive Advisory Board | None. | |
| Community Executive Advisory Board | None. | |
| Overview and Scrutiny | None. | |
| Planning | Listed Building Consent will be required for the proposed works. | Jul-19 |
| Licensing | None. | |
| Corporate Governance and Standards | None. | |

# Bid for Funding

| | | | |
|---|---|---|---|
| **Project Name:** | Broadwater Cottage Structural Repair | | |
| **Project Code:** | 2018 | TBA | |
| **Project Description:** | Works to repair a significant structural defect. | | |
| **Project / Programme Manager:** | Darren Burgess | **Ward:** | Shalford |
| **Senior Responsible Officer:** | Marieke van der Reijden | **Directorate:** | Community Services |
| **Lead Councillor:** | Nigel Manning | **Service:** | Corporate Property Services |
| **Corporate Plan Theme:** | Community | **Confidential:** | No |
| **Expected Start Date:** | 01/04/19 | **Exempt VAT Implications:** | No |
| **Target Completion Date:** | 31/10/19 | | |

# Section A – Strategic Content

| | |
|---|---|
| **A01. What is the project trying to achieve?** | To undertake repairs to this Grade II listed property following the discovery of a significant structural defect. |
| **A02. Which strategic priorities in the Council's Corporate Plan is the project trying to achieve?** | ☐ Delivering the Guildford Borough Local Plan and providing the range of housing that people need, particularly affordable homes.<br><br>☐ Making Travel in Guildford and Across the borough easier.<br><br>☐ Regenerating and improving Guildford town centre and other urban areas.<br><br>☐ Supporting older, more vulnerable and less advantaged people in our community.<br><br>☒ Protecting our environment.<br><br>☐ Enhancing sporting, cultural, community and recreational facilities.<br><br>☐ Encouraging sustainable and proportionate economic growth to help provide the prosperity and employment that people need.<br><br>☐ Creating smart places infrastructure in Guildford.<br><br>☐ Using innovation, technology and new ways of working to improve value for money and efficiency in Council Services. |
| **A03. How does it meet the strategic priorities outlined?** | The property is Grade II listed and the work is required to prevent it collapsing. |

| | |
|---|---|
| **A04. Explain the problem that is being addressed and why the project is necessary.** | The property is undergoing a series of structural repairs that had been previously identified and were the subject of an earlier capital bid. During the course of executing those works, a further defect was revealed within the chimney breast at the north end of the building; it has become apparent that the brickwork at the base of the chimney stack is severely compromised and that it is in danger of collapse into the rest of the building.<br><br>Whilst work is ongoing to firm up a design solution, it is expected that it will be necessary to take down the chimney stack, which forms the gable end of the building, along with some of the roof and first floor structures, and re-construct them in a more appropriate fashion.<br><br>The chimneystack has currently been propped to make it safe and the two rooms affected (the dining room and a bedroom) are unusable.<br><br>There exists the potential for a similar problem at the other end of the property and some intrusive investigations are required to determine if that is the case. It will be necessary to vacate the property to undertake those works and all of the necessary repairs, which are likely to take several months to complete. |
| **A05. What are the critical success factors or KPI's of the project? ie which measures will you use to determine success?** | That the cost of the refurbishment works are contained within the anticipated budget and that the works are completed in a timely manner without detriment to its' surroundings. |
| **A06. What are the expected benefits or outcomes for local residents and businesses?** | The contract for refurbishment will be let to a suitable building contractor, which is likely to be a local company. |
| **A07. Outline options considered or that will be considered for delivery of the project.** | It is anticipated that the project will be designed and implemented by an external specialist engineer as the in-house building surveying team does not possess the skills to undertake this type of work. |
| **A08. Outline project dependencies eg with other projects or partner organisations.** | None |
| **A09. Legal / statutory requirement?** | Yes |
| **A10. Legislative / statutory implications?** | No |
| **A11. Planning permission required?** | No |
| **A12. Building regulation required?** | Yes |
| **A13. Land acquisition required?** | No |
| **A14. Environmental consents?** | Yes |
| **A15. Highways / traffic consents?** | No |
| **A16. Details of other required consents.** | Listed Building Consent |

# Section B – The Financial Case

**B01. Costs**

| Year | Description | Capital Value (£) | Revenue Cost Centre Code | Revenue Cost Centre Name | Revenue Account Code | Revenue Account Name | Revenue Value (£) |
|---|---|---|---|---|---|---|---|
| 2019/20 | Repair works | 124,000 | | | | | |
| 2019/20 | Contingency | 10,000 | | | | | |
| 2019/20 | Professional fees | 15,000 | | | | | |
| 2019/20 | Statutory fees | 1,000 | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

**B02. Costs Totals**

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|
| 2019/20 | 150,000 | |
| | | |
| | | |
| | | |
| | | |

| | |
|---|---|
| **B03. Outline the assumptions used to cost the project.** | Repair costs are very approximate at this early stage and are only a conservative estimate based on professional experience. They will be refined as the full extent of the works is determined. |

**B04. Financial Benefits eg savings or additional income**

| Year | Description | Capital Value (£) | Revenue Value (£) |
|---|---|---|---|
| 2019/20 | None | | |

**B05. Funding**

| Year | GBC Funding Request (£) | Third Party Contributions (£) | Sources of Third Party Contributions |
|---|---|---|---|
| 2019/20 | 150,000.00 | | |
| 35T | | | |
| 35T | | | |
| 35T | | | |

**B06. Non Financial Benefits**

| Title | Category | Measure | Expected Delivery Date |
|---|---|---|---|
| Reputation | **Improved Customer Satisfaction** | The Council is open to criticism where it fails to protect its' assets that have historic value. | From 01/4/19 |
| Providing residential accommodation | **Improved Social Benefits** | | From 01/08/19 |

# Section C – The Economic Case

| | |
|---|---|
| **C01. Expected number of homes brought forward.** | 0 |
| **C02. Expected number of jobs created.** | 0 |
| **C03. Expected amount of employment floor space delivered.** | 0 |

| | |
|---|---|
| **C04. Outline your assumptions in determining the economic benefits.** | Not applicable. |
| **C05. Describe any other economic benefits.** | Returning the property to a well maintained state will maintain its capital value and reduce the need for revenue expenditure on planned maintenance. |

# Section D – The Commercial Case

| | |
|---|---|
| **D01. Outline any procurement requirements.** | The project will be let under an industry standard JCT contract for which the assistance of the Legal service will be required to prepare. |
| **D02. Outline preferred procurement route / strategy.** | The works will be specified and a single stage tender sought from suitable contractors. |
| **D03. Outline key procurement risks.** | That sufficient tenders are not returned to enable a meaningful comparison.<br>That the value of tenders returned exceed the anticipated costs. |

# Section E – The Management Case

### E01. High Level Project Timetable

| Item | Stage of Project | Start Date | Finish Date |
|---|---|---|---|
| Design | Pre-contract | Oct-18 | Dec-18 |
| Tender | Pre-contract | Jan-19 | Feb-19 |
| Appoint contractor | Pre-contract | Mar-19 | |
| Works on site | Contract period | Apr-19 | Aug-19 |

**All dates are provisional until scope of work is determined.**

### E02. High Level Project Milestones

| Milestone | Description | Indicative Date |
|---|---|---|
| Design | Detailed design completed without revealing any significant obstacles | End of Dec-19 |
| Tender | Tenders returns are compatible with anticipated costs | End of Feb-19 |
| Completion | Works to property completed and ready for re-occupation | End of Aug-19 |

### E03. Project Risks

| Title | Description |
|---|---|
| Budget | As with all construction projects, there is the risk of costs escalating due to unforeseen circumstances. In this case, that risk is heightened due to the complex nature of the repair works that are likely to be required. |
| Programme | The nature of the works along with the statutory consents required means that the programme cannot yet be determined with any degree of accuracy. |

| | |
|---|---|
| **E04. Provide high level details of proposed project management arrangements & project team (please use post names / titles rather than naming individuals).** | The project will be overseen by a member of the Building Survey team.<br>The works will be designed and implemented by a specialist external engineer. |
| **E05. Provide a brief outline of key stakeholders eg who they are and how they will be engaged.** | |
| **E06. Will any public consultations be required? If so, provide a brief outline.** | No. |
| **E07. How will the project be evaluated post implementation?** | Final project costs will be reported to the Capital Monitoring Group. |

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

| Committee / Board | Type of Decision | Expected Date |
|---|---|---|
| Council | None. | |
| Executive | None. | |
| Place-making and Innovation Executive Advisory Board | None. | |
| Community Executive Advisory Board | None. | |
| Overview and Scrutiny | None. | |
| Planning | None. | |
| Licensing | None. | |
| Corporate Governance and Standards | None. | |

# Bid for Funding

GUILDFORD BOROUGH

| | | | |
|---|---|---|---|
| **Project Name:** | Guildford Town Centre CCTV Upgrade | | |
| **Project Code:** | 2018 | TBA | |
| **Project Description:** | Replace older CCTV cameras with new IP (Internet Protocol) compatible cameras and associated control equipment. | | |
| **Project / Programme Manager:** | Geoff Fowler | **Ward:** | All |
| **Senior Responsible Officer:** | Peter O'Connell | **Directorate:** | Environment |
| **Lead Councillor:** | Matt Furniss | **Service:** | Engineering Services |
| **Corporate Plan Theme:** | Community | **Confidential:** | No |
| **Expected Start Date:** | 8th April 2019 | **Exempt VAT Implications:** | No |
| **Target Completion Date:** | 1st March 2020 | | |

## Section A – Strategic Content

| | |
|---|---|
| **A01. What is the project trying to achieve?** | Most of the Borough's CCTV cameras are over 20 years old and have become obsolete. In particular they use analogue images. The latest cameras employ digital technology which uses much less data and enables greater flexibility with image transmission and camera control.<br>The most recent cameras installed on the system have been IP (Internet Protocol) compliant as a matter of course and some of our cameras have been updated when replacement has become necessary. Introducing a full replacement programme for all of the older cameras will ensure that the whole system is brought up to modern standards. |
| **A02. Which strategic priorities in the Council's Corporate Plan is the project trying to achieve?** | ☐ Delivering the Guildford Borough Local Plan and providing the range of housing that people need, particularly affordable homes.<br><br>☐ Making Travel in Guildford and Across the borough easier.<br><br>☒ Regenerating and improving Guildford town centre and other urban areas.<br><br>☒ Supporting older, more vulnerable and less advantaged people in our community.<br><br>☐ Protecting our environment.<br><br>☐ Enhancing sporting, cultural, community and recreational facilities.<br><br>☒ Encouraging sustainable and proportionate economic growth to help provide the prosperity and employment that people need.<br><br>☐ Creating smart places infrastructure in Guildford.<br><br>☒ Using innovation, technology and new ways of working to improve value for money and efficiency in Council Services. |

| | |
|---|---|
| **A03. How does it meet the strategic priorities outlined?** | CCTV has been the cornerstone of community safety since its first installation in 1995. By enhancing the Safer Guildford Partnerships strategy, a modern, effective and reliable CCTV system will utilise the latest innovative technology to enhance public safety and minimise the fear of crime. By doing so it contributes to supporting the vulnerable as well as the wider community and supports economic growth and regeneration. |
| **A04. Explain the problem that is being addressed and why the project is necessary.** | Much of the current system's equipment is over 20 years old. Whilst still serviceable at present, the system must be upgraded to ensure that it is reliable and future proofed. |
| **A05. What are the critical success factors or KPI's of the project? ie which measures will you use to determine success?** | 1. Project completion to time and budget.<br>2. Number of cameras installed.<br>3. Maintenance/improvement of rate of incidents where CCTV has initiated or assisted. |
| **A06. What are the expected benefits or outcomes for local residents and businesses?** | Maintain and possibly improve existing reduced levels of crime and anti social behaviour and an improved perception of safety from crime within the community, i.e. a reduction in the fear of crime. |
| **A07. Outline options considered or that will be considered for delivery of the project.** | The estimated value of this works contract will be approximately £200,000. It is therefore under the EU threshold for a works contract and will not have to be advertised by an OJEU notice. It will have to be put out to tender with at least three companies invited to submit formal tenders. This project is suitable for a design and build contract. |
| **A08. Outline project dependencies eg with other projects or partner organisations.** | Surrey Police will be a key partner in this project. |
| **A09. Legal / statutory requirement?** | No |
| **A10. Legislative / statutory implications?** | Yes |
| **A11. Planning permission required?** | No |
| **A12. Building regulation required?** | No |
| **A13. Land acquisition required?** | No |
| **A14. Environmental consents?** | No |
| **A15. Highways / traffic consents?** | Yes |
| **A16. Details of other required consents.** | None. |

# Section B – The Financial Case

**B01. Costs**

| Year | Description | Capital Value (£) | Revenue Cost Centre Code | Revenue Cost Centre Name | Revenue Account Code | Revenue Account Name | Revenue Value (£) |
|---|---|---|---|---|---|---|---|
| 2019/20 | Purchase of new cameras | 250,000 | | | | | |
| 35T | | | | | | | |
| 35T | | | | | | | |
| 35T | | | | | | | |
| 35T | | | | | | | |
| 35T | | | | | | | |
| 35T | | | | | | | |

**B02. Costs Totals**

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|
| 2019/20 | £250,000.00 | |
| 35T | | |
| 35T | | |
| 35T | | |
| 35T | | |

| **B03. Outline the assumptions used to cost the project.** | |
|---|---|
| | 44 cameras to be replaced @ £4,000 per camera. £176,000<br>Upgrades to CCTV control room equipment. £24,000<br>Sub-Total £200,000<br>Procurement, design checks & supervision @15% £30,000<br>Contingency @ 10% £20,000<br>**TOTAL** £250,000 |
| | |

**B04. Financial Benefits eg savings or additional income**

| Year | Description | Capital Value (£) | Revenue Value (£) |
|---|---|---|---|
| 2019/20 | Reduced maintenance costs. | | £2000.00 |
| 2020/21 | Reduced maintenance costs. | | £2000.00 |
| 2021/22 | Reduced maintenance costs. | | £2000.00 |
| 2022/23 | Reduced maintenance costs. | | £2000.00 |
| 2023/24 | Reduced maintenance costs. | | £2000.00 |

**B05. Funding**

| Year | GBC Funding Request (£) | Third Party Contributions (£) | Sources of Third Party Contributions |
|---|---|---|---|
| 2019/20 | £250,000.00 | | |
| 35T | | | |
| 35T | | | |
| 35T | | | |
| 35T | | | |

**B06. Non Financial Benefits**

| Title | Category | Measure | Expected Delivery Date |
|---|---|---|---|
| More reliable system. | **Improved Service Provision** | Subjective measured by operator satisfaction with system. | To be assessed during year following completion in October 2019. |
| Reduced fear of crime. | **Improved Social Benefits** | Subjective measured by customer satisfaction with system. | To be assessed during year following completion in October 2019. |
| Reduced maintenance and repair costs. | **Reduced Asset Costs** | Measured through budget monitoring and comparison with earlier years. | Will become apparent after first year of operation. |
| | **35T** | | |
| | **35T** | | |
| | **35T** | | |
| | **35T** | | |
| | **35T** | | |

# Section C – The Economic Case

| | |
|---|---|
| **C01. Expected number of homes brought forward.** | N/A |
| **C02. Expected number of jobs created.** | N/A |
| **C03. Expected amount of employment floor space delivered.** | N/A |

| | |
|---|---|
| **C04. Outline your assumptions in determining the economic benefits.** | N/A |
| **C05. Describe any other economic benefits.** | N/A |

# Section D – The Commercial Case

| | |
|---|---|
| **D01. Outline any procurement requirements.** | Design and build contract awarded through formal competitive tender and advertised through InTend. |
| **D02. Outline preferred procurement route / strategy.** | As above. |
| **D03. Outline key procurement risks.** | We must ensure that we have confidence that any competing contractors are able to do the required work should they be successful We must therefore ensure that:<br>a) All contractors invited to tender have sufficient expertise to do the necessary work on the system, and<br>b) All tenderers are given full and accurate information about the system. |

# Section E – The Management Case

### E01. High Level Project Timetable

| Item | Stage of Project | Start Date | Finish Date |
|---|---|---|---|
| 1 | Define scope and prepare tender documents, | April 2019 | May 2019 |
| 2 | SQ Processs | May 2019 | June 2019 |
| | Tendering and contract award | July 2019 | September 2019 |
| | Contract performance | October 2019 | February 2020 |
| | | | |

### E02. High Level Project Milestones

| Milestone | Description | Indicative Date |
|---|---|---|
| 1Executive report. | To gain Executive Committee approval | May 2019 |
| 2 Contract award | To appoint contractor. | September 2019 |
| 3 Contract completion | System commissioned and working. | February 2020 |
| | | |
| | | |

### E03. Project Risks

| Title | Description |
|---|---|
| Lack of understanding of the existing system. | The CCTV system is not being replaced, it is being upgraded. It is therefore necessary that the contractor fully understands the system and how it works. It the current maintenance contractor wins the contract, this will not be a problem. However, it is necessary that all relevant information about the system is made available to the contractors and that full and thorough checks are done to confirm the tenderer's technical abilities are appropriate for this contract. |
| | |
| | |

| | |
|---|---|
| **E04. Provide high level details of proposed project management arrangements & project team (please use post names / titles rather than naming individuals).** | The project will be managed by a member of the Engineering Service Team, either the Council Engineer or the Engineer Operations. They will report to the Director (Environment), Engineering Services Manager, and the JAG (Safer Guildford Joint Action Group). Surrey Police's CCTV Manager will also be part of the project team. |
| **E05. Provide a brief outline of key stakeholders eg who they are and how they will be engaged.** | The other key stakeholder is Surrey Police, who will have their CCTV manager on the project team. Police interests will also be represented on the JAG. |
| **E06. Will any public consultations be required? If so, provide a brief outline.** | No. |

| | |
|---|---|
| **E07. How will the project be evaluated post implementation?** | Camera use is currently monitored by Surrey Police and this will be continued. |

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

| Committee / Board | Type of Decision | Expected Date |
|---|---|---|
| Council | | |
| Executive | **Project approval** | **July 2019** |
| Place-making and Innovation Executive Advisory Board | | |
| Community Executive Advisory Board | | |
| Overview and Scrutiny | | |
| Planning | | |
| Licensing | | |
| Corporate Governance and Standards | | |

# Bid for Funding

| | | | |
|---|---|---|---|
| **Project Name:** | Guildford High Street Protection. | | |
| **Project Code:** | | | |
| **Project Description:** | Installation of specialist barriers and bollards to prevent unauthorised vehicle access and improved public safety, especially at public events. | | |
| **Project / Programme Manager:** | Helen Barnsley/Tim Pilsbury | **Ward:** | Holy Trinity |
| **Senior Responsible Officer:** | Peter O'Connell | **Directorate:** | Community Services/Environment |
| **Lead Councillor:** | Matt Furniss | **Service:** | Engineering Services |
| **Corporate Plan Theme:** | Community | **Confidential:** | No |
| **Expected Start Date:** | April 2019 | **Exempt VAT Implications:** | No |
| **Target Completion Date:** | September 2019 | | |

## Section A – Strategic Content

| | |
|---|---|
| **A01. What is the project trying to achieve?** | Ensuring that accesses to the High Street can be closed to vehicles to give better public reassurance. |
| **A02. Which strategic priorities in the Council's Corporate Plan is the project trying to achieve?** | ☐ Delivering the Guildford Borough Local Plan and providing the range of housing that people need, particularly affordable homes.<br>☐ Making Travel in Guildford and Across the borough easier.<br>☐ Regenerating and improving Guildford town centre and other urban areas.<br>☐ Supporting older, more vulnerable and less advantaged people in our community.<br>☒ Protecting our environment.<br>☐ Enhancing sporting, cultural, community and recreational facilities.<br>☐ Encouraging sustainable and proportionate economic growth to help provide the prosperity and employment that people need.<br>☐ Creating smart places infrastructure in Guildford.<br>☐ Using innovation, technology and new ways of working to improve value for money and efficiency in Council Services. |

| | |
|---|---|
| **A03. How does it meet the strategic priorities outlined?** | Making the community safer, see A03 for more detail. |
| **A04. Explain the problem that is being addressed and why the project is necessary.** | Guildford High Street is the focal point of the town centre. It is used throughout the year for public and ceremonial events that can attract large crowds, even royal visits.<br><br>Concerns have been expressed by a number of organisations and businesses about the safety of people should a vehicle be able to enter the High Street when large crowds are present. There is a wooden gate at the lower end of the High Street but no other permanent gates on some of the side streets.<br><br>During events, we have a good system of preventing vehicle access, but this would not stop any determined attempt to access the High Street with a vehicle.<br><br>The threat to the UK (England, Wales, Scotland and Northern Ireland) from international terrorism is severe**.** The cost quoted in this bid is for barriers and bollards that will effectively prevent a vehicle related incident of a 7.5t. vehicle travelling at 40mph. However, these would not stop a larger vehicle travelling at 30mph.<br><br>**To ensure that the measures installed are effective, a two-part Operational Requirement process must be carried out. It has not been possible to do this at the time of compiling this bid. The results of the process will be fed back as soon as possible.** |
| **A05. What are the critical success factors or KPI's of the project? ie which measures will you use to determine success?** | Project completion on time and within budget.<br><br>On site interviews to see whether people feel more assured. |
| **A06. What are the expected benefits or outcomes for local residents and businesses?** | Public reassurance, especially when large crowds are present in the High Street. |
| **A07. Outline options considered or that will be considered for delivery of the project.** | Use of a suitable framework agreement. |
| **A08. Outline project dependencies eg with other projects or partner organisations.** | SCC Highways approval. Planning/Conservation Area Consent. |
| **A09. Legal / statutory requirement?** | No |
| **A10. Legislative / statutory implications?** | No |
| **A11. Planning permission required?** | Yes<br>Conservation Area Consent. |
| **A12. Building regulation required?** | No |

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

# Section B – The Financial Case

**B01. Costs**

| Year | Description | Capital Value (£) | Revenue Cost Centre Code | Revenue Cost Centre Name | Revenue Account Code | Revenue Account Name | Revenue Value (£) |
|---|---|---|---|---|---|---|---|
| 2019/20 | Purchase and installation of barriers and bollards. | 260,000 | | | | | |
| 2021/22 | Minor maintenance/painting. | Nil | B3711 | Civic amenities administration | D1401 | Street furniture R&M | 1,000 |
| 35T | | | | | | | |
| 35T | | | | | | | |
| 35T | | | | | | | |
| 35T | | | | | | | |
| 35T | | | | | | | |

**B02. Costs Totals**

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|
| 2019/20 | 260,000 | |
| 35T | | |
| 35T | | |
| 35T | | |
| 35T | | |

| | |
|---|---|
| **B03. Outline the assumptions used to cost the project.** | Costs are based on those obtained from a framework contractor suggested as being suitable by the Police. A sum of £20,000 has been added for service diversions. |

**B04. Financial Benefits eg savings or additional income**

| Year | Description | Capital Value (£) | Revenue Value (£) |
|---|---|---|---|
| 2019/20 | N.A. | | |
| 2020/21 | N.A. | | |
| 2021/22 | N.A. | | |
| 2022/23 | N.A. | | |
| 2023/24 | N.A. | | |

**B05. Funding**

| Year | GBC Funding Request (£) | Third Party Contributions (£) | Sources of Third Party Contributions |
|---|---|---|---|
| 2019/20 | 260,000 | None confirmed at time of submitting bid. | SCC/Safer Guildford Partnership/Experience Guildford/PCC. |
| 35T | | | |
| 35T | | | |
| 35T | | | |
| 35T | | | |

**B06. Non Financial Benefits**

| Title | Category | Measure | Expected Delivery Date |
|---|---|---|---|
| Reduced fear of crime. | **Improved Social Benefits** | Subjective, measured by talking to residents, businesses and visitors to assess satisfaction with project when completed. | To be assessed during month following completion in October 2019. |
| | **35T** | | |
| | **35T** | | |
| | **35T** | | |
| | **35T** | | |
| | **35T** | | |

# Section C – The Economic Case

| | |
|---|---|
| **C01. Expected number of homes brought forward.** | N.A. |
| **C02. Expected number of jobs created.** | N.A. |
| **C03. Expected amount of employment floor space delivered.** | N.A. |

| | |
|---|---|
| **C04. Outline your assumptions in determining the economic benefits.** | N.A. |
| **C05. Describe any other economic benefits.** | N.A. |

# Section D – The Commercial Case

| | |
|---|---|
| **D01. Outline any procurement requirements.** | Use of framework agreement (t.b.a.) |
| **D02. Outline preferred procurement route / strategy.** | As above. |
| **D03. Outline key procurement risks.** | If we cannot use the framework agreement for whatever reason, we must assess that contractors invited to tender can deliver to meet the IWA 14 CPNI Standard, tested to 7.5 ton @ 40 mph criteria.<br><br>IWA: International Workshop Agreement.<br><br>CPNI: Centre for the Protection of National Infrastructure. |

# Section E – The Management Case

**E01. High Level Project Timetable**

| Item | Stage of Project | Start Date | Finish Date |
|---|---|---|---|
| Procurement check | Agree procurement process. | November 2018 | December 2018 |
| Funding approval process | Pre-works. | ? | ? |
| Approval process | Pre-works. | January/February 2019 | February 2019 |
| Procurement/framework | Tendering and contract award | March 2019 | March 2019 |
| Work on site | Installation | April 2019 | September 2019 |

**E02. High Level Project Milestones**

| Milestone | Description | Indicative Date |
|---|---|---|
| Executive/Council approval. | Funding approval to approved capital programme. | January 2019? |
| Other approvals. | SCC/Planning. | February/March 2019 |
| Commence works. | Installation on site. | April to September 2019. |
| | | |
| | | |

**E03. Project Risks**

| Title | Description |
|---|---|
| Underground services. | There are many underground services around the areas that will receive protection. It may be that either the installations will have to be moved or services diverted. This could delay installation. |
| | |
| | |

| | |
|---|---|
| **E04. Provide high level details of proposed project management arrangements & project team (please use post names / titles rather than naming individuals).** | The installation will be carried out by a competent contractor to an agreed specification. The works will be supervised by the contractor's suitably qualified supervisor and the Council's Engineering Manager liaising with SCC's Area Highways Manager and this Council's Corporate Public Health Coordinator. |
| **E05. Provide a brief outline of key stakeholders eg who they are and how they will be engaged.** | A working group has been identified consisting of SCC/Safer Guildford Partnership/Experience Guildford/PCC/Surrey Police/Applied Resilience and relevant GBC officers. |
| **E06. Will any public consultations be required? If so, provide a brief outline.** | Yes. Businesses near the installations will be consulted to ensure that they are not adversely affected. |
| **E07. How will the project be evaluated post implementation?** | Experience Guildford will carry out interviews (not agreed yet) with a cross section of people in the High Street and the roads protected by the installations. |

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

| Committee / Board | Type of Decision | Expected Date |
|---|---|---|
| Council | **Budget approval.** | **?** |
| Executive | **Budget approval.** | **?** |
| Place-making and Innovation Executive Advisory Board | | |
| Community Executive Advisory Board | | |
| Overview and Scrutiny | | |
| Planning | **Conservation Area Consent** | **March 2019** |
| Licensing | | |
| Corporate Governance and Standards | | |

# Bid for Funding

GUILDFORD BOROUGH

| | | | |
|---|---|---|---|
| **Project Name:** | Unauthorised encampment deterrents and defences | | |
| **Project Code:** | 2018 | TBA | |
| **Project Description:** | To implement unauthorised encampment defences to parks and open spaces across the borough | | |
| **Project / Programme Manager:** | Richard Anderson/Sally Astles/Paul Stacey | **Ward:** | 34T |
| **Senior Responsible Officer:** | Paul Stacey | **Directorate:** | Environment |
| **Lead Councillor:** | David Bilbe | **Service:** | Parks and Countryside |
| **Corporate Plan Theme:** | Community | **Confidential:** | No |
| **Expected Start Date:** | April 2018 | **Exempt VAT Implications:** | No |
| **Target Completion Date:** | March 2019 | | |

## Section A – Strategic Content

| | |
|---|---|
| **A01. What is the project trying to achieve?** | Following an increasing level of incursions on the Council Parks and Open spaces in recent years, risk assessment of our sites and implementation further works are required to number of open spaces to implement defences and deterrant to traveller incursions |
| **A02. Which strategic priorities in the Council's Corporate Plan is the project trying to achieve?** | ☐ Delivering the Guildford Borough Local Plan and providing the range of housing that people need, particularly affordable homes.<br>☐ Making Travel in Guildford and Across the borough easier.<br>☐ Regenerating and improving Guildford town centre and other urban areas.<br>☐ Supporting older, more vulnerable and less advantaged people in our community.<br>☒ Protecting our environment.<br>☒ Enhancing sporting, cultural, community and recreational facilities.<br>☐ Encouraging sustainable and proportionate economic growth to help provide the prosperity and employment that people need.<br>☐ Creating smart places infrastructure in Guildford. |

| | |
|---|---|
| | ☐ Using innovation, technology and new ways of working to improve value for money and efficiency in Council Services. |
| **A03. How does it meet the strategic priorities outlined?** | Unauthorised encampments cause significant disruption to the proper use of our parks and open spaces, as well as significant costs in dealing with the encampment and clearing up after the encampment has left. Implementing defences will enable the Council to protect the environment and enhance our recreational facilities by keeping them for their proper use |
| **A04. Explain the problem that is being addressed and why the project is necessary.** | In recent years the number of unauthorised encampments has increased significantly despite the implementation of defences and deterrents. Some sites remain very vulnerable. The cost of dealing with encampments can be significant to deliver the legal process along with evictions and the clear up after encampments. Implementing deterrents and defences will assist in limiting encampments thereby reducing the cost and disruption caused by encampments |
| **A05. What are the critical success factors or KPI's of the project? ie which measures will you use to determine success?** | Reduced frequency of encampments |
| **A06. What are the expected benefits or outcomes for local residents and businesses?** | Less disruption to business and the proper occupation of our open spaces |
| **A07. Outline options considered or that will be considered for delivery of the project.** | The parks and Countryside service will follow the measures and risks it has identified in risk assessing all our open spaces. Each scheme will be different depending on the risks and requirements of that open space. Some works will be completed by our in house teams and others by contractors |
| **A08. Outline project dependencies eg with other projects or partner organisations.** | Resource availability within the Parks and Countryside Service<br>Contractor availability |
| **A09. Legal / statutory requirement?** | No |
| **A10. Legislative / statutory implications?** | No |
| **A11. Planning permission required?** | No |
| **A12. Building regulation required?** | No |
| **A13. Land acquisition** | No |

| | |
|---|---|
| **required?** | |
| **A14. Environmental consents?** | No |
| **A15. Highways / traffic consents?** | No |
| **A16. Details of other required consents.** | Some consent may need to be considered for example works to common land, but these will be considered as schemes are developed and implemented |

# Section B – The Financial Case

**B01. Costs**

| Year | Description | Capital Value (£) | Revenue Cost Centre Code | Revenue Cost Centre Name | Revenue Account Code | Revenue Account Name | Revenue Value (£) |
|---|---|---|---|---|---|---|---|
| 2018/19 | Defences across the borough | 90,000 | | | | | |
| 2019/20 | Defences across the borough | 90,000 | | | | | |
| 2020/21 | Defences across the borough | 70,000 | | | | | |
| 34T | | | | | | | |
| 34T | | | | | | | |
| 34T | | | | | | | |
| 34T | | | | | | | |

**B02. Costs Totals**

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|
| 2018/19 | 90,000 | |
| 2019/20 | 90,000 | |
| 2020/21 | 70,000 | |
| 34T | | |
| 34T | | |

| | |
|---|---|
| **B03. Outline the assumptions used to cost the project.** | Bund - £20 Linear meter<br>Bollard – £20 each<br>Ditch - £20 Linear meter<br>Drop down bollards £300 each<br>Gates and height barriers £1,000 each<br>Preliminaries 15% of contract value<br>Contractor overheads and profit 10%<br>Contingency 5% of contract sume |

| | |
|---|---|
| | As a worked example Bellfields Green could require 1.1km of bunds<br>Bund: £22,000<br>Ditch: £22,000<br>Gates and Bollards: £6,000<br>Seeding/planting: £2,000<br>Preliminaries: £7,800<br>Overheads and profit: £5,980<br>Contingency: £2,990<br>Total: £68,770 |
| | |

**B04. Financial Benefits eg savings or additional income**

| Year | Description | Capital Value (£) | Revenue Value (£) |
|---|---|---|---|
| 34T | | | |
| 34T | | | |
| 34T | | | |
| 34T | | | |
| 34T | | | |

**B05. Funding**

| Year | GBC Funding Request (£) | Third Party Contributions (£) | Sources of Third Party Contributions |
|---|---|---|---|
| 2018/19 | 90,000 | | |
| 2019/20 | 90,000 | | |
| 2020/21 | 70,000 | | |
| 34T | | | |
| 34T | | | |

**B06. Non Financial Benefits**

| Title | Category | Measure | Expected Delivery Date |
|---|---|---|---|
| Reduction in encampments and unbudgeted costs | **Improved Service Provision** | Reduced encampments | 2020 |
| | **34T** | | |
| | **34T** | | |
| | **34T** | | |
| | **34T** | | |
| | **34T** | | |
| | **34T** | | |
| | **34T** | | |

# Section C – The Economic Case

| | |
|---|---|
| **C01. Expected number of homes brought forward.** | N/A |
| **C02. Expected number of jobs created.** | N/A |
| **C03. Expected amount of employment floor space delivered.** | N/A |

| | |
|---|---|
| **C04. Outline your assumptions in determining the economic benefits.** | N/A |
| **C05. Describe any other economic benefits.** | N/A |

# Section D – The Commercial Case

| | |
|---|---|
| **D01. Outline any procurement requirements.** | Invitation to quote for small works |
| **D02. Outline preferred procurement route / strategy.** | Restricted quotation procedure from established suppliers |
| **D03. Outline key procurement risks.** | None |

# Section E – The Management Case

### E01. High Level Project Timetable

| Item | Stage of Project | Start Date | Finish Date |
|---|---|---|---|
| Risk assessment of sites | Completed and under review | current | 31/03/19 |
| Design and plan works | Feasibility | 01/12/18 | 31/03/20 |
| Seek quotations | Procurement | 01/02/19 | 30/06/20 |
| Works | Implementation | 30/04/19 | 31/12/20 |
| | | | |

### E02. High Level Project Milestones

| Milestone | Description | Indicative Date |
|---|---|---|
| As above | | |
| | | |
| | | |
| | | |
| | | |

### E03. Project Risks

| Title | Description |
|---|---|
| Resource and Contractor Availability | To deliver the scheme will require adequate external and internal resources |
| Local site and climate conditions | Implementation maybe slowed by site and climatic conditions |
| | |
| | |
| | |

| | |
|---|---|
| **E04. Provide high level details of proposed project management arrangements & project team (please use post names / titles rather than naming individuals).** | Overseen by the Parks and Landcape Manager. Implemented by the Amenity Horticulture Manager, Parks Project Officer and Countryside Manager |
| **E05. Provide a brief outline of key stakeholders eg who they are and how they will be engaged.** | Ward Councillors, Parish Councillors where appropriate will be contacted and informed with the opportunity to discuss proposed schemes. Tenants will be approached where they could be impacted |
| **E06. Will any public consultations be required? If** | No |

| | |
|---|---|
| **so, provide a brief outline.** | |
| **E07. How will the project be evaluated post implementation?** | Unauthorised Encampment Site Risk Assessments will be reviewed and updated |

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

| Committee / Board | Type of Decision | Expected Date |
|---|---|---|
| Council | **N/A** | |
| Executive | **N/A** | |
| Place-making and Innovation Executive Advisory Board | **N/A** | |
| Community Executive Advisory Board | **N/A** | |
| Overview and Scrutiny | **N/A** | |
| Planning | **N/A** | |
| Licensing | **N/A** | |
| Corporate Governance and Standards | **N/A** | |

Agenda item number: 6
Appendix 14

# Bid for Funding

GUILDFORD BOROUGH

| | | | |
|---|---|---|---|
| **Project Name:** | Ash Vale Railway Station DfT Access for All Funding | | |
| **Project Code:** | Not known | | |
| **Project Description:** | Bid for £250,000 capital to offer as match funding to deliver accessibility improvements (step free access) at Ash Vale Station. The Total cost of these improvements is estimated at around £3m. The budget bid seeks a quantum of match funding that would be offered to support an Expression of Interest from Network Rail and South Western Railway to be submitted to the DfT for grant funding under their Access for All Fund (£300m nationwide). | | |
| **Project / Programme Manager:** | Zac Ellwood/Claudia Frost | **Ward:** | Ash Vale |
| **Senior Responsible Officer:** | Zac Ellwood | **Directorate:** | Planning and Regeneration |
| **Lead Councillor:** | Matt Furniss | **Service:** | Major Projects |
| **Corporate Plan Theme:** | Place-Making | **Confidential:** | No |
| **Expected Start Date:** | 01/04/2019 | **Exempt VAT Implications:** | No |
| **Target Completion Date:** | 31/03/2020 (payment of match funding). Accessibility improvements themselves to be delivered by 2024. | | |

# Section A – Strategic Content

| | |
|---|---|
| **A01. What is the project trying to achieve?** | The Department for Transport has asked Network Rail and the Train Operating Companies (TOCs) to nominate stations for Access for All (AfA) funding. Accessible stations make it easier for people to visit friends, get to the shops or to work. Accessibility benefits everyone - people with health conditions or impairments, people with children, heavy luggage or shopping and some older people.<br><br>Through the fund, a total of £300 million is available to station projects across the UK, with the improvements being delivered within Network Rail's Control Period 6 (2019 to 2024). Selected stations will receive an accessible route into the station and to and between each platform. Examples of accessibility improvements include: lifts that are automatic and give an audible tone when the doors open and close; staircases and platform edges that have tactile warning surfaces; new ramps and footbridges with lowered handrails; open entrances and new ticket gates; and accessible waiting rooms and toilets.<br><br>We have been contacted by both GWR and SW Railway to ask whether the Borough Council would like to nominate any locations for this funding. The selection criteria is as follows (author's ***emphasis***):<br><br>• Footfall, using figures published by the Office of Rail Regulation<br>• Stations where there is a particularly high percentage of disability in the area<br>• A particular local circumstance such as the proximity of hospitals, a school for disabled children or a military rehabilitation centre<br>• To include other train operators – for example for stations with a particularly high number of interchange journeys<br>• Where there is a particularly long taxi journey required to the next accessible station |

| | |
|---|---|
| | • Key interchanges<br>• ***Third party funding availability***<br>• Geographical spread of AfA Stations<br><br>Ash Vale Station has severe accessibility issues, is well used and we understand it stands a very good chance of meeting the DfT's requirements for qualifying for funding.<br><br>Full details of the funding initiative can be found at the following link:<br><br>https://www.networkrail.co.uk/communities/passengers/station-improvements/access-for-all/<br><br>This is a nationwide bidding process and there will be a lot of competition for the funding available. Accordingly, being able to demonstrate local buy-in through the provision of third party funding is crucial. Access for All funding is limited, but with the help of the local communities affected, SW Railway believe they can submit compelling nominations that will help them deliver the more accessible railway that our residents want and deserve. The TOCs will need to rank their bids based on the likelihood of success, so it goes without saying the more evidence of need, compliance with the DfT's selection criteria, and local support that can be provided the more chance of funding ultimately being secured.<br><br>The project is slightly unusual in that if GBC were to pledge match funding to the scheme and the Ash Vale bid is successful, the design, project management and construction elements would be taken forward to delivery by Network Rail and the TOC. There would be no further resource implications on the Council aside from minimal professional/legal support relating to agreeing contracts, etc.<br><br>Another key consideration is that if the Council pledges match funding but the scheme is not successful in its Access for All bid to the DFT, then no monies would be payable by GBC. |
| **A02. Which strategic priorities in the Council's Corporate Plan is the project trying to achieve?** | ☐ Delivering the Guildford Borough Local Plan and providing the range of housing that people need, particularly affordable homes.<br><br>☒ Making Travel in Guildford and Across the borough easier.<br><br>☐ Regenerating and improving Guildford town centre and other urban areas.<br><br>☒ Supporting older, more vulnerable and less advantaged people in our community.<br><br>☒ Protecting our environment.<br><br>☐ Enhancing sporting, cultural, community and recreational facilities.<br><br>☐ Encouraging sustainable and proportionate economic growth to help provide the prosperity and employment that people need.<br><br>☐ Creating smart places infrastructure in Guildford.<br><br>☐ Using innovation, technology and new ways of working to improve value for money and efficiency in Council Services. |
| **A03. How does it meet the strategic priorities outlined?** | The recommendations in this report support the delivery of the following priorities from the Council's Corporate Plan 2018-2023:<br><br>**Place-making**<br><br>• Making travel in Guildford and across the borough easier by making the Ash Vale station more useable and attractive to all users.<br><br>**Community**<br><br>• Supporting older, more vulnerable and less advantaged people in our community by providing step-free access improvements at a well-used railway station that has |

| | |
|---|---|
| | recognised accessibility issues. |
| **A04. Explain the problem that is being addressed and why the project is necessary.** | Ash Vale Station has well-recognised accessibility problems with no step-free access available to either platform. This makes it very difficult for persons in wheelchairs, those with pushchairs or those with mobility issues to access the rail facilities safely.<br><br>The £300m fund currently being offered by DfT is a time-limited grant and may be the only opportunity for many years for necessary accessibility improvements being realised at the station. The success of a bid will depend heavily on Third Party Funding being provided to demonstrate the level of local government support.<br><br>There is local support for improvements at the station and a petition has been created at www.change.org signed by almost 2,000 people to date. The petition wording is set out below and explains the issues at hand:<br><br>*"Ash Vale train station provides transport to thousands of local people each week. It provides very direct access to London Waterloo and is therefore a very busy and popular starting point for commuters…It also provides the quickest and most direct route for locals to destinations such as Woking, Camberley and Ascot.*<br><br>*The train station has four flights of stairs and does not have a lift, ramp or any form of access for wheelchair users to access trains from this station. Wheelchair users must therefore use alternative stations to make journeys which could be much quicker if made from Ash Vale. A wheelchair user who wished to travel to London Waterloo would have to travel up to two miles to a station with an accessible platform e.g. North Camp or Ash. This could add 30min to their journey.*<br><br>*Elderly people and those with mobility problems are also impacted and are unable to access trains at this station due to lack of a lift or ramp. Parents…with young children struggle to get their prams up three flights of stairs at this station. This is very inconvenient as well as dangerous, especially in slippery conditions. Parents often have to rely on the goodwill of others to help them carry their prams up the stairs to the platform.*<br><br>*This is simply not acceptable. It is discrimination against disabled people and access should be granted urgently. The Equality Act states that premises should make reasonable adjustments to enable access for disabled people"*<br><br>*https://www.change.org/p/please-support-the-right-of-wheelchair-users-to-access-ash-vale-surrey-train-station*<br><br>Michael Gove MP is also pressing for step-free access to be installed at Ash Vale Station. On 4 June 2018 he wrote to the Transport Secretary, the Rt. Hon. Chris Grayling MP pointing out that as Ash Vale train station does not have step-free access, local wheelchair-bound or disabled residents are forced to travel to alternative stations, such as Ash or North Camp - adding a significant amount of time to their journeys. The MP highlighted the above petition calling for wheelchair access to the Station, Michael asked the Transport Secretary if he can do all that he can to help secure the necessary funding for step-free access to be installed at this station as soon as possible.<br><br>The response from the Transport Secretary referred to the roll-out of the Access for All Fund and noted:<br><br>*"For schemes such as Ash Vale to be considered for future funding, it is likely that they will need strong support from the train operating company. Furthermore, some third party funding would help to secure funding.*<br><br>There is strong support from South Western Railway who have identified this as one of the top ten stations in their operating area in most need of accessibility improvements. |
| **A05. What are the critical success factors or KPI's of the project? i.e. which measures will** | • DfT AfA and other Third Party funding secured (NB Ash Parish Council has provisionally pledged a contribution of £20,000 as further match funding)<br>• Inclusive design and provision of step-free access to both station platforms by 2024 |

| | |
|---|---|
| **you use to determine success?** | • Increased patronage at the station |
| **A06. What are the expected benefits or outcomes for local residents and businesses?** | • Step-free access to both platforms<br>• Creating an accessible station will make it easier for people to visit friends, get to the shops or to work. Accessibility benefits everyone - people with health conditions or impairments, people with children, heavy luggage or shopping and some older people who may be less mobile |
| **A07. Outline options considered or that will be considered for delivery of the project.** | (see table below) |

| Option | Description / Reason |
|---|---|
| **Option 0 – Do Nothing**<br>*(Rejected)* | Does not support strategic objectives and Access for All funding is very unlikely to be achieved without a significant amount of third party funding (NB it is understood from discussions with Network Rail and the TOC that previous successful bids have benefitted from third party support to the tune of around 10% typically).<br><br>This budget bid seeks around 8.3% (£250,000) of the estimated total cost of the project (£3m) to be put forward as match funding, with the remaining 1.7% (£50,000 being anticipated through contributions from Ash Parish Council and both Rushmoor and Surrey Heath Councils, which lie close to Ash Vale Station and which both have large numbers of residents that regularly use the facilities at the station. |
| **Option 1 – Smaller match funding contribution**<br>*(Rejected)* | It is open to the Council to pledge whatever level of financial support to the project it may wish to. However, it is felt that if 10% of the total cost of the project is not realised through third party funding, the Access for All bid to the DfT stands a much lower chance of success. |
| **Option 2 – £250,000 match funding contribution**<br>*(Preferred Option)* | It is considered that this level of match funding contribution to the bid from the Council would demonstrate genuine local buy-in to the project and would give it a much stronger chance of success with the DfT than without any such contribution or a lower amount. |

| | |
|---|---|
| **A08. Outline project dependencies e.g. with other projects or partner organisations.** | Project Dependencies:<br>• None<br><br>Partner Organisations:<br>• Network Rail (NR)<br>• South Western Railway (SWR)<br>• Ash Parish Council<br>• Rushmoor Borough Council<br>• Surrey Heath Borough Council |
| **A09. Legal / statutory requirement?** | No |
| **A10. Legislative / statutory implications?** | No |
| **A11. Planning permission required?** | Not known at this time – but this would be the responsibility of Network Rail and/or the TOC |
| **A12. Building regulation required?** | Not known at this time – but this would be the responsibility of Network Rail and/or the TOC |
| **A13. Land acquisition** | No |

| | |
|---|---|
| **required?** | |
| **A14. Environmental consents?** | No |
| **A15. Highways / traffic consents?** | No |
| **A16. Details of other required consents.** | ORR (Office of Road and Rail) licence/approval |

# Section B – The Financial Case

**B01. Costs**

| Year | Description | Capital Value (£) | Revenue Cost Centre Code | Revenue Cost Centre Name | Revenue Account Code | Revenue Account Name | Revenue Value (£) |
|---|---|---|---|---|---|---|---|
| 2019/20 | | £250,000 | N/A | N/A | N/A | N/A | 0 |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | **Total** | £250,000 | | | | | |
| | **Grand Total** | £250,000 | | | | | |

The full project cost is estimated at £3m, but GBC's liability would be limited to the £250,000 capital contribution. There are no revenue implications to the Council.

Any remaining capital costs to deliver the station accessibility improvements would be met through DfT's Access for All fund if the bid is successful.

**B02. Costs Totals**

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|
| 2019/20 | 250,000 | |
| 2020/21 | 0 | |
| 2021/22 | 0 | |
| 2022/23 | 0 | |
| **Total** | **250,000** | |

**Grand total** **£250,000**

| | |
|---|---|
| **B03. Outline the assumptions used to cost the project.** | • Political support<br>• Support from Network Rail<br>• Support from Train Operating Company (South Western Railway)<br>• Financial contribution from Ash Parish Council (£20k)<br>• Financial contributions from Rushmoor/Surrey Heath Borough Councils<br>• Successful bid to the DfT Access for All Fund<br>• Assume match funding is required upfront in financial year 2019/20 |

**B04. Financial Benefits e.g. savings or additional income**

| Year | Description | Capital Value (£) | Revenue Value (£) |
|---|---|---|---|
| 2019/20 | None – but the £250,000 contribution from GBC could lever in more than 10 times this amount in external grant funding. | | |

**B05. Funding**

| Year | GBC Funding Request (£) | Third Party Contributions (£) | Sources of Third Party Contributions |
|---|---|---|---|
| 2019/20 | £250,000 | £2,700,000 (approx.)<br><br>£50,000 | DfT Access for All Fund<br><br>Ash Parish Council<br>Rushmoor Borough Council<br>Surrey Heath Borough Council |
| | | | |
| **Sum** | **£250,000** | **£2,750,000** | **Total Project Cost - £3,000,000 (approx.)** |

**B06. Non-Financial Benefits**

| Title | Category | Measure | Expected Delivery Date |
|---|---|---|---|
| Improved accessibility for the disabled, elderly, persons with pushchairs/shopping and the less mobile | **Improved Social Benefits** | Patronage of station and increased passenger satisfaction levels | By 31/03/2024 |
| Reduced congestion through increased patronage and encouraging sustainable modal shift | **Improved Customer Satisfaction** | Increased passenger numbers | By 31/03/2024 |

# Section C – The Economic Case

| | |
|---|---|
| **C01. Expected number of homes brought forward** | N/A |
| **C02. Expected number of jobs created** | Not known |
| **C03. Expected amount of employment floor space delivered** | Not known |

| | |
|---|---|
| **C04. Outline your assumptions in determining the economic benefits.** | Not applicable. |
| **C05. Describe any other economic benefits.** | • Reduced travel times for passengers requiring level access, hence fewer working hours lost<br>• Short term positive local economic impact during construction |

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# Section D – The Commercial Case

| | |
|---|---|
| **D01. Outline any procurement requirements.** | • Procurement of legal advice to finalise funding agreement with DfT (and/or Network Rail and South Western Railway. Anticipated to be met through in-house legal support at GBC. |
| **D02. Outline preferred procurement route / strategy.** | • The accessibility improvement works at Ash Vale Station would be project managed, designed and delivered externally to GBC. |
| **D03. Outline key procurement risks.** | • None identified in respect of GBC's involvement. |

---

# Section E – The Management Case

### E01. High Level Project Timetable

| Item | Stage of Project | Start Date | Finish Date |
|---|---|---|---|
| See E02 below – The project would be delivered by Network Rail/SWR and GBC would not have any direct involvement in the project management or delivery stages. | | | |

### E02. High Level Project Milestones

| Milestone | Description | Indicative Date |
|---|---|---|
| Third Party match funding handed over to NR/TOC | Handover | 31 March 2020 |
| Delivery Date for Network Rail (end of Control Period 6) | Completion | 31 March 2024 |

### E03. Project Risks

| Title | Description |
|---|---|
| R01 | Failure to secure match funding from Rushmoor & Surrey Heath Borough Councils would negatively impact on overall level of public funding put towards the project and could reduce chance of achieving grant funding from DfT under Access for All |
| R02 | Network Rail & SWR decide not to pursue bid to DfT in respect of Ash Vale Station (in which circumstances, no capital monies would be payable by GBC) |
| R03 | Bid is made, but DfT does not agree to fund accessibility improvements at Ash Vale Station Station (in which circumstances, no capital monies would be payable by GBC) |

| | |
|---|---|
| **E04. Provide high-level details of proposed project management arrangements & project team (please use post names / titles rather than naming individuals).** | Project to be managed and delivered by Network Rail/South Western Railway.<br><br>The Major Projects Portfolio Manager will act as GBC's main contact for the project duration and will liaise directly with stakeholders. |
| **E05. Provide a brief outline of key stakeholders e.g. who they are and how they will be engaged.** | • DfT – Manage Access for All Fund and allocation thereof<br>• Network Rail Wessex Route – Overall responsibility for Rail Network<br>• South Western Railway – Manage Ash Vale Station<br>• Anne Milton MP, Michael Gove MP & Jonathan Lord MP<br>• Ash Parish Council – contributor of match funding<br>• Rushmoor Borough Council – potential contributor of match funding<br>• Rushmoor Borough Council – potential contributor of match funding<br>• Local Ward Councillors and residents – through Ash Forum and direct communiques from Major Projects Portfolio Manager |
| **E06. Will any public consultations be required? If so, provide a brief outline.** | • This would be the responsibility of Network Rail/South Western Railway |

| | |
|---|---|
| **E07. How will the project be evaluated post implementation?** | • Regular communication with NR/SWR<br>• 'Lessons learned' meeting will be held at the end of the project |

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

| Committee / Board | Type of Decision | Expected Date |
|---|---|---|
| Council | Budget approval | 26.02.2019 |
| Executive | Budget approval | February 2019 |
| Place-making and Innovation Executive Advisory Board | N/A | - |
| Community Executive Advisory Board | N/A | - |
| Overview and Scrutiny | N/A | - |
| Planning | N/A | - |
| Licensing | N/A | - |
| Corporate Governance and Standards | N/A | - |

# Bid for Funding

GUILDFORD BOROUGH

| | | | |
|---|---|---|---|
| **Project Name:** | ICT RENEWALS RESERVE | | |
| **Project Code:** | | TBA | |
| **Project Description:** | ICT RENEWALS RESERVE | | |
| **Project / Programme Manager:** | Adrian Hudson | **Ward:** | 34T |
| **Senior Responsible Officer:** | Claire Morris | **Directorate:** | Finance |
| **Lead Councillor:** | Matt Furniss | **Service:** | ICT |
| **Corporate Plan Theme:** | 34T | **Confidential:** | No |
| **Expected Start Date:** | On-Going | **Exempt VAT Implications:** | No |
| **Target Completion Date:** | N/A | | |

## Section A – Strategic Content

| | |
|---|---|
| **A01. What is the project trying to achieve?** | ICT Renewals Reserve funded annually from Services to provide investment for future hardware and software programmes.<br><br>Service leaders have also bid for ICT improvements to be funded from ICT renewals:<br>• IDOX – migration from IDOX Acolaid to IDOX Uniform. Old system is at the end of its useful life and an upgrade is required<br>• Local Council Tax Support – find an alternative solution following rollout of Universal Credit<br>• Future Guildford ICT requirements |
| **A02. Which strategic priorities in the Council's Corporate Plan is the project trying to achieve?** | ☐ Delivering the Guildford Borough Local Plan and providing the range of housing that people need, particularly affordable homes.<br><br>☐ Making Travel in Guildford and Across the borough easier.<br><br>☐ Regenerating and improving Guildford town centre and other urban areas.<br><br>☒ Supporting older, more vulnerable and less advantaged people in our community.<br><br>☐ Protecting our environment.<br><br>☐ Enhancing sporting, cultural, community and recreational facilities.<br><br>☐ Encouraging sustainable and proportionate economic growth to help provide the prosperity and employment that people need.<br><br>☐ Creating smart places infrastructure in Guildford.<br><br>☒ Using innovation, technology and new ways of working to improve value for money and efficiency in Council Services. |
| **A03. How does it meet the strategic priorities outlined?** | Provides funding for services to procure new hardware and software solutions to support business operations and transformation. |

| | |
|---|---|
| **A04. Explain the problem that is being addressed and why the project is necessary.** | Centrally managed funding for all Services to provide ICT hardware & software for on-going operations and projects. |
| **A05. What are the critical success factors or KPI's of the project? ie which measures will you use to determine success?** | Successful maintenance and improvement of operational services with on-going efficiencies to reduce costs. |
| **A06. What are the expected benefits or outcomes for local residents and businesses?** | Maintenance and improvement of services supported through efficient and reliable ICT. |
| **A07. Outline options considered or that will be considered for delivery of the project.** | N/A. |
| **A08. Outline project dependencies eg with other projects or partner organisations.** | This reserve will need to be reviewed as Future Guildford is delivered to decide whether it remains the most effective way to fund |
| **A09. Legal / statutory requirement?** | No |
| **A10. Legislative / statutory implications?** | No |
| **A11. Planning permission required?** | No |
| **A12. Building regulation required?** | No |
| **A13. Land acquisition required?** | No |
| **A14. Environmental consents?** | No |
| **A15. Highways / traffic consents?** | No |
| **A16. Details of other required consents.** | N/A. |

# Section B – The Financial Case

**B01. Costs**

| Year | Description | Capital Value (£) | Revenue Cost Centre Code | Revenue Cost Centre Name | Revenue Account Code | Revenue Account Name | Revenue Value (£) |
|---|---|---|---|---|---|---|---|
| 2019/20 | IDOX<br>LCTS<br>Future Gfd ICT<br>Future Gfd Implementation | 275,000<br>6,120<br>1,200,000<br>1,000,000 | | | | | 65,000<br>19,624<br>0<br>0 |
| 2020/21 | IDOX<br>LCTS<br>Future Gfd ICT<br>Future Gfd Implementation | 0<br>50,255<br>0<br>1,600,000 | | | | | 65,000<br>26,487<br>600,000<br>0 |
| 2021/22 | IDOX<br>Future Gfd ICT | 0<br>0 | | | | | 65,000<br>600,000 |
| 2022/23 | Future Gfd ICT | 0 | | | | | 600,000 |
| 2023/24 | Future Gfd ICT | 0 | | | | | 600,000 |
| 2024/25 | | | | | | | |
| 2025/26 | | | | | | | |

**NOTE: Future Guildford implementation to be funded from other reserves**

**B02. Costs Totals**

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|
| 2019/20 | 2,481,120 | 84,624 |
| 2020/21 | 1,650,255 | 651,487 |
| 2021/22 | 0 | 665,000 |
| 2022/23 | 0 | 600,000 |
| 2023/24 | 0 | 600,000 |

| **B03. Outline the assumptions used to cost the project.** | |
|---|---|

**B04. Financial Benefits eg savings or additional income**

| Year | Description | Capital Value (£) | Revenue Value (£) |
|---|---|---|---|
| 34T | | | |
| 34T | | | |
| 34T | | | |
| 34T | | | |
| 34T | | | |

**B05. Funding**

| Year | GBC Funding Request (£) | Third Party Contributions (£) | Sources of Third Party Contributions |
|---|---|---|---|
| 34T | | | |
| 34T | | | |
| 34T | | | |
| 34T | | | |
| 34T | | | |

**B06. Non Financial Benefits**

| Title | Category | Measure | Expected Delivery Date |
|---|---|---|---|
| | **Improved Customer Satisfaction** | | |
| | **Improved Management Information** | | |
| | **Improved Service Provision** | | |
| | **Improved Staff Satisfaction** | | |
| | **Redcued Carbon** | | |
| | **Reduced Cost Per Transaction** | | |
| | **Reduced Processing Time** | | |
| | **34T** | | |

# Section C – The Economic Case

| | |
|---|---|
| **C01. Expected number of homes brought forward.** | |
| **C02. Expected number of jobs created.** | |
| **C03. Expected amount of employment floor space delivered.** | |

| | |
|---|---|
| **C04. Outline your assumptions in determining the economic benefits.** | |
| **C05. Describe any other economic benefits.** | |

# Section D – The Commercial Case

| | |
|---|---|
| **D01. Outline any procurement requirements.** | |
| **D02. Outline preferred procurement route / strategy.** | |
| **D03. Outline key procurement risks.** | |

# Section E – The Management Case

**E01. High Level Project Timetable**

| Item | Stage of Project | Start Date | Finish Date |
|---|---|---|---|
| | | | |
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**E02. High Level Project Milestones**

| Milestone | Description | Indicative Date |
|---|---|---|
| | | |
| | | |
| | | |
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**E03. Project Risks**

| Title | Description |
|---|---|
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| **E04. Provide high level details of proposed project management arrangements & project team (please use post names / titles rather than naming individuals).** | |
| **E05. Provide a brief outline of key stakeholders eg who they are and how they will be engaged.** | |
| **E06. Will any public consultations be required? If so, provide a brief outline.** | |

| | |
|---|---|
| **E07. How will the project be evaluated post implementation?** | |

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

| Committee / Board | Type of Decision | Expected Date |
|---|---|---|
| Council | | |
| Executive | | |
| Place-making and Innovation Executive Advisory Board | | |
| Community Executive Advisory Board | | |
| Overview and Scrutiny | | |
| Planning | | |
| Licensing | | |
| Corporate Governance and Standards | | |

# Bid for Funding

| | | | |
|---|---|---|---|
| **Project Name:** | Multi-storey Car Park Repairs and Maintenance | | |
| **Project Code:** | 2018 | TBA | |
| **Project Description:** | Various repairs, replacements and other maintenance tasks across all five multi-storey car parks | | |
| **Project / Programme Manager:** | Darren Burgess | **Ward:** | Various |
| **Senior Responsible Officer:** | Marieke van der Reijden | **Directorate:** | Community Services |
| **Lead Councillor:** | Nigel Manning | **Service:** | Asset Development |
| **Corporate Plan Theme:** | Community | **Confidential:** | No |
| **Expected Start Date:** | 01/04/19 | **Exempt VAT Implications:** | No |
| **Target Completion Date:** | 31/03/20 | | |

## Section A – Strategic Content

| | |
|---|---|
| **A01. What is the project trying to achieve?** | To maintain the car parks to a good standard, ensuring that they remain safe to use and inviting to users. |
| **A02. Which strategic priorities in the Council's Corporate Plan is the project trying to achieve?** | ☐ Delivering the Guildford Borough Local Plan and providing the range of housing that people need, particularly affordable homes.<br><br>☒ Making Travel in Guildford and Across the borough easier.<br><br>☐ Regenerating and improving Guildford town centre and other urban areas.<br><br>☐ Supporting older, more vulnerable and less advantaged people in our community.<br><br>☐ Protecting our environment.<br><br>☐ Enhancing sporting, cultural, community and recreational facilities.<br><br>☐ Encouraging sustainable and proportionate economic growth to help provide the prosperity and employment that people need.<br><br>☐ Creating smart places infrastructure in Guildford.<br><br>☐ Using innovation, technology and new ways of working to improve value for money and efficiency in Council Services. |
| **A03. How does it meet the strategic priorities outlined?** | By ensuring that the car parks are fit for purpose, they encourage people to visit the town centre and thereby increase revenue income. Being in good repair will make them attractive to users and contribute to the general perception of the town via schemes such as the Purple Flag Accreditation. |
| **A04. Explain the problem that is being addressed and why the project is necessary.** | Condition surveys have identified a range of maintenance work that needs to be addressed to ensure that the car parks remain operational. |

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|---|---|
| **A05. What are the critical success factors or KPI's of the project? ie which measures will you use to determine success?** | That the cost of the repair works are contained within the anticipated budget and that the works are completed in a timely manner without detriment to its' surroundings.<br><br>That the works are undertaken in a manner that minimises impact on normal car park operations and revenue earning potential. |
| **A06. What are the expected benefits or outcomes for local residents and businesses?** | Provision of good car parking facilities that are clean and presentable will contribute to Guildford's good reputation and encourage travel to the town centre. This, in turn, will increase footfall for local businesses. |
| **A07. Outline options considered or that will be considered for delivery of the project.** | This bid covers a range of projects of different sizes and complexities across all five car parks.<br><br>Some of those projects will be designed and delivered by a specialist external consultant where the relevant expertise does not exist in-house.<br><br>Other work packages will be delivered by the in-house building surveying team, as this is generally a more cost effective approach. |
| **A08. Outline project dependencies eg with other projects or partner organisations.** | None. |
| **A09. Legal / statutory requirement?** | No |
| **A10. Legislative / statutory implications?** | No |
| **A11. Planning permission required?** | No |
| **A12. Building regulation required?** | No |
| **A13. Land acquisition required?** | No |
| **A14. Environmental consents?** | No |
| **A15. Highways / traffic consents?** | No |
| **A16. Details of other required consents.** | None anticipated. |

# Section B – The Financial Case

**B01. Costs**

| Year | Description | Capital Value (£) | Revenue Cost Centre Code | Revenue Cost Centre Name | Revenue Account Code | Revenue Account Name | Revenue Value (£) |
|---|---|---|---|---|---|---|---|
| 2019/20 | Additional barriers and barrier replacement | 43,000 | | | | | |
| 2019/20 | Deck surface replacement | 550,000 | | | | | |
| 2019/20 | Cleaning, decorating, minor repairs | | See separate breakdown by property | | B1650 | CP Decorations funded from Reserve | 122,500 |
| 2019/20 | Fire door repair/replacement | | | | B1652 | CP Miscellaneous funded from Reserve | 22,500 |
| 2019/20 | Roof repairs | | | | B1652 | CP Miscellaneous funded from Reserve | 10,500 |
| 2019/20 | Structural repairs | | | | B1652 | CP Miscellaneous funded from Reserve | 20,000 |
| 35T | | | | | | | |

**Breakdown of Work by Site:**

| Site | Work | Capital Value (£) | Revenue Cost Centre Code | Revenue Cost Centre Name | Revenue Value (£) |
|---|---|---|---|---|---|
| Bedford RD | Additional barriers and barrier replacement | 28,000 | | | |
| | Deck surface replacement | 550,000 | | | |
| | Cleaning, decorating, minor repairs | | B2219 | Bedford Rd MSCP | 40,000 |
| | Fire door repair/replacement | | B2219 | Bedford Rd MSCP | 7,000 |
| | Roof repairs | | B2219 | Bedford Rd MSCP | 2,500 |
| | Structural repairs | | B2219 | Bedford Rd MSCP | 14,000 |
| Castle St | Cleaning, decorating, minor repairs | | B2277 | Castle Car Park (Part Deed In) | 4,000 |
| | Fire door repair/replacement | | B2277 | Castle Car Park (Part Deed In) | 1,500 |
| | Structural repairs | | B2277 | Castle Car Park (Part Deed In) | 2,000 |
| Farnham | Additional barriers | 15,000 | | | |
| | Cleaning, decorating, minor repairs | | B2244 | Farnham Rd MSCP (Lease In) | 57,000 |
| | Fire door repair/replacement | | B2244 | Farnham Rd MSCP (Lease In) | 7,000 |
| | Structural repairs | | B2244 | Farnham Rd MSCP (Lease In) | 2,000 |
| Leapale | Cleaning, decorating, minor repairs | | B2257 | Leapale Rd MSCP | 19,000 |
| | Structural repairs | | B2257 | Leapale Rd MSCP | 1,000 |
| York Road | Cleaning, decorating, minor repairs | | B2291 | York Rd MSCP | 2,500 |
| | Fire door repair/replacement | | B2291 | York Rd MSCP | 7,000 |
| | Roof repairs | | B2291 | York Rd MSCP | 8,000 |
| | Structural repairs | | B2291 | York Rd MSCP | 1,000 |

**All estimates include allowances for contingencies, surveyors costs and where appropriate, external fees.**

**B02. Costs Totals**

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|
| 2019/20 | 593,300 | 175,500 |
| 35T | | |
| 35T | | |
| 35T | | |
| 35T | | |

| | |
|---|---|
| **B03. Outline the assumptions used to cost the project.** | Repair costs are based on estimates provided as part of recent condition surveys with allowances for inflation, contingencies and associated professional fees. |

**B04. Financial Benefits eg savings or additional income**

| Year | Description | Capital Value (£) | Revenue Value (£) |
|---|---|---|---|
| 35T | None. | | |

**B05. Funding**

| Year | GBC Funding Request (£) | Third Party Contributions (£) | Sources of Third Party Contributions |
|---|---|---|---|
| 2019/20 | 768,800 | | Funded by CPMR |

**B06. Non Financial Benefits**

| Title | Category | Measure | Expected Delivery Date |
|---|---|---|---|
| Reputation | **Improved Customer Satisfaction** | The Council is open to criticism where it fails to protect assets for which it has a responsibility. | Ongoing |
| Income | **Improved Income Generation** | Car parks that are seen to be in good repair are more attractive to shoppers and other visitors to the town. | Ongoing |

# Section C – The Economic Case

| | |
|---|---|
| **C01. Expected number of homes brought forward.** | 0 |
| **C02. Expected number of jobs created.** | 0 |
| **C03. Expected amount of employment floor space delivered.** | 0 |

| | |
|---|---|
| **C04. Outline your assumptions in determining the economic benefits.** | N/A |
| **C05. Describe any other economic benefits.** | Car parks that are seen to be in good repair are more attractive to shoppers and other visitors to the town. |

# Section D – The Commercial Case

| | |
|---|---|
| **D01. Outline any procurement requirements.** | Where appropriate, individual projects will be let under an industry standard JCT contract for which the assistance of the Legal service will be required to prepare. |
| **D02. Outline preferred procurement route / strategy.** | The works will be specified and single stage tenders or quotations sought from suitable contractors. |
| **D03. Outline key procurement risks.** | That sufficient tenders are not returned to enable a meaningful comparison.<br>That the value of tenders returned exceed the anticipated costs. |

# Section E – The Management Case

### E01. High Level Project Timetable

| Item | Stage of Project | Start Date | Finish Date |
|---|---|---|---|
| N/A | This bid covers a range of projects that will be co-ordinated individually. | | |

### E02. High Level Project Milestones

| Milestone | Description | Indicative Date |
|---|---|---|
| N/A | This bid covers a range of projects that will be co-ordinated individually. | |

### E03. Project Risks

| Title | Description |
|---|---|
| Budget | As with all construction projects, there is the risk of costs escalating due to unforeseen circumstances, but would be funded from the CPMR. |
| Disruption | Some of the works will require areas to be closed for the duration. Any overruns are likely to have a detrimental impact on normal operations. |
| Programme | The wide ranging nature of the works programme raises a concern about accommodating all of it around seasonal busy periods. |

| | |
|---|---|
| **E04. Provide high level details of proposed project management arrangements & project team (please use post names / titles rather than naming individuals).** | The project will be project managed by a member of the Building Surveying team.<br><br>The works will be designed and implemented by a specialist external engineer or a member of the Building Surveying team, as appropriate. |
| **E05. Provide a brief outline of key stakeholders eg who they are and how they will be engaged.** | The key stakeholder is the Operations team that manage the car parks. Our project managers, both internal and external, will liaise with the car park managers to co-ordinate the work so as to minimise disruption to normal operations.<br><br>Some car parks have tenants, either associated with the structure or operating from within the parking areas. Where works may affect their activities, liaison about how to minimise any disruption will be managed via the car park management team. |
| **E06. Will any public consultations be required? If so, provide a brief outline.** | No. |
| **E07. How will the project be evaluated post implementation?** | Final project costs of the capital funded elements of work will be reported to the Capital Monitoring Group. |

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

| Committee / Board | Type of Decision | Expected Date |
|---|---|---|
| Council | None. | |
| Executive | None. | |
| Place-making and Innovation Executive Advisory Board | None. | |
| Community Executive Advisory Board | None. | |
| Overview and Scrutiny | None. | |
| Planning | None. | |
| Licensing | None. | |
| Corporate Governance and Standards | None. | |

# Bid for Funding

GUILDFORD BOROUGH

| | | | |
|---|---|---|---|
| **Project Name:** | HRA opportunity land and property acquisition | | |
| **Project Code:** | 2018 | TBA | |
| **Project Description:** | Delivery of additional homes through the acquisition of land and/or property on an opportunity basis. | | |
| **Project / Programme Manager:** | Rachel Harper | **Ward:** | 34T<br>Multiple |
| **Senior Responsible Officer:** | Philip O'Dwyer | **Directorate:** | Community Services |
| **Lead Councillor:** | Philip Brooker | **Service:** | NHMS |
| **Corporate Plan Theme:** | Community | **Confidential:** | No |
| **Expected Start Date:** | April 2019 | **Exempt VAT Implications:** | 34T |
| **Target Completion Date:** | March 2024 | | |

## Section A – Strategic Content

| | |
|---|---|
| **A01. What is the project trying to achieve?** | The primary objective of the project is to deliver additional affordable housing by the acquisition of land and/or property which is either vacant or which offer potential for redevelopment |
| **A02. Which strategic priorities in the Council's Corporate Plan is the project trying to achieve?** | ☒ Delivering the Guildford Borough Local Plan and providing the range of housing that people need, particularly affordable homes.<br>☐ Making Travel in Guildford and Across the borough easier.<br>☐ Regenerating and improving Guildford town centre and other urban areas.<br>☐ Supporting older, more vulnerable and less advantaged people in our community.<br>☐ Protecting our environment.<br>☐ Enhancing sporting, cultural, community and recreational facilities.<br>☐ Encouraging sustainable and proportionate economic growth to help provide the prosperity and employment that people need.<br>☐ Creating smart places infrastructure in Guildford.<br>☐ Using innovation, technology and new ways of working to improve value for money and efficiency in Council Services. |
| **A03. How does it meet the strategic priorities outlined?** | • By providing additional affordable homes / increased number of bed spaces<br>• By utilising vacant pieces of land that are not being developed<br>• By demolishing outdated properties, that are typically difficult to let and replacing them with modern homes that will meet a range of different housing needs |
| **A04. Explain the problem that is being addressed and why the project is necessary** | Demand for affordable housing in the Borough remains high. It is incumbent on the Council to review its existing assets to ascertain if they are being used optimally.<br><br>Opportunities arise from time to time and this proposal allows the Council to take advantage of these at short notice bu having access to the necessary funds.. |

| | |
|---|---|
| **A05. What are the critical success factors or KPI's of the project? i.e. which measures will you use to determine success?** | • Completion of additional affordable homes<br>• Increase in bed space provision<br>• Provision of high quality affordable housing |
| **A06. What are the expected benefits or outcomes for local residents and businesses?** | • Completion of additional affordable homes<br>• Increase in bed space provision<br>• Provision of high quality affordable housing |
| **A07. Outline options considered or that will be considered for delivery of the project** | The scope of this project includes the identification and appraisal of additional sites.<br><br>Moving forward areas for consideration will include:<br>• Use of modern methods of construction / modular buildings<br>• Procurement strategy e.g. traditional, design and build, frameworks / two stage<br>• Packaging works to have greater appeal to contractors |
| **A08. Outline project dependencies eg with other projects or partner organisations** | The project primarily focuses on vacant sites meaning that the need for a substantial decant exercise is minimised. There may be opportunities to acquire properties which will increase the HRA property portfolio. |
| **A09. Legal / statutory requirement?** | Yes |
| **A10. Legislative / statutory implications?** | Yes |
| **A11. Planning permission required?** | Yes |
| **A12. Building regulation required?** | Yes |
| **A13. Land acquisition required?** | No |
| **A14. Environmental consents?** | No |
| **A15. Highways / traffic consents?** | Yes |
| **A16. Details of other required consents.** | All other consents typically required to facilitate new development |

# Section B – The Financial Case

**B01. Costs**

| Year | Description | Capital Value (£) | Revenue Cost Centre Code | Revenue Cost Centre Name | Revenue Account Code | Revenue Account Name | Revenue Value (£) |
|---|---|---|---|---|---|---|---|
| 2018/19 | Scheme Fees / Works / Contingency | £0 | | | | | |
| 2019/20 | Scheme Fees / Works / Contingency | £5,000000 | | | | | |
| 2020/21 | Scheme Fees / Works / Contingency | | | | | | |
| 2021/22 | Scheme Fees / Works / Contingency | | | | | | |
| 2022/23 | Scheme Fees / Works / Contingency | | | | | | |
| 2023/24 | Scheme Fees / Works / Contingency | | | | | | |
| 34T | | | | | | | |

**B02. Costs Totals**

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|
| 2019/20 | £5,000,000 | |
| 2020/21 | | |
| 2021/22 | | |
| 2022/23 | | |
| 2023/24 | | |

| | |
|---|---|
| **B03. Outline the assumptions used to cost the project.** | 1. Any purchases will be made following a detailed options and financial appraisal of the opportunity. |

**B04. Financial Benefits eg savings or additional income**

| Year | Description | Capital Value (£) | Gross Revenue Value (£) |
|---|---|---|---|
| 2019/20 | Additional Rental Income to HRA | | |
| | | | |
| 34T | | | |

**B05. Funding**

| Year | GBC Funding Request (£) | Third Party Contributions (£) | Sources of Third Party Contributions |
|---|---|---|---|
| 2019/20 | £5,000,000 | | |
| 2020/21 | | | |
| 2021/22 | | | |
| 2022/23 | | | |
| 2023/24 | | | |

**B06. Non Financial Benefits**

| Title | Category | Measure | Expected Delivery Date |
|---|---|---|---|
| High quality, modern homes that are able to meet a wide variety of housing needs | **Improved Service Provision** | | Within the next 5 years |
| | **34T** | | |

# Section C – The Economic Case

| | |
|---|---|
| **C01. Expected number of homes brought forward.** | TBA |
| **C02. Expected number of jobs created.** | TBA |
| **C03. Expected amount of employment floor space delivered.** | TBA |

| | |
|---|---|
| **C04. Outline your assumptions in determining the economic benefits.** | • Planning approval obtained for each site<br>• No other constraints preclude development of each site<br>• Possession of each site secured |
| **C05. Describe any other economic benefits.** | Developments provide homes that are accessible by lower income hosuieholds who underpin the local economy and well- being of residents. |

# Section D – The Commercial Case

| | |
|---|---|
| **D01. Outline any procurement requirements.** | To deliver the project, the Council will need to procure both services and works.<br><br>The procurement requirements are summarised below:<br><br>• Professional services – Design<br>• Professional services – Cost consultancy<br>• Professional services – Various investigative surveys: site / ground conditions, ecology, arboricultural, traffic / transport, asbestos<br>• Works – Demolition, Construction |
| **D02. Outline preferred procurement route / strategy.** | The intention would be to procure design and cost consultancy services in parallel and to commission work to RIBA stage 2 (Concept Design) for each scheme. This will enable an initial scheme design to be developed, a cost envelope to be established and pre-application planning discussions to commence.<br><br>Pursuant to professional advice received, the project team will procure appropriate investigative surveys to inform the design development process. |

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| | As the concept design is developed the project team will take a view as to whether it is appropriate to procure works under a traditional design and build approach or whether there is merit in working more collaboratively with a contractor via some form of two-stage process. In this scenario, the contractor's input is sought at an earlier stage in the design development process through a pre-construction services arrangement. |
| **D03. Outline key procurement risks.** | • Inability to procure works within cost envelope<br>• Inability to attract sufficient interest in works |

# Section E – The Management Case

**E01. High Level Project Timetable – indicative it is assumed the same process will be repeated numerous times throughout the project period as each site is brought forward**

| Item | Stage of Project | Start Date | Finish Date |
|---|---|---|---|
| | | | |
| | | | |
| | | | |
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**E02. High Level Project Milestones - indicative it is assumed the same process will be repeated numerous times throughout the project period as each site is brought forward**

| Milestone | Description | Indicative Date |
|---|---|---|
| | | |
| | | |
| | | |
| | | |
| | | |

**E03. Project Risks**

| Title | Description |
|---|---|
| Statutory Approvals | Planning consent will be required for each site.<br><br>It is possible that there may be local objection to each proposal and the project team will need to manage the consultation process carefully to mitigate this.<br><br>The project team will seek input from development control via the pre-application process prior to submission to ensure there is no material reason for refusal. |
| Legal Constraints | Subject to approval for the project to proceed, the project team will commission legal due diligence in connection with each site to determine if there is any legal constraint to the project proceeding and to identify mitigating measures as appropriate. |
| | |

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|---|---|
| **E04. Provide high level details of proposed project management arrangements & project team (please use post names / titles rather than naming individuals)** | Housing Board oversee project delivery<br><br><u>Project Delivery Team:</u><br>New Build Development Manager<br>Housing Development Manager<br>Rehousing and Information Manager<br>Financial Services Manager<br>External design and cost consultant |

| | |
|---|---|
| **E05. Provide a brief outline of key stakeholders e.g. who they are and how they will be engaged** | • Existing tenants (where applicable): Direct approach by rehousing team<br>• Other key stakeholders: Direct approach / negotiation<br>• Wider community: Series of public consultation events prior to / during planning process |
| **E06. Will any public consultations be required? If so, provide a brief outline** | Yes. As follows:<br>• Existing residents – Re home loss / relocation/ assistance with move<br>• General public / wider community: Pursuant to planning process |
| **E07. How will the project be evaluated post implementation?** | • Project delivery to time, cost and quality expectations<br>• Review of contractor performance<br>• Resident satisfaction – ease of letting |

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

| Committee / Board | Type of Decision | Expected Date |
|---|---|---|
| Council | **Budget approval** | **Feb 2019** |
| Executive | **HRA Budget & Business Plan** | **Jan 2019** |
| Place-making and Innovation Executive Advisory Board | | |
| Community Executive Advisory Board | | |
| Overview and Scrutiny | | |
| Planning | **Planning approval** | **Various** |
| Licensing | | |
| Corporate Governance and Standards | | |

# Bid for Funding

| | | | |
|---|---|---|---|
| **Project Name:** | Housing Pipeline / Infill / Windfall Sites | | |
| **Project Code:** | 2018 | TBA | |
| **Project Description:** | Delivery of circa 50 affordable housing units on a number of small sites across the Borough. | | |
| **Project / Programme Manager:** | Rachel Harper | **Ward:** | 34T Multiple |
| **Senior Responsible Officer:** | Philip O'Dwyer | **Directorate:** | Community Services |
| **Lead Councillor:** | Philip Brooker | **Service:** | NHMS |
| **Corporate Plan Theme:** | Community | **Confidential:** | No |
| **Expected Start Date:** | April 2019 | **Exempt VAT Implications:** | 34T |
| **Target Completion Date:** | March 2024 | | |

# Section A – Strategic Content

| | |
|---|---|
| **A01. What is the project trying to achieve?** | The primary objective of the project is to deliver additional affordable housing on a number of smaller sites which are either currently vacant or which offer potential for redevelopment |
| **A02. Which strategic priorities in the Council's Corporate Plan is the project trying to achieve?** | ☒ Delivering the Guildford Borough Local Plan and providing the range of housing that people need, particularly affordable homes.<br>☐ Making Travel in Guildford and Across the borough easier.<br>☐ Regenerating and improving Guildford town centre and other urban areas.<br>☐ Supporting older, more vulnerable and less advantaged people in our community.<br>☐ Protecting our environment.<br>☐ Enhancing sporting, cultural, community and recreational facilities.<br>☐ Encouraging sustainable and proportionate economic growth to help provide the prosperity and employment that people need.<br>☐ Creating smart places infrastructure in Guildford.<br>☐ Using innovation, technology and new ways of working to improve value for money and efficiency in Council Services. |
| **A03. How does it meet the strategic priorities outlined?** | • By providing additional affordable homes / increased number of bed spaces<br>• By utilising vacant pieces of land that currently serve no useful purpose (infill sites)<br>• By demolishing outdated properties, that are typically difficult to let and replacing them with modern homes that will meet a range of different housing needs |
| **A04. Explain the problem that is being addressed and why the project is necessary** | Demand for affordable housing in the Borough remains high. It is incumbent on the Council to review its existing assets to ascertain if they are being used optimally.<br><br>We have identified a number of small sites, which could potentially accommodate up to 50 housing units. The purpose of this bid is firstly to undertake appropriate site |

| | |
|---|---|
| | appraisal and due diligence to establish if any of the sites could be developed; and secondly following this to deliver the associated construction project. |
| **A05. What are the critical success factors or KPI's of the project? i.e. which measures will you use to determine success?** | • Completion of additional affordable homes<br>• Increase in bed space provision<br>• Provision of high quality affordable housing |
| **A06. What are the expected benefits or outcomes for local residents and businesses?** | • Completion of additional affordable homes<br>• Increase in bed space provision<br>• Provision of high quality affordable housing |
| **A07. Outline options considered or that will be considered for delivery of the project** | Sites have been identified following a more comprehensive site review, where other more challenging sites have been disregarded. The main reason other sites have been discounted is due to probability of obtaining planning approval for redevelopment.<br><br>The scope of this project will also include the identification and appraisal of additional sites.<br><br>Moving forward areas for consideration will include:<br>• Use of modern methods of construction / modular buildings<br>• Procurement strategy e.g. traditional, design and build, frameworks / two stage<br>• Packaging works to have greater appeal to contractors |
| **A08. Outline project dependencies eg with other projects or partner organisations** | The project primarily focuses on vacant sites meaning that the need for a substantial decant exercise is minimised. There will still be need for some minor decant works, for instance, garage sites and potentially a small number of tenanted properties.<br><br>Where sites offer existing amenity such as parking, the impact of the loss of the amenity will need to be considered and mitigated. |
| **A09. Legal / statutory requirement?** | Yes |
| **A10. Legislative / statutory implications?** | Yes |
| **A11. Planning permission required?** | Yes |
| **A12. Building regulation required?** | Yes |
| **A13. Land acquisition required?** | No |
| **A14. Environmental consents?** | No |
| **A15. Highways / traffic consents?** | Yes |
| **A16. Details of other required consents.** | All other consents typically required to facilitate new development |

# Section B – The Financial Case

**B01. Costs**

| Year | Description | Capital Value (£) | Revenue Cost Centre Code | Revenue Cost Centre Name | Revenue Account Code | Revenue Account Name | Revenue Value (£) |
|---|---|---|---|---|---|---|---|
| 2018/19 | Scheme Fees / Works / Contingency | £0 | | | | | |
| 2019/20 | Scheme Fees / Works / Contingency | £575k | | | | | £50k |
| 2020/21 | Scheme Fees / Works / Contingency | £1.825m | | | | | £50k |
| 2021/22 | Scheme Fees / Works / Contingency | £3.325m | | | | | £50k |
| 2022/23 | Scheme Fees / Works / Contingency | £1.825m | | | | | £50k |
| 2023/24 | Scheme Fees / Works / Contingency | £1.875m | | | | | £50k |
| 34T | | | | | | | |

**B02. Costs Totals**

| Year | Capital Total (£) | Revenue Total (£) |
|---|---|---|
| 2019/20 | £575k | £50k |
| 2020/21 | £1.825m | £50k |
| 2021/22 | £3.325m | £50k |
| 2022/23 | £1.825m | £50k |
| 2023/24 | £1.875m | £50k |

| | |
|---|---|
| **B03. Outline the assumptions used to cost the project.** | 1. Total scheme cost is £10m (Circa £200k per unit)<br>2. Residential construction cost / m2 @ £1650<br>3. Allowance for external works @ 20% of unit construction cost<br>4. Allowance for fees @ 15% of total construction cost<br>5. Calculations for planning fees / obligations based on current data<br>6. Contingency @10% of above total given multiple unknowns at this stage |

**B04. Financial Benefits eg savings or additional income**

| Year | Description | Capital Value (£) | Gross Revenue Value (£) |
|---|---|---|---|
| 2021/22 | Additional Rental Income to HRA | | £150,000 |
| 2022/23 | Additional Rental Income to HRA | | £50,000 |
| 34T | | | |

**B05. Funding**

| Year | GBC Funding Request (£) | Third Party Contributions (£) | Sources of Third Party Contributions |
|---|---|---|---|
| 2019/20 | £625,000 | | |
| 2020/21 | £1,875,000 | | |
| 2021/22 | £3,375,000 | | |
| 2022/23 | £1,875,000 | | |
| 2023/24 | £2,250,000 | | |

**B06. Non Financial Benefits**

| Title | Category | Measure | Expected Delivery Date |
|---|---|---|---|
| High quality, modern homes that are able to meet a wide variety of housing needs | **Improved Service Provision** | | 2022/23 |
| | **34T** | | |

# Section C – The Economic Case

| | |
|---|---|
| **C01. Expected number of homes brought forward.** | 50 |
| **C02. Expected number of jobs created.** | 75 |
| **C03. Expected amount of employment floor space delivered.** | 0 |

| | |
|---|---|
| **C04. Outline your assumptions in determining the economic benefits.** | • Planning approval obtained for each site<br>• No other constraints preclude development of each site<br>• Possession of each site secured |
| **C05. Describe any other economic benefits.** | |

# Section D – The Commercial Case

| | |
|---|---|
| **D01. Outline any procurement requirements.** | To deliver the project, the Council will need to procure both services and works.<br><br>The procurement requirements are summarised below:<br><br>• Professional services – Design<br>• Professional services – Cost consultancy<br>• Professional services – Various investigative surveys: site / ground conditions, ecology, arboricultural, traffic / transport, asbestos<br>• Works – Demolition, Construction |
| **D02. Outline preferred procurement route / strategy.** | The intention would be to procure design and cost consultancy services in parallel and to commission work to RIBA stage 2 (Concept Design) for each scheme. This will enable an initial scheme design to be developed, a cost envelope to be established and pre-application planning discussions to commence. |

| | |
|---|---|
| | Pursuant to professional advice received, the project team will procure appropriate investigative surveys to inform the design development process.<br><br>As the concept design is developed the project team will take a view as to whether it is appropriate to procure works under a traditional design and build approach or whether there is merit in working more collaboratively with a contractor via some form of two-stage process. In this scenario, the contractor's input is sought at an earlier stage in the design development process through a pre-construction services arrangement. |
| **D03. Outline key procurement risks.** | • Inability to procure works within cost envelope<br>• Inability to attract sufficient interest in works |

# Section E – The Management Case

**E01. High Level Project Timetable – indicative it is assumed the same process will be repeated numerous times throughout the project period as each site is brought forward**

| Item | Stage of Project | Start Date | Finish Date |
|---|---|---|---|
| Project Inception<br>Initial Masterplanning<br>Design Development<br>Public Consultation<br>Pre-Application | Pre-Planning | Feb / March 2019 | October 2019 |
| Re-House Existing Tenants | Site Assembly | | |
| Submit Planning Applications<br>Design Iteration as Necessary | Planning Determination Period | November 2019 | April 2020 |
| Post Planning Procurement<br>Design Development<br>Discharge PC Conds | Post-Planning | May 2020 | October 2020 |
| Construction | Construction | November 2020 | April 2022 |

**E02. High Level Project Milestones - indicative it is assumed the same process will be repeated numerous times throughout the project period as each site is brought forward**

| Milestone | Description | Indicative Date |
|---|---|---|
| Project Initiation | | Feb / March 2019 |
| Submit Planning Application | | November 2019 |
| Obtain Planning Approval | | April 2020 |
| Start Works | | November 2020 |
| Complete Works | | April 2022 |

**E03. Project Risks**

| Title | Description |
|---|---|
| Statutory Approvals | Planning consent will be required for each site.<br><br>It is possible that there may be local objection to each proposal and the project team will need to manage the consultation process carefully to mitigate this.<br><br>The project team will seek input from development control via the pre-application process prior to submission to ensure there is no material reason for refusal. |
| Legal Constraints | Subject to approval for the project to proceed, the project team will commission |

| | |
|---|---|
| | legal due diligence in connection with each site to determine if there is any legal constraint to the project proceeding and to identify mitigating measures as appropriate. |
| Securing Vacant Possession | A small number of the identified sites will require some form of decanting process, whether this be tenants or garage users. Both have the potential to delay the project programme if alternative suitable accommodation cannot be found. |

| | |
|---|---|
| **E04. Provide high level details of proposed project management arrangements & project team (please use post names / titles rather than naming individuals)** | Housing Board oversee project delivery<br><br><u>Project Delivery Team:</u><br>New Build Development Manager<br>Housing Development Manager<br>Rehousing and Information Manager<br>Financial Services Manager<br>External design and cost consultant |
| **E05. Provide a brief outline of key stakeholders e.g. who they are and how they will be engaged** | • Existing tenants (where applicable): Direct approach by rehousing team<br>• Other key stakeholders: Direct approach / negotiation<br>• Wider community: Series of public consultation events prior to / during planning process |
| **E06. Will any public consultations be required? If so, provide a brief outline** | Yes. As follows:<br>• Existing tenants – Re home loss / relocation/ assistance with move<br>• General public / wider community: Pursuant to planning process |
| **E07. How will the project be evaluated post implementation?** | • Project delivery to time, cost and quality expectations<br>• Review of contractor performance<br>• Resident satisfaction – ease of letting |

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

| Committee / Board | Type of Decision | Expected Date |
|---|---|---|
| Council | **Budget approval** | **Feb 2019** |
| Executive | **HRA Budget & Business Plan** | **Jan 2019** |
| Place-making and Innovation Executive Advisory Board | | |
| Community Executive Advisory Board | | |
| Overview and Scrutiny | | |
| Planning | **Planning approval** | **Various** |
| Licensing | | |
| Corporate Governance and Standards | | |

Executive Report

Report of Director of Community Services

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Date: 22 January 2019

# Housing Revenue Account 2019-20 Budget

**Executive Summary**

The report outlines the proposed Housing Revenue Account (HRA) budget for 2019-20.

The 2019-20 estimates are predicated on the assumptions, ambitions and priorities contained in the HRA business plan (Appendix 1). Since the 2018-19 HRA budget report, there have been three key Government announcements that improve the Council's ability to deliver on its ambitions to increase and improve social housing in the borough. These are to:

- **Remove the HRA borrowing restriction**
  *- The Limits on Indebtedness (Revocation) Determination 2018*
- **Revert to an index-linked rent setting policy from 1 April 2020**
  *- The Direction on the Rent Standard 2018*
- **Not implement the enforced sale of higher value council houses**
  *- A new deal for social housing August 2018 (Green Paper)*

The prevailing social rent policy set out in the Welfare Reform and Work Act 2016 requires social housing providers in England to reduce social rents by 1% per annum for the four years from 1 April 2016. Rents for 2019-20 will therefore be reduced by 1%.

A 3.4% increase in garage rents is proposed from April 2019, based on the Consumer Price Index (CPI) plus 1%.

The report sets out progress with the new build programme, together with the proposed investment programme in tenants' homes.

The estimates continue to be informed by the business plan, which attaches a lower priority to the repayment of debt principal inherited as part of the self-financing HRA settlement. An updated HRA business plan is set out in Appendix 1.

The Executive are asked that subject to Council approving the budget on 26 February 2019:

(1) The projects forming the HRA major repairs and improvement programme, as set out in Appendix 4 to this report, be approved.

(2) The Director of Community Services be authorised, in consultation with the Lead Councillor for Housing & Development Management, to reallocate funding between approved schemes to make best use of the available resources.

(3) The Director of Community Services be authorised, in consultation with the Lead Councillor for Housing & Development Management to set rents for new developments.

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

**Recommendation to Council:**

(1) That the HRA revenue budget, as set out in Appendix 2 to this report, be approved.

(2) That the 1% rent reduction required by the Welfare Reform and Work Act 2016 be implemented.

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

(4) That a 3.4% increase in garage rents be approved.

(5) That the Housing Investment Programme as set out in Appendix 5 to this report (current approved and provisional schemes), be approved.

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

## 1. Purpose of Report

1.1 This report provides a position statement on the 2019-20 draft budget and makes recommendations to the Executive on both the HRA revenue and capital programme budget.

## 2. Corporate Plan

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

## 3. Background

3.1 The self-financing arrangements introduced in 2012 enabled the Council to manage its social housing service in the broadest sense. The Housing Revenue Account Business Plan sets the framework upon which the revenue budget and proposed Housing Investment Programme are prepared. This plan sets out our ambitions and priorities for the service.

## 4. Housing Revenue Account Business Plan

4.1 The resources available following the move to self-financing gave the Council the opportunity to be strategic in its approach to its housing stock for the first time. It was possible, and essential, to not only consider the existing housing stock, but also wider issues such as community development, improving the environment and the need to build new Council homes to address the increasing demand for affordable housing.

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

4.3 Over the last year, the Government has made a number of policy announcements that recognise the important role social housing has across our communities. There also appears to be a renewed desire to see local Councils play an increased role in the delivery of new homes.

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

4.5 The Government has clarified three policy areas that have been a threat to the long-term viability of the Housing Revenue Account.

**Rent setting policy**: From 1 April 2020, there will no longer be a requirement to reduce rents by 1% per annum. There will be a return to the rent policy on which the debt settlement was predicated with the necessary amendments to the Rent Standard already drafted and subject to consultation.

**Enforced Sales:** The Housing and Planning Act 2016 contained provisions that would require councils to sell off their higher value council homes and return some of the funds raised to the Government. The Government has accepted that this policy was not appropriate when we face increasing housing shortages for lower income households. The Government's green paper; A new deal for social housing, contained the following announcement:

*We have been listening to councils about their concerns that the Government may decide to implement provisions contained in the Housing and Planning Act 2016 which would mean they have to make a payment in respect of their vacant higher value council homes and return some of the funds raised to the Government. Many councils have told us that without knowing for certain whether this policy might be implemented in future years, it is difficult to make long term investment decisions. The Government remains committed to the principle that councils should use their housing assets effectively and should consider selling high value homes and using the funding to build more affordable housing. However, this should be a decision to be made locally, not mandated through legislation and we understand that the uncertainty around the future of this policy could prevent councils from building. Therefore, to increase councils' confidence to plan ambitious house building programmes, we are confirming in this Green Paper that the Government will not bring the Higher Value Assets provisions of the Housing and Planning Act 2016 into effect*

**HRA borrowing**: The recent announcement to lift the restriction on HRA borrowing by the Government allows us to consider a more ambitious development programme.

4.6 The impact of welfare reform through the introduction of Universal Credit as currently structured remains a concern. Some of these concerns are increasingly shared at a national level.

4.7 Housing is fundamental to an individual's health and wellbeing. The HRA operates within an increasingly stressed public sector financial environment and we see the impact daily. The intervention threshold for mental health and social services have steadily increased. We are having to attempt to manage the consequences on both tenants and neighbourhoods, which is proving increasingly challenging.

4.8 The Council has now set up North Downs Housing Ltd. Whilst its role is to provide an alternative range of tenures, it offers the opportunity through partnership working to consider a wider range of development opportunities.

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

## 5. Potential Pressures

5.1 As mentioned, the impact of social and healthcare services on tenants is increasingly evident. The cost of managing tenancies is likely to see upward pressure as we are forced to deal with situations we are less well equipped to manage.

5.2 The funding framework available to meet the cost of supported housing remains fragile. Last year we saw the Supporting People Grant reduce by £168,000 and further reductions are possible.

5.3 The Homeless Reduction Act 2017 has placed greater obligations on the Council. This is coinciding with a steady rise in the number of households at risk. Many of those at greatest risk have not only housing issues but a range of complex needs.

Together they are placing greater demands on the Housing Service that in turn flows through to the teams managing our properties.

5.4 The wider social housing sector is becoming increasingly commercial. Some housing associations are focusing on minimising risk by being very selective on who they will house. We are fortunate in having a retained stock, which gives us greater flexibility in helping those in housing need. It however creates a cost pressure.

5.5 The affordability of shared ownership properties is an issue for many. Whilst it enables a resident to join the home ownership ladder, the reality for many is that they are unable to stair-case (acquire further equity shares) or move to a larger property as their household grows.

Expanding this stock is not currently a priority for the Business Plan, however this will be revisited when we have the opportunity to develop larger sites. In such cases, shared ownership brings down the overall cost of a large development.

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

## 6. Preparation of the revenue and capital programme budget for 2018-19

6.1 The 2019-20 budgets have been prepared having regard to the recent policy announcements and the positive impact they might have. At the same time we are conscious of various cost pressures along with the implications of our debt financing profile.

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

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

- We will continue to evaluate all posts that fall vacant to determine whether it is appropriate to reappoint or whether an alternative approach is considered.
- Facilitate channel shift through increased use of IT software. Not only will this benefit our tenants, giving them access to services at a time that suits them, but it will also reduce our transaction costs. We have moved to 'Allpay' as our provider of rent payment services. Not only have we achieved cost savings but we are now able to offer more flexibility in terms of payment dates. This will be important as more tenants move across to Universal Credit
- We have recently launched a mobile payment App, offering an easy way for tenants to make rent payments.
- Rent collection analytics technology has been introduced to support the work of our estate and tenancy management team. This will increase the efficiency of the team, helping them to manage their increasingly demanding workload.

6.3 Our housing software supplier is enhancing its capability to support mobile working and self-service. We will be implementing appropriate solutions which deliver cost savings and offer better customer service.

## 7. HRA Revenue Budget 2018-19

### Assumptions

7.1 The total HRA debt stands at £197 million. It is projected that the interest charge for 2019-20 will be £5,142,230. No provision is included in the budget for the repayment of debt during 2019-20 in line with the Executive's decision that debt repayment is not a priority. Prior to the announcement that the HRA borrowing restrictions would be lifted, the Government invited bids from councils in high affordability areas. We submitted a bid for an additional borrowing facility which was approved but which has subsequently been superseded by the removal of the borrowing restrictions.

7.2 The revenue budget for 2019-20 is predicated around a number of key assumptions. The most important are set out in the table below:

| Item | Assumption |
|---|---|
| Opening stock | 5,221 units of accommodation |
| HRA Debt | £197 million |
| Average cost of capital | 3.16% |
| Rent decrease | 1% reduction in social rents to be applied until March 2020 |
| Garage income increase | 3.4% |
| Bad debt provision 2018-19 | £300,000 |
| Void rate | 1% |
| Service charge increases | Linked to contractual arrangements of suppliers |
| Housing units lost through Right to Buy (RTB) | 25 per annum |
| Retained receipts | Held in reserves |
| HRA ring fence | Policy of strong ring fence continues |
| Debt repayment | No provision made for the repayment of debt |
| Operating balance | £2.5 million |

**Summary of Revenue Account Budget 2019-20**

7.3 The table below summarises the proposed 2019-20 revenue budget, which reflects our current Treasury Management Strategy – in effect an interest only mortgage rather than a repayment mortgage. The timing of debt repayment will largely be a treasury management decision taking into account the overarching objectives of the HRA Business Plan.

| Expenditure | £ |
|---|---:|
| Management and maintenance | 10,314,298 |
| Interest payments | 5,142,230 |
| Depreciation | 5,528,730 |
| Contribution to reserves from surplus | 10,468,504 |
| Other items | 451,520 |
| | **31,905,282** |
| **Income** | |
| Rents – dwellings | (29,196,103) |
| Rents – other | (1,144,054) |
| Service charges | (1,007,580) |
| Supporting people funding | (105,000) |
| Miscellaneous income | (452,545) |
| | **(31,905,282)** |

7.4 Based on the assumptions contained in the HRA Business Plan and detailed in paragraph 7.2, the HRA will have an operating surplus of £10,469 million for 2019-20. The size of the surplus reflects a number of factors:

- the prevailing borrowing rate
- the decision not to make debt repayments
- the impact of historically high levels of investment in the stock over past years maintaining stock condition
- good income collection performance
- strong rental stream with many properties at or close to target rent levels

**Expenditure**

7.5 The main headings are summarised below:

| Subjective Heading | 2018-19 Budget | 2019-20 Budget |
|---|---|---|
| | £ | £ |
| General Management | 4,963,620 | 4,956,630 |
| Responsive and planned maintenance | 5,249,470 | 5,357,668 |
| Interest payable | 5,138,210 | 5,142,230 |
| Depreciation | 6,500,000 | 5,528,730 |
| Cost of democracy | 251,530 | 256,800 |

7.6 **General Management**: Budgeted expenditure on delivering continuing HRA services remains at 2018-19 levels, reflecting the review of revenue commitments outlined in paragraph 6.2.

7.7 **Repairs and maintenance:** Budgeted expenditure on revenue-funded works is approximately 4.40% higher in cash terms, though the increase is offset by a reduction in the estimate for internal revenue recharges from the Housing Surveying Service.

7.8 **Interest payable:** Approximately 75 per cent of the loan portfolio consists of fixed interest loans, whilst the remaining portfolio is on a variable rate arrangement. Though the variable rate loans are subject to prevailing market conditions it is likely that interest rates will remain low in the short to medium term. The table below sets out our current loan portfolio.

| Loan Type | Principal | Remaining years | Rate |
|---|---|---|---|
| Variable | £45,000,000 | 4 | 0.92% |
| Fixed | £2,070,000 | 3 | 3.60% |
| Fixed | £10,000,000 | 6 | 2.70% |
| Fixed | £10,000,000 | 7 | 2.80% |
| Fixed | £10,000,000 | 8 | 2.92% |
| Fixed | £10,000,000 | 9 | 3.01% |
| Fixed | £25,000,000 | 11 | 3.15% |
| Fixed | £25,000,000 | 14 | 3.30% |
| Fixed | £25,000,000 | 19 | 3.44% |
| Fixed | £15,000,000 | 23 | 3.49% |
| Fixed | £17,435,000 | 24 | 3.50% |

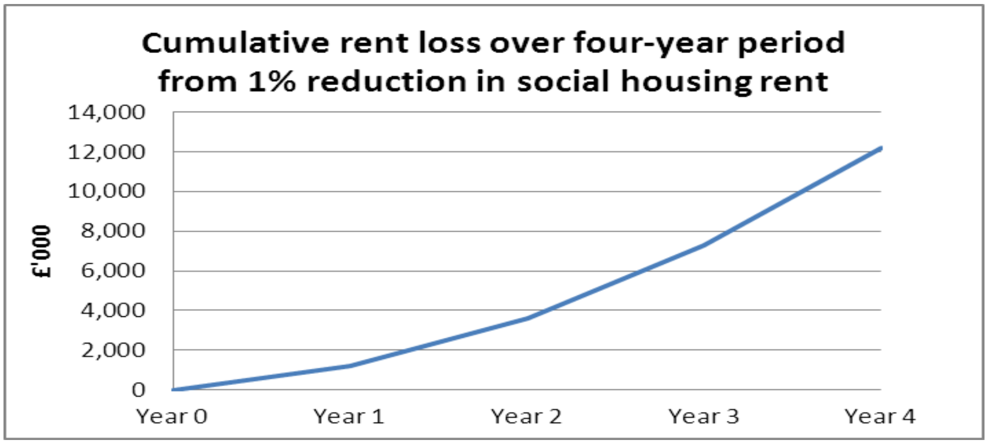
7.9 **Depreciation:** To safeguard future rental streams, we need to ensure our properties and assets are adequately maintained. This will involve the replacement of ageing components at the appropriate time.

In order to do so, it is important that we set aside adequate funds each year to meet future liabilities. The depreciation charge is one of the key mechanisms we use to do this. The proposed 2019-20 charge represents, in officers' view, a realistic amount having regard to the outcome of the stock condition survey. A charge of £5,528,730 is considered both appropriate and affordable.

**Income**

**Rent decrease**

The impact of the 1% rent reduction against the assumptions contained in the last business plan is shown in the graph below:




7.10 The Welfare Reform and Work Act 2016 requires us to reduce our social housing rents by 1% a year for four years from April 2016. The previous stated formula, upon which the self-financing settlement was predicated allowed for an annual increase in rents of CPI inflation + 1% each year. Consequently, our social rents are expected to be 12% lower than they would otherwise have been by April 2020.

7.11 The table below shows a breakdown of the 1% rent decrease in social and affordable rents. All tenants will see a reduction in rent, with the reductions ranging from £0.75 to £2.40 per week.

| Rent reduction per week | Number of Tenants |
|---|---|
| £0.75 and £0.99 | 1,566 |
| £1.00 and £1.49 | 3,379 |
| £1.50 and £1.99 | 54 |
| £2.00 and £2.40 | 29 |

7.12 The requirement to reduce rents represents a transfer from social landlords to the exchequer, rather than to social tenants. This is because the reduction in social rents will automatically trigger an offsetting fall in housing benefit entitlements for approximately 50% of our tenants in receipt of housing benefit. The remaining 50% of tenants will benefit from the 1% reduction.

7.13 Officers are proposing an increase in garage rents of 3.4% from April 2019.

**Welfare Reform and Universal Credit**

7.14 The Department for Work and Pensions announced in November 2016 the next stage of the roll-out programme for the introduction of Universal Credit (UC). UC brings together a number of existing legacy benefits into a single monthly payment. The implementation of the full service for new claims of UC commenced in the Guildford area in October 2018.

The remaining existing claimants are due to migrate to UC from 2018-19 and this process will continue until 2022 when it is anticipated that all working age claimants will have transferred to UC.

7.15 Whilst it is difficult to predict with accuracy what the impact will be, early indications are that some tenants may potentially struggle under Universal Credit either to manage their financial affairs or to engage with the new system. The changes coupled with the general economic situation will be particularly challenging for our more vulnerable tenants. Collection costs and arrears have tended to increase across the sector but to varying degrees. The move to 'Allpay' allows more flexibility in terms of payment arrangements which may help some tenants to manage their financial affairs under the new benefit system. The recently launched mobile Payment App offers a very easy additional payment option.

7.16 A provision for bad debt charge of £300,000 is included in the estimates. This charge will remain under review, but it is considered appropriate - it represents 1% of the annual tenanted income.

**Right to Buy sales (RTB)**

7.17 RTB activity remains steady during 2018-19. Contributory factors include easier access to loan finance and the increase in the maximum discount allowance to £80,900 (£78,600 2017-18).

7.18 The table below outlines activity as at December 2018.

| Activity | Number |
|---|---|
| Properties sold since 1 April 2018 | 9 |
| Applications being processed | 47 |

7.19 Under the government's one-for-one replacement scheme (not to be confused with the enforced sale of high value properties), we are able to retain the majority of the capital receipt provided it is re-invested in additional affordable housing or regeneration schemes within three years. Only a third of the cost of a development can be financed from this source - we must finance the balance from capital receipts or other sources including reserves accruing from the appropriation of revenue account surpluses. Our current development plan fully commits the one-for-one retained receipts we have accumulated to date. The ambition remains to utilise the receipts we are anticipating in future years.

7.20 On current levels of activity, we project a loss of units to be in the region of 20-25 units per year. Our new build programme is mitigating the impact of the on-going right-to-buy programme, but it is unfortunate there is to date no proposals to amend the scheme in order to prevent the ongoing loss of much needed social housing in the area.

7.21 Increasing sales has three negative impacts. It:

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

**HRA Borrowing Cap**

7.22 The recent decision by the Government to remove HRA borrowing restrictions is warmly welcomed. Unlike many councils, we have not been able to incur additional borrowing without specific agreement. The decision offers greater capacity to deliver new homes and to consider greater flexibility on rent setting for new developments. Our reserves give us this option.

7.23 How an individual scheme is funded will depend on the prevailing financial circumstances and the nature of the scheme. In practice we expect to fund schemes using:

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

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

## 8. HRA Capital Programme and Reserves

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

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

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

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

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

8.4 The HRA has built up significant revenue reserves and as at 31 March 2019 are estimated to be in the region of £88.2 million – excluding capital receipts. These can be used for specific HRA related purposes. It is proposed that these reserves are set aside to support the major repairs and improvements and new build programme. The HRA also has usable capital receipts, generated from the sale of HRA land and housing assets. The balance of useable capital receipts is expected to be over £17.5 million as at 31 March 2019. These funds can only be used to support capital expenditure.

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

| Year ending | Reserve for future capital works | Major repairs reserve | New Build Reserve | **Total** | Usable capital receipts | Usable Capital Receipts (one-for-one receipts) 1 | Usable Capital Receipts (HRA debt repayment) | **Total usable capital receipts** | **Total reserves/ receipts** |
|---|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | **£000** | £000 | £000 | £000 | **£000** | **£000** |
| Mar-19 | 33,329 | 9,032 | 45,860 | **88,221** | 6,760 | 6,524 | 4,300 | **17,584** | **105,805** |
| Mar-20 | 35,829 | 9,061 | 52,743 | **97,633** | 0 | 8,471 | 4,961 | **13,432** | **111,065** |
| Mar-21 | 38,329 | 9,061 | 55,349 | **102,739** | 0 | 8,594 | 5,644 | **14,238** | **116,977** |
| Mar-22 | 40,829 | 9,061 | 57,846 | **107,736** | 0 | 8,674 | 6,349 | **15,023** | **122,759** |
| Mar-23 | 43,329 | 9,061 | 65,873 | **118,263** | 0 | 11,128 | 7,077 | **18,205** | **136,468** |
| Mar-24 | 45,829 | 9,061 | 74,794 | **129,684** | (397) | 13,969 | 7,829 | **21,401** | **151,085** |

| **Potential reserve commitments - Illustrative example** | |
|---|---|
| **Potential repayment of variable rate loan** | **45,000** |
| **Cumulative reserve balance** | **106,085** |

8.6 Looking ahead, the Slyfield Area Regeneration Project (SARP) offers a unique opportunity to deliver significant additional affordable homes. If we assume a provision of 40% affordable housing in the project, an investment of at least £120 million will be required to make this a reality. Our current financial position places us in a good position to make a significant contribution to this element of the project.

8.7 The anticipated level of reserves needs to be balanced against a rapidly changing financial and legislative environment but the ability to profile expenditure using the flexibility that borrowing provides is welcomed.

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

- income trends
- legislative changes
- inflation rates
- cost of debt
- capital investment
- right-to-buy sales

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

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

8.11 A combination of usable one-for-one receipts and the new build reserve will be used to fund a number of schemes on the approved capital programme. These include the schemes at Guildford Park, Ladymead, the former Apple Tree pub site, Bright Hill, and various garage sites. Where appropriate, investment will be supplemented by appropriate borrowing. An update on the current status of the above schemes is provided below.

8.12 **Development Projects:** In the last 4 years, the HRA has invested over £17 million and delivered 92 new homes for our local residents. An update of our current development projects is set out below.

8.13 **Bright Hill (Ward: Holy Trinity** – the site held by the HRA is used as a temporary car park which supplemented parking provision during the construction of Tunsgate Square, a new retail led development. It is a challenging site in terms of location, topography and the relationship with surrounding properties.

A range of site surveys are in progress to inform design development of a mixed tenure scheme.

8.14 **Guildford Park (Ward: Onslow)** – the enabling works contract is underway with significant retaining structures nearing completion along with major service diversions. A framework contractor has been appointed to finalise the design with the aim of starting the construction of the multi-storey car park in Spring 2019. A further report will shortly be considered by the Executive (the general fund provisional programme includes £23 million in respect of this project).

8.15 **Former Apple Tree Pub Site (Ward: Westborough)** – construction is well underway with completion planned for early Summer 2019. The new development has been named ‘The Orchard’.

8.16 **Ladymead (Ward: Friary & St Nicolas) –** the site has been transferred from SCC to the Council and construction is now underway. Completion of 12 flats is planned for early 2020.

8.17 We have a number of other sites under active consideration, some of which involve third parties. Whilst it is too early to allocate site specific budgets we are proposing to include a global budget of £10 million on the provisional programme.

We are also proposing that the approved budget for the acquisition of land and property be set at £10 million. Experience over the last 12 months shows that the market requires a very quick response to any opportunities. It is therefore important that the Council is in a position to move very quickly should any suitable opportunities arise.

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

8.18 The constitution already makes provision, through a delegation to the Director of Community Services in consultation with key Councillors and officers, to allow decisions to be taken quickly but with appropriate governance safeguards in place.

8.19 **Existing housing stock:** Based on an analysis of our stock condition data and the detailed knowledge the Property Manager has of the stock, a proposed investment programme is set out in Appendix 4. The proposed programme reflects earlier years with a continual focus on improved energy efficiency reflecting the impact of rising fuel prices. Schemes completed during 2018-19, including the installation of air-source heat pumps, have resulted in better comfort levels at reduced cost and impact on the environment. This approach is best suited to previously electrically heated dwellings.

8.20 Authority is sought to transfer the equity share repurchase and cash incentives schemes for 2019-20 currently shown on the provisional capital scheme list of Appendix 4 to the approved programme list.

## 9. Robustness of the Budget and Adequacy of Reserves

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

9.2 The budget process started in July 2018. Paragraph 7.2 details the assumptions used in the preparation of the 2019-20 budget.

9.3 Staffing costs have been included based on the Full Time Equivalents (FTEs) included in the approved establishment of 65.26.

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

9.5 A prudent assessment of income has been made and only income that has a high level of certainty of being received is included within the budget. The 2019-20 budget includes a bad debt provision of £300,000. This provision reflects the economic climate and continuing welfare reform changes. The level of operating balance remains unchanged at £2.5 million.

9.6 Surrey County Council funding in respect of Sheltered Housing services was removed from the budget for 2018-19. It assumes a continuation in the funding of supported housing of £82,000.

9.7 Service level risk assessments have been undertaken for both existing major areas of the budget and changes arising from the self-financing regime and legislative changes.

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

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

9.10 The value of all housing related reserves as at 1 April 2019 is projected to be around £106 million. The estimated value of all HRA reserves for the period up to 31 March 2023 is shown in paragraph 8.5. The HRA has a significant level of reserves and working balance, but has spending ambitions to match.

**10. Legal Implications**

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

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

**11. Human Resource Implications**

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

**12. Conclusion**

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

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

**13. Background Papers**

- HRA Business Plan 2019-2043

**14. Appendices**

Appendix 1: HRA Business Plan 2019-2049
Appendix 2: Draft HRA Revenue Budget
Appendix 3: HRA Fees and Charges
Appendix 4: HRA Investment Programme (Major repairs and improvements)
Appendix 5: Housing investment programme, resources and funding statement

HRA Business Plan 2019-49 Appendix 1

Separate document

Agenda item number: 7

**Housing Revenue Account Summary** **Draft Estimate 2019-20** **Appendix 2**

| 2016-17 Actual £ | 2017-18 Actual £ | Analysis | 2018-19 Estimate £ | 2018-19 Probable £ | 2019-20 Estimate £ |
|---|---|---|---|---|---|
| | | **Borough Housing Services** | | | |
| 654,594 | 613,565 | Income Collection | 695,740 | 686,474 | 682,940 |
| 1,004,169 | 948,978 | Tenants Services | 959,890 | 941,752 | 938,680 |
| 71,395 | 64,128 | Tenant Participation | 137,940 | 95,308 | 148,270 |
| 68,906 | 68,808 | Garage Management | 72,390 | 67,828 | 101,340 |
| 62,795 | 64,083 | Elderly Persons Dwellings | 63,930 | 63,948 | 66,740 |
| 489,812 | 524,075 | Flats Communal Services | 433,580 | 491,911 | 447,530 |
| 473,413 | 432,181 | Environmental Works to Estates | 541,170 | 513,668 | 482,000 |
| 5,088,818 | 5,523,575 | Responsive & Planned Maintenance | 5,249,470 | 5,283,486 | 5,357,668 |
| 149,529 | 120,028 | Sale of Council Houses & Equity Share | 138,690 | 129,443 | 141,950 |
| **8,063,430** | **8,359,422** | | **8,292,800** | **8,273,818** | **8,367,118** |
| | | **Strategic Housing Services** | | | |
| 393,556 | 360,623 | Advice, Registers & Tenant Selection | 349,880 | 344,098 | 360,450 |
| 199,230 | 210,368 | Void Property Management & Lettings | 191,190 | 202,945 | 210,010 |
| 10,098 | 9,142 | Homelessness Hostels Management | 9,700 | 9,701 | 5,120 |
| 200,681 | 142,418 | Supported Housing Management | 164,170 | 149,618 | 163,210 |
| 593,967 | 392,915 | Strategic Support | 425,970 | 395,744 | 380,990 |
| **1,397,533** | **1,115,468** | | **1,140,910** | **1,102,106** | **1,119,780** |
| | | **Community Services** | | | |
| 822,862 | 911,190 | Sheltered Housing | 779,380 | 835,052 | 827,400 |
| | | **Other Items** | | | |
| 6,703,540 | 5,528,728 | Depreciation | 6,500,000 | 6,485,780 | 5,528,730 |
| 2,661,783 | (44,323) | Impairment | 0 | 0 | 0 |
| 147,485 | 165,468 | Debt Management | 160,590 | 160,590 | 160,590 |
| 0 | 0 | Rent Rebates | 0 | 0 | 0 |
| 154,218 | 280,328 | Other Items | 635,960 | 649,740 | 632,390 |
| **19,950,851** | **16,316,281** | **Total Expenditure** | **17,509,640** | **17,507,086** | **16,636,008** |
| (32,623,860) | (32,247,174) | Income | (31,916,130) | (31,960,123) | (31,905,282) |
| **(12,673,009)** | **(15,930,894)** | **Net Cost of Services(per inc & exp a/c)** | **(14,406,490)** | **(14,453,037)** | **(15,269,274)** |
| **259,861** | **264,207** | HRA share of CDC | **251,530** | **251,530** | **256,800** |
| **(12,413,148)** | **(15,666,687)** | **Net Cost of HRA Services** | **(14,154,960)** | **(14,201,507)** | **(15,012,474)** |
| (508,072) | (384,996) | Investment Income | (804,490) | (474,278) | (598,260) |
| 5,022,423 | 5,004,072 | Interest Payable | 5,138,210 | 5,131,995 | 5,142,230 |
| **(7,898,797)** | **(11,047,611)** | **Deficit for Year on HRA Services** | **(9,821,240)** | **(9,543,790)** | **(10,468,504)** |
| 0 | 627,309 | REFCUS - Revenue expenditure funded from capital | 75,000 | 75,000 | 75,000 |
| 2,500,000 | 2,500,000 | Contrib to/(Use of) RFFC | 2,500,000 | 2,500,000 | 2,500,000 |
| 7,966,069 | 7,563,162 | Contrib to/(Use of) New Build Reserve | 7,246,240 | 6,968,790 | 7,893,504 |
| 0 | 0 | CERA - Capital Expenditure from Revenue | 0 | 0 | 0 |
| 121,431 | 309,017 | Tfr (fr) to Pensions Reserve | 0 | 0 | 0 |
| 0 | 640,110 | Tfr (from)/to CAA re: Voluntary Revenue Provision | 0 | 0 | 0 |
| (2,648,007) | 71,504 | Tfr (from)/to CAA re: Impairment/Revaluation | 0 | 0 | 0 |
| (25,420) | (627,309) | Tfr (from)/to CAA re: REFCUS | 0 | 0 | 0 |
| (13,775) | (27,181) | Tfr (from)/to CAA re: Intangible assets | 0 | 0 | 0 |
| (1,500) | (9,000) | Tfr (from)/to CAA re: rev. inc. from sale of asset | 0 | 0 | 0 |
| **0** | **0** | **HRA Balance** | **0** | **0** | **(0)** |
| (2,500,000) | (2,500,000) | Balance Brought Forward | (2,500,000) | (2,500,000) | (2,500,000) |
| **(2,500,000)** | **(2,500,000)** | **Balance Carried Forward** | **(2,500,000)** | **(2,500,000)** | **(2,500,000)** |

| 2016-17 Actual £ | 2017-18 Actual £ | Analysis | 2018-19 Estimate £ | 2018-19 Probable £ | 2019-20 Estimate £ |
|---|---|---|---|---|---|
| | | **Income** | | | |
| (29,850,855) | (29,579,133) | Rent Income - Dwellings | (29,314,780) | (29,191,179) | (29,196,103) |
| (213,964) | (207,228) | Rent Income - Rosebery Hsg Assoc | (209,980) | (208,349) | (209,980) |
| (194,263) | (199,874) | Rents - Shops, Buildings etc | (194,300) | (192,595) | (194,300) |
| (677,827) | (699,962) | Rents - Garages | (730,000) | (724,035) | (739,774) |
| **(30,936,909)** | **(30,686,197)** | **Total Rent Income** | **(30,449,060)** | **(30,316,158)** | **(30,340,157)** |
| (345,764) | (316,404) | Supporting People Funding | (82,000) | (128,000) | (105,000) |
| (961,529) | (937,611) | Service Charges | (1,008,040) | (983,613) | (1,007,580) |
| (5,155) | (21,432) | Legal Fees Recovered | (28,840) | (22,000) | (28,840) |
| (40,025) | (44,698) | Service Charges Recovered | (76,310) | (45,000) | (40,000) |
| (334,477) | (240,832) | Miscellaneous Income | (271,880) | (465,352) | (383,705) |
| **(32,623,860)** | **(32,247,174)** | **Total Income** | **(31,916,130)** | **(31,960,123)** | **(31,905,282)** |

# HRA 2019-20 Fees & Charges

Appendix 3

| Housing Revenue Account - Fees and Charges 2019-20 | | | | Appendix 2 | |
|---|---|---|---|---|---|
| | | **2018-19** | **2019-20** | **Increase** | |
| | | **£** | **£** | | |
| | | From 1 April 2018 | From 1 April 2019 | **%** | |
| **To be approved by Council** | | | | | |
| **Sheltered Units** | | | | | |
| Guest Room Fees; | | | | | |
| Dray Court | | 18.50 | TBC | TBC | Officers are working on these charges |
| Japonica Court | | 20.15 | TBC | TBC | |
| St Martin's Court | | 22.70 | TBC | TBC | |
| St Martha's Court | | 22.40 | TBC | TBC | |
| Tarragon Court | | 21.85 | TBC | TBC | |
| Millmead Court | | 19.40 | TBC | TBC | |
| Function Room Hire | | | | | |
| Voluntary /Charity Organisations | - Per Hour | 13.50 | TBC | TBC | |
| | - Per Day | 67.00 | TBC | TBC | |
| Education/Social Services | - Per Hour | 16.00 | TBC | TBC | |
| | - Per Day | 100.00 | TBC | TBC | |
| Social/Private Hire | - Per Hour | 20.15 | TBC | TBC | |
| | - Per Day | 107.50 | TBC | TBC | |
| Total charge | | | | | |
| Dray Court | | 63.11 | TBC | TBC | |
| Japonica Court | | 68.75 | TBC | TBC | |
| St Martha's Court | | 65.54 | TBC | TBC | |
| Millmead Court | | 61.11 | TBC | TBC | |
| St Martin's Court | | 65.58 | TBC | TBC | |
| Tarragon Court | | 57.21 | TBC | TBC | |
| **Friary House (61 flats)** | | | | | |
| Heating, Electricity, Cleaning, Caretaking and Security Services | | 16.39 | 16.81 | 2.6% | |
| **Garages (on Housing Estates)** (*VAT is applied at the standard rate on private lets only)* | | | | | |
| High demand area (non residents) | | 19.00 | 19.65 | 3.4% | |
| High demand area | | 11.56 | 11.95 | 3.4% | |
| Elsewhere | | 9.50 | 9.82 | 3.4% | |
| **Castle Cliffe** | | | | | |
| Gas and Electricity Charges - per week | | 9.08 | 12.10 | 33.3% | |
| **Malthouse Court** | | | | | |
| Gas and Electricity Charges - per week | | 12.94 | 9.79 | -24.3% | |
| **Pound Court** | | | | | |
| Electricity; Grounds Maintenance | | 6.49 | 5.41 | -16.6% | |
| **Flats** | | | | | |
| Where cleaning provided to communal areas; | | | | | |
| Sandmore (Laundry and Communal Facilities) | | 4.50 | 4.37 | -2.9% | |
| Decorating charge *(Note: charge is per room)* | | 1.58 | 1.63 | 3.2% | |
| **Supported Housing** | | | | | |
| William Swayne House: | | | | | |
| - Self Contained bedsits | | 110.78 | TBC | TBC | |
| - Self Contained flat | | 112.79 | TBC | TBC | |
| William Swayne Place | | 43.93 | TBC | TBC | |
| Dene Road | | 73.46 | TBC | TBC | |
| 79 York Road | | 39.38 | TBC | TBC | |
| Caxtons | | 60.86 | TBC | TBC | |
| Dene Court | | 82.75 | TBC | TBC | |
| **Sold Flats Service Charges - Solicitors' Enquiry** | | | | | |
| Sales/purchases | | 132.50 | 136.50 | 3.0% | |
| Remortgages | | 68.20 | 70.20 | 2.9% | |
| Sold Flats Service Charge Management Fee | | 173.00 | 178.00 | 2.9% | |
| **House Purchase Fees** | | | | | |
| Consent - Application in Advance | | 103.00 | 106.00 | 2.9% | |
| Consent - Retrospective Application | | 176.00 | 181.00 | 2.8% | |

**2019-20 Asset Management Plan – Major Investments** **Appendix 4**

| Category | Project | Estimate |
|---|---|---|
| Retentions & Minor carry-forward | Retentions due together with minor carry forward from projects in progress up to 31 March 2019 | £40,000 |
| **Modern Homes** | | |
| Kitchens and bathrooms | Provision of modern kitchens, bathrooms and electrical upgrades, including void properties | £650,000 |
| Void refurbishments<br><br>*Various locations* | Refurbishment of individual properties to enable them to be relet, including conversion of flats to houses on an opportunity basis | £400,000 |
| **Structural** | | |
| Structural disrepair<br><br>*Various locations* | Structural works to various properties, including structural investigation and remedial works | £400,000 |
| **Doors & Windows** | | |
| Replacement of external doors<br><br>*Normandy & Pirbright* | Replacement of front entrance doors and some timber store doors | £50,000 |
| Replacement windows<br><br>*Dray Court, Guildford* | Replacement of single glazed windows and patio/balcony doors to flats | £400,000 |
| **Door Entry Systems** | | |
| Replacement Door Entry Systems<br><br>*Bedford House, Mount and Bishops Courts. Guildford* | Replacement of door entry systems at Bedford House, Mount and Bishops Courts Including renewal of main entrance door sets | £75,000 |
| **Energy Efficiency** | | |
| External wall insulation<br><br>*Guildford Park* | Provision of external wall insulation to solid wall properties to address poor thermal insulation | £250,000 |
| Central heating boiler upgrades.<br><br>*Various locations* | Upgrading existing central heating installations with high efficiency systems | £400,000 |
| Electrical heating upgrades<br><br>*Various locations* | Replacement of old electric heating systems with high efficiency air source heat pump wet central heating systems | £850,000 |

| Category | Project | Estimate |
|---|---|---|
| **Mechanical & Electrical** | | |
| Lighting Upgrades<br><br>*Bedford House, Guildford* | Continuing programme of lighting energy efficient upgrades | £30,000 |
| Lift refurbishment.<br><br>Bedford House, Guildford | Continuation of phased programme to replace obsolete lift controllers | £20,000 |
| **Flood Resilience** | | |
| Flood resilience works<br><br>Walnut Tree Close, Guildford | Works to improve flood resilience of properties in Walnut Tree Close vulnerable to storm flooding. | £60,000 |
| **Roof Renewal** | | |
| Pitched roof replacement including renewal of roof coverings<br><br>*Various locations* | Roof renewal to address failing roof coverings and associated works including chimneys, fascias, soffits and above ground rainwater drainage | £320,000 |
| **General** | | |
| Environmental improvements | General environmental improvements at sites to be agreed with Tenants Action Group. All subject to local resident consultation. | £50,000 |
| Fire protection works<br><br>*Various locations* | Non-urgent works identified during fire risk assessments | £80,000 |
| Garage forecourt resurfacing<br><br>*Various locations* | Resurfacing garage forecourt areas where existing surface is in poor condition – continuation of planned programme according to identified priority | £100,000 |
| Disabled adaptations<br><br>*Various locations* | Works to alter, adapt Council owned dwellings for the benefit of people with disability. | £600,000 |
| Software systems | Provision to upgrade essential business software | £100,000 |
| Condition Appraisals | Annual programme of condition appraisal surveys | £50,000 |
| Programme support | Programme support & development to support HRA Business Plan | £100,000 |
| Stock condition works | Works identified as a priority by rolling programme of stock condition assessments | £125,000 |
| | **Total** | **£5,150,000** |

## GUILDFORD B.C. - HOUSING INVESTMENT PROGRAMME 2018-19 to 2023-24: HRA APPROVED PROGRAMME

**APPENDIX 5**

| | Project Budget £000 | 2017-18 Actual £000 | Project Spend at 31-03-18 £000 | 2018-19 Estimate £000 | Carry Forward | Expenditure as at 16/11/2018 £000 | 2018-19 Projected Outturn £000 | 2019-20 Estimate £000 | 2020-21 Estimate £000 | 2021-22 Estimate £000 | 2022-23 Estimate £000 | 2023-24 Estimate £000 | Total Project Exp £000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Acquisition of Land & Buildings** | 3,500 | 202 | 400 | 2,800 | 300 | 259 | 3,100 | 0 | 0 | 0 | 0 | 0 | 3,500 |
| **New Build** | | | | | | | | | | | | | |
| Lakeside Close, Ash | 5,100 | 336 | 4,991 | 0 | | 23 | 22 | 0 | 0 | 0 | 0 | 0 | 5,013 |
| Guildford Park | 75 | 615 | 640 | 0 | (565) | 164 | 164 | 0 | 0 | 0 | 0 | 0 | 804 |
| Appletree pub site | 3,200 | 131 | 555 | 2,476 | 169 | 1,126 | 2,307 | 338 | 0 | 0 | 0 | 0 | 3,200 |
| Slyfield Green (Corporation Club) | 2,448 | 523 | 2,376 | 200 | (128) | 0 | 72 | 0 | 0 | 0 | 0 | 0 | 2,448 |
| Willow Way | 1,000 | 773 | 773 | 300 | (73) | 178 | 227 | 0 | 0 | 0 | 0 | 0 | 1,000 |
| Garage sites- | 2,500 | 0 | 0 | 1,100 | (158) | | | 0 | 0 | 0 | 0 | 0 | 0 |
| Pond Meadow | | 500 | 500 | | | 62 | 314 | 0 | 0 | 0 | 0 | 0 | 814 |
| Rowan Close | | 544 | 544 | | | 4 | 314 | 0 | 0 | 0 | 0 | 0 | 858 |
| Great Goodwin Drive | | 513 | 513 | | | 388 | 314 | 0 | 0 | 0 | 0 | 0 | 827 |
| The Homestead | 500 | 429 | 429 | 50 | 21 | 316 | 71 | 0 | 0 | 0 | 0 | 0 | 500 |
| Fire Station/Ladymead | 2,000 | 0 | 0 | 1,800 | 200 | 108 | 767 | 1,196 | 25 | 0 | 0 | 0 | 1,988 |
| Bright Hill | 500 | 0 | 0 | 475 | 25 | 0 | 500 | 0 | 0 | 0 | 0 | 0 | 500 |
| Various small sites & feasibility/Site preparation | 1,000 | 0 | 0 | 0 | | | 0 | 0 | 0 | 0 | 0 | 0 | 1,000 |
| **Schemes to promote Home-Ownership** | | | | | | | | | | | | | |
| Equity Share Re-purchases | annual | 99 | annual | 400 | | 143 | 400 | 0 | 0 | 0 | 0 | 0 | annual |
| **Major Repairs & Improvements** | | | | | | | | | | | | | |
| Retentions & minor carry forwards | annual | 0 | annual | 30 | | 0 | 30 | 0 | 0 | 0 | 0 | 0 | annual |
| Kitchens & Bathrooms | annual | 1,097 | annual | 1,025 | | 114 | 967 | 0 | 0 | 0 | 0 | 0 | annual |
| Doors and Windows | annual | 203 | annual | 60 | 180 | 86 | 240 | 0 | 0 | 0 | 0 | 0 | annual |
| Structural | annual | 380 | annual | 1,475 | 225 | 302 | 1,266 | 0 | 0 | 0 | 0 | 0 | annual |
| Energy efficiency: Central heating | annual | 1,214 | annual | 1,155 | | 432 | 1,331 | 0 | 0 | 0 | 0 | 0 | annual |
| General | annual | 1,040 | annual | 1,455 | 170 | 631 | 1,625 | 0 | 0 | 0 | 0 | 0 | annual |
| **Grants** | | | | | | | | | | | | | |
| Cash Incentive Scheme | annual | 0 | annual | 75 | | 0 | 75 | 0 | 0 | 0 | 0 | 0 | annual |
| **TOTAL APPROVED SCHEMES** | 21,823 | 8,600 | 11,723 | 14,876 | 366 | 4,335 | 14,106 | 1,534 | 25 | 0 | 0 | 0 | 22,453 |

## GUILDFORD B.C. - HOUSING INVESTMENT PROGRAMME 2018-19 to 2022-23: HRA PROVISIONAL PROGRAMME

**APPENDIX 5**

| | Project Budget | 2017-18 Actual | Project Spend at | 2018-19 Estimate | 2018-19 Projected Outturn | 2019-20 Estimate | 2020-21 Estimate | 2021-22 Estimate | 2022-23 Estimate | 2023-24 Estimate | Total Project Exp |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Acquisition of Land & Buildings** | 6,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6,000 |
| **New Build** | | | | | | | | | | | |
| Guildford Park | 16,000 | 0 | 0 | 4,830 | 422 | 406 | 6,760 | 7,201 | 26 | 0 | 14,815 |
| Bright Hill | 3,000 | 0 | 0 | 3,000 | 20 | 0 | 1,500 | 1,480 | 0 | 0 | 3,000 |
| Slyfield (from 2022/23) | 1,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,000 | 0 | 1,000 |
| **Schemes to promote Home-Ownership** | | | | | | | | | | | |
| Equity Share Re-purchases | annual | | annual | | | 400 | 400 | 400 | 400 | 400 | annual |
| **Major Repairs & Improvements** | | | | | | | | | | | |
| Major Repairs & Improvements | annual | | annual | | | 5,500 | 5,500 | 5,500 | 5,500 | 5,500 | annual |
| Retentions & minor carry forwards | annual | | annual | | | | | | | | annual |
| Modern Homes: Kitchens and bathrooms | annual | | annual | | | | | | | | annual |
| Doors and Windows | annual | | annual | | | | | | | | annual |
| Structural | annual | | annual | | | | | | | | annual |
| Energy efficiency: Central heating | annual | | annual | | | | | | | | annual |
| General | annual | | annual | | | | | | | | annual |
| **Grants** | | | | | | | | | | | |
| Cash Incentive Scheme | annual | | annual | | | 75 | 75 | 75 | 75 | 75 | annual |
| **Total Expenditure to be financed** | **26,000** | **0** | **0** | **7,830** | **442** | **6,381** | **14,235** | **14,656** | **7,001** | **5,975** | **24,815** |

**GUILDFORD B.C. - HOUSING INVESTMENT PROGRAMME 2018-19 to 2023-24: HRA RESOURCES AND FUNDING STATEMENT** **APPENDIX 5**

| | 2017-18 Actual £000 | 2018-19 Estimate £000 | 2018-19 Projected Outturn £000 | 2019-20 Estimate £000 | 2020-21 Estimate £000 | 2021-22 Estimate £000 | 2022-23 Estimate £000 | 2023-24 Estimate £000 |
|---|---|---|---|---|---|---|---|---|
| **EXPENDITURE** | | | | | | | | |
| Approved programme | 8,600 | 14,876 | 14,106 | 1,534 | 25 | 0 | 0 | 0 |
| Provisional programme | 0 | 7,830 | 442 | 6,381 | 14,235 | 14,656 | 7,001 | 5,975 |
| **Total Expenditure** | **8,600** | **22,706** | **14,548** | **7,915** | **14,260** | **14,656** | **7,001** | **5,975** |
| | | | | | | | | |
| **FINANCING OF PROGRAMME** | | | | | | | | |
| Capital Receipts | 3,022 | 400 | 400 | 400 | 400 | 400 | 400 | 400 |
| 1-4-1 recepits | 1,307 | 5,109 | 2,584 | 582 | 2,486 | 2,604 | 308 | 0 |
| Contribution from Housing Revenue a/c (re cash incentives) | 0 | 75 | 75 | 75 | 75 | 75 | 75 | 75 |
| Future Capital Programme reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Major Repairs Reserve | 3,934 | 5,200 | 5,459 | 5,500 | 5,500 | 5,500 | 5,500 | 5,500 |
| New Build Reserve | 0 | 11,922 | 6,030 | 1,358 | 5,800 | 6,077 | 718 | 0 |
| Grants and Contributions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Financing (= Total Expenditure)** | **8,264** | **22,706** | **14,548** | **7,915** | **14,260** | **14,656** | **7,001** | **5,975** |

| **RESERVES - BALANCES** | 2017-18 Actual £000 | 2018-19 Estimate £000 | 2018-19 Projected Outturn £000 | 2019-20 Estimate £000 | 2020-21 Estimate £000 | 2021-22 Estimate £000 | 2022-23 Estimate £000 | 2023-24 Estimate £000 |
|---|---|---|---|---|---|---|---|---|
| **Reserve for Future Capital Programme (U01035)** | | | | | | | | |
| Balance b/f | 28,329 | 30,829 | 30,829 | 33,329 | 35,829 | 38,329 | 40,829 | 43,329 |
| Contribution in year | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 |
| Used in year | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance c/f | **30,829** | **33,329** | **33,329** | **35,829** | **38,329** | **40,829** | **43,329** | **45,829** |
| | | | | | | | | |
| **Major Repairs Reserve (U01036)** | | | | | | | | |
| Balance b/f | 6,396 | 8,277 | 7,991 | 9,032 | 9,061 | 9,061 | 9,061 | 9,061 |
| Contribution in year | 5,529 | 6,500 | 6,500 | 5,529 | 5,500 | 5,500 | 5,500 | 5,500 |
| Used in Year | (3,934) | (5,200) | (5,459) | (5,500) | (5,500) | (5,500) | (5,500) | (5,500) |
| Balance c/f | **7,991** | **9,577** | **9,032** | **9,061** | **9,061** | **9,061** | **9,061** | **9,061** |
| | | | | | | | | |
| **New Build Reserve (U01069)** | | | | | | | | |
| Balance b/f | 37,356 | 43,496 | 44,919 | 45,860 | 52,743 | 55,349 | 57,846 | 65,873 |
| Contribution in year | 7,563 | 3,000 | 6,970 | 8,241 | 8,406 | 8,574 | 8,745 | 8,920 |
| Used in Year | 0 | (11,922) | (6,029) | (1,358) | (5,800) | (6,077) | (718) | 0 |
| Balance c/f | **44,919** | **34,574** | **45,860** | **52,743** | **55,349** | **57,846** | **65,873** | **74,794** |
| | | | | | | | | |
| **Usable Capital Receipts: 1-4-1 receipts (T01011)** | | | | | | | | |
| Balance b/f | 6,211 | 6,641 | 7,093 | 6,524 | 8,471 | 8,594 | 8,674 | 11,128 |
| Contribution in year | 2,189 | 1,221 | 2,014 | 2,529 | 2,609 | 2,684 | 2,762 | 2,841 |
| Used in Year | (1,307) | (5,109) | (2,584) | (582) | (2,486) | (2,604) | (308) | 0 |
| Balance c/f | **7,093** | **2,753** | **6,524** | **8,471** | **8,594** | **8,674** | **11,128** | **13,969** |

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

| | 2017-18 Actual £000 | 2018-19 Estimate £000 | 2018-19 Projected Outturn £000 | 2019-20 Estimate £000 | 2020-21 Estimate £000 | 2021-22 Estimate £000 | 2022-23 Estimate £000 | 2023-24 Estimate £000 |
|---|---|---|---|---|---|---|---|---|
| **Usable Capital Receipts - HRA Debt Repayment (T01010)** | | | | | | | | |
| Balance b/f | 3,428 | 3,851 | 3,867 | 4,300 | 4,961 | 5,644 | 6,349 | 7,077 |
| Contribution in year | 439 | 664 | 433 | 661 | 683 | 705 | 728 | 752 |
| Used in Year | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance c/f | **3,867** | **4,515** | **4,300** | **4,961** | **5,644** | **6,349** | **7,077** | **7,829** |

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

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

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

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

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

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# Housing Revenue Account

## 2019-2049
## Business Plan

Community Services Directorate
Guildford Borough Council

# 2019 – 2049 Business Plan

Contents



**Annexes**

Agenda item number: 7
Appendix 1

**Housing Revenue Account**

**2019 - 2049 Business Plan**

**Executive Summary**

## 1.0 Introduction

1.1 This will be our seventh year under the self financing regime introduced in 2012 under the Localism Act 2001, which for Guildford meant taking on a loan of £193.2 million.

Our tenants are better off under the new arrangements in that we now retain our rental income to invest in services locally. We were only able to retain just over 50 per cent under the previous system.

1.2 The weak global financial environment in 2012 allowed us to borrow at lower rates than we had expected. This helped to counter balance some of the impact of the Welfare Reform changes that we have encountered in recent years.

## 2.0 What we want to achieve

2.1 Our mission for landlord services along with our key objectives are as follows:

**Mission**

To make a positive difference to residents' lives by providing excellent services and good quality affordable homes in valued neighbourhoods.

**Objectives**: These are to:

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

## 3.0 The business environment

3.1 The business operates in a complex and changing economic and social environment.

Housing is fundamentally important to our residents, affecting many areas of their lives and an individual's general health and wellbeing. The HRA operates within an increasingly stressed public sector financial environment and we see the impact daily. The intervention threshold for mental health and social services have steadily increased. We are having to attempt to manage the consequences on both tenants and neighbourhoods, which is proving increasingly challenging. This, coupled with the fact that over 50 per cent of the cost of social housing is met from the housing welfare system, makes it inevitable that we operate in a regulated environment.

3.2 The regulatory framework operated by the Homes & Community Agency places greater emphasis on self-regulation, with tenants being placed at the heart of the process. Following a series of financial crises in the sector the focus is increasingly on the long term viability of individual registered providers. The Chartered Institute of Public Finance and Accounting published a code for Financial Accounting (CIPFA) for HRA's which has a similar objective.

3.3 The Government has over the last year made a number of policy announcements which recognise the important role social housing has across our communities. There also appears to be a greater desire to see local Councils play an increased role in the delivery of new homes.

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

3.5 The Government has clarified three policy areas which have been a threat to the long-term viability of the Housing Revenue Account.

**Rent setting:** From 1 April 2020 we will no longer be required to reduce rent, each year by 1%. We will be allowed to revert to the rent policy of CPI + 1% on which the debt settlement was predicated.

**Enforced Sales:** The Government has accepted the policy of forcing Councils to sell higher value properties was not appropriate when we face increasing housing shortages for lower income households.

**HRA borrowing:** The recent announcement to lift the restriction on borrowing by our HRA allows us to consider a more ambitious development programme.

3.6 The impact of welfare reform through the introduction of Universal Credit as currently structured remains a concern. Some of these concerns are increasingly shared at a national level. We await to see whether these fears are seen locally as Universal Credit is rolled out.

3.7 The Council has now set up North Downs Housing Ltd. Whilst its role is to provide an alternative range of tenures, it offers the opportunity through partnership working to consider a wider range of development opportunities.

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

3.9 The Right to Buy scheme has reduced the stock considerably since its introduction in 1980. The number of sales had fallen to around ten each year but this trend has reversed. On average, there are now around 22 Right to Buy sales per year. The increase in the maximum discount to £80,900 (2018-19) combined with the availability of finance is leading to continuing sales. Right to Buy sales remain a risk to the business but not in the short term based on current activity levels.

3.10 Demand for our properties is high and this will continue over the long term because of the extremely high cost of housing in the borough.

## 4.0 Our priorities

4.1 Looking over the next five years the plan identifies a series of priorities. The business is structured in a way to ensure we deliver against those priorities. Apart from the overarching priority to ensure we continue to operate a sound and viable business, our priorities are to:

- protect the income stream
- protect the asset base
- deliver additional homes
- deliver stronger communities
- maintain high satisfaction levels with core landlord services.

4.2 Staff share the senior management team's commitment to the service and have demonstrated their capacity to meet the challenges presented by the self financing regime.

## 5.0 Financial plan

The financial plan recognises the need to effectively manage the £197 million debt. The 30 year financial model has been constructed making a range of assumptions. Some of the more significant assumptions include:

| | |
|---|---|
| Consolidated borrowing rate: | 3.16 per cent for 2019-20 |
| Annual rent change: | 1 per cent reduction to 2020 then a return to CPI + 1 per cent from 1st April 2020 |
| Average 5 year inflation: | 2.0 per cent per annum |
| 30 year capital investment: (Current day prices) | £192,000,000 |

5.1 Based on current assumptions the plan is viable over the 30 year plan period and offers scope to expand through continuing to build additional homes.

5.2 The key sensitivities are:

- interest rates
- inflation
- right to buy activity
- income stream levels

5.3 The HRA has access to reserves representing approximately 47 per cent of the debt burden, higher than most similar businesses in our sector. The reserves are available to support both revenue and capital activities.

**6.0 Business risks**

6.1 The Localism Act 2011 introduced not only opportunities for the business, but some new risks. Mitigation measures are incorporated into the plan with others being developed – for example those relating to our development programme.

6.2 Whilst the inflation and interest rate risks are quantifiable to some extent, those flowing from the Government’s reforms of the welfare system are less so and continue to present a material risk.

6.3 Early versions of the business plan reflected the prevailing HRA rent settlement which provided for an annual increase in rents of CPI plus 1 per cent. In 2016, the Government announced regulations requiring registered providers of social housing to reduce social housing rents by 1 per cent per annum for 4 years.

6.4 The Government announcement that post-2020 there would be an inflation linked rent settlement, returning to social rent policy of Consumer Price index plus 1 per cent is welcomed.

6.5 The roll-out of the Welfare Reform is continuing and presents a significant risk to the business.

6.6 Changes to make the Right to Buy scheme more attractive has increased the number of sales from the levels assumed in the Governments debt settlement model. Countering the incentives has been the economic climate and the availability of mortgage finance. High property valuations coupled with the likelihood of increasing borrowing rates is starting to impact on Right to Buy activity. Our plan reflects our latest estimate of the annual sales numbers.

6.7 As mentioned, the impact of pressures on social and health core services for tenants is increasingly evident. The cost of managing tenancies is likely to see upward pressure as we are forced to deal with situations we are less well equipped to manage.

6.8 The funding framework available to meet the cost of supported housing remains fragile. Last year we saw the Supporting People Grant reduce by £168,000 and further reductions are envisaged.

**7.0 Conclusion**

7.1 The business plan is a measured and robust response to the changing environment our housing business operates in.

7.2 The plan will ensure we operate a sound and viable business able to deliver our two central aims of:

- being a major social landlord that delivers high levels of tenant satisfaction but adds value to our local community
- expanding our stock to provide more affordable homes.

7.3 Using the assumptions set out in the plan, the financial model shows the business to be viable both in the short and long term and capable of supporting expansion.

7.4 A number of business risks have been identified but these are capable of being managed to minimise their impact. Naturally the future will bring both new opportunities and risks.

7.5 The senior management team are confident the business plan is sound and deliverable. The business will continue to do what it does best – provide a great added value service to our local community.

# Housing Revenue Account

## 2019-2047 Business Plan

1.0 **Introduction**

1.1 Guildford Borough Council is the largest single provider of social housing in the Borough, providing homes to nearly 1 in 10 residents of our borough.

It is the largest social business run by the Council with an annual turnover of in excess of £30 million. More importantly we provide homes for some of the most vulnerable members of our local community.

1.2 The Localism Act 2011 returned control of this business back to the Council. This business plan sets out how we manage and develop our social housing business for the benefit of our local community.

1.3 The Council sees this service as central to delivering a number of its wider objectives and it attaches a high priority to the provision of affordable housing and is fully committed to delivering this plan.

2.0 **What we want to achieve**

2.1 Our overall mission is:

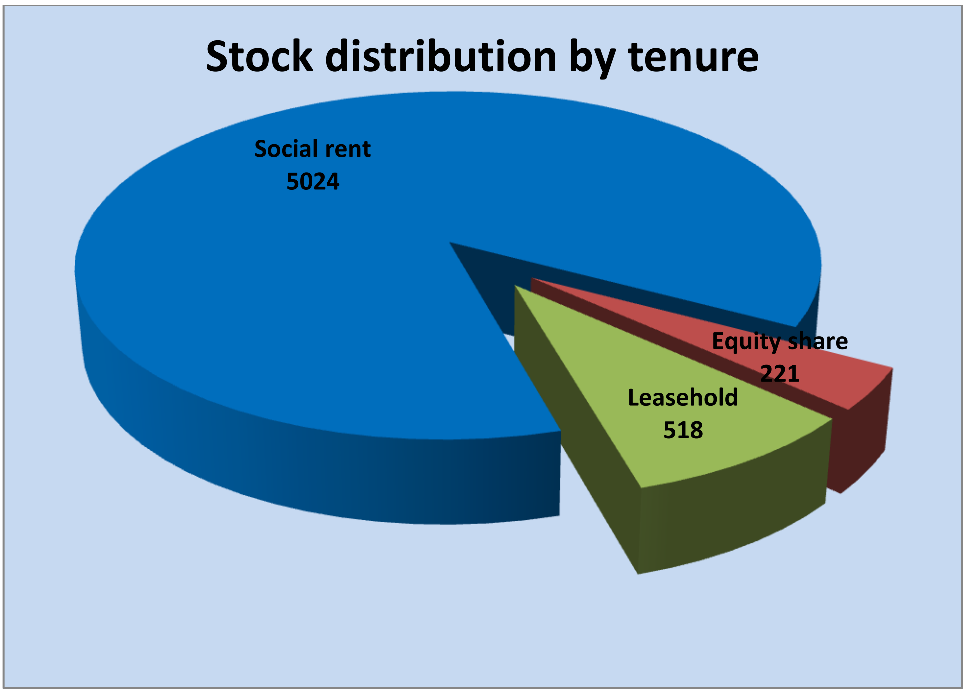
| |
|---|
| To make a positive difference to residents' lives by providing excellent services and good quality affordable homes in valued neighbourhoods. |

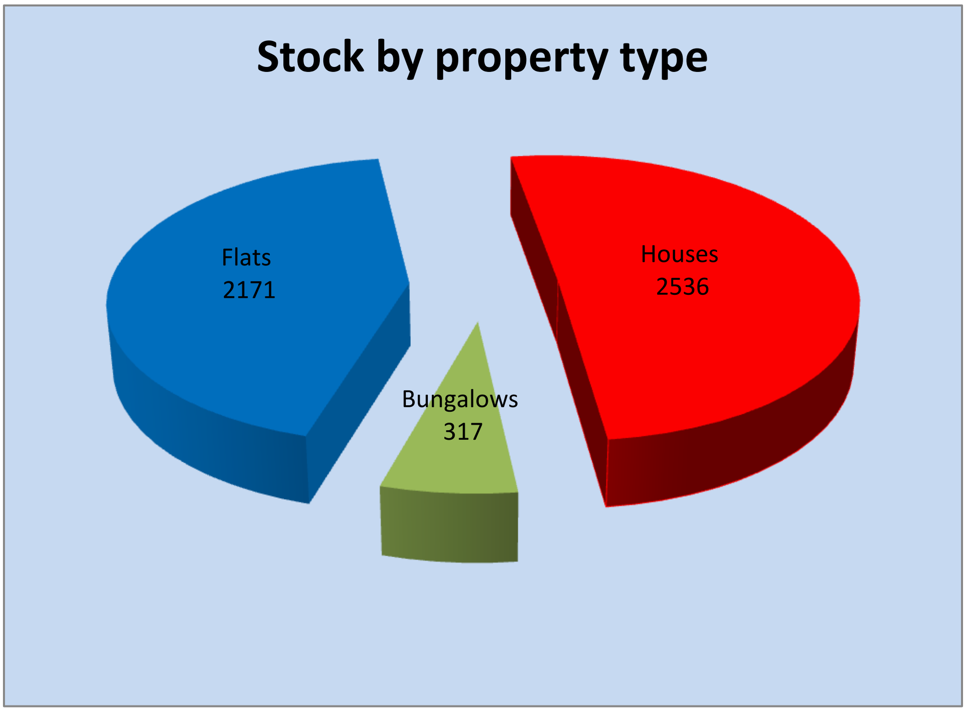
2.2 Our objectives are to:

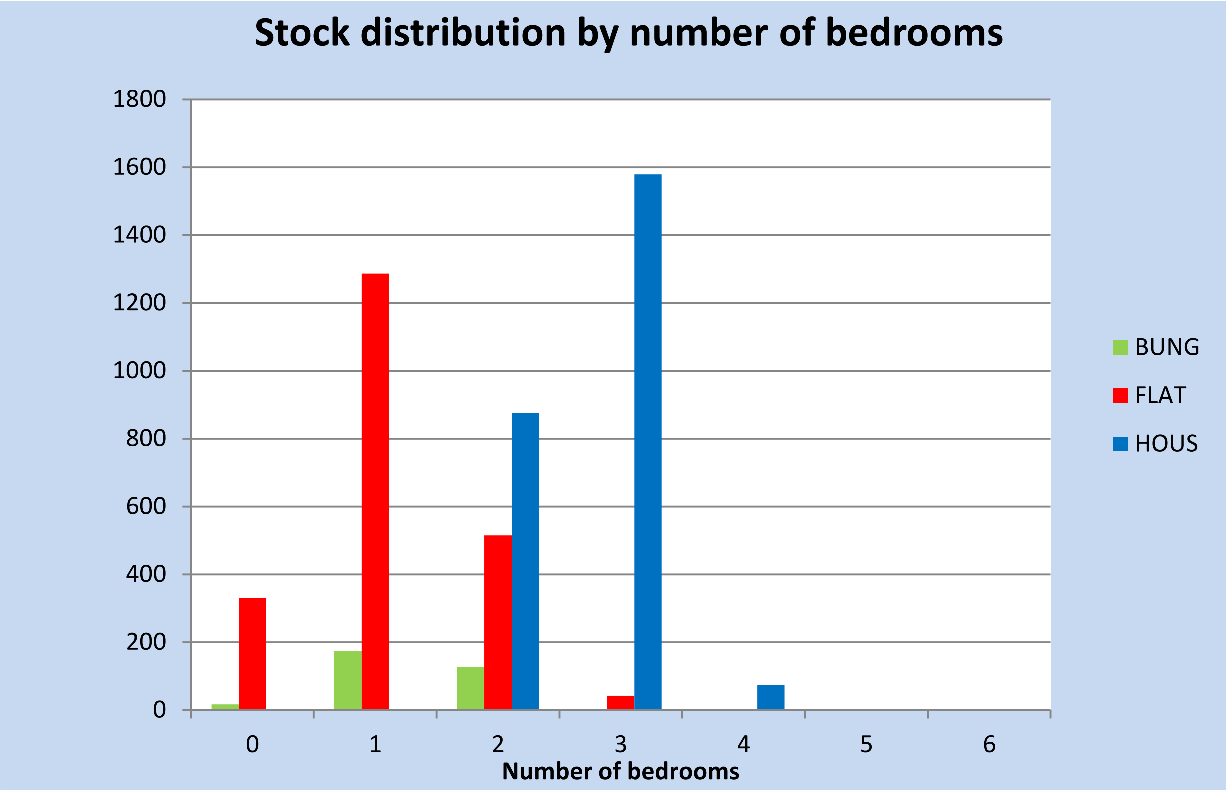
- operate a sound and viable social housing business in a professional and cost effective manner
- provide good quality homes in settled communities for as long as needed by a tenant and is consistent with our Tenancy Strategy
- continue to strengthen communities by making our estates places people value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

## 3.0 What is the business today

3.1 We provide a range of homes across the borough under a variety of tenures. The charts below describe the stock.






3.2 The stock consists largely of low rise, post war properties with a large percentage being flats. It is largely concentrated in the urban areas around Guildford town and Ash in the west. The remainder is distributed across the more rural parts of the borough.

3.3 The Council has a strong track record in maintaining the stock as confirmed by stock condition surveys carried out in 2018. This assessed the level of decency to be in the region of 98 per cent with the cost of making the remainder decent between £100,000 and £150,000. This liability is fully covered by reserves.

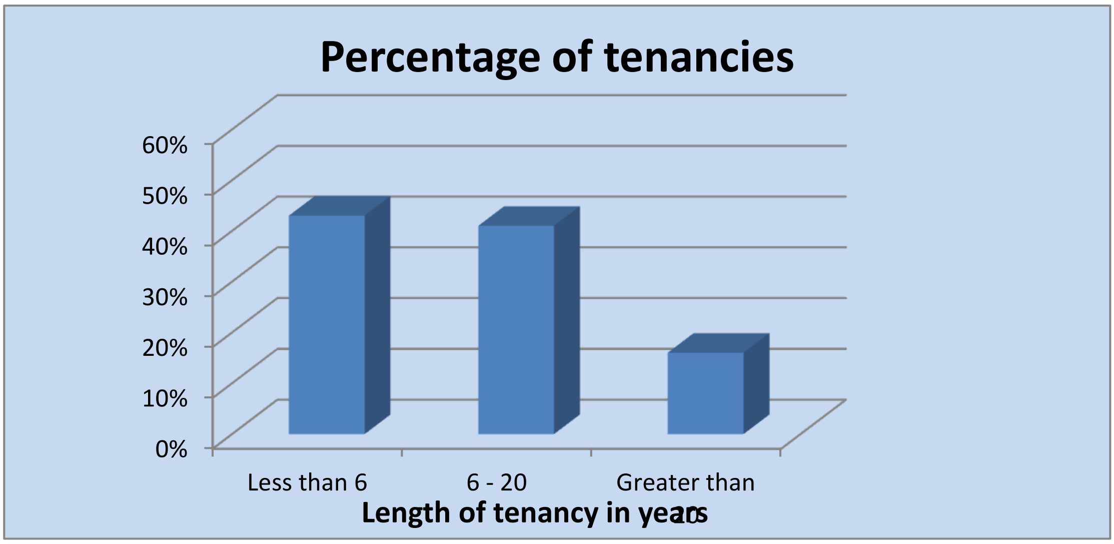
3.4 The principle need is to ensure an on-going repair and replacement programme is delivered to not only protect but enhance the existing asset base.

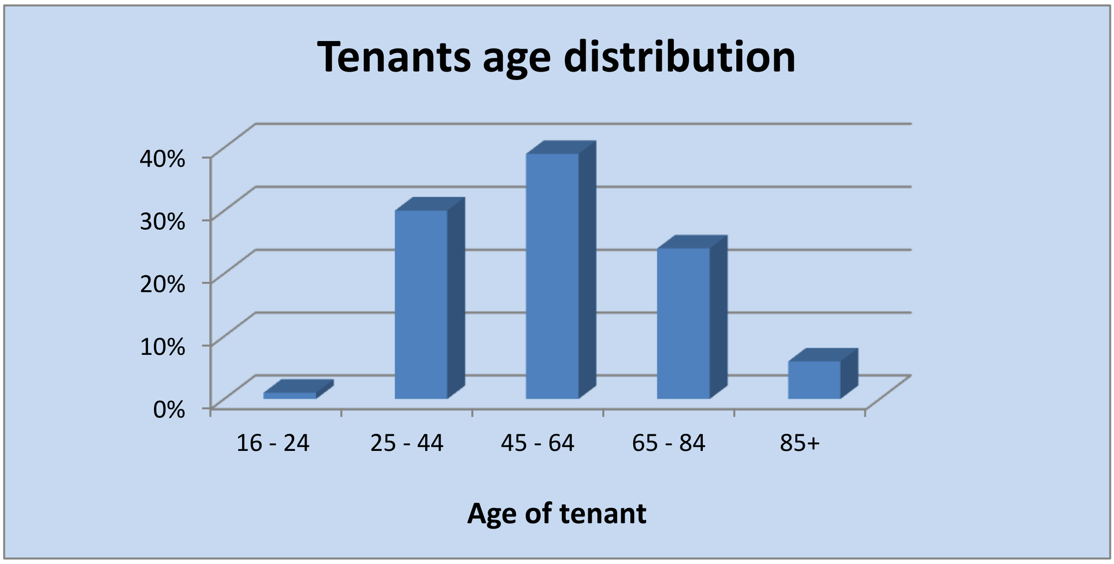
3.5 We are also a large provider of garages with over 1,700 units. This part of the business generates an income valued at around £730,000 per annum.

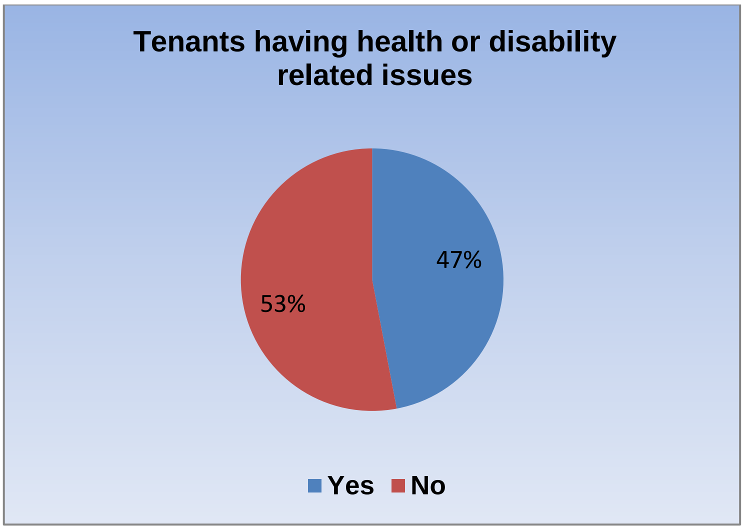
It is important therefore we maintain an investment programme for this element of our asset base.

3.6 All but our recently built properties are let and rented at social rent level. This is determined by reference to a national formula and subject to influence by the government and our regulator. Newly built properties are let at higher ‘affordable rents’.

3.7 Our customer base reflects the Council's current and historic housing allocation policies and the high cost of housing in the area. The charts below detail some of the characteristics of our existing customer base based on our last survey.






4.0 **Business Environment**

4.1 All social housing providers operate in an increasingly complex and challenging environment. We are a registered provider and are subject to regulation by the Homes and Communities Agency.

4.2 **National policy:** The nature and delivery of social housing is critical to a variety of national social and economic policies. Each government has its own agenda and policy objectives which social housing needs to contribute towards.

Whilst the current Government continues to see home ownership as its preference, there is an increasing acceptance that for a significant proportion of the population this is out of reach. Investment and policy initiatives are becoming more supportive to the social housing sector.

The decision to relax the HRA borrowing restriction is evidence of the policy shift.

4.3 There is continued reliance on the model that relies on charging higher rents partly funded through the housing benefit system – the affordable rent model. However the sector has increasing concerns on how truly affordable it is for many.

4.4 The Government's announcement to lift the borrowing restriction is welcomed. We feel however it could go further in relaxing the restrictions on the use of receipts from the sale of council houses under the national Right to Buy scheme.

4.5 The government see increasing house building as one of the ways to address housing need and generate economic growth and want local councils to contribute towards this objective. Our HRA has capacity to support additional borrowing and we recently bid to have our borrowing limit raised for a specific project this has been overtaken by the announcement to lift borrowing restrictions more generally.

**4.6** **Regulation:** The importance of housing to the lives of the tenants coupled with the level of national subsidy and lack of effective competition makes it inevitable our business is subject to regulation. The national regulatory framework issued by the Homes and Communities Agency (HCA) sets out the regulatory requirements we must meet.

4.7 The framework, last revised in 2018, has moved us towards a system of self-regulation. A summary of the framework is set out in Annexe 2. It requires us to place our tenants at the heart of the process, something we and the Tenants' Action Group welcome. The HCA are considering revising the standard to ensure adequate separation of commercial activities, which might threaten the viability of the core regulated business.

4.8 Aligning the interests of the business with that of our existing and future tenants will contribute towards long-term sustainability.

**4.9** **Demand:** We operate in an area with an extremely high cost of housing. In the borough's relatively expensive housing market Hometrack are saying that the average price of a two bedroom house is around £380,00. Yet over 75 per cent of residents in the borough have a total household income of less than £50,000. This means that even with a substantial fall in house prices or a sizeable increase in income, a significant proportion of local people would be unable to afford to buy a house on the open market.

4.10 Using the housing needs register as a proxy for the demand for social housing shows how far we are unable to meet current demand. The chart below illustrates this with reference to the lettings activity last year.

Insert

There is a high likelihood that demand for social housing in this Borough will continue to exceed supply for the life of this business plan.

4.11 Whilst some stock over time will become increasingly difficult to let because of its configuration this will only affect a small proportion of the stock – less than 10 per cent.

**4.12** **Financial environment:** We operate in a very different financial environment to that which existed before the HRA debt settlement, one with a greater business focus.

4.13 The business operates with an overhanging debt of £197 million; this debt is financed largely through a range of loans from the Public Works Loan Board (PWLB) together with some internal borrowing. The loans are a blend of fixed and variable rate instruments with varying refinancing periods.

The debt has been structured to minimise cost, balancing a need to maintain flexibility whilst at the same time achieving a large degree of cost certainty.

4.14 Business operating costs will be met from the rental stream. Rental cover provides sufficient comfort on our ability to meet our debt obligations.

4.15 Approximately 50 per cent of our income stream is reliant on the housing benefit subsidy system. This ratio has remained fairly constant over the last 10 years and is unlikely to reduce.

The Government maintains tight control on its exposure to this cost, through a series of complex measures. It is the stated aim of the government to contain the national housing benefit bill and is something we need to be very aware of looking ahead.

**4.16** **Asset base:** Historically our asset base has shrunk, through a combination of Right to Buy disposals and previous stock rationalisation programmes. Each property we own not only contributes towards the cost of debt and our other operating costs but also generates a surplus over time.

Our ambitions to develop new homes is starting to reverse this trend.

5.0 **Our priorities**

5.1 Against the background of the objectives set out above the following priorities have been identified for our business:

- protecting the income stream and reducing unnecessary costs
- protecting the asset base
- delivering additional homes
- delivering stronger communities
- maintaining high satisfaction levels with core landlord services.

In order to deliver against these priorities the business will continue to focus tightly on controlling all our expenditure, including the costs associated with our debt to ensure we remain viable in these difficult economic circumstances.

Each is briefly considered below.

5.2 **Income stream:** It is vital we protect our income stream if we are to sustain a viable business. With over 90 per cent coming from rents this will be the main focus.

5.3 To safeguard our income stream we will:

- continue to promote and increase awareness of the changes arising from welfare reform
- ensure sufficient and adequate financial advice is available to our tenants both directly and by working in partnership with third sector agencies
- implement measures to help mitigate fuel poverty
- continue to provide financial and practical assistance by working with partner organisations to support tenants
- explore additional income streams including through a system of fairer charging for some of the services we provide and providing management services to others including North Downs Housing Ltd
- continue our development programme
- closely monitor the risks outlined in Section 8.

At the same time the business will continue to tightly focus on controlling all our expenditure, including the costs associated with the debt to ensure we remain viable.

5.4 **Protecting the asset base:** Though the demand for social housing is high in the borough some properties are in less demand. We have addressed this through an ongoing stock rationalisation programme – the redevelopment scheme at Ladymead, Guildford being the most recent examples.

5.5 It is important we ensure our properties and associated neighbourhoods remain attractive as measured by the ability to let. We need to maintain the properties in a manner that achieves the greatest return on our investment.

5.6 We will protect the asset base by implementing our asset management strategy which in summary is:

- fully funding and delivering a planned preventative maintenance programme to prevent early component failures
- fully funding and delivering a responsive maintenance programme that ensures minor defects do not lead to further avoidable expenditure
- ensuring we have accurate and appropriate stock data information to enable informed decisions to be made on stock maintenance

- ensuring our capital replacement and improvement programmes are correctly targeted at the right time
- implementing timely stock rationalisation programmes where properties are reaching the end of their economic life or become hard to let.

5.7 **Delivering additional homes:** The need for additional affordable homes has been identified by the local community as being one of its top priorities. The Council has acknowledged this by making it one of its key delivery targets. Our development strategy is set out in Annexe 4.

HRA reform has created opportunities to provide new affordable homes and has allowed us to embark on a new development programme. Since HRA reform, the HRA has delivered 92 new homes and has a further 30 under construction. A further 400 are planned to be completed in the next 5 years subject to land availability.

5.8 We will continue to structure our business to best place us to deliver additional affordable homes. We will do this by:

- creating financial capacity through our revenue streams to support development whilst protecting existing assets and services
- using appropriate delivery mechanisms to achieve the best value solution
- identifying viable redevelopment opportunities across both the HRA portfolio and the wider Council's property estate with a view to adding to the Council's stock of affordable housing
- using a range of models to deliver the most affordable housing we can – this is likely to involve not only social rent but affordable rent models and working with North Downs Housing Ltd on a joint venture basis.

5.9 The HRA development strategy sets a target of delivering at least 200 new homes on Council owned land by 2022.

5.10 **Delivering stronger communities:** We are very much a social business and intend to be much more than just a residential landlord. We will continue providing considerable added value through a range of measures.

5.11 We will help communities to become stronger by promoting and developing the range of opportunities our tenants have to be involved in decision making in a way that suits them:

- developing tenant co-regulation of the business
- supporting the development of the Tenants' Action Group
- increasing opportunities for active tenant participation in service delivery through a range of initiatives
- engaging with initiatives designed to get people back into work
- working in partnership with the Community Wellbeing Team to support and develop grassroots community projects.

5.12 **Maintaining core landlord services:** Our tenants rightly expect high standards from the landlord services team in return for the rent they pay. Our reputation as a good landlord is important to us and we are judged daily through the quality of the service we provide.

5.13 Though demand for social housing is high there are other alternative providers in the borough. With over 2,500 units, a range of other registered providers offer alternative options for tenants. It is important we appeal to a wide range of potential tenants to enable us to deliver sustainable and vibrant neighbourhoods.

5.14 We will continue to deliver good quality services, aiming to achieve increasing levels of tenant satisfaction. We will do this by:

- agreeing service standards with tenants and delivering services in the best way to meet those standards
- maintaining a strong focus on customer service and subject ourselves to regular scrutiny by our tenants
- meeting our financial targets to allow us to fund core landlord services to enable our services to be properly delivered
- demanding from our contractors and service suppliers the same commitment to customer service that we expect of ourselves.

6.0 **Financial plan**

6.1 From April 2012 key elements of our financial strategy changed. Total HRA borrowing now stands at £197 million. Additional borrowing is envisaged.

6.2 The plan is built around the need to manage this debt whilst at the same time delivering our business objectives. In order to assure ourselves on the long term viability of the business a 30 year financial model has been constructed.

6.3 **Key assumptions:** The model has been constructed using a number of assumptions. The most important are set out in the table below:

| Item | Assumption |
|---|---|
| Opening stock | 5,221 units of accommodation |
| HRA debt | £197 Million |
| Borrowing rate 2019-20 | 3.16% |
| Annual rent change | Reduction of 1% to April 2020 then return to CPI plus 1 per cent |
| Rent change mechanism | DCLG settlement |
| Garage income increase | Relevant to market, resistance assumed 1% |
| Bad debt provision 2019-20 | £300,000 (Reviewed annually to ensure |

| Item | Assumption |
|---|---|
| | reasonableness) |
| Void rate | 1% |
| Service charge increases | Linked to inflation on repair and maintenance headings |
| RTB | 25/yr |
| Retained receipt | Held in reserves |
| HRA ring fence | Policy of strong ring fence continues |
| Debt repayment | No provision has been made for the repayment of debt |
| Operating balance | £2.5 million |
| 30 yr capital investment (Current day prices) | £192 million |
| Service cost inflation | 2.5% per annum for 10 year period |

6.4 Inevitably, the further we look ahead the reliability of the model outputs reduce. The table below sets out our revenue projections over the next 10 years.

# Updated table to be follow

**HOUSING REVENUE ACCOUNT PROJECTIONS 2015-16 to 2024-25 (includes approved new build schemes)** **TABLE 1**

**Guildford Borough Council**

| **Year** | **2015-16** | **2016-17** | **2017-18** | **2018-19** | **2019-20** | **2020-21** | **2021-22** | **2022-23** | **2023-24** | **2024-25** |
|---|---|---|---|---|---|---|---|---|---|---|
| **£'000** | | | | | | | | | | |
| **INCOME:** | | | | | | | | | | |
| Rental Income | -29,950 | -30,690 | -31,780 | -32,910 | -34,080 | -35,280 | -36,520 | -37,810 | -39,140 | -40,510 |
| Service Charges | -968 | -1,000 | -1,030 | -1,060 | -1,090 | -1,120 | -1,150 | -1,180 | -1,220 | -1,260 |
| Non-Dwelling Income | -1,118 | -1,130 | -1,140 | -1,150 | -1,160 | -1,170 | -1,180 | -1,190 | -1,200 | -1,210 |
| Grants & Other Income | -641 | -530 | -530 | -440 | -440 | -370 | -370 | -310 | -310 | -260 |
| **Total Income** | **-32,677** | **-33,350** | **-34,480** | **-35,560** | **-36,770** | **-37,940** | **-39,220** | **-40,490** | **-41,870** | **-43,240** |
| **EXPENDITURE:** | | | | | | | | | | |
| General Management | 3,404 | 3,520 | 3,640 | 3,770 | 3,900 | 4,040 | 4,180 | 4,330 | 4,480 | 4,640 |
| Special Management | 2,001 | 2,070 | 2,140 | 2,210 | 2,290 | 2,370 | 2,450 | 2,540 | 2,630 | 2,720 |
| Other Management | 336 | 350 | 360 | 370 | 380 | 400 | 420 | 440 | 460 | 480 |
| Bad Debt Provision | 150 | 150 | 275 | 300 | 300 | 300 | 300 | 300 | 300 | 300 |
| Responsive & Cyclical Repairs | 5,072 | 5,300 | 5,540 | 5,820 | 6,110 | 6,420 | 6,740 | 7,080 | 7,430 | 7,800 |
| **Total Revenue Expenditure** | **10,963** | **11,390** | **11,955** | **12,470** | **12,980** | **13,530** | **14,090** | **14,690** | **15,300** | **15,940** |
| Interest Paid & Administration | 5,250 | 5,275 | 5,300 | 5,350 | 5,400 | 5,450 | 5,500 | 6,250 | 6,750 | 7,250 |
| Interest Received | -262 | -485 | -755 | -925 | -1,100 | -1,300 | -1,500 | -1,700 | -1,900 | -2,100 |
| Depreciation | 5,678 | 5,960 | 6,260 | 6,570 | 6,900 | 7,250 | 7,610 | 7,990 | 8,390 | 8,810 |
| **Net Operating Income** | **-11,048** | **-11,210** | **-11,720** | **-12,095** | **-12,590** | **-13,010** | **-13,520** | **-13,260** | **-13,330** | **-13,340** |
| **APPROPRIATIONS:** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Revenue Contribution to Reserves | 10,973 | 11,135 | 11,645 | 12,020 | 12,515 | 12,935 | 13,445 | 13,185 | 13,255 | 13,265 |
| Revenue Contribution to Capital | 75 | 75 | 75 | 75 | 75 | 75 | 75 | 75 | 75 | 75 |
| **Total Appropriations** | **11,048** | **11,210** | **11,720** | **12,095** | **12,590** | **13,010** | **13,520** | **13,260** | **13,330** | **13,340** |

6.5 A key factor driving our debt management and treasury management strategies is the objective to increase the stock. This will require substantial capital investment over the 30 year plan life over and above our need to maintain and improve the existing stock.

In order to finance this investment physical debt repayment will attract a lower priority. This in turn has influenced the financing structure used to support the business. With this in mind some of the debt instruments stretch over the 30 year plan period. The table below sets out our current loan portfolio.

| Loan Type | Principal | Remaining Period | Rate |
|---|---|---|---|
| Variable | £45,000,000 | 4 | 0.92% |
| Fixed | £2,070,000 | 3 | 3.60% |
| Fixed | £10,000,000 | 6 | 2.70% |
| Fixed | £10,000,000 | 7 | 2.80% |
| Fixed | £10,000,000 | 8 | 2.92% |
| Fixed | £10,000,000 | 9 | 3.01% |
| Fixed | £25,000,000 | 11 | 3.15% |
| Fixed | £25,000,000 | 14 | 3.30% |
| Fixed | £25,000,000 | 19 | 3.44% |
| Fixed | £15,000,000 | 23 | 3.49% |
| Fixed | £17,435,000 | 24 | 3.50% |

6.6 It is difficult to predict with certainty many of the factors used to construct the model. We have therefore identified the key sensitivities for the business.

These are set out below: (to be updated after revision of table 1 above)

| **Assumption** | **Change** | **Impact - 10 yr cashflow** |
|---|---|---|
| Rent inflation rate | + 1%<br>-1% | £16.8 million increase<br>£16.0 million decrease |
| Revenue cost inflation | +1%<br>-1% | £6.3 million decrease<br>£5.9 million increase |
| Borrowing rate | +1% | £4.5 million decrease |

| Assumption | Change | Impact - 10 yr cashflow |
|---|---|---|
| | -1% | £4.5 million increase |
| Right to Buy sales (income from rent foregone) | +15/yr<br>+30/yr | £4.5 million decrease<br>£9.0 million decrease |

Note (i) the calculation is predicated on the lost rental income for each property based on a mid-year sale, against which a small allowance has been made to reflect a saving against maintenance costs. The implications around capital receipts would be separately assessed and tied into the priorities of the business plan.

In practice it is unlikely each factor will change in isolation which may mitigate the impact. For example investment cost inflation is likely to generate an increase in the Consumer Price Index which in turn will feed into high rent increases.

6.7 Any significant impacts from changes in the economic environment will form part of the information used to produce the annual estimates.

6.8 The plan has been constructed on the basis that we will fully fund our existing revenue and capital commitments as the first priority. The plan allows for some enhancement to existing services.

6.9 The areas being proposed for 2019-20 include:

- improving the physical environment on some of our estates through an environmental improvements programme
- increasing funding to deal with communal cleaning improvements and measures to support tenants with the introduction of universal credit

Whilst we continue to seek increased efficiencies, some additional investment will be needed and priority will continue to be given enhancing services to existing tenants as we further develop the plan.

6.10 It has been assumed income collection rates will remain strong. Inevitably the economic climate coupled with the Welfare Reform changes, including universal credit, is likely to lead to increasing arrears and ultimately bad debts. A steady increase in the provision has been made over the last five years based on our best estimate. At this point the impact cannot be forecast with any certainty.

6.11 Depreciation represents a real charge to the operating account. This allowance will be used to support the major capital works programme. Under this plan we commit to making appropriate provision to do so. A charge of £5,528,730 million has been included in the 2019-20 estimates.

6.12 Based on current projections over the 30 year plan period we need to spend in the region of £192 million (current day prices) maintaining and improving the stock. The plan as currently structured is affordable.

6.13 **HRA reserves:** The HRA through a combination of tight control of the business and the policy not to repay debt has built-up significant reserves. This approach gives us options and greater flexibility than would otherwise have been the case, not only in terms of service delivery but in how we manage our debt.

6.14 In the short term our reserves will and have been used to support our latest development programme target of 425 units by 2025. The removal of the HRA borrowing restriction offers us the opportunity to increase the scale of our development programme and to consider reviewing our rent setting policy on our new developments.

6.15 Shown below are the cumulative reserves which can be used to support the business plan – they reflect however only approved new build projects and the decision not to repay debt :

| Year ending | Reserve for future capital works | Major repairs reserve | New Build Reserve | **Total** | Usable capital receipts | Usable Capital Receipts (one-for-one receipts) 1 | Usable Capital Receipts (HRA debt repayment) | **Total usable capital receipts** | **Total reserves/ receipts** |
|---|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | **£000** | £000 | £000 | £000 | **£000** | **£000** |
| Mar-19 | 33,329 | 9,032 | 45,860 | **88,221** | 6,760 | 6,524 | 4,300 | **17,584** | **105,805** |
| Mar-20 | 35,829 | 9,061 | 52,743 | **97,633** | 0 | 8,471 | 4,961 | **13,432** | **111,065** |
| Mar-21 | 38,329 | 9,061 | 55,349 | **102,739** | 0 | 8,594 | 5,644 | **14,238** | **116,977** |
| Mar-22 | 40,829 | 9,061 | 57,846 | **107,736** | 0 | 8,674 | 6,349 | **15,023** | **122,759** |
| Mar-23 | 43,329 | 9,061 | 65,873 | **118,263** | 0 | 11,128 | 7,077 | **18,205** | **136,468** |
| Mar-24 | 45,829 | 9,061 | 74,794 | **129,684** | (397) | 13,969 | 7,829 | **21,401** | **151,085** |

Note (i) The figure for usable capital receipts assumes the redevelopment only. Schemes in the pipeline as approved will reduce these balances

(ii) Future development projects will be funded from a mix of the new build reserve, capital receipts, and additional borrowing as appropriate.

(iii) No allowance has been made for repayment of debt

(iv) It is intended to maintain the amount held in HRA operating balances at £2.5 million to reflect the ongoing risk of rent arrears in the difficult economic climate.

6.16 Whilst the table shows a significant accumulation of reserves, it makes no allowance for the repayment of debt or the need to fund further development schemes in the pipeline. Further opportunities will present themselves over the next few years and these will need to be partially funded from the reserves set out above. The level of reserves will be kept under review in the context of the evolving development programme along with the anticipated pressures on the revenue account.

6.17 Following changes introduced by the Government in October 2013 future HRA generated capital receipts must be used for HRA purposes only.

6.18 **Affordable rents:** These are rents set at up to 80 per cent of local market rents and therefore place a greater burden on the Housing Benefit system. Local authorities developing new properties for rent will, subject to both the Homes and Communities Agency and Department of Works and Pension agreement, be able to charge affordable rents. Any consent will be on a scheme by scheme basis.

6.19 The plan assumes that new schemes will be let at 70 per cent of local market rents or at the local housing allowance, whichever is the lower.

Each development will be subject to an individual project appraisal before any firm commitment is made.

We are increasingly aware that affordable rents are, to some on very low incomes, financially, very challenging. This is particularly so on the larger properties. Now, with the option to borrow, we will consider on a site by site basis whether rents below the 70% limit can be charged whilst still ensuring the project remains viable.

6.20 **Operating costs:** When benchmarked against other providers, we generally fall into upper or mid quartile levels. Scope to achieve substantial cost reductions is limited. The plan therefore has been prepared on the basis it is not reliant on unpredictable future possible savings and no savings have been factored into the plan at this stage.

6.21 As a matter of ongoing policy the practise of maintaining a downward pressure on costs will continue through reviews to ensure services are delivered in the most cost effective way.

6.22 **Operating balances:** The model projects over the next five years, that net operating income will be positive. Whilst it does include the additional income from new developments, it makes no provision for debt repayment.

6.23 Any surpluses will be used to support either future year's revenue services or the major capital schemes, unless the financial environment makes debt repayment essential.

## 7.0 Operating policies

7.1 A range of operating policies and strategies have/are being reviewed. These include:

- Rental policy – under review
- Asset management strategy
- Tenancy policy
- Tenancy engagement strategy
- Development strategy

7.2 The plan has been prepared on the assumption the existing policies remain unchanged. In practise this will not be the case as we seek to take advantage of any opportunities the new environment provides to improve and grow our business.

## 8.0 Business risks

8.1 Though the reform offers exciting opportunities for the business in the future, the changing environment continues to present a series of business risks. In some cases we are well placed to manage the risk, others lie largely outside our control.

The main risks identified are set out below:

8.2 **Inflation:** The subsidy system to some degree isolated the HRA from the effects of inflation, even though it did not seem that way. Our rental stream from 1st April 2020 will once again be linked to the Consumer Price Index (CPI) prevailing in September. Expenditure on the other hand is not so tightly linked.

8.3 During a volatile period we could face significantly different inflation rates for expenditure and income. A low CPI in September coupled with a high average cost inflation figure for the year is a realistic scenario and would place strain on the plan if it continued for a number of years.

8.4 We recognise that construction related costs were constrained during the recession but inflation pressures are evident across the sector. The impact of Brexit is already seen in the availability of skilled labour. Commodity and material prices are more subject to global influences and have continued to steadily rise.

8.5 **Interest rates:** The annual interest cost is estimated to be £5.14 million for 2019-20. The £45 million of variable rate loans is subject to a six monthly interest rate reset. A movement of 1 per cent would result in an additional charge to the revenue account of £450,000.

Subsequent interest rate risks will largely be mitigated by an effective treasury management strategy.

Our borrowing strategy insulates the HRA from interest rate volatility on 75 per cent of the fixed debt portfolio. However there remains a refinancing risk, assuming the debt is not repaid when it falls due, which is difficult to quantify.

8.6 **Welfare reform:** The government's stated objectives include:

- reducing the national cost of the welfare system
- ensuring the benefit system does not act as a disincentive to work
- placing greater responsibility on individuals.

8.7 Universal Credit is now in place for new claimants and those having a material change in circumstances. The transition date for existing claimants remains uncertain. The current scheme creates a risk that some of our tenants face reductions in their benefits and therefore ability to pay their rent. Older tenants are to be largely protected which will mitigate any short term impact. With around 50 per cent of our income being met via the Housing Benefit system any changes to it are a potential threat to our income stream.

8.8 The biggest risk continues to be direct payment to tenants rather than social landlords. This returns us to the position we were in before the direct payments to landlords were introduced. Collection costs will increase along with debt management costs. Additional investment, over that already made, in financial advisory and debt support services may be necessary to counter the risk to our income stream. Across the country areas have seen significantly different results. The common theme however is that all have seen some reduction in rent collection rates.

8.9 **Right to Buy:** Right to Buy disposals had always been identified as a business risk.

8.10 Unit overheads increase with each sale, compounding the adverse financial impact. Based on current RTB activity the plan assumes limited impact in the short term from the revised Right to Buy scheme.

8.11 **Regulatory environment:** The regulatory environment has changed considerably since its introduction in 2009. The burden of external inspection has been reduced and replaced by self-regulation which is to be welcomed. This position could of course reverse.

It is reasonably foreseeable that the regulator will be obliged to reflect future government policies, placing additional investment obligation on our business. Maintaining adequate reserves will help mitigate this risk.

8.12 Rent setting across the sector to a large degree remains in the hands of the government and the regulator. The business plan is based on rents increasing by CPI + 1 per cent annually. It is unclear when or if rent convergence will be allowed post 2020.

With national government meeting over half of the cost, they have little incentive to change the rent charge formulae so as to increase rents. Whilst it has been stated they have no intention to do so, it remains to be seen that this position is left unchanged over the 30 year plan period.

The government has ended the convergence process by which let properties reach formula rents. Convergence will now be achieved only when a property is relet. We anticipate having around 2,100 properties below their formula rent at the end of the convergence period. If all properties moved immediately to their formula rent, then we would generate additional in rental income. However, we cannot predict with any certainty when the additional income might be received so our projections do not take account of such income. The maximum income that could be achieved is in the region of £300,000.

8.13 To mitigate the risks to our rental income stream, alternative income streams will be explored, though we have to recognise the scope to make a material contribution is very limited. The HRA team now provide management services to North Downs Housing in return for a fee charged as a proportion of the rent.

8.14 **Governance:** We now have greater control of the business in our hands. The Council, despite the degree of central Government control, has always managed the service on business lines.

The Executive has committed itself to continue managing the service as a business imposing clear financial discipline. Though it has a strong desire to expand the stock, it has in place appropriate governance structures to prevent the business becoming over-stretched or unduly exposed to avoidable risks.

8.15 Tenants, through the Tenants' Action Group, form part of the scrutiny process to ensure identified risks are properly managed.

8.16 Further risks such as further reform of the HRA or reopening of the settlement by the government do exist but these largely remain outside our control. It is important we closely monitor the political environment so we can respond at the earliest opportunity.

**Appendices**

Annexe 1: Geographical property distribution

Annexe 2: Regulatory Framework extract

Annexe 3: Key business indicators

Annexe 4: HRA Development Strategy

**Annexe 1**

## Geographical property distribution

| Area | General Needs | Sheltered |
|---|---|---|
| Albury | 24 | 0 |
| Artington | 9 | 0 |
| Ash | 223 | 61 |
| Ash Vale | 63 | 0 |
| Bellfields (North And South) | 696 | 0 |
| Burpham (Misc) Inc Gosden Hill Estate | 63 | 0 |
| Charlottville | 32 | 0 |
| Chilworth | 130 | 37 |
| Compton | 53 | 0 |
| East Horsley | 37 | 31 |
| Effingham | 12 | 0 |
| Gomshall | 38 | 0 |
| Guildford Park (Estate) | 166 | 71 |
| Holmbury St Mary | 15 | 0 |
| Hurtmore | 29 | 0 |
| Merrow 1 | 189 | 0 |
| Merrow 2 | 143 | 0 |
| Normandy | 96 | 0 |
| Park Barn | 647 | 0 |
| Peaslake | 21 | 0 |
| Pirbright | 30 | 0 |
| Puttenham | 25 | 0 |
| Ripley | 82 | 0 |
| Seale | 3 | 0 |
| Send | 117 | 0 |
| Shalford | 50 | 0 |
| Shepherds Hill | 122 | 0 |
| Shere | 14 | 0 |
| Slyfield | 184 | 0 |
| Stoke | 105 | 0 |
| Stoughton | 8 | 0 |
| The Mount | 66 | 27 |
| Tilehouse | 65 | 39 |
| Tongham | 206 | 0 |
| Town Centre | 165 | 0 |
| West Clandon | 69 | 0 |
| West Horsley | 55 | 0 |
| Westborough (Estate) | 535 | 0 |
| Wood Street | 129 | 0 |
| Worplesdon | 35 | 0 |
| **TOTALS** | **4,751** | **266** |

**Standards for registered providers** **Annexe 2**

**Extract from Regulatory Framework**

This section sets out the standards[1] that will apply from 1 April 2012 to registered providers. It also sets out the products on which standards apply.

## Consumer standards

These standards apply to all registered providers. Providers' boards and councillors are responsible for ensuring their organisation meets the consumer standards. The regulator's role is limited to setting the consumer standards and intervening only where failure of the standard could lead to risk of serious harm to tenants (the 'serious detriment test') as described in chapter five.

## Tenant Involvement and Empowerment standard

# 1 Required outcomes

### 1.1 Customer service, choice and complaints

1.1.1 Registered providers shall:

a. provide choices, information and communication that is appropriate to the diverse needs of their tenants in the delivery of all standards

b. have an approach to complaints that is clear, simple and accessible that ensures that complaints are resolved promptly, politely and fairly.

### 1.2 Involvement and empowerment

1.2.1 Registered providers shall ensure that tenants are given a wide range of opportunities to influence and be involved in:

a. the formulation of their landlord's housing-related policies and strategic priorities

b. the making of decisions about how housing-related services are delivered, including the setting of service standards

c. the scrutiny of their landlord's performance and the making of recommendations to their landlord about how performance might be improved

d. the management of their homes, where applicable

e. the management of repair and maintenance services, such as commissioning and undertaking a range of repair tasks, as agreed with landlords, and the sharing in savings made, and

f. agreeing local offers for service delivery.

### 1.3 Understanding and responding to the diverse needs of tenants

[1] Sections 193 and 194 of the Housing and Regeneration Act 2008.

1.3.1 Registered providers shall:

a. treat all tenants with fairness and respect

b. demonstrate that they understand the different needs of their tenants, including in relation to the equality strands and tenants with additional support needs.

# 2 Specific expectations

## 2.1 Customer service, choice and complaints

2.1.1 Registered providers shall provide tenants with accessible, relevant and timely information about:

a. how tenants can access services

b. the standards of housing services their tenants can expect

c. how they are performing against those standards

d. the service choices available to tenants, including any additional costs that are relevant to specific choices

e. progress of any repairs work

f. how tenants can communicate with them and provide feedback

g. the responsibilities of the tenant and provider

h. arrangements for tenant involvement and scrutiny.

2.1.2 Providers shall offer a range of ways for tenants to express a complaint and set out clear service standards for responding to complaints, including complaints about performance against the standards, and details of what to do if they are unhappy with the outcome of a complaint. Providers shall inform tenants how they use complaints to improve their services. Registered providers shall publish information about complaints each year, including their number and nature, and the outcome of the complaints. Providers shall accept complaints made by advocates authorised to act on a tenant's/tenants' behalf.

## 2.2 Involvement and empowerment

2.2.1 Registered providers shall support their tenants to develop and implement opportunities for involvement and empowerment, including by:

a. supporting their tenants to exercise their Right to Manage or otherwise exercise housing management functions, where appropriate

b. supporting the formation and activities of tenant panels or equivalent groups and responding in a constructive and timely manner to them

c. the provision of timely and relevant performance information to support effective scrutiny by tenants of their landlord's performance in a form which registered providers seek to agree with their tenants. Such provision must include the publication of an annual report which should include information on repair and maintenance budgets

d. providing support to tenants to build their capacity to be more effectively involved.

2.2.2 Registered providers shall consult with tenants on the scope of local offers for service delivery. This shall include how performance will be monitored, reported to and scrutinised by tenants and arrangements for reviewing these on a periodic basis.

2.2.3 Where registered providers are proposing a change in landlord for one or more of their tenants or a significant change in their management arrangements, they shall consult with affected tenants in a fair, timely, appropriate and effective manner. Registered providers shall set out the proposals clearly and in an appropriate amount of detail and shall set out any actual or potential advantages and disadvantages (including costs) to tenants in the immediate and longer term. Registered providers must be able to demonstrate to affected tenants how they have taken the outcome of the consultation into account when reaching a decision.

2.2.4 Registered providers shall consult tenants at least once every three years on the best way of involving tenants in the governance and scrutiny of the organisation's housing management service.

**2.3 Understanding and responding to diverse needs**

2.3.1 Registered providers shall demonstrate how they respond to tenants' needs in the way they provide services and communicate with tenants.

## Home standard

# 1 Required outcomes

### 1.1 Quality of accommodation

Registered providers shall:

(a) ensure that tenants' homes meet the standard set out in section five of the Government's Decent Homes Guidance[2] and continue to maintain their homes to at least this standard

(b) meet the standards of design and quality that applied when the home was built, and were required as a condition of publicly funded financial assistance[3],

[2] 'Decent Homes Guidance' means A Decent Home: Definition and Guidance for Implementation, published by the Department for Communities and Local Government in June 2006, and any guidance issued by the department or its successors, in relation to that document.

[3] 'Financial assistance' is assistance given by the Homes and Communities Agency (HCA) under section 19(3) of the Housing and Regeneration Act, 2008; and (with effect from 1 April 2012) given by the Greater London Authority (GLA). For the purpose of this standard, it includes financial assistance provided by predecessor bodies to the HCA.

if these standards are higher than the Decent Homes Standard

(c) in agreeing a local offer, ensure that it is set at a level not less than these standards and have regard to section six of the Government's Decent Homes Guidance.

### 1.2 Repairs and maintenance

Registered providers shall:

(a) provide a cost-effective repairs and maintenance service to homes and communal areas that responds to the needs of, and offers choices to, tenants, and has the objective of completing repairs and improvements right first time

(b) meet all applicable statutory requirements that provide for the health and safety of the occupants in their homes.

## 2 Specific expectations

### 2.1 Quality of accommodation

2.1.1 Registered providers may agree with the regulator a period of non-compliance with the Decent Homes Standard, where this is reasonable. Providers shall ensure their tenants are aware of the reasons for any period of non-compliance, their plan to achieve compliance and then report on progress delivering this plan.

### 2.2 Repairs and maintenance

2.2.1 Registered providers shall ensure a prudent, planned approach to repairs and maintenance of homes and communal areas. This should demonstrate an appropriate balance of planned and responsive repairs, and value for money. The approach should include: responsive and cyclical repairs, planned and capital work, work on empty properties, and adaptations.

2.2.2 Registered providers shall co-operate with relevant organisations to provide an **adaptations service that meets tenants' needs.**

# Tenancy standard

## 1 Required outcomes

### 1.1 Allocations and mutual exchange

1.1.1 Registered providers shall let their homes in a fair, transparent and efficient way. They shall take into account the housing needs and aspirations of tenants and potential tenants. They shall demonstrate how their lettings:

(a) make the best use of available housing

(b) are compatible with the purpose of the housing

(c) contribute to local authorities' strategic housing function and sustainable communities

There should be clear application, decision-making and appeals processes.

1.1.2 Registered providers shall enable their tenants to gain access to opportunities to exchange their tenancy with that of another tenant, by way of internet-based mutual exchange services.

### 1.2 Tenure

1.2.1 Registered providers shall offer tenancies or terms of occupation which are compatible with the purpose of the accommodation, the needs of individual households, the sustainability of the community, and the efficient use of their housing stock.

1.2.2 They shall meet all applicable statutory and legal requirements in relation to the form and use of tenancy agreements or terms of occupation.

## 2 Specific expectations

### 2.1 Allocation and mutual exchange

2.1.1 Registered providers shall co-operate with local authorities' strategic housing function, and their duties to meet identified local housing needs. This includes assistance with local authorities' homelessness duties, and through meeting obligations in nominations agreements.

2.1.2 Registered providers shall develop and deliver services to address under-occupation and overcrowding in their homes, within the resources available to them. These services should be focused on the needs of their tenants, and will offer choices to them.

2.1.3 Registered providers' published policies shall include how they have made use of common housing registers, common allocations policies and local letting policies.

Registered providers shall clearly set out, and be able to give reasons for, the criteria they use for excluding actual and potential tenants from consideration for allocations, mobility or mutual exchange schemes.

2.1.4 Registered providers shall develop and deliver allocations processes in a way which supports their effective use by the full range of actual and potential tenants, including those with support needs, those who do not speak English as a first language and others who have difficulties with written English.

2.1.5 Registered providers shall minimise the time that properties are empty between each letting. When doing this, they shall take into account the circumstances of the tenants who have been offered the properties.

2.1.6 Registered providers shall record all lettings and sales as required by the Continuous Recording of Lettings (CORE) system.

2.1.7 Registered providers shall provide tenants wishing to move with access to clear and relevant advice about their housing options.

2.1.8 Registered providers shall subscribe to an internet based mutual exchange service (or pay the subscriptions of individual tenants who wish to exchange), allowing:

(a) a tenant to register an interest in arranging a mutual exchange through the mutual exchange service without payment of a fee

(b) the tenant to enter their current property details and the tenant's requirements for the mutual exchange property they hope to obtain

(c) the tenant to be provided with the property details of those properties where a match occurs

2.1.9 Registered providers shall ensure the provider of the internet based mutual exchange service to which they subscribe is a signatory to an agreement, such as HomeSwap Direct, under which tenants can access matches across all (or the greatest practicable number of) internet based mutual exchange services.

2.1.10 Registered providers shall take reasonable steps to publicise the availability of any mutual exchange service(s) to which it subscribes to its tenants.

2.1.11 Registered providers shall provide reasonable support in using the service to tenants who do not have access to the internet.

**2.2 Tenure**

2.2.1 Registered providers shall publish clear and accessible policies which outline their approach to tenancy management, including interventions to sustain tenancies and prevent unnecessary evictions, and tackling tenancy fraud, and set out:

(a) The type of tenancies they will grant.

(b) Where they grant tenancies for a fixed term, the length of those terms.

(c) The circumstances in which they will grant tenancies of a particular type.

(d) Any exceptional circumstances in which they will grant fixed term tenancies for a term of less than five years in general needs housing following any probationary period.

(e) The circumstances in which they may or may not grant another tenancy on the expiry of the fixed term, in the same property or in a different property.

(f) The way in which a tenant or prospective tenant may appeal against or complain about the length of fixed term tenancy offered and the type of tenancy offered, and against a decision not to grant another tenancy on the expiry of the fixed term.

(g) Their policy on taking into account the needs of those households who are vulnerable by reason of age, disability or illness, and households with children, including through the provision of tenancies which provide a reasonable degree of stability.

(h) The advice and assistance they will give to tenants on finding alternative accommodation in the event that they decide not to grant another tenancy.

(i) Their policy on granting discretionary succession rights, taking account of the needs of vulnerable household members.

2.2.2 Registered providers must grant general needs tenants a periodic secure or assured (excluding periodic assured shorthold) tenancy, or a tenancy for a minimum fixed term of five years, or exceptionally, a tenancy for a minimum fixed term of no less than two years, in addition to any probationary tenancy period.

2.2.3 Before a fixed term tenancy ends, registered providers shall provide notice in writing to the tenant stating either that they propose to grant another tenancy on the expiry of the existing fixed term or that they propose to end the tenancy.

2.2.4 Where registered providers use probationary tenancies, these shall be for a maximum of 12 months, or a maximum of 18 months where reasons for extending the probationary period have been given and where the tenant has the opportunity to request a review.

2.2.5 Where registered providers choose to let homes on fixed term tenancies (including under Affordable Rent terms), they shall offer reasonable advice and assistance to those tenants where that tenancy ends.

2.2.6 Registered providers shall make sure that the home continues to be occupied by the tenant they let the home to in accordance with the requirements of the relevant tenancy agreement, for the duration of the tenancy, allowing for regulatory requirements about participation in mutual exchange schemes.

2.2.7 Registered providers shall develop and provide services that will support tenants to maintain their tenancy and prevent unnecessary evictions.

2.2.8 Registered providers shall grant those who were social housing tenants on the day on which section 154 of the Localism Act 2011 comes into force, and have remained social housing tenants since that date, a tenancy with no less security where they choose to move to another social rented home, whether with the same or another landlord. (This requirement does not apply where tenants choose to move to accommodation let on Affordable Rent terms).

2.2.9 Registered providers shall grant tenants who have been moved into alternative accommodation during any redevelopment or other works a tenancy with no less security of tenure on their return to settled accommodation.

## Neighbourhood and Community standard

# 1 Required outcomes

### 1.1 Neighbourhood management

Registered providers shall keep the neighbourhood and communal areas associated with the homes that they own clean and safe. They shall work in partnership with their tenants and other providers and public bodies where it is effective to do so.

### 1.2 Local area co-operation

Registered providers shall co-operate with relevant partners to help promote social, environmental and economic wellbeing in the areas where they own properties.

### 1.3 Anti-social behaviour

Registered providers shall work in partnership with other agencies to prevent and tackle anti-social behaviour in the neighbourhoods where they own homes.

## 2 Specific expectations

### 2.1 Neighbourhood management

Registered providers shall consult with tenants in developing a published policy for maintaining and improving the neighbourhoods associated with their homes. This applies where the registered provider has a responsibility (either exclusively or in part) for the condition of that neighbourhood. The policy shall include any communal areas associated with the registered provider's homes.

### 2.2 Local area co-operation

Registered providers, having taken account of their presence and impact within the areas where they own properties, shall:

(a) identify and publish the roles they are able to play within the areas where they have properties

(b) co-operate with local partnership arrangements and strategic housing functions of local authorities where they are able to assist them in achieving their objectives

### 2.3 Anti-social behaviour

2.3.1 Registered providers shall publish a policy on how they work with relevant partners to prevent and tackle anti-social behaviour (ASB) in areas where they own properties.

2.3.2 In their work to prevent and address ASB, registered providers shall demonstrate:

(a) that tenants are made aware of their responsibilities and rights in relation to ASB

(b) strong leadership, commitment and accountability on preventing and tackling ASB that reflects a shared understanding of responsibilities with other local agencies

(c) a strong focus exists on preventative measures tailored towards the needs of tenants and their families

(d) prompt, appropriate and decisive action is taken to deal with ASB before it escalates, which focuses on resolving the problem having regard to the full range of tools and legal powers available

(e) all tenants and residents can easily report ASB, are kept informed about the status of their case where responsibility rests with the organisation and are appropriately signposted where it does not

**(f) provision of support to victims and witnesses**

**Annexe 3**

**Key business indicators**

| Indicator | Monitoring period |
|---|---|
| % of rent collected | Quarterly |
| Arrears as a percentage of debit | Quarterly |
| Write offs as % rent roll | Annual |
| Former tenant arrears | Annual |
| | |
| % repairs completed in timescale | Quarterly |
| % satisfaction with repairs service | Quarterly |
| % repairs completed on first visit | Quarterly |
| % revenue spend against profile | Quarterly |
| % capital spend against budget | Quarterly |
| Average maintenance cost/unit/week | Annual |
| Gas % safety checks completed on time | Quarterly |
| Average time taken to complete non- urgent repairs (days) | Annual |
| Average SAP rating | Annual |
| % Non decent homes | Annual |
| | |
| Average management cost/unit/week | Annual |
| % satisfaction with ASB case handling | Quarterly |
| % satisfaction with ASB case outcome | Quarterly |
| % new tenancies first visited within 4 weeks | Quarterly |
| | |
| Number of complaints received and resolved at first stage | Quarterly |
| % complaints dealt within target | Quarterly |
| Sickness - No of days lost due to sickness absence | Monthly |

**Annexe 4**

# Housing Revenue Account

# Development Strategy

## 1.0 Introduction

1.1 One of the Council's key objectives is to enable the provision of more affordable housing in the borough. There are a range of housing providers operating in our area and a number of delivery mechanisms exist to support the achievement of this objective.

1.2 The Housing Revenue Account Business Plan offers a further option – that of direct development.

1.3 The demand for affordable housing in this area greatly outstrips supply and this position will not change in the foreseeable future. Whilst any contribution the HRA is able to make is welcomed, it can only form part of a wider delivery strategy.

1.4 This paper focuses on how we can deliver on the element of the HRA Business Plan dealing with providing additional affordable homes in the borough.

1.5 In order to achieve this, three strands need to be addressed. These are:

- funding
- land availability
- capacity.

## 2.0 Funding

2.1 The HRA Business Plan is robust and has scope to support a development programme. The HRA has already delivered 92 dwellings without having the ability to fund any of the programme through borrowing.

2.2 The recent announcement by Government means that this Council can, for the first time since 2012, make its own decision to borrow without Government constraints. Naturally any borrowing undertaken by the HRA must be affordable and not create a material risk for the core business.

2.3 The HRA has, largely due to the strategic decision not to repay debt, been able to build up reserves which can support a development programme. The reserves built up to date, reflect the inherent lag development programmes have particularly when complex sites are involved.

The HRA now has three funding options to draw on to support its development programme.

These are:

- HRA revenue generated reserves
- Usable capital receipts under the 1 for 1 programme
- HRA borrowing

2.4 The new option of HRA borrowing allows the Council to expand its development programme and/or reducing the rents charged on new dwellings through an internal subsidy.

Whilst social rents (those charged for pre-2012 stock) are more attractive to tenants, charging such rents on new developments would not be sustainable over the long term. Scope does exist to reduce rent below the 70% of market rent or LHA rent to some degree. This would however reduce the numbers of dwellings built.

2.5 The circumstances around each development will vary and so will the delivery cost. It is therefore proposed to review our approach on a case by case basis having regard to the impact on the overall development pipeline. Any reductions likely to be considered are unlikely to be below 60% market rent unless external grant funding can be obtained.

2.6 The Business Plan envisages applying £2.5 million of any annual operating surplus to the reserve to support major repairs and improvement programme. The balance will be applied to the new build reserve and the associated development programme.

This is felt to be a prudent approach that acknowledges the fact the majority of our stock is now around 70 years old.

2.7 Over the next 10 years, we are projecting the following resources will be available to support a development programme: (To be updated)

| | |
|---|---|
| Operating surpluses | £30 million |
| RTB receipts | £20 million |
| HRA reserves | £50 million |
| HRA borrowing | £50 million |
| | £150 million |

At this stage it can only be indicative as we have already seen considerable changes in the financial arrangement for the HRA in just 6 years, each having financial impacts on the capacity of the HRA to deliver a development programme.

2.8 This projection is based on a number of assumptions:

- Right to Buy sales continue at 20 per year, generating a usable receipt of £100,000
- Operating surpluses remain possible having regard to interest rates, inflation and an ongoing policy not to repay debt
- HRA borrowing continues to be permitted and remains possible within the Prudential Borrowing Code.

2.9 In practise each or all of these assumptions will change over time, however the option, for example to increase borrowing, may be possible to offset a reduced contribution from other sources.

2.10 The Business Plan takes account of the projected £45.8 million (1 April 2019) in the new build reserve and one-for-one receipts arising from Right to Buy sales. These have been identified as being predominantly available to support development activities in the borough. This reserve offers the ability to translate the desire to carry out direct development into reality.

The reserve has allowed us to compensate for our inability to increase total HRA borrowing in the early stage of the business plan and will now allow some flexibility on the rent charged for new dwellings, particularly for larger homes.

2.11 Under the settlement, we are currently in the region of £8.5 million per annum better off. However, it is essential we adequately protect our existing asset base and associated income stream. We also need to recognise the potential impact of welfare reform and the predicted ongoing low inflationary environment for the short-term.

Some provision may be required to mitigate the refinancing risk associated with the £45 million variable rate finance due for repayment in 2022.

2.12 The Business Plan applies £10.6 million of the projected surplus in 2019-20 as follows:

| | |
|---|---|
| Contribution to reserve to support major repairs and improvement programme | £2,500,000 |
| New build reserve | £8,112,230 |

The last call on the operating surplus will be the new build reserve and associated programme.

This is felt to be a prudent approach.

2.13 Over the next 10 years, a revenue cash funded development programme of at least £45 million can be supported whilst retaining a reserve equal to at least six months' gross income. Further details on the financial position of the HRA Business Plan, taking into account the latest ten year projections, is set out in ######.

2.14 A sensitivity analysis identifies inflation as our largest financial risk in the short term impacting on both income and expenditure projections. Any development programme will need to take account of this to ensure the HRA is at no time overstretched and existing services materially put at risk.

2.15 The other principle risk involves welfare reform and the downward pressure the Government is exerting on the cost of benefits. Many tenants are receiving some form of financial support from the state and some will struggle to pay their rent.

2.16 Whilst the HRA, through its reserves can develop on the basis if we do not recover our costs. This is only possible in the short term and is not a sustainable model.

In order for the Council to have a long-term on-going development programme, it is important we develop a model that enables individual developments to break-even at some point.

2.17 Experience shows that on average a property will require a major refit in the region of every 25 years. Taking this into account and the need to develop a sustainable development model, we should aim for developments to break-even within 30 to 35 years of construction. In exceptional cases, this could be extended to 40 years.

2.18 To achieve this without external subsidy, rents need to be set in the range of 65-100 per cent of market rents. As rents approach open market rents levels, the ability of those on our waiting list to pay the rents rapidly diminishes.

2.19 Specific software to assess the viability of individual schemes that is widely used across the sector is now routinely used to assess sites, particularly where land acquisition is involved.

2.20 Looking ahead, we will need to develop models that generate cross-subsidies if we are to continue offering properties at rents our tenants can afford and at a scale that makes a significant contribution to meeting demand in the borough. Registered providers are increasingly developing models that incorporate elements of market sale and/or rent as a way of delivering the level of cross-subsidy sought.

2.21 Local authorities are restricted in ways that other providers are not. There are significant disadvantages to developing outside the local authority framework which include VAT and Corporation Tax liabilities and increased borrowing costs. We will need to develop arms-length models that may enable us to develop a wider range of schemes than current rules permit.

**3.0 Land**

3.1 This is our greatest constraint. Historically, land on our housing estates has been identified and used to facilitate development by Housing Associations. The majority of the more obvious sites ranging from garage sites and open space to decommissioned sheltered units have already been developed.

3.2 The new Local Plan, once approved, will offer greater opportunities than currently exist and will represent a sea-change in development capacity across the Borough.

This, together with the creation of the Council's housing company, North Downs Housing Ltd, creates the ability to deliver longer and mixed tenure schemes. It also allows the option of cross-subsidy across tenures – something not previously available to support the Council's wider housing provision agenda.

3.3 The HRA is already working with private land owners to bring forward developments through new development frameworks and in this way we plan to increase the number of development opportunities open to the HRA.

The HRA is also looking to play a significant role in the Slyfield development and has already planned to allocate a minimum of £50 million to deliver affordable development on the site.

3.4 Schedule 1 lists a number of sites that have some redevelopment potential.

**4.0 Capacity**

4.1 **Technical:** We have already increased capacity and will look to recruit additional resources as required.

4.2 In common with other providers, we call on external consultants as required together with construction partners. This is a cost effective approach when faced with what will be an inevitably fluctuating workload.

Some development would be procured through a design and build route where the level of risk transfer could be accurately assessed. In other cases separate design and construction partners may be used.

4.3 To ensure we achieve quality developments cost effectively, it is important we maintain a strong and professional client presence which is adequately resourced.

In order to achieve this and formulate a long-term development programme, a New Homes Delivery Officer is being recruited to support the New Homes Delivery Manager. These posts are responsible for the delivery of individual projects, which together, create a viable and deliverable development programme.

4.4 **Suppliers:** As the pace of development in the Borough picks up a capacity issue within the construction sector may develop. It is too early to say how the market will respond to this pressure however new forms of construction models are being developed which reduce the demand for skilled site workers in the numbers traditionally deployed.

4.5 **Applicants:** There is some uncertainty surrounding the ability of those on our current housing needs register to pay Affordable Rents which can be up to 80 percent of market rents. Already it is becoming apparent that some who need larger accommodation find it particularly challenging but we need to see how tenants on our recently completed developments fair. The plan though envisages we retain the option of greater flexibility on rent levels charged on new developments.

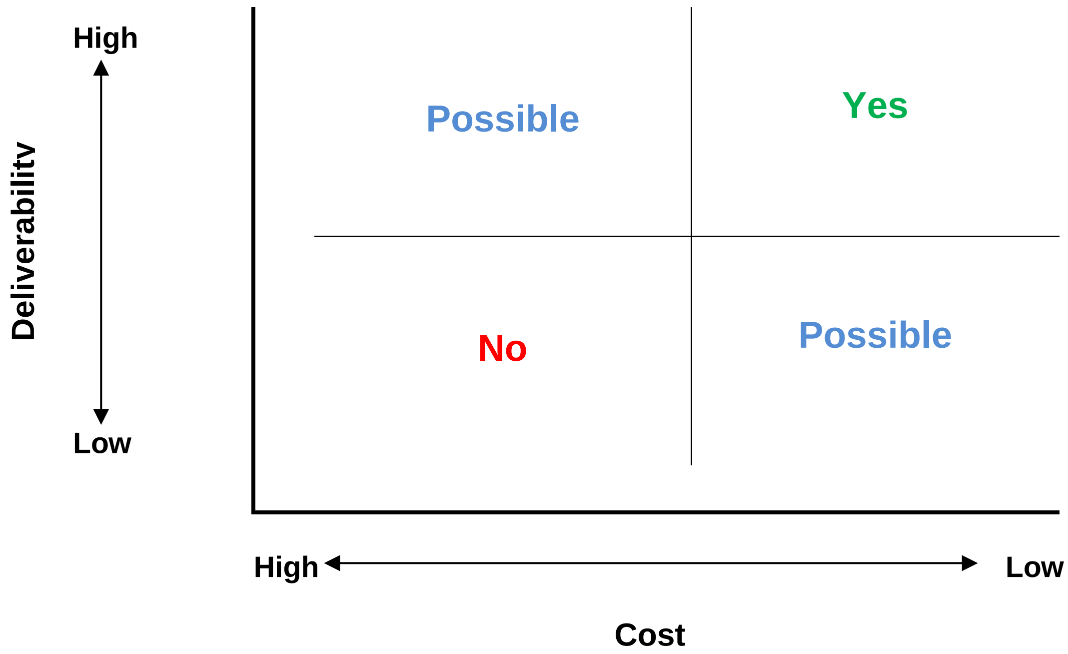
5.0 **Scheme viability**

5.1 It is important that we only develop when it is appropriate to do so and where an individual development makes a positive contribution to the long term viability of the business. Whilst there are always good reasons to provide additional affordable housing, it is important this desire does not create unnecessary risk.

5.2 It is proposed to use the development matrix overleaf to guide our decision making. It does not provide definitive answers but will help us to focus on the most viable projects. The criteria are indicative and will be reviewed on an annual basis.

New developments can also deliver additional social benefits. An example would be the regeneration of a run down area. Such factors where a scheme is only marginally viable can be a deciding factor as to whether to proceed or not.

**Development Viability Matrix**




5.3 **Relevant factors:** The factors listed below will inform the development matrix. They will need to be reviewed on an annual basis to take account of market conditions.

| | Factor | Low | High |
|---|---|---|---|
| **Cost:** | Land | < £30,000/plot | > £60,000/plot |

| | | | |
|---|---|---|---|
| | Payback | < 30 years | > 35 years |
| | NPV | Positive | Negative |
| **Deliverability:** | Land | Open market | Owned by Council |
| | Timescale | > 5 years | < 3 years |
| | Planning consent | No | Yes |
| | Demand | Limited | High |
| | Increases stock utilisation | No | Yes |
| | Community support | None | Strong |
| | Decant requirements | Yes | No |

## 6.0 Alternatives

6.1 Development is the preferred route as it increases the total housing stock in the Borough, however, the numbers of affordable units in the borough can be achieved by changing the tenure of existing properties. Purchasing properties on the open market is an option that could achieve an increase in the number of affordable housing units.

6.2 Properties originally sold under the Right to Buy scheme are a natural target group. Many of these properties however represent entry level dwellings for the owner-occupation market. Purchasing such properties reduces the number available to this group of purchasers.

6.3 The cost of acquiring such properties will be greater than developing new properties on our own land and in many cases developing on land subject to Section 106 affordable housing obligations. Older properties will inevitably require significant investment sooner than newly constructed properties and have higher maintenance costs.

6.4 Though the number of units converted into affordable housing units can be achieved more quickly than constructing units, it is not the most cost effective route and reduces the number of entry level units available. Perhaps, more importantly, it does not increase the total number of dwellings in the borough.

6.5 Alternative delivery vehicles are starting to be developed across the sector that investment capacity. Unfortunately, they do not address the most immediate issue we face, that of land availability.

Appendix 1

To be inserted

**2018- 19 Housing delivery status**

| Site | Timescale | Status |
|---|---|---|
| Lakeside Close, Ash | N/A | Complete |
| New Road, Gomshall | N/A | Complete |
| Wyke Avenue site, Normandy | N/A | Complete |
| Guildford Park car park. | 2022 | Enabling works in progress, detailed design of MSCP being finalised |
| Phase 1 and 2 garage sites | N/A | Complete |
| Ladymead, Guildford | Summer 2019 | Under construction |
| Former Apple Tree public house site , Park Barn | Spring 2019 | Under construction |

**Housing development pipeline – sites under consideration**

| Site | Net Gain |
|---|---|
| Ash Site A | >50 |
| Ash Site B | >10 |
| Ash Site C | TBC |
| Ash Site D | >50 |
| Bright Hill Car Park | >25 |
| East Horsley Site A | 5-10 |
| Guildford Park Site A | <5 |
| Lido Overspill Car Park | >10 |
| Park Barn Site A | <5 |
| Park Barn Site B | >10 |
| Pirbright Site A | <5 |
| Send Site A | TBC |
| Send Site B | >25 |
| Send Site C | <5 |
| Slyfield Site A | <5 |
| Slyfield SARP | >200 |
| Town Centre Site A | <5 |
| Town centre Site B | <5 |
| Westborough Site A | >10 |

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
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