GUILDFORD BOROUGH

James Whiteman
Managing Director

www.guildford.gov.uk

Contact: Andrea Carr
Committee Services
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23 December 2019

Dear Councillor

Your attendance is requested at a meeting of the **JOINT EXECUTIVE ADVISORY BOARD** to be held in the Council Chamber, Millmead House, Millmead, Guildford, Surrey, GU2 4BB on **THURSDAY 9 JANUARY 2020** at **7.00 pm**.

Yours faithfully

James Whiteman
Managing Director

MEMBERS OF THE EXECUTIVE ADVISORY BOARD

Councillor Paul Abbey
Councillor Jon Askew
Councillor Christopher Barrass
Councillor Ruth Brothwell
Councillor Graham Eyre
Councillor Andrew Gomm
Councillor Angela Gunning
Councillor Gillian Harwood
Councillor Liz Hogger
Councillor Gordon Jackson
Councillor Diana Jones
Councillor Steven Lee
Councillor Ted Mayne
Councillor Ann McShee
Councillor Masuk Miah
Councillor Ramsey Nagaty
Councillor George Potter
Councillor Jo Randall
Councillor John Redpath
Councillor Maddy Redpath
Councillor Will Salmon
Councillor Deborah Seabrook
Councillor Patrick Sheard

Authorised Substitute Members:

Councillor David Bilbé
Councillor Richard Billington
Councillor Chris Blow
Councillor Dennis Booth
Councillor Colin Cross
Councillor Tom Hunt
Councillor Nigel Manning
Councillor Bob McShee
Councillor Marsha Moseley
Councillor Tony Rooth
Councillor Paul Spooner
Councillor James Walsh
Councillor Catherine Young

WEBCASTING NOTICE

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QUORUM: 5

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.

"The information contained in the items on this agenda has been allowed into the public arena in a spirit of openness and transparency to gain broad input at an early stage. Some of the ideas and proposals placed before this Executive Advisory Board may be at the very earliest stage of consideration by the democratic decision-making processes of the Council and should not be considered, or commented on, as if they already represent either Council policy or its firm intentions on the issue under discussion.

The Executive Advisory Boards do not have any substantive decision-making powers and, as the name suggests, their purpose is to advise the Executive. The subject matter of the items on this agenda, therefore, is for discussion only at this stage and any recommendations are subject to further consideration or approval by the Executive, and are not necessarily in final form."

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 NOTIFICATION 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 - 6)

To confirm the minutes of the meeting of the Joint Executive Advisory Board held on 20 November 2019.

5 **CAPITAL AND INVESTMENT STRATEGY 2020-21 TO 2024-25** (Pages 7 – 86)

6 **HOUSING REVENUE ACCOUNT BUDGET REPORT 2020-21** (Pages 87 - 106)

7 **NEW CORPORATE PRIORITIES AND CORPORATE PLAN** (Pages 107 - 112)

8 **EXCLUSION OF THE PUBLIC AND PRESS**

The Executive Advisory Board is invited to consider passing the following resolution:

"That under Section 100A(4) of the Local Government Act 1972 (as amended) the public and press be excluded from the meeting for the consideration of Appendices 2 and 3 of the following item of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Act."

9 **BIKE SHARE SCHEME** (Pages 113 - 186)

Please contact us to request this document in an alternative format

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JOINT EXECUTIVE ADVISORY BOARD

20 November 2019

* Councillor Angela Gunning (Chairman)

Councillor Paul Abbey
Councillor Jon Askew
* Councillor Christopher Barrass
* Councillor Ruth Brothwell
* Councillor Graham Eyre
Councillor Andrew Gomm
* Councillor Gillian Harwood
Councillor Liz Hogger
Councillor Gordon Jackson
Councillor Diana Jones
Councillor Steven Lee
* Councillor Ted Mayne
* Councillor Ann McShee
* Councillor Masuk Miah
* Councillor Ramsey Nagaty
* Councillor George Potter
* Councillor Jo Randall
* Councillor John Redpath
* Councillor Maddy Redpath
* Councillor Will Salmon
* Councillor Deborah Seabrook
* Councillor Patrick Sheard
* Councillor Tony Rooth

* Present

Councillor Joss Bigmore was also in attendance.

1 ELECTION OF CHAIRMAN

The Joint Executive Advisory Board (EAB)

RESOLVED

that Councillor Angela Gunning be elected as Chairman for this meeting.

2 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

Apologies for absence were received from Councillors Paul Abbey, Andrew Gomm, Liz Hogger, Gordon Jackson and Steven Lee. Councillor Tony Rooth was present as a substitute for Councillor Paul Abbey.

3 LOCAL CODE OF CONDUCT AND DECLARATION OF DISCLOSABLE PECUNIARY INTERESTS

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

4 MINUTES

The minutes of the meeting of the Joint EAB held on 10 January 2019 were confirmed as a correct record, and signed by the Chairman.

5 BUSINESS PLANNING - GENERAL FUND OUTLINE BUDGET 2020-21

The Director of Finance presented a report in respect of the General Fund outline budget 2020-21. The presentation set out the Borough-wide policies and strategies that were incorporated into the Corporate Plan and informed the Council's business planning, described the service and financial planning process, and highlighted factors which shaped the General Fund Revenue budget. The report outlined the current position relating to the 2020-21 outline budget and invited the Executive to note the position. The Board's comments would be circulated as an addendum to the report as it had already been published. The Joint EAB Budget Task Group had also considered the outline budget at its meeting held on 8 November 2019.

Section four of the report set out the budget parameters which included the assumptions that had been utilised to prepare the outline budget for 2020-21 and projections for the following three years.

The report explained that the Council had included government funding at a level based on the information contained in the 2020-21 local government technical consultation document issued on 3 October 2019, however, the amount of grant would not be known for certain until the Government released the provisional local government finance settlement which the Ministry of Housing, Communities and Local Government had provisionally indicated would be in December 2019. The Fair Funding Review and implementation of the 75% business rate retention scheme, which would result in major changes to the local government funding system, had also been delayed. A £5 (3.0%) increase in Council Tax was assumed. The draft Council Tax base was 57,645.76, which was 1.5% higher than in 2019-20 and had increased the resources available by approximately £146,100. There would be changes to the New Homes Bonus (NHB) reserve.

Section 7 set out the proposed Council Tax reduction pilot scheme for Surrey County Council care leavers for 2020-21.

Section 10 covered the present position of the 2020-21 outline budget, which currently showed a shortfall between the likely resources and the proposed net expenditure of £820,760. The use of reserves for specific projects, namely, Future Guildford, the Town Centre Masterplan, Midleton Industrial Estate redevelopment, works to car parks and investment property voids were proposed.

The growth bids and savings outlined in Section 11 featured growth bids totalling £828,000 and Future Guildford savings of £2.5 million which were both included in the 2020-21 budget. Future Guildford savings were expected to increase to £5.5 million by 2023-24 and there was a further sum of £3.8 million of Future Guildford savings still to be assessed.

The outline budget was the base budget for services based on last year's budget uplifted for inflation factors and other minor movements. The base budget was reviewed for comparison to last year actuals and reduced where possible. The major reasons for movements between 2019-20 and 2020-21 were set out in the report and the variances at service level were shown in Appendix 2. Revenue growth bids received for 2020-21 were set out in section 10.11 and included in the outline budget, however, some capital bids may also have revenue implications attached to them. These would be considered as part of the capital and investment strategy report in January 2020, together with a schedule of proposed fees and charges for 2020-21.

As it was early in the budget process, the report also identified the areas of uncertainty that may influence the final position.

The financial monitoring report for the first six months of 2019-20 was reported to the Corporate Governance and Standards Committee on 19 November 2019. The projected net expenditure on the General Fund for the current financial year was estimated to be £0.57 million more than the original estimate. One of the factors contributing to the forecasted position in 2019-20 was the costs incurred in respect of planning appeals. The report requested the approval of a supplementary estimate to cover these costs and a supplementary estimate to cover the costs of enforcement action at Stoney Castle, Pirbright.

Although there was currently a budget deficit of £828,760 for 2020-21 and a medium term budget gap of £3.3 million, the £3.8 million of unassessed future Guildford savings would assist and it was expected that the budget could be balanced in the medium term.

The report recommended the Executive to approve the budget assumptions used in the preparation of the 2020-21 outline budget and three year forward projections, approve a supplementary estimate of £125,000 to cover the forecasted budget shortfall in respect of planning appeal fees, approve a supplementary estimate of £120,000 to cover enforcement costs at Stoney Castle, Pirbright, note the current position on the outline budget for 2020-21, support the proposal to use the Council's various earmarked reserves for specific projects as set out in section 9 of the report and approve the pilot 100% Council Tax reduction for Surrey County Council care leavers for 2020-21 only. The reason for the recommendations was to assist the Executive in the preparation of the General Fund estimates for 2020-21.

The following points arose from related questions and discussion:

- In response to a Councillor's expressed wish for the NHB reserve to be directed primarily towards funding housing delivery, the Board was advised that the proposed Town Centre Masterplan included provision for housing delivery and that a policy agreed by the Council in 2016 specified the use of the NHB reserve for new housing and a range of other initiatives.
- A councillor suggested that the Democratic Services staffing resource should be increased in order to meet the support demands of the many new and inexperienced councillors. Although this was unlikely at present given the current budget deficit and staff reductions as part of the Future Guildford programme, the matter could be discussed by relevant Lead Councillors.
- In response to a suggestion that planting schemes be included in the budget, the Board was advised that such initiatives may emerge from the Climate Change and Innovation Board and that higher level schemes would take priority.
- Options for the future use of an empty investment property would be considered by the Executive at its meeting on 26 November 2019.
- The Joint EAB Task Group had indicated its support for the proposed budget growth bids and related queries had been referred to service managers for clarification and response. It was queried whether climate change proposals were sufficiently ambitious.
- The Council was collaborating with neighbouring local authorities and the Forestry Commission with a view to minimising the risk from the Oak Processionary Moth.

In conclusion, the EAB noted the current 2020-21 outline budget position and indicated its support for the recommendations to the Executive contained within the report.

6 GUILDFORD PUBLIC REALM IMPROVEMENT PROJECT - PROGRESS REPORT

A report updating the Executive in relation to the public realm improvement work undertaken to date and seeking its view on the preferred option for officers to pursue was before the Board for consideration.

A supporting presentation was given by the Project Manager which gave the background to the project and explained the partnership approach; achievements to date; the focus area of the study; consultation; results of the online survey; highway issues; options to improve Chapel Street, Castle Street east and west, and Swan Lane; place-making and information; existing bollards and barriers; proposed pedestrian safety gates; costed options comparison; programme based on option 1; risk and issues; and next steps.

At its meeting on 8 April 2019, the Executive had agreed to proceed with a public engagement exercise for Guildford town centre public realm improvements from which high-level feasibility design options were developed. This report considered the outcome of this work and detailed the two available options. The scheme focused on delivering public realm improvements to Chapel Street, Castle Street, Swan Lane, to pedestrian safety by upgrading existing facilities and introducing new vehicle restrictions to the High Street, and to signage and wayfinding to better connect the historic town centre and promote businesses and the cultural offer of Guildford.

The total budget available was £1.3 million which comprised £1.248 million approved capital budget, £49,300 of revenue budget and a £10,000 contribution from Experience Guildford. Swan Lane was brought within the scope due to the offer of a financial contribution from a group of Swan Lane landlords.

The Council's principal design consultants had developed a range of costed options, based on a feasibility study and informed by the consultation with residents, businesses, visitors, councillors and council officers. The two options presented consisted of a core scheme (option 1) that included Chapel Street, Castle Street and Swan Lane and addressed the core elements of road surface treatments, street lighting, traffic control interventions but excluded architectural lighting, signage and wayfinding enhancements and could be delivered within budget at a cost of £1.3 million. The second option was an enhanced scheme which would significantly improve the 'look and feel' of the public realm through integration of architectural lighting, street furniture, wayfinding, signage and a major transformation of Tunsgate junction with a large raised table that replicated the lost historic 'square'. This option would cost £1.67 million, requiring additional funding of £367,000 through a virement from the capital contingency fund. Officers proposed that the full capital cost of the project was funded from the New Homes Bonus (NHB) reserve, in line with the NHB policy approved by Council in February 2016. Funding the scheme from the NHB reserve would mitigate any on-going borrowing costs on the Council's general fund revenue account from this scheme. It was noted that both costed options included pedestrian safety barriers for the High Street including a new gated access for the west end of the High Street.

The report recommended that the Executive agreed that officers proceed with the detailed designs and construction relating to option 2, that up to £367,000 be vired from the Capital Contingency Fund and that the full capital cost of option 2 be funded from the Council's NHB Reserve. The reason for the recommendations was to support the Council's strategic priority of increasing Guildford town centre's economic success, increasing accessibility and improving links between the High Street and Cultural Quarter.

Arising from related discussion and questions, the following points were made:

- Depictions of the improvement options, including the proposed bollards, in visual format were welcomed.
- The inclusion of Swan Lane in any options was welcomed and it was felt that the proposed treatment of Chapel and Castle Streets was positive.
- A safety audit of all scheme options would be undertaken and cobbles would be reused where possible.
- In response to a suggestion that Surrey County Council as local highway authority should make a financial contribution towards the improvement work, the Board was advised that this was unlikely as the standard of the proposal was significantly higher than general maintenance work for which the County Council was statutorily responsible. However, the County Council may provide some stone paving setts.
- In addition to the three improvement funding options of use of the NHB reserve, retained business rates or borrowing, use of crowdfunding was suggested and the

Board was advised that consideration was currently being given to the establishment of a wider Council crowdfunding platform.

- Market testing had taken place prior to the appointment of consultants and the costs reflected the complex nature of the works above and below ground and the need for contingencies.
- Concerns in relation to costs, particularly in relation to the Castle Street Square raised table, and highway safety, mainly associated with traffic speed and loss of traffic islands, and the severity of the proposed gates were raised. The use of traffic calming measures was suggested as one solution. Although the highway authority did not hold any speed data for the Castle Street junction, it had reviewed it with a view to solving traffic issues and had approved the design for the corner in Castle Street. A traffic regulation order could be pursued at the detailed design stage.
- It was noted that the plan on page 59 of the agenda depicted the gate opening in the wrong direction.
- The consultation exercise in relation to the improvement project was appreciated and it was noted that further consultation would take place once firmer proposals had been agreed by the Executive.
- Some planting was included in the options and consideration could be given to supplementing this.
- Accessibility should take account of older and vulnerable people.
- Measures, such as public artwork, to improve the appearance of buildings in Swan Lane were welcomed.
- Consistency in street furniture design to reflect the historic nature of the High Street Conservation Area would be pursued.
- Measures to mitigate the impact of restaurant delivery vehicles in part of Castle Street were being discussed. It was noted that there was a trend of moving towards centralised multi-brand out of town kitchens which would resolve this issue.

Having indicated its support for option 2 of the improvement project, the Board agreed that the recommendations to the Executive contained in the report should be modified to read as follows to address its views and concerns:

That the Executive:

1. Approves option 2 and agrees to progress to detailed design and construction.
2. Approves for officers to proceed with the detailed designs for the preferred option.
3. Approves that the full capital cost of the preferred option is funded from the Council's New Homes Bonus Reserve, subject to recommendation 4.
4. Explores further funding options for the improvement project.
5. Gives further consideration to road layout and design at the junction of South Hill, Sydenham Road and Castle Street to reduce traffic speeds and ease crossing by pedestrians.

The meeting finished at 9:00 pm

Signed ……………………………………. Date …………………………………
Chairman

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Corporate Governance and Standards Report

Ward(s) affected: All

Report of Resources Director

Author: Vicky Worsfold

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Lead Councillor responsible: Joss Bigmore

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Date: 9 January 2020

Capital and Investment Strategy 2020-21 to 2024-25

Executive Summary

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

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

Capital programme

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 £290 million. Officers have put forward bids, with a net cost to the Council of £48.1 million, increasing the underlying need to borrow to £338 million should these proposals be approved for inclusion in the programme.

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

All projects will be funded by general fund capital receipts, grants and contributions, reserves and finally borrowing. We do not currently know how each scheme will be funded and, in the

case of development projects, what the delivery model will be – this report, shows a high-level position. To ensure the Council demonstrates that its capital expenditure plans are affordable, sustainable and prudent, we set Prudential Indicators that must be monitored each year (shown in **Appendix 1**).

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

Appendix 2 contains a summary of the new bids submitted, **Appendices 3 to 7** show the position and profiling of the current capital programme (2019-20 to 2023-24) and **Appendix 8** the capital vision schemes.

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.

Treasury Management

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

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

The budget for investment income in 2020-21 is £1.684 million, based on an average investment portfolio of £79.8 million, at an average rate of 2.18%. The budget for debt interest paid is £5.656 million, of which £5.06 million relates to the HRA.

Non-financial investments and investment strategy

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

The Council has £161.244 million of investment property on its balance sheet, generating a return of £9 million and a current yield of 6.3%.

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 has invested £12.251 million in our housing company – North Downs Housing

(NDH). This is via 40% equity to Guildford Holdings Limited (£4.903 million) (who in turn pass the equity to NDH) and 60% loan direct to NDH (£7.348 million) at a rate of base plus 5% (currently 5.75%). The loan is a repayment loan in line with the NDH business.

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

Recommendation to Executive

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

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

   - Sutherland memorial park ph 1 Calorifier replacement
   - Sutherland memorial park main pavilion amenity club
   - Sutherland memorial park cricket pavilion

   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:

   - Investment property acquisition
   - Ph4 public realm scheme
   - New house
   - Energy & c02 reduction in non-HRA properties
   - Capital contingency fund

   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:

   - LED lighting
   - Car Parks Maintenance Reserve
   - Air Source heat pump at Citizens Advice Bureau

   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 4.32 in **Appendix 1**

6) That scheme ref ED38(p) relating to the North Street Development be deleted from the provisional capital programme and any further scheme will be subject to a new

business case.

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 2019, 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 2020-21 to 2024-25
- To enable the Council, at its budget meeting on 26 February 2019, to approve the funding required for the new capital investment proposals

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.

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.

Background

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

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

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

3.4 We must put aside resources where the Council finances capital expenditure by borrowing (internal or external), to repay that debt in later years. This code is charged to the revenue account annually and is known as Minimum Revenue Provision (MRP). The annual MRP statement for 2020-21 is included in section 5 of this report. There is not an earmarked reserve for MRP, it is represented in the balance sheet as increased cash.

3.5 The Council invests its money for three broad purposes:

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

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

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

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

Capital Expenditure and Financing

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

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

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

Current capital programme (appendices x to x)

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

[1] The revised estimates for 2019-20 is the original estimate approved by Council in February 2018, plus any unspent approved expenditure from 2018-19, now planned for 2019-20, plus any amendments or additions to schemes approved during the financial year.

4.5 The actual financing[2] 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.

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

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

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

New capital schemes

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

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

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

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

4.13 The Council has a current underlying need to borrow for the GF capital programme of £290 million. Officers have put forward schemes with a net cost to the Council of £48.1 million, increasing the underlying need to borrow to £338 million, should these proposals be approved for inclusion in the programme.

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

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

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

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

Prudential Indicators

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

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

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

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

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

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

Estimates of capital expenditure

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

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

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

CAPITAL EXPENDITURE SUMMARY	**2019-20 Approved £000**	**2019-20 Outturn £000**	**2019-20 Variance £000**	**2020-21 Estimate £000**	**2021-22 Estimate £000**	**2022-23 Estimate £000**	**2023-24 Estimate £000**	**2024-25 Estimate £000**
General Fund Capital Expenditure								
- Main Programme	62,504	59,875	(2,629)	41,568	14,282	5,825	5,825	5,825
- Provisional schemes	17,476	2,262	(15,214)	102,867	64,072	87,335	5,162	0
- Schemes funded by reserves	6,769	6,730	(39)	3,365	1,500	500	0	0
- S106 Projects	36	150	114	0	0	0	0	0
Total Expenditure	**86,785**	**69,017**	**(17,768)**	**147,800**	**79,854**	**93,660**	**10,987**	**5,825**
Financed by :								
Capital Receipts	0	(2,031)	(2,031)	0	(4,000)	(11,200)	(10,987)	(5,825)
Capital Grants/Contributions	(19,681)	(7,554)	12,127	(41,368)	(7,550)	(5,500)	0	0
Capital Reserves/Revenue	(20,509)	(16,486)	4,023	(3,585)	(1,720)	(720)	0	0
Borrowing	(46,595)	(42,946)	3,649	(102,847)	(66,584)	(76,240)	0	0
Financing - Totals	**(86,785)**	**(69,017)**	**17,768**	**(147,800)**	**(79,854)**	**(93,660)**	**(10,987)**	**(5,825)**
Housing Revenue Account Capital Expenditure								
- Main Programme	8,567	11,739	3,172	5,758	5,525	4,025	4,075	1,400
- Provisional schemes	406	1,106	700	18,032	24,637	11,167	9,575	5,575
Total Expenditure	**8,973**	**12,845**	**3,872**	**23,790**	**30,162**	**15,192**	**13,650**	**6,975**
Financed by :								
- Capital Receipts	(1,404)	(2,240)	(836)	(5,745)	(7,656)	(3,165)	(400)	(700)
- Capital Reserves/Revenue	(7,569)	(10,605)	(3,037)	(8,046)	(12,506)	(2,027)	(3,250)	3,725
- Borrowing	0	0	0	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
Financing - Totals	**(8,973)**	**(12,845)**	**(3,872)**	**(23,790)**	**(30,162)**	**(15,192)**	**(13,650)**	**(6,975)**

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

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

Estimates of CFR and Gross Debt as shown against the CFR

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

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

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

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

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

Guildford BC Balance Sheet Summary and Projections in £'000 - last updated 27 Nov 2019							
31st March:	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Loans Capital Financing Req.	294,706	337,488	424,133	500,960	598,660	676,771	776,585
Less: External Borrowing	(212,702)	(192,665)	(192,435)	(147,435)	(147,435)	(137,435)	(127,435)
Internal (Over) Borrowing	**82,004**	**144,823**	**231,698**	**353,525**	**451,225**	**539,336**	**649,150**
Less: Usable Reserves	(164,974)	(168,628)	(176,489)	(186,701)	(199,100)	(213,116)	(227,032)
Less: Working Capital Surplus	(12,361)	(12,361)	(12,361)	(12,361)	(12,361)	(12,361)	(12,485)
(Investments) / New Borrowing	**(95,331)**	**(36,166)**	**42,848**	**154,463**	**239,764**	**313,859**	**409,634**
Net Borrowing Requirement	117,371	156,499	235,283	301,898	387,199	451,294	537,069
Preferred Year-end Position	45,000	45,000	45,000	45,000	45,000	45,000	45,450
Liability Benchmark (year-end)	**162,371**	**201,499**	**280,283**	**346,898**	**432,199**	**496,294**	**582,519**
Peak to Trough Cash Flow	(7,388)	(7,462)	(7,536)	(7,612)	(7,688)	(7,765)	(7,842)
Liability Benchmark (mid-year)	**154,983**	**194,038**	**272,747**	**339,286**	**424,511**	**488,530**	**574,677**

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

General Fund - Summary and Projections in £000							
31st March:	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
GF Loans CFR	97,682	130,464	207,109	273,936	361,636	439,747	539,561
GF Reserves	(48,750)	(49,208)	(48,979)	(49,108)	(47,988)	(47,181)	(47,214)
GF Working Capital	(12,361)	(12,361)	(12,361)	(12,361)	(12,361)	(12,361)	(12,485)
GF Borrowing	(19,807)	0	0	0	0	0	0
GF Cash Balance	**16,764**	**68,895**	**145,769**	**212,467**	**301,287**	**380,205**	**479,863**

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

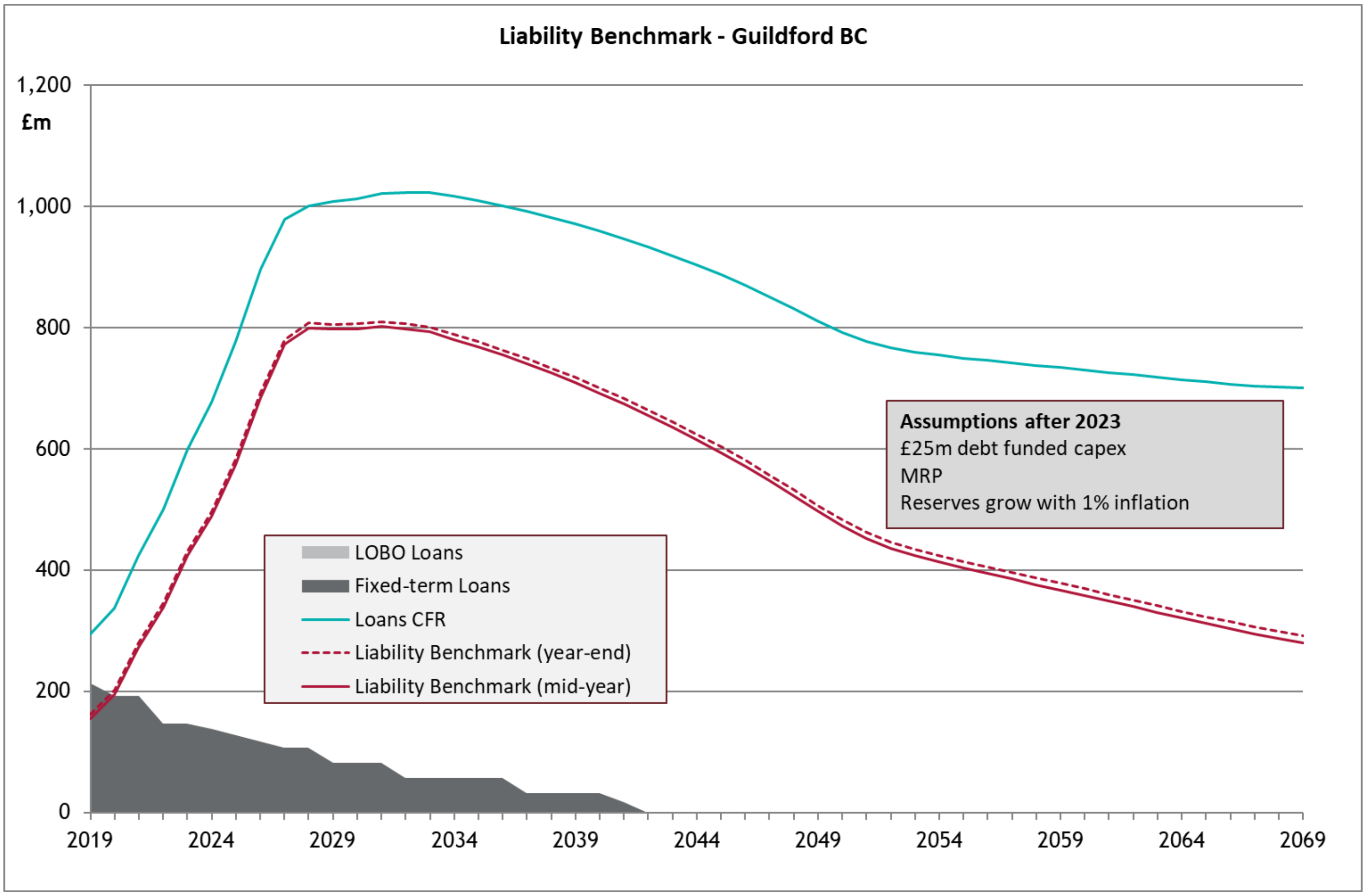
4.33 The GF CFR is forecast to increase by £409 million over the period, as capital expenditure financed by borrowing is greater than resources put aside for debt repayment.

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

4.35 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.

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

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



4.38 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

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

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

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

4.42 The authorised limit gives headroom for significant cash-flow movements. We are required to set a limit for other long-term liabilities, for example finance leases. We have included £26 million for items that can be classed as a finance lease, particularly with the introduction of IFRS16[3] in April 2020.

Minimum Revenue Provision (MRP)

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

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

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

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

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

5.6 Based on the Council’s estimate of its CFR on 31 March 2020, and unfinanced capital expenditure in 2019-20 of £44 million, the budget for MRP for 2020-21 and future years is:

2020-21	£1.639 million
2021-22	£1.593 million
2022-23	£2.470 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.

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

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

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

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

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

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

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

Treasury Management

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

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

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

6.4 Due to past decisions, the Council currently has £193 million long-term borrowing (all related to the HRA) at an average rate of 3.20% and an investment portfolio of £105 million at an average rate of 1.73%.

Borrowing strategy

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

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

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

Investment strategy

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

6.9 The contribution that treasury management investments make to the objectives of the Council is to support effective treasury management activities. Interest receipts of the council are budgeted to be £1.68 million in 2020-21.

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

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

Asset management / non-financial investments

Property asset management

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

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

Investments for service purposes

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

7.3 Opportunities on service investments are initiated by the relevant service leader and any decisions are made by the Director of 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 will be shown net of this loss allowance. However, the Council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

7.6 The Council invests and has purchased shares in Guildford Holdings Company (40% equity shares then transferred into North Downs Housing). A small amount has been used to purchase shares in the Guildford Credit Union (BOOM) and the Broadband for Surrey Hills (B4SH). The projected future investment in the

Council's companies are detailed in the capital programme. It is not expected to increase exposure to BOOM or B4SH.

Other non-treasury investments

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

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

7.9 Investment property is valued at £161.244 million as per the 2018-19 Statement of Accounts, with rent receipts of £8.9 million.

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

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

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

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

7.14 In accordance with the Council's Constitution, the Director of 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. Where there isn't an approved budget in the capital programme, committee approval will be sought in line with the financial regulations.

7.15 A bid has been submitted which a fund of £40 million be set up to invest in property in order to increase the rental income stream for the Council and to stimulate and encourage business growth and sustainable development by investing in key strategic sites. To enable this, officers have also proposed a new property investment strategy.

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

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

Liabilities

7.18 On the face of the Council's balance sheet, there is £90.217 million of other long-term liabilities which relates to the pension fund liability.

7.19 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 2019-20 statement of accounts.

7.20 We have also set aside £2.8 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.

7.21 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 2018-19 Statement of Accounts.

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

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

Proportionality

7.24 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.

	2018-19 Actual £000	2019-20 Outturn £000	2020-21 Budget £000	2021-22 Budget £000	2022-23 Budget £000	2023-24 Budget
Gross Service Expenditure	111,763	113,426	111,923	103,101	104,447	105,863
Investment property income	8,903	9,052	7,665	7,664	7,692	7,692
Treasury management income	1,985	1,920	1,685	1,547	1,564	1,797
Investment income %	10%	10%	8%	9%	9%	9%

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.

Knowledge and skills

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

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

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

Risks

9.1 Officers submit bids with a proposed timeframe for the project to be completed. This is put into the capital programme and feeds into the liability benchmark (to determine where we may need to borrow – at a high

level), cash flow forecasts (projecting investment income and possible borrowing costs feeding into the medium-term financial strategy) and the MRP projections (again, feeding into the medium-term financial strategy).

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

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

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

Treasury management risks

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

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

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

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

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

Risks relating to non-financial assets

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

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

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

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

Consultations

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

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

Financial Implications

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

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

	2019-20 Approved	**2019-20 Outturn**	**2020-21 Estimate**	**2021-22 Estimate**	**2022-23 Estimate**	**2023-24 Estimate**	**2024-25 Estimate**
General Fund	6.47%	0.60%	8.07%	24.80%	33.03%	61.78%	67.70%
HRA	30.13%	31.46%	31.03%	31.29%	30.37%	30.35%	31.45%

11.3 The budget for treasury management investment income in 2020-21 is £1.68 million, based on an average investment portfolio of £78.9 million, at a weighted average rate of 2.18%. The budget for debt interest paid is £5.65 million, of which £5.058 million relates to the HRA. If actual levels of investments and borrowing, and actual interest rates differ from that forecast, performance against budget will be correspondingly different.

11.4 Income from investment property is estimated to be £7.664 million in 2020-21.

11.5 The MRP budget is £1.639 million in 2020-21

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

Risk indicators

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

Total risk exposure

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

Total Investment Exposure	2018-19 Actual £000	2019-20 Forecast £000	2020-21 Forecast £000
Treasury management investments	95,628	105,165	78,906
Service investments: Loans	4,619	8,998	13,498
Service investments: Shares	3,183	6,103	9,103
Investment property	161,244	148,244	148,244
Total Investments	**264,674**	**268,510**	**249,751**

How investments are funded

11.9 Government guidance is that we should show how these investments are funded. Since the Council does not normally associate particular assets with particular liabilities, this is difficult to comply with. However, 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.

11.10 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

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

Investments net rate of return	2018-19 Actual £000	2019-20 Forecast £000	2020-21 Forecast £000
Treasury management investments	1.38%	1.42%	1.14%
Service investments: Loans	5.75%	5.75%	5.75%
Service investments: Shares	0.00%	0.00%	0.00%
Investment property	6.30%	5.50%	5.50%

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

12. Legal Implications

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

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

13. Human Resource Implications

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

14. Equality and Diversity Implications

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

15. Climate Change/Sustainability Implications

15.1 There are no specific implications as a result of the report, however, capital bids have been made for some schemes relating to reducing carbon.

16. Executive Advisory Board comments

16.1 Bids were reviewed by the JEABBTG and their comments are:

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 £338 million by 31 March 2025.

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

19. Background Papers

None

20. Appendices

Appendix 1: Detailed capital and investment strategy
Appendix 2: Schedule of new GF capital bids for 2020-21 to 2024-25
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

Service	***Sign off date***
Finance / S.151 Officer	
Legal / Governance	

Please ensure the following service areas have signed off your report. Please complete this box and do not delete.

HR	
Equalities	
Lead Councillor	
CMT	
Committee Services	

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Capital, Treasury and Investment Strategy - detail

1. Introduction

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

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

1.3 Capital expenditure is defined as:

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

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

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

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

1.7 The CIPFA definition of treasury management is:

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

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

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

1.10 An authority invests its money for three broad purposes:

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

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

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

<u>Capital expenditure</u>

- 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

<u>Debt and borrowing and treasury management</u>

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

<u>Commercial activity</u>

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

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

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

<u>Knowledge and skills</u>

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

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 2020-21.

2.2 UK Consumer Price Inflation (CPI) for September is currently 1.7% year on year. The most recent labour market data for the three months to August 2019 showed the unemployment rate went back up to 3.9% while the employment rate was 75.9%, just below recent record-breaking highs. The headline 3-month average annual growth rate for pay was 3.8% in August as wages continue to rise steadily. In real terms, after adjusting for inflation, pay growth increased 1.9%.

2.3 GDP growth rose by 0.3% in the third quarter of 2019 from -0.2% in the previous three months with the annual rate falling further below its trend rate to 1.0% from 1.2%. Services and construction added positively to growth, by 0.6% and 0.4% respectively, while production was flat and agriculture recorded a fall of 0.2%. Looking ahead, the Bank of England's Monetary Policy Report (formerly the Quarterly Inflation Report) forecasts economic growth to pick up during 2020 as Brexit-related uncertainties dissipate and provide a boost to business investment helping GDP reach 1.6% in Q4 2020, 1.8% in Q4 2021 and 2.1% in Q4 2022.

2.4 The Bank of England maintained Bank Rate to 0.75% in November following a 7-2 vote by the Monetary Policy Committee (MPC). Despite keeping rates on hold, MPC members did confirm that if Brexit uncertainty drags on or global growth fails to recover, they are prepared to cut interest rates as required. Moreover, the downward revisions to some of the growth projections in the Monetary Policy Report suggest the Committee may now be less convinced of the need to increase rates even if there is a Brexit deal.

2.5 Growth in Europe remains soft, driven by a weakening German economy which saw GDP fall -0.1% in Q2 and is expected to slip into a technical recession in Q3. Euro zone inflation was 0.8% year on year in September, well below the European Central Bank's target of 'below, but close to 2%' and leading to the central bank holding its main interest rate at 0% while cutting the deposit facility rate to -0.5%. In addition to maintaining interest rates at ultra-low levels, the ECB announced it would recommence its quantitative easing programme from November.

2.6 In the US, the Federal Reserve began easing monetary policy again in 2019 as a pre-emptive strike against slowing global and US economic growth on the back on of the ongoing trade war with China. At its last meeting the Fed cut rates to the range of 1.50%-1.75% and financial markets expect further loosening of monetary policy in 2020. US GDP growth slowed to 1.9% annualised in Q3 from 2.0% in Q2

Credit outlook

2.7 Credit conditions for larger UK banks have remained relatively benign over the past year. The UK's departure from the European Union was delayed three times in 2019 and while there remains some concern over a global economic slowdown, this has yet to manifest in any credit issues for banks. Meanwhile, the post financial crisis banking reform is now largely complete, with the new ringfenced banks embedded in the market.

2.8 Challenger banks hit the news headlines in 2019 with Metro Bank and TSB Bank both suffering adverse publicity and falling customer numbers.

2.9 Looking forward, the potential for a "no-deal" Brexit and/or a global recession remain the major risks facing banks and building societies in 2020-21 and a cautious approach to bank deposits remains advisable.

Interest rate forecast

2.10 Arlingclose forecast the bank rate will remain at 0.75% until the end of 2022. The risks of this forecast is weighted to the downside.

2.11 The MPC has said it is unlikely to raise rates, even if Brexit deal is agreed.

2.12 Gilt yields have risen but remain at low levels, and Arlingclose are forecasting a very modest upward movement from current levels. The central case forecast is for 10- and 20-year gilts to rise by 1% and 1.4% respectively, however volatility in the short term is expected.

3. Balance sheet and treasury position

Balance Sheet

3.1 The Council has a strong asset backed balance sheet

Item	Balance at 31 Mar 18			Balance at 31 Mar 19		
	£000	£000		£000	£000	
Long-term Assets	893,702			937,854		
Short-term assets	27,189			36,107		
		920,891	88%		973,961	92%
Long-term investments	34,335			45,100		
Short-term investments	94,075			42,508		
		128,410	12%		87,608	8%
Total assets		**1,049,301**			**1,061,569**	
Current liabilities	(29,796)			(37,975)		
Long-term liabilities	(90,217)			(115,983)		
		(120,013)	33%		(153,958)	42%
Short-term borrowing	(48,965)			(20,337)		
Long-term borrowing	(192,895)			(192,665)		
		(241,860)	67%		(213,002)	58%
Total liabilities		**(361,873)**			**(366,960)**	
Net assets		**687,428**			**694,609**	

3.2 The summary balance sheet shows that cash investments make up only 8% of the Councils assets. Investment property makes up 17% of the long-term assets (being £161.244 million). The largest proportion of our liabilities is long-term borrowing, which is all HRA debt.

Financial Stability/Sustainability

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

	2018-19 Actual (£000)	2019-20 Estimate (£000)	2019-20 Outturn (£000)	2020-21 Estimate (£000)	2021-22 Estimate (£000)	2022-23 Estimate (£000)	2023-24 Estimate (£000)
Total debts	366,960	413,555	408,174	513,197	575,236	651,476	651,476
Total assets	1,061,569	1,157,327	1,145,799	1,319,566	1,425,037	1,533,889	1,558,526
Debt Ratio %	35%	36%	36%	39%	40%	42%	42%

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

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

Local indicators

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

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

3.7 Suggested MHCLG local indicators are:

Indicator	Description
Debt to net service expenditure (NSE) ratio	Gross debt as a percentage of net service expenditure
Commercial income to NSE ratio	Dependence on non-fees and charges income to deliver core services. Fees and Charges are to be netted off gross service expenditure to calculate the NSE
Investment cover ratio	The total net income from property investments, compared to the interest expense
Loan to value ratio	The amount of debt compared to the total asset value
Target income returns	Net revenue income compared to equity. This is a measure of

	achievement of the portfolio of properties
Indicator	**Description**
Benchmarking of returns	As a measure against other investments and against other Councils' property portfolios
Gross and net income	The income received from the investment portfolio at a gross level and net level (less costs) over time
Operating costs	The trend in operating costs of the non-financial investment portfolio over time, as the portfolio of non-investments expands
Vacancy levels and tenant exposures for non-financial investments	Monitoring vacancy levels (voids) ensure the property portfolio is being managed (including marketing and tenant relations) to ensure the portfolio is as productive as possible

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

Treasury position

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

	March 19 Actual £'000	**Nov 19 position £'000**
Investments		
Managed in-house		
Call Accounts	0	0
Notice Accounts - UK	8,000	8,000
Money Market Funds	13,229	17,332
Temporary Fixed Deposits	6,000	15,000
Long term Fixed Deposits	27,500	27,500
Certificates of Deposit	0	0
Unsecured bonds	2,300	0
Covered Bonds	18,850	15,850
Revolving credit facility	7,500	5,000
Total investments managed in-house	**83,379**	**88,682**
Pooled Funds		
Total pooled funds investments	**11,829**	**16,214**
Total Investments	**95,209**	**104,896**
Borrowing		
Temporary borrowing	20,000	45,000
Long-term borrowing (PWLB)	193,010	193,010
Long-term borrowing (LAs)	0	0
Total borrowing	**213,010**	**238,010**
Net investments / (borrowing)	**(117,801)**	**(133,114)**

3.10 The table shows the position at the start of the financial year (included in the balance sheet), and the position at the end of November 2019 (the latest position).

3.11 Investment balances are slightly higher lower, due to more temporary borrowing. The net borrowing position has increased since March 2019 by £15.5 million because there is a net increase in external borrowing as a result of expenditure on the capital programme.

4. Capital expenditure

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

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

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

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

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

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

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

4.6 Type (b) ‘<u>development schemes for non-financial reasons</u>’ are required to provide regeneration in the borough to support economic growth in the borough.

4.7 Type (c) ‘<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.

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

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

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

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

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

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

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

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

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

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

4.17 Capital expenditure is split between the General Fund (GF) (incorporating non-HRA housing) and HRA housing. This strategy focusses on the GF capital programme.

The HRA produces its 30-year business plan that is approved by Council in February each year, shown in a separate report.

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

CAPITAL EXPENDITURE SUMMARY	2019-20 Approved £000	2019-20 Outturn £000	2019-20 Variance £000	2020-21 Estimate £000	2021-22 Estimate £000	2022-23 Estimate £000	2023-24 Estimate £000	2024-25 Estimate £000
General Fund Capital Expenditure								
- Main Programme	62,504	59,875	(2,629)	41,568	14,282	5,825	5,825	5,825
- Provisional schemes	17,476	2,262	(15,214)	102,867	64,072	87,335	5,162	0
- Schemes funded by reserves	6,769	6,730	(39)	3,365	1,500	500	0	0
- S106 Projects	36	150	114	0	0	0	0	0
Total Expenditure	**86,785**	**69,017**	**(17,768)**	**147,800**	**79,854**	**93,660**	**10,987**	**5,825**
Financed by :								
Capital Receipts	0	(2,031)	(2,031)	0	(4,000)	(11,200)	(10,987)	(5,825)
Capital Grants/Contributions	(19,681)	(7,554)	12,127	(41,368)	(7,550)	(5,500)	0	0
Capital Reserves/Revenue	(20,509)	(16,486)	4,023	(3,585)	(1,720)	(720)	0	0
Borrowing	(46,595)	(42,946)	3,649	(102,847)	(66,584)	(76,240)	0	0
Financing - Totals	**(86,785)**	**(69,017)**	**17,768**	**(147,800)**	**(79,854)**	**(93,660)**	**(10,987)**	**(5,825)**
Housing Revenue Account Capital Expenditure								
- Main Programme	8,567	11,739	3,172	5,758	5,525	4,025	4,075	1,400
- Provisional schemes	406	1,106	700	18,032	24,637	11,167	9,575	5,575
Total Expenditure	**8,973**	**12,845**	**3,872**	**23,790**	**30,162**	**15,192**	**13,650**	**6,975**
Financed by :								
- Capital Receipts	(1,404)	(2,240)	(836)	(5,745)	(7,656)	(3,165)	(400)	(700)
- Capital Reserves/Revenue	(7,569)	(10,605)	(3,037)	(8,046)	(12,506)	(2,027)	(3,250)	3,725
- Borrowing	0	0	0	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
Financing - Totals	**(8,973)**	**(12,845)**	**(3,872)**	**(23,790)**	**(30,162)**	**(15,192)**	**(13,650)**	**(6,975)**

4.19 The programme has slipped in 2019-20 – estimated expenditure on the GF of £86.8 million, has been reduced to £69 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 Councils' Capital

Vision [1](see Appendix 8). This allows us to model the potential financial impact of these schemes, and be aware of schemes that are likely to be brought forward onto the GF capital programme in future, and start planning potential funding streams for those schemes.

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

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

4.27 Each project will require a business case, in line with guidance set out in the HM Treasury Green Book ('Green book'). 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 Councils' objectives. The criteria is as follows:

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

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

[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.

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:

	2020-21 Projection	2021-22 Projection	2022-23 Projection	2023-24 Projection	2024-25 Projection
Affordable increase in financing costs	288,229	195,737	202,000	209,012	216,163
Maximum limit on non-development capital schemes	7,205,720	4,893,428	5,049,997	5,225,298	5,404,063

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

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

5. Treasury management, borrowing and investment strategy

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

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

Capital Financing Requirement (CFR)

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

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

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

5.6 The liability benchmark assumes:

- an allowance for currently known capital expenditure, until 2023-24, and then an assumed level of £25 million per annum for general capital bids, plus anticipated capital programme and capital vision items where the costs and timings can be estimated

- MRP has been allowed for based on the underlying need to borrow for the GF capital programme until 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							
Balance Sheet Summary and Projections in £'000 - last updated 27 Nov 2019							
31st March:	2019	2020	2021	2022	2023	2024	2025
Loans Capital Financing Req.	294,706	337,488	424,133	500,960	598,660	676,771	776,585
Less: External Borrowing	(212,702)	(192,665)	(192,435)	(147,435)	(147,435)	(137,435)	(127,435)
Internal (Over) Borrowing	**82,004**	**144,823**	**231,698**	**353,525**	**451,225**	**539,336**	**649,150**
Less: Usable Reserves	(164,974)	(168,628)	(176,489)	(186,701)	(199,100)	(213,116)	(227,032)
Less: Working Capital Surplus	(12,361)	(12,361)	(12,361)	(12,361)	(12,361)	(12,361)	(12,485)
(Investments) / New Borrowing	**(95,331)**	**(36,166)**	**42,848**	**154,463**	**239,764**	**313,859**	**409,634**
Net Borrowing Requirement	117,371	156,499	235,283	301,898	387,199	451,294	537,069
Preferred Year-end Position	45,000	45,000	45,000	45,000	45,000	45,000	45,450
Liability Benchmark (year-end)	**162,371**	**201,499**	**280,283**	**346,898**	**432,199**	**496,294**	**582,519**
Peak to Trough Cash Flow	(7,388)	(7,462)	(7,536)	(7,612)	(7,688)	(7,765)	(7,842)
Liability Benchmark (mid-year)	**154,983**	**194,038**	**272,747**	**339,286**	**424,511**	**488,530**	**574,677**

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

General Fund - Summary and Projections in £000							
31st March:	2019	2020	2021	2022	2023	2024	2025
GF Loans CFR	97,682	130,464	207,109	273,936	361,636	439,747	539,561
GF Reserves	(48,750)	(49,208)	(48,979)	(49,108)	(47,988)	(47,181)	(47,214)
GF Working Capital	(12,361)	(12,361)	(12,361)	(12,361)	(12,361)	(12,361)	(12,485)
GF Borrowing	(19,807)	0	0	0	0	0	0
GF Cash Balance	**16,764**	**68,895**	**145,769**	**212,467**	**301,287**	**380,205**	**479,863**

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

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

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

5.10 The table shows our gross debt position against our CFR. This is one of the Prudential Indicators, and is a key indicator of prudence. This indicator aims to ensure that, over the medium-term, debt will only be for a capital purpose. We monitor this position and demonstrate prudence by ensuring that medium to long-term debt does not exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years (2019-20 to 2021-22). The liability benchmark is expected to increase to £777 million by March 2025.

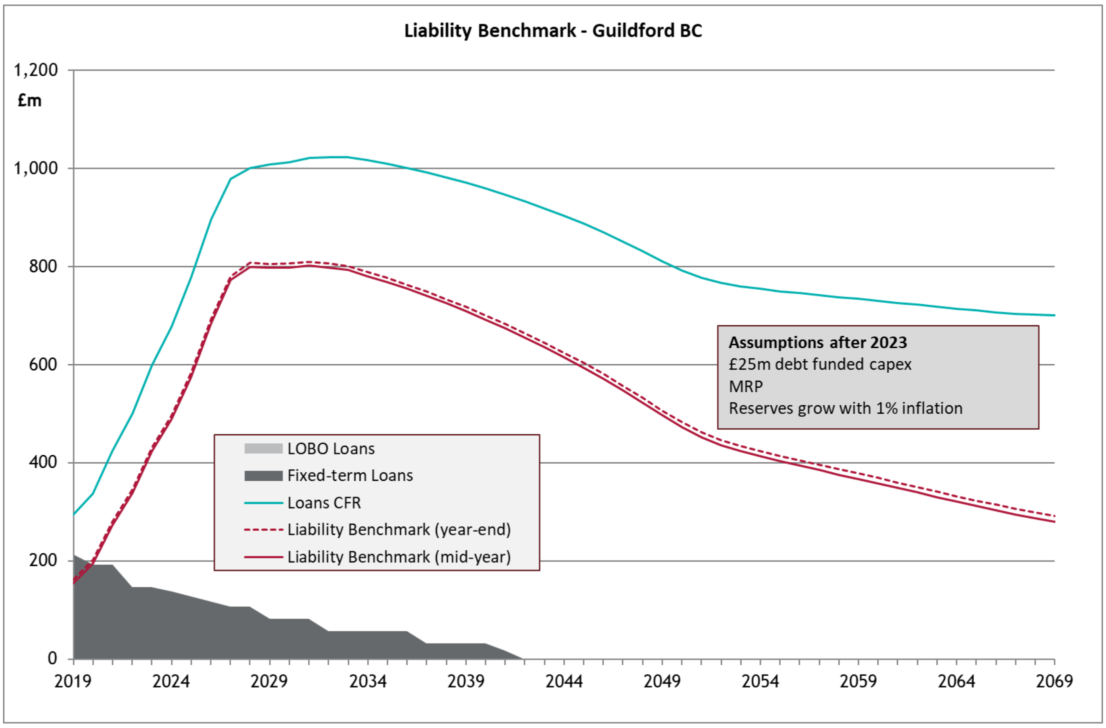
5.11 The Council has an increasing CFR due to the increasing need to borrow for the GF capital programme. The increase in estimated capital spend is more than the annual MRP. We are projecting the cash balance of the Council to reduce, whilst maintaining a good level of (core) reserves over the period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

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

5.13 GF reserves are projected to remain stable (our core cash). The CFR is increasing sharply due to the proposed capital programme. We are projecting a small need to borrow for the Council as a whole from 2020-21, 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 Councils' long term plans change is a secondary objective.

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

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

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

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

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

5.23 We will continue to monitor our internal borrowing position against the potential of incurring additional interest costs if we defer externalising borrowing into the future when long-term borrowing costs are forecast to rise modestly. Arlingclose will assist us with this 'cost of carry' and breakdown analysis in line with our capital spending plans. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2020-21 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 2020-21, 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 have previously borrowed our long-term HRA borrowing from the PWLB. But, the Government increased PWLB rates by 1% in October 2019, making it now a relatively expensive option. We will review all borrowing sources moving forwards and may explore the possibility of issuing bonds and similar instruments in order to lower interest costs and reduce over reliance on one source of funding, in line with the CIPFA Code.

5.28 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

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

- leasing
- hire purchase
- sale and leaseback

Municipal Bond Agency (MBA)

5.30 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 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 Councils' exposure to interest rate risk. Financial derivatives may be used to manage this interest rate risk (see below).

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 Councils' exposure to refinancing risk, in terms of loans being unavailable. The upper and lower limits of on the maturity structure of borrowing will be:

Maturity Structure of borrowing		
	2020-21	
	Lower	Upper
Under 12 months	0%	50.00%
1 year to 2 years	0%	50.00%
3 years to 5 years	0%	60.00%
6 years to 10 years	0%	75.00%
11 years and above	0%	100.00%

5.34 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 investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

5.37 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 2020-21, 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 2021-21. 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 The Council has had a review undertaken, and as such, linked to the profile of the capital programme, the optimum asset allocation is:

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

This will be reviewed annually.

5.41 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.

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

Counterparty limits

5.43 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 range	£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				

5.44 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.

5.45 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.

5.46 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.

5.47 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.

5.48 Banks unsecured: accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development 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.

5.49 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.

5.50 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.

5.51 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.

5.52 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.

5.53 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.

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

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

5.56 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.

5.57 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.

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

5.59 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

5.60 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

5.61 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.

5.62 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.

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

5.64 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 Councils' cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office or invested in government treasury bills for example or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

5.65 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 2020-21.
- <u>Liquidity</u>: we monitor our liquidity for a given financial year using an online cash-flow system. We project forward for the financial year, and enter all known cash transactions at the beginning of the financial year and then update the position on a daily basis. This forms the basis of our investment decisions in terms of duration and value of investments made. We have set £40 million as our minimum liquidity requirement. We also have a high-level cash flow projection over four years.

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

	2020-21 Approved	2021-22 Estimate	2022-23 Estimate	2023-24 Estimate
Upper limit for total principal sums invested for longer than a year	£50m	£50m	£40m	£30m

5.67 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.

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

Markets in Financial Instruments Derivative

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

Policy on apportioning interest to the HRA

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

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

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

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

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SCHEDULE OF GENERAL FUND CAPITAL BIDS 2020-21 TO 2024-25

Bid number	Project title	GROSS ESTIMATES 2020-21 £000	2021-22 £000	2022-23 £000	2023-24 £000	2024-25 £000	TOTAL COST £000	Third party contr £000	Specific reserves £000	General reserves/ borrowing £000
	General fund									
	Approved capital programme									
1	SMP Ph 1 Calorifier replacement	28	0	0	0	0	**28**	0	0	28
2	SMP Main pavilion amenity club	50	0	0	0	0	**50**	0	0	50
3	SMP cricket pavilion	120	0	0	0	0	**120**	0	0	120
	Provisional programme									
4	Investment property acquisition	20,000	10,000	10,000	0	0	**40,000**	0	0	40,000
5	Ph 4 Public Realm scheme	256	0	0	0	0	**256**	(10)	0	246
6	New House	416	0	0	0	0	**416**	0	0	416
7	Energy & C02 reduction in Council non HRA properties	268	500	500	500	500	**2,268**	0	0	2,268
	Capital Contingency fund (annual budget)	0	0	0	0	5,000	**5,000**	0	0	5,000
	Total	**21,137**	**10,500**	**10,500**	**500**	**5,500**	**48,137**	**(10)**	**0**	**48,127**
	For reserves programme (approved prog)									
8	LED lighting	44	0	0	0	0	**44**	0	(44)	0
9	Car Parks Maintenance reserve	575	0	0	0	0	**575**	0	(575)	0
10	ASHP CAB	0	28	0	0	0	**28**	0	(28)	0
	Total funded from reserves	**619**	**28**	**0**	**0**	**0**	**647**	**0**	**(647)**	**0**
	Gross total	**21,756**	**10,528**	**10,500**	**500**	**5,500**	**48,784**	**(10)**	**(647)**	**48,127**
	Funded by reserves or contributions	(629)	(28)	0	0	0	**(657)**			
	Cost to the Council	**21,127**	**10,500**	**10,500**	**500**	**5,500**	**48,127**			
	Already in programme	0	0	0	0	0	**0**			
	Net addition to the programme	**21,127**	**10,500**	**10,500**	**500**	**5,500**	**48,127**			
						48,127				

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GENERAL FUND CAPITAL PROGRAMME - ESTIMATED EXPENDITURE 2019-20 to 2024-25

Ref	Directorate/Service and Capital Scheme name	Approved gross estimate (a) £000	Cumulative spend at 31-03-19 (b) £000	2019-20 Estimate approved by Council in February (c) £000	Rolled over (d) (i) £000	Supplementary Ests (d) (ii) £000	Virements (d) (ii) £000	Revised estimate (d) £000	Expenditure at 02.12.2019 (e) £000	Projected exp est by project officer (f) £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	2024-25 Est for year (v) £000	Future years est exp (g) £000	Projected expenditure total (b)+(g) = (h) £000	Grants / Contributions towards cost of scheme (i) £000	Funded from Reserves	Net cost of scheme (h)-(i) = (j) £000
	APPROVED SCHEMES																			
	COMMUNITY DIRECTORATE																			
	General Fund Housing																			
ED30	Home Farm, Effingham - provision of Gypsy and Travellor	1,000	987	-	-		-	-	(10)	-	-	-	-	-	-	-	987	-		987
	Disabled Facilities Grants		annual	605	-			605	280	605	605	605	605	605	605	3,025	3,630	(710)		2,920
	Better Care Fund			-					121	-	-						-			-
	Home Improvement Assistance			-	-			-	-	-	-					-	-	-		-
	Solar Energy Loans			-	-			-	-	-	-					-	-	-		-
	BCF TESH Project								5											
	BCF Prevention grant							-	4											
	SHIP			-	-			-	1	-	-					-	-	-		-
	General Grants to HAs		annual	100	-			100	-	100	100	100	100	100	100	500	600	-		600
	General feasibility, site preparation costs for affordable housing		annual	120	-			120		-	120	120	120	120	120	600	680	-		680
	Bright Hill Car Park Site		19						8	30						-	-	-		-
	Garage Sites-General		160						1	1						-	-	-		-
	Japonica Court/Shawfield Day Centre COMPLETE		4						2	2										
	Site B10b feasibility								2	2										
	Redevelopment bid 13								12	45										
	Corporate Prorperty																			
ED3/15	Disabled Access (DDA) Improvements: ph.2 & 3	404	368	-	36	-	-	36	0	36	-	-	-	-	-	-	404	-		404
ED14(e)	Void investment property refurbishment works	400	237	10	47	-	-	47	-	47	-	-	-	-	-	-	400	-		400
ED14	5 High Street void works		-	55	50	-	-	105	42	105	-					-				
ED14	Unit 3 The Billings void works				1			1	1	1										
ED15	Liongate void works							10	10	10										
ED14	10 Midleton void works	230		130		100		230	7	230							230	(100)		130
ED19	Asbestos surveys and removal in non-residential council	158	130	32	(4)	-	-	28	16	28	-	-	-	-	-	-	158	-		158
ED21	Methane gas monitoring system	100	45	45	10	-	-	55	-	51	-	-	-	-	-	-	96	-		100
ED21a	Methane gas monitoring Depots									4										
ED22	Energy efficiency compliance - Council owned properties	245	58	-	187	-	-	187	9	50	137	-	-	-	-	137	245	-		245
ED26	Bridges -Inspections and remedial works	317	173	-	130	-	-	130	-	130	-	-	-	-	-	-	317	-		317
ED26	Bridges - Millmead Footbridge		4						-	-										
ED26	Bridges - Shalford Common		1						-	-										
ED26	Bridges - Millmead Lattice		9						8	-										
ED26	Bridges - Shalford Rd/Millmead Island		0						-	-										
ED35	Electric Theatre - new boilers	120	-	120	-	-	-	120	-	120	-	-	-	-	-	-	120	-		120
ED41	The Billings roof	200	27	-	(2)	-	-	(2)	(1)	(2)	175	-	-	-	-	175	200	-		200
ED42	Guildford house dampproofing- removal of decayed timber	35	31	-	4	-	-	4	1	4	-	-	-	-	-	-	35	-		35
ED44	Broadwater cottage	224	69	172	(17)	-	-	155	14	155	-	-	-	-	-	-	224	-		224
ED45	Gunpowder mills - scheduled ancient monument	222	5	145	20	-	-	165	4	165	52	-	-	-	-	52	222	-		222
ED46	New House - short term works following acquisition	70	54	-	16		-	16	-	16	-	-	-	-	-	-	70	-		70
ED51(p)	Guildford House Exhibition lighting	50	-	50	-	-	-	50	-	50	-	-	-	-	-	-	50	-		50
ED47	Cladding of Ash Vale units	145	13	135	(3)	-	-	132	(8)	40	92	-	-	-	-	92	145	-		145
ED55	48 Quarry Street, Museum - structural works	250	15	232	3			235	193	235	-	-	-	-	-	-	250	-		250
ED53	Tyting Farm Land-removal of barns and concrete hardstanding	200	-	200	-			200	7	200	-	-	-	-	-	-	200	-		200
ED56	Foxenden Tunnels safety works	110		110	-			110	15	110	-					-	110	-		110
ED57	Holy Trinity Church boundary wall	63		63	-			63	4	63	-					-	63	-		63
	Office Services																			
BS4	Hydro private wire - Tollhouse to Millmead	4	3	-	1		-	1	-	1	-	-	-	-	-	-	4	-		4
	Millmead - IT Cooling System	150	18		132		-	132	9	132						-	150			150
	COMMUNITY DIRECTORATE TOTAL	**4,696**	**2,430**	**2,324**	**611**	**100**	**0**	**3,035**	**757**	**2,766**	**1,281**	**825**	**825**	**825**	**825**	**4,581**	**9,589**	**(810)**		**8,783**
	ENVIRONMENT DIRECTORATE																			
	Operational Services																			
OP1	Safer Guildford: CCTV & Lighting Strategy - Lighting Strategy	345	324	21	0	-	-	21	-	0	21	-	-	-	-	21	345	-		345
OP5	Mill Lane (Pirbright) Flood Protection Scheme	71	55	16	(0)	-	-	16	-	16	-	-	-	-	-	-	71	(19)		52
OP6	Vehicles, Plant & Equipment Replacement Programme	9,845	5,750	579	116	-	-	695	328	695	4,220	-	-	-	-	4,220	10,665	(26)		10,639
	Mary Road Flood (EA grant) COMPLETE	45	16	29	0	-		29	-	0	-						16	(16)		-
OP20	Flood resilience measures (use in conjunction with grant funded	100	-	100	-	-	-	100	-	100	-	-	-	-	-	-	100	-		100
OP22	Litter bins replacement	265	112	-	153	-	-	153	-	0	153	-	-	-	-	153	265	-		265
OP25	WRD roads and footpaths	150	95	40	15	-	-	55	59	55	-	-	-	-	-	-	150	-		150
OP26	Merrow lane grille & headwall construction	60	3	57	(0)	-	-	57	-	(0)	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
OP17	New vehicle washing system	155	1	-	154		-	154	52	154	-	-	-	-	-	-	155	-		155
	Parks and Leisure									-										
PL11	Spectrum Roof replacement	4,000	1,535	300	135	-	-	435	40	435	-	-	-	-	-	-	3,100	-		3,100
	Spectrum roof - steelwork ph2	-	409	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-

Agenda item number: 5
Appendix 3

GENERAL FUND CAPITAL PROGRAMME - ESTIMATED EXPENDITURE 2019-20 to 2024-25

Ref	Directorate/Service and Capital Scheme name	Approved gross estimate (a) £000	Cumulative spend at 31-03-19 (b) £000	2019-20 Estimate approved by Council in February (c) £000	Rolled over (d) (i) £000	Supplementary Ests (d) (ii) £000	Virements (d) (ii) £000	Revised estimate (d) £000	Expenditure at 02.12.2019 (e) £000	Projected exp est by project officer (f) £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	2024-25 Est for year (v) £000	Future years est exp (g) £000	Projected expenditure total (b)+(g) = (h) £000	Grants / Contributions towards cost of scheme (i) £000	Funded from Reserves	Net cost of scheme (h)-(i) = (j) £000
	Spectrum roof - steelwork ph3	-	720						19	-							-			-
PL25	Spectrum Combined Heat and Power (GF contr) COMPLETE	867	290	-	77	-	-	77	15	15	-	-	-	-	-	-	305	-		305
PL15	Infrastructure works: Guildford Commons	150	3	-	-	-	-	-	-	-	-	-	-	-	-	-	3	-		3
PL15(a)	Infrastructure works: Guildford Commons: Merrow	-	12	-	5	-	-	5	2	5	-	-	-	-	-	-	17	-		17
PL15(b)	Infrastructure works: Guildford Commons: Shalford	-	111	-	19	-	-	19	19	19	-	-	-	-	-	-	130	-		130
PL20(b)	Westnye Gardens play area	125	118	-	7	-	-	7	1	7	-	-	-	-	-	-	125	(1)		124
PL20(c)	Redevelopment of Westborough and Park barn play area	320	-	250	-		-	250	-	25	295	-	-	-	-	295	320	-		320
PL34	Stoke cemetry re-tarmac	47	-	47	-	-	-	47	-	-	47	-	-	-	-	47	47	-		47
PL35	Woodbridge rd sportsground replace fencing	292	195	-	55	-	42	97	67	97	-	-	-	-	-	-	292	-		292
PL36	Stoke Park Composting facility NO LONGER REQD	105	-	105	-	-	-	105	-	-	-	-	-	-	-	-	-	-		-
PL39(P)	Aldershot rd allotment expansion & improvement	20	-	-	-		-	20	1	20	-	-	-	-	-	-	20	-		20
PL42	Pre-sang costs	100	24	61	15	-	-	76	30	76	-	-	-	-	-	-	100	-		100
PL43	Stoke Cemetry Chapel - phase 2(COMPLETE)	1	-		-	-	1	1	1	1	-	-	-	-	-	-	1	-		1
PL47	Wall repairs for parks, cemeteries & recreation facilities	201	172	-	23	-	6	30	8	30	-	-	-	-	-	-	201	-		201
PL57	Parks and Countryside - repairs and renewal of paths,roads and	165	94	-	71			71	6	71	-	-	-	-	-	-	165	-		165
PL24	Kings college astro turf	547	76	-	470	-	-	470	417	470	-	-	-	-	-	-	547	(427)		120
PL58	Shalford Common - regularising car parking/reduction of	121		60	-			60	22	22	99	-				99	121	-		121
	Allen House Pavillion - Roof Works	30					30	30	-	30	-	-				-	30	-		30
PL60	Traveller encampments - Bellfields Green	72		72	-	-	-	72	39	72	-	-	-	-	-	-	72	-		72
PL60	Traveller encampments - Shalford Common	48		48	-	-	-	48	-	48	-	-	-	-	-	-	48	-		48
	ENVIRONMENT TOTAL DIRECTORATE	**18,272**	**10,117**	**1,810**	**1,315**	**-**	**79**	**3,225**	**1,127**	**2,488**	**4,892**	**-**	**-**	**-**	**-**	**4,892**	**17,497**	**(489)**		**17,008**
	FINANCE DIRECTORATE																			
	Financial Services																			
FS1	Capital contingency fund	annual	-	5,000	-	-	(446)	4,554	-	4,554	5,000	5,000	5,000	5,000	5,000	25,000	29,554	-		29,554
	RESOURCES DIRECTORATE TOTAL	**0**	**0**	**5,000**	**0**	**0**	**(446)**	**4,554**	**0**	**4,554**	**5,000**	**5,000**	**5,000**	**5,000**	**5,000**	**25,000**	**29,554**	**0**		**29,554**
	DEVELOPMENT/INCOME GENERATING/COST REDUCTION PROJECTS																			
	Development / Infrastructure																			
ED54	Rodboro Buildings - electric theatre through road and parking	450	10	450	(10)			440	5	70	280	-	-	-	-	280	360	-		360
ED18	Museum and castle development	1,652	188	180	264		-	444	132	444	1,020	-	-	-	-	1,020	1,652	-		1,652
ED52	Public Realm Scheme (Chapel Street/Castle Street/Tunsgate)	2,627	992	1,425	(157)		367	1,635	12	1,635	-	-	-	-		-	2,627	(10)	(1,615)	1,002
	Investment in North Downs Housing (60%)	15,180	4,619	3,600	779			4,379	2,730	4,379	4,500	1,682	-	-	-	6,182	15,180	-		15,180
	Equity shares in Guildford Holdings ltd (40%)	10,120	3,083	2,400	520			2,920	1,820	2,920	3,000	1,117	-	-	-	4,117	10,120	-		10,120
P5	Walnut Bridge replacement	3,341	1,366	801	63	-	-	864	166	864	1,094	17	-	-	-	1,111	3,341	(1,825)		1,516
ED32	Internal Estate Road - CLLR Phase 1	11,139	2,292	6,500	2,347	-	-	8,847	6,893	8,847	-	-	-	-	-	-	11,139	(5,100)		6,039
P9c	Town Centre Gateway Regeneration	3,523	43	3,481	(1)		-	3,480	7	(0)	3,480	-	-	-	-	3,480	3,523	-		3,523
	SMC(West) Phase 1	3,850	250	1,383	552			1,935	344	625	2,975	-				2,975	3,850	(2,725)		1,125
P16	A331 hotspots	3,930	147	2,230	153	-	-	2,383	62	637	3,146	-	-	-	-	3,146	3,930	(1,965)		1,965
P14	Town Centre Approaches	1,033	-	1,033	-	-	-	1,033	1	217	816	-	-	-	-	816	1,033	(700)		333
P20	Bedford Wharf Landscaping	150	1	150	(1)			149	3	-	149	-	-	-	-	149	150	-		150
P22	Ash Bridge Land acquistion	120	2	-	118		-	118	100	118		-	-	-	-	-	120	-		120
P21	Ash Road Bridge	4,060	646	4,060	(646)			2,814	627	1,200	2,214	-	-	-	-	2,214	4,060	(4,060)		(0)
P11	Guildford West (PB) station	500	-	500	-	-	-	500	-	500	-	-	-	-	-	-	500	-		500
	Development Financial																			
ED25	Guildford Park - new MSCP and infrastructure works	6,500	1,803	3,509	253	-	-	3,762	165	300	3,462	-	-	-	-	3,462	6,500	-		6,500
	Guildford Park - Housing for private sale		935						123	-										
ED49	Middleton Ind Est Redevelopment	9,350	255	3,649	(54)		-	3,595	409	3,595	5,500	-	-	-		5,500	9,350			9,350
P12	Strategic property acquisitions	8,520	-	4,647	-	3,873	-	8,520	7,007	8,520	-	-	-	-	-	-	8,520	-		8,520
PL9	Rebuild Crematorium	11,822	4,472	7,372	(112)	-	90	7,350	4,534	7,350	-	-	-	-	-	-	11,822	-		11,822
ED27	North Street Development / Guild Town Centre regeneration	977	741	-	236	-	-	236	38	0	236	-	-	-	-	236	977	(50)		927
PL29	Woodbridge Rd sportsground	1,900	2,211	-	(311)	-	-	(311)	3	(0)	-	-	-	-	-	-	2,211	(496)		1,715
ED6	Slyfield Area Regeneration Project (SARP)	15,225	3,214	6,000	(330)	-	-	5,670	7,055	10,215	700	1,096	-	-	-	1,796	15,225	(135)		15,090
	DEVELOPMENT/INCOME GENERATING/COST REDUCTION	**115,969**	**27,270**	**53,370**	**3,662**	**3,873**	**457**	**60,762**	**32,235**	**52,435**	**32,572**	**3,912**	**0**	**0**	**0**	**36,484**	**116,189**	**(17,067)**	**(1,615)**	**97,507**
	APPROVED SCHEMES TOTAL	**138,937**	**39,817**	**62,504**	**5,589**	**3,973**	**90**	**71,576**	**34,120**	**62,243**	**43,745**	**9,737**	**5,825**	**5,825**	**5,825**	**70,957**	**172,829**	**(18,366)**	**(1,615)**	**152,852**

non-development projects total	22,968	12,547	9,134	1,926	100	(367)	10,814	1,884	9,808	11,173	5,825	5,825	5,825	5,825	34,473	56,640	(1,299)	0	55,345
development/infrastructure - non-financial benefit	61,675	13,639	28,193	3,980	0	367	31,940	12,902	22,455	22,674	2,816	0	0	0	25,490	61,584	(16,385)	(1,615)	43,584
development- financial benefit	54,294	13,631	25,177	(318)	3,873	90	28,822	19,334	29,980	9,898	1,096	0	0	0	10,994	54,605	(681)	0	53,924
TOTAL	138,937	39,817	62,504	5,589	3,973	90	71,576	34,120	62,243	43,745	9,737	5,825	5,825	5,825	70,957	172,829	(18,366)	(1,615)	152,852

GENERAL FUND CAPITAL PROGRAMME - ESTIMATED EXPENDITURE 2019-20 to 2024-25

Ref	Directorate / Service Units Capital Schemes	Gross estimate approved by Executive (a) £000	Cumulative spend at 31-03-19 (b) £000	2019-20 Estimate approved by Council in February (c) £000	Rolled over (d) £000	Supp Ests	Virements (d) (i) £000	Revised estimate (e) £000	Expenditure at 02.12.2019 (f) £000	Projected exp est by project officer (g) £000	2020-21 Est for year (i) £000	2021-22 Est for year (ii) £000	2022-23 Est for year (iii) £000	2023-24 Est for year (iv) £000	2024-25 Est for year (v) £000	Future years estimated expenditure (h) £000	Projected expenditure total (b) to (g)=(i) £000	Grants or Contributions towards cost of scheme (j) £000	Net total cost of scheme to the Council (i) - (j) = (k) £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	-	-	193	-	-	-	-	193	193	-	193
	Corporate Property																		
ED14(P)	Void investment property refurbishment works	170	-	170	-		-	170	-	-	170	-	-	-	-	170	170	-	170
ED21(P)	Methane gas monitoring system	150	-	150	-		-	150	-	-	150	-	-	-	-	150	150	-	150
ED22(P)	Energy efficiency compliance - Council owned properties	950	-	-	-		-	-	-	-	950	-	-	-	-	950	950	-	950
ED26(P)	Bridges	370	-	370	-		-	370	-	-	370	-	-	-	-	370	370	-	370
ED48(p)	Westfield/Moorfield rd resurfacing	3,152	-	-	-	-	-	-	-	-	3,152	-	-	-	-	3,152	3,152	-	3,152
ED53(p)	Tyting Farm Land-removal of barns and concrete hardstanding	50	-	50	-			50		50	-	-	-	-	-	-	50	-	50
ED56(p)	Land to the rear of 39-42 Castle Street	10		10				10		10	-	-	-	-	-	-	10	-	10
PL54(p)	Shawfield DC - fire alarm system and LED lighting upgrade(NO	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	-	33
BS4(p)	Hydro private wire - Tollhouse to Millmead	82		-	82			82		82	-	-	-	-	-	-	82	-	82
	COMMUNITY DIRECTORATE TOTAL	**5,308**	**-**	**1,026**	**180**		**-**	**1,206**	**-**	**207**	**4,985**	**33**	**-**	**-**	**-**	**5,018**	**5,225**	**-**	**5,225**
	ENVIRONMENT DIRECTORATE																		
	Operational Services																		
OP5(P)	Mill Lane (Pirbright) Flood Protection Scheme	200	-	200	-		-	200	-	200	-	-	-	-	-	-	200	(20)	180
OP6(P)	Vehicles, Plant & Equipment Replacement Programme	1,600	-	-	-		-	-	-	-	780	-	-	-	-	780	780	-	780
OP21(P)	Surface water management plan	200	-	200	-		-	200	-	200	-	-	-	-	-	-	200	-	200
OP22(P)	Town Centre CCTV upgrade	250		250				250		250	-	-	-	-	-	-	250	-	250
	Parks and Leisure									-									
PL16(P)	New burial grounds - acquisition & development	7,834	38	100	-		-	100	-	50	-	-	-	-	-	-	88	-	88
PL18(P)	Refurbishment / rebuild Sutherland Memorial Park Pavilion	150	-	-	-		-	-	-	-	-	-	-	150	-	150	150	-	150
PL39(P)	Aldershot rd allotment expansion & improvement	180	-	-	-		-	-	-	20	160	-	-	-	-	160	180	-	180
PL41(P)	Stoke pk office accomodation & storage buildings	665	-	-	-		-	-	-	-	665	-	-	-	-	665	665	-	665
PL44(p)	Sutherland memorial park all weather courts new posts and	25	-	-	25	-	-	25	-	-	-	-	-	-	-	-	-	-	-
PL45(p)	Stoke Pk gardens water feature refurb	81	-	-	-	-	-	-	-	81	-	-	-	-	-	-	81	(59)	22
PL55(p)	Sutherland Memorial Park - electrical works	39	-	-	39	-	-	39	-	39	-	-	-	-	-	-	39	-	39
PL56(p)	Stoke Park Masterplan enabling costs	500	-	100	-	-	-	100	-	-	100	150	100	150		500	500	-	500
PL57(p)	Parks and Countryside - repairs and renewal of paths,roads and	1,645	-	400	135	-	(90)	445	-	445	400	400	400	-	-	1,200	1,645	-	1,645
PL58(p)	Sports pavillions - replace water heaters	154	-	-	154	-	-	154	-	-	28	42	42	42	-	154	154	-	154
PL59(p)	Millmead fish pass	60	-	60	-	-	-	60	-	60	-	-	-	-	-	-	60	-	60
PL60(p)	Traveller encampments	130		60	-	-	-	60	-	-	130	-	-	-	-	130	130	-	130
	ENVIRONMENT DIRECTORATE TOTAL	**13,713**	**38**	**1,370**	**353**	**-**	**(90)**	**1,633**	**-**	**1,345**	**2,263**	**592**	**542**	**342**	**-**	**3,739**	**5,122**	**(79)**	**5,043**
	DEVELOPMENT/INCOME GENERATING/COST REDUCTION PROJECTS																		
	Development / Infrastructure																		
ED18(P)	Guildford Museum	16,810	-	-	-	11,800	-	-	-	-	16,810	-	-	-	-	16,810	16,810	(11,800)	5,010
	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
P10(p)	Sustainable Movement Corrider	6,045	-	-	-	-	-	-	-	-	-	-	6,045	-	-	6,045	6,045	-	6,045
P11(p)	Guildford West (PB) station	4,700	-	650	-	-	-	650	-	-	1,700	3,000	-	-	-	4,700	4,700	(3,750)	950
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
P17(p)	Bus station relocation	500	-	300	-	-	-	300	-	-	500	-	-	-	-	500	500	-	500
P19(p)	Access for all Ash Station funding	250		250				250		-	-	-	-	-	-	-	-	-	-
P20(p)	Bedford Wharf Landscaping	350		350				350		-	350	-	-	-	-	350	350	-	350
P21(p)	Ash Road Bridge	18,440		8,440		10,000		18,440		-	18,440	-	-	-	-	18,440	18,440	(18,440)	-
P21(p)	Ash Road Footbridge	4,800				4,800		-		-	4,800					4,800	4,800	(4,800)	-
	Development Financial																		
ED25(P)	Guildford Park new MSCP and infrastructure works	23,125	-	4,380	-		-	4,380	-	-	4,380	11,625	7,120	-	-	23,125	23,125	-	23,125
ED49(p)	Redevelop Midleton industrial estate	5,557	-	-	-	-	-	-	-	-	5,557	-	-	-	-	5,557	5,557	-	5,557
PL51(p)	Stoke Park - Home Farm Redevelopment	4,000	-	-	-	-	-	-	-	-	-	-	-	4,000	-	4,000	4,000	-	4,000
ED16(P)	Slyfield Area Regeneration Project (SARP) (GBC share)	59,083	-	-	-		-	-	-	-	-	17,321	41,762	-	-	59,083	59,083	(7,500)	51,583
ED38(P)	North Street development	29,590	-	-	-		-	-	-	-	29,590	-	-	-	-	29,590	29,590	-	29,590
HC4(p)	Bright Hill Development	13,500	-	180	-	-	-	180	-	180	500	5,000	7,000	820	-	13,320	13,500	-	13,500
P12(p)	Strategic property acquisitions	23,292	-	-	-	-	-	-	-	-	9,492	13,800	-	-	-	23,292	23,292	-	23,292
	ɔPMENT/INCOME GENERATING/COST REDUCTION PROJECTS TOTAL	**251,639**	**-**	**15,080**	**-**		**-**	**25,080**	**-**	**710**	**95,619**	**63,447**	**86,793**	**4,820**	**-**	**250,679**	**251,389**	**(51,290)**	**200,099**
	PROVISIONAL SCHEMES - GRAND TOTALS	**270,659**	**38**	**17,476**	**533**	**-**	**(90)**	**27,919**	**-**	**2,262**	**102,867**	**64,072**	**87,335**	**5,162**	**-**	**259,436**	**261,736**	**(51,369)**	**210,367**
	non development projects	19,021	38	2,396	533	-	(90)	2,839	-	1,552	7,248	625	542	342	-	8,757	10,347	(79)	10,268
	development/infrastructure - non-financial benefit	93,492	0	10,520	0	26,600	0	20,520	0	530	46,100	15,701	30,911	0	0	92,712	93,242	(43,790)	49,452
	development- financial benefit	158,147	0	4,560	0	0	0	4,560	0	180	49,519	47,746	55,882	4,820	0	157,967	158,147	(7,500)	150,647
	TOTAL	270,659	38	17,476	533	26,600	(90)	27,919	0	2,262	102,867	64,072	87,335	5,162	0	259,436	261,736	(51,369)	210,367

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Appendix 4

GENERAL FUND CAPITAL PROGRAMME - ESTIMATED EXPENDITURE 2019-20 to 2024-25

Ref	Directorate / Service Units Capital Schemes	Gross estimate approved by Executive	Cumulative spend at 31-03-19	2019-20 Estimate approved by Council in February	Rolled over	Supp Ests	Virements	Revised estimate	Expenditure at 02.12.2019	Projected exp est by project officer	2020-21 Est for year	2021-22 Est for year	2022-23 Est for year	2023-24 Est for year	2024-25 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)*	*(d)*		*(d) (i)*	*(e)*	*(f)*	*(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	£000	£000	£000

GENERAL FUND CAPITAL SCHEMES - PROJECTS FUNDED VIA RESERVES: ESTIMATED EXPENDITURE 2019-20 to 2024-25

Item No.	Projects & Sources of Funding	Approved gross estimate (a) £000	Cumulative spend at 31-03-19 (b) £000	2019-20 Estimate approved by Council in February (c) £000	Rolled over (d) (i) £000	Virements £000	Revised estimate £000	Expenditure at 02.12.2019 (e) £000	Projected exp est by project officer (f) £000	2020-21 Est for year (i) £000	2021-22 Est for year (ii) £000	2022-23 Est for year (iii) £000	2023-24 Est for year (iv) £000	2024-25 Est for year (v) £000	Future years est exp (g) £000	Projected expenditure total (b)+(g) = (h) £000
	COMMUNITY DIRECTORATE															
	ENERGY PROJECTS per SALIX RESERVE:(PR220)			-				-	-	-					-	-
R-EN10	LED Lighting replacement	80	49	193	-		193	-	193	-	-	-	-	-	-	242
R-EN11	WRD energy reduction	70	-	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 COMPLETE	143	100	-	-	-	-	10	10	-	-	-	-	-	-	110
R-EN14	SMP - air source heat pump	28	-	-	28	-	28	1	-	28	-	-	-	-	28	28
	ENERGY RESERVES TOTAL	**421**	**151**	**263**	**290**	**-**	**553**	**11**	**535**	**28**	**-**	**-**	**-**	**-**	**28**	**714**
	BUDGET PRESSURES RESERVE															
	Future Guildford implementation team	2,600		1,000			1,000	-	1,000	1,600	-	-	-	-	1,600	2,600
	BUDGET PRESSURES RESERVE TOTAL	**2,600**	**-**	**1,000**	**-**	**-**	**1,000**	**-**	**1,000**	**1,600**	**-**	**-**	**-**	**-**	**1,600**	**2,600**
	FINANCE DIRECTORATE															
	INFORMATION TECHNOLOGY - IT Renewals Reserve (PR265) : approved annually															
	Hardware / software budget		-	527	-		527	-	527	500	500	500	-	-	1,500	2,027
R-IT1	Hardware	annual	annual	-	-		-	231	-	-	-	-	-	-	-	-
R-IT2	Software	annual	annual	-	-		-	-	-	-	-	-	-	-	-	-
	PAD							40							-	-
	ICT infrastructure improvements	1,250	1,345	-	-		-	236	-	-	-	-	-	-	-	1,345
R-IT3	IDOX Acolaid to Uniform	275		275			275		275		-	-	-	-	-	275
R-IT4	LCTS alternative	56		6			6		6	50		-	-	-	50	56
R-IT5	Future Guildford ICT	1,200		1,200			1,200		1,200		-	-	-	-	-	1,200
	IT RENEWALS RESERVE TOTAL	**2,781**	**1,345**	**2,008**	**-**	**-**	**2,008**	**507**	**2,008**	**550**	**500**	**500**	**-**	**-**	**1,550**	**4,903**
	ENVIRONMENT DIRECTORATE															
	SPECTRUM RESERVE															
R-S14	Spectrum schemes (to be agreed with Freedom Leisure)	700	168	450	82		532	-	532	-					-	700
	SPECTRUM RESERVE TOTAL	**700**	**168**	**450**	**82**	**-**	**532**	**-**	**532**	**-**	**-**	**-**	**-**	**-**	**-**	**700**
	CAR PARKS RESERVE															
R-CP1	Car parks - install/replace pay-on-foot equipment	1,170	240	860	70		930	-	930	-	-	-	-	-	-	1,170
	Car Parks - Lighting & Electrical improvements:															
R-CP13	- Castle, Farnham & York Rd Lighting	300	-	-	300		300	-	-	-	-	-	-	-	-	-
R-CP8	- Castle car park (PR000299) deck surfacing	325	144	175	6		181	107	113	-	-	-	-	-	-	257
R-CP18	- Deck Millbrook car park	2,000	-	1,000	-		1,000	-	-	1,000	1,000	-	-	-	2,000	2,000

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Appendix 5

GENERAL FUND CAPITAL SCHEMES - PROJECTS FUNDED VIA RESERVES: ESTIMATED EXPENDITURE 2019-20 to 2024-25

Item No.	Projects & Sources of Funding	Approved gross estimate (a) £000	Cumulative spend at 31-03-19 (b) £000	2019-20 Estimate approved by Council in February (c) £000	Rolled over (d) (i) £000	Virements £000	Revised estimate £000	Expenditure at 02.12.2019 (e) £000	Projected exp est by project officer (f) £000	2020-21 Est for year (i) £000	2021-22 Est for year (ii) £000	2022-23 Est for year (iii) £000	2023-24 Est for year (iv) £000	2024-25 Est for year (v) £000	Future years est exp (g) £000	Projected expenditure total (b)+(g) = (h) £000
R-CP14	Lift replacement (PR000293)	841	209	187	258		445	42	445	187	-	-	-	-	187	841
R-CP16	Bright Hill Barrier essential works (PR000425)	80	2	-	78		78	-	(0)	-	-	-	-	-	-	[illegible]
R-CP17	Leapale rd MSCP drainage (PR000433)	90	26	-	64		64	-	64	-	-	-	-	-	-	90
R-CP19	Structural works to MSCP	300	-	233	67		300	-	300	-	-	-	-	-	-	300
R-CP20	MSCP- Deck surface replacement & barriers	652		593	59		652	343	652	-	-	-	-	-	-	652
	CAR PARKS RESERVE TOTAL	**5,758**	**622**	**3,048**	**902**	**-**	**3,950**	**492**	**2,504**	**1,187**	**1,000**	**-**	**-**	**-**	**2,187**	**5,312**
	SPA RESERVE :															
	SPA schemes (various)	100	annual	-	151		151	-	151	-	-	-	-	-	-	151
R-SPA1	Chantry Woods							-	-						-	
R-SPA2	Effingham							-	-						-	
R-SPA3	Lakeside							-	-						-	
R-SPA4	Riverside							-	-						-	
R-SPA5	Parsonage							-	-						-	
	SPA RESERVE TOTAL	**100**	**-**	**-**	**151**	**-**	**151**	**-**	**151**	**-**	**-**	**-**	**-**	**-**	**-**	**151**
	GRAND TOTALS	**12,360**	**2,286**	**6,769**	**1,425**	**-**	**8,194**	**1,010**	**6,730**	**3,365**	**1,500**	**500**	**-**	**-**	**5,365**	**14,381**

GENERAL FUND CAPITAL PROGRAMME - S106 ESTIMATED EXPENDITURE 2019-20 to 2024-25

Ref	Service Units / Capital Schemes	Approved gross estimate	Cumulative spend at 31-03-19	2019-20 Estimate approved by Council in February	Rolled over	Virements	Revised estimate	Expenditure at 02.12.2019	Projected exp est by project officer	2020-21 Est for year	2021-22 Est for year	2022-23 Est for year	2023-24 Est for year	2024-25 Est for year	Future years est exp	Projected expenditure total	Grants / Contributions towards cost of scheme	Net cost of scheme	Total net cost approved by Executive
		(a)	(b)	(c)	(d) (i)	(d) (ii)	(d)	(e)	(f)	(i)	(ii)	(iii)	(iv)	(v)	(g)	(b)+(g) = (h)	(i)	(h)-(i) = (j)	(k)
		£000	**£000**	**£000**	**£000**			**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	***£000***
	APPROVED SCHEMES (fully funded from S106 contributions)																		
	ENVIRONMENT DIRECTORATE																		
	Operational Services																		
S-OP3	Hayden Place CCTV - P92310	35	12		23		23	-	23							35	(35)		
	Parks and Leisure																		
S-PL8	Baird Drive/Briars Playground Refurb	10	8	-	2	-	2	0	2	-	-	-	-	-	-	10	(10)	-	-
S-PL36	Gunpowder mills - signage, access and woodland imps	36	17	-	19	-	19	-	19	-	-	-	-	-	-	36	(36)	-	
S-PL38	Chantry Wood Campsite	36		36		-	36	-	36	-	-	-	-	-	-	36	(36)	-	
S-PL47	Fir Tree Garden	28	-	-	28	-	28	-	28	-	-	-	-	-	-	28	(28)	-	
S-PL54	Shalford Swift Tower (Art)	7			7	-	7	-	7							7	(7)	-	
S-PL55	Provision Play Area Tongham Recreation ground	36					36	36	36							36	(36)	-	
	ENVIRONMENT DIRECTORATE TOTAL	**187**	**25**	**36**	**79**	**-**	**150**	**36**	**150**	**-**	**-**	**-**	**-**	**-**	**-**	**153**	**(153)**	**-**	**-**
	APPROVED S106 SCHEMES TOTAL	**187**	**25**	**36**	**79**	**-**	**150**	**36**	**150**	**-**	**-**	**-**	**-**	**-**	**-**	**887**	**(887)**	**-**	**-**

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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 2018-19 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)**	**2018-19 Actuals £000**	**2019-20 Budget £000**	**2019-20 Est Outturn £000**	**2020-21 Estimate £000**	**2021-22 Estimate £000**	**2022-23 Estimate £000**	**2023-24 Estimate £000**	**2024-25 Estimate £000**
Balance as at 1 April	0	0	40	0	0	0	0	44,080
Add estimated usable receipts in year	3,039	0	1,991	0	4,000	11,200	55,067	57,093
Less applied re funding of capital schemes	(3,000)	0	(2,031)	0	(4,000)	(11,200)	(10,987)	(5,825)
Balance after funding capital expenditure as at 31 March	**40**	**0**	**0**	**0**	**0**	**0**	**44,080**	**95,348**

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**	**2018-19 Actuals £000**	**2019-20 Budget £000**	**2019-20 Est Outturn £000**	**2020-21 Estimate £000**	**2021-22 Estimate £000**	**2022-23 Estimate £000**	**2023-24 Estimate £000**	**2024-25 Estimate £000**
Estimated captial expenditure								
Main programme - approved	35,234	62,504	62,243	43,745	9,737	5,825	5,825	5,825
Main programme - provisional	15	17,476	2,262	102,867	64,072	87,335	5,162	0
s106	51	36	150	0	0	0	0	0
Reserves	2,371	6,769	6,730	3,365	1,500	500	0	0
GF Housing	0	0	0	0	0	0	0	0
Total estimated capital expenditure	**37,671**	**86,785**	**71,385**	**149,977**	**75,309**	**93,660**	**10,987**	**5,825**
To be funded by:								
Capital receipts *(per 2.above)*	(6,176)	0	(2,031)	0	(4,000)	(11,200)	(10,987)	(5,825)
Contributions	(1,673)	(19,681)	(11,654)	(41,368)	(7,550)	(5,500)	0	0
R.C.C.O. :								
Other reserves	(2,558)	(13,749)	(15,593)	(3,585)	(1,720)	(720)	0	0
	0	0	0	0	0	0	0	0
	(10,406)	(33,430)	(29,278)	(44,953)	(13,270)	(17,420)	(10,987)	(5,825)
Balance of funding to be met from (i) the Capital Reserve, and (ii) borrowing	(27,265)	(53,355)	(42,107)	(105,024)	(62,039)	(76,240)	0	0
Total funding required	**(37,671)**	**(86,785)**	**(71,385)**	**(149,977)**	**(75,309)**	**(93,660)**	**(10,987)**	**(5,825)**

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4.0 **General Fund Capital Schemes Reserve (U01030)**	**2018-19 Actuals £000**	**2019-20 Budget £000**	**2019-20 Est Outturn £000**	**2020-21 Estimate £000**	**2021-22 Estimate £000**	**2022-23 Estimate £000**	**2023-24 Estimate £000**	**2024-25 Estimate £000**
Balance as at 1 April	1,641	0	894	0	0	0	0	0
Add: General Fund Revenue Budget variations	0	0	0	0	0	0	0	0
Contribution from revenue	894	0	0	0	0	0	0	0
	2,535	0	894	0	0	0	0	0
Less: Applied re funding of capital programme	(1,641)	0	(894)	0	0	0	0	0
Balance after funding capital expenditure etc.as at 31 March	**894**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Estimated shortfall at year-end to be funded from borrowing	**25,624**	**53,355**	**41,214**	**105,024**	**62,039**	**76,240**	**0**	**0**

GENERAL FUND CAPITAL PROGRAMME : SUMMARY OF RESOURCES AND FINANCIAL IMPLICATIONS

		2018-19 Actuals £000	2019-20 Budget £000	2019-20 Est Outturn £000	2020-21 Estimate £000	2021-22 Estimate £000	2022-23 Estimate £000	2023-24 Estimate £000	2024-25 Estimate £000
5.0	**Housing capital receipts (pre 2013-14) - estimated availability/usage for Housing, Affordable Housing and Regeneration projects - GBC policy**								
	Balance as at 1 April (T01008)	12,760	6,760	9,559	0	0	0	0	0
	Add: Estimated receipts in year	0	0	0	0	0	0	0	0
	Less: Applied re Housing (General Fund) capital programme	0	0	0	0	0	0	0	0
	Less: Applied re Housing company	(3,201)	(6,760)	(7,299)	0	0	0	0	0
		9,559	0	2,260	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	**9,559**	**0**	**2,260**	**0**	**0**	**0**	**0**	**0**

		2018-19 Actuals £000	2019-20 Budget £000	2019-20 Est Outturn £000	2020-21 Estimate £000	2021-22 Estimate £000	2022-23 Estimate £000	2023-24 Estimate £000	2024-25 Estimate £000
5.1	**Housing capital receipts (post 2013-14) - estimated availa availability/usage for Housing, Affordable Housing and Regeneration projects only (statutory (impact CFR))**								
	Balance as at 1 April (T01012)	422	0	0	0	0	0	0	0
	Add: Estimated receipts in year	898	289	286	289	292	295	298	301
	Less: Applied re Housing (General Fund) capital programme	(14)	(220)	(100)	(220)	(220)	(220)	(220)	(220)
	Less: Applied re Housing Improvement programme	(1,306)	(69)	(186)	(69)	(72)	(75)	(78)	(81)
		0	0	0	0	0	0	0	0
	Less: Applied on regeneration schemes	0	0	0	0	0	0	0	0
	Housing receipts - estimated balance in hand	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

		2018-19	2019-20 Budget	2019-20 Est Outturn	2020-21	2021-22	2022-23	2023-24	2024-25	**Total £'000s**
6.1	Estimated annual borrowing requirement	**25,624**	**53,355**	**41,214**	**105,024**	**62,039**	**76,240**	**0**	**0**	**284,516**
	Bids for funding (net)		0	0	0	0	0	0	0	0
	Total estimated borrowing requirement if all bids on Appendix 1 appr		**53,355**	**41,214**	**105,024**	**62,039**	**76,240**	**0**	**0**	**284,516**

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Agenda item number: 5
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
CV2	Stoke Park drainage and water features						77,000				77,000	
CV3	Castle valley gardens automated watering system					2020 likely timescale	30,000				30,000	
CV4	North side drainage scheme						130,000				130,000	
CV10	Transport - Yorkies bridge part of Substainable Movement Corridor					2024-2029	10,000,000	5,000,000	1,250,000	#######	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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Arlingclose Economic & Interest Rate Forecast November 2019

Underlying assumptions:

- The global economy is entering a period of slower growth in response to political issues, primarily the trade policy stance of the US. The UK economy has displayed a marked slowdown in growth due to both Brexit uncertainty and the downturn in global activity. In response, global and UK interest rate expectations have eased.

- Some positivity on the trade negotiations between China and the US has prompted worst case economic scenarios to be pared back. However, information is limited, and upbeat expectations have been wrong before.

- Brexit has been delayed until 31 January 2020. While the General Election has maintained economic and political uncertainty, the opinion polls suggest the Conservative position in parliament may be strengthened, which reduces the chance of Brexit being further frustrated. A key concern is the limited transitionary period following a January 2020 exit date, which will maintain and create additional uncertainty over the next few years.

- UK economic growth has stalled despite Q3 2019 GDP of 0.3%. Monthly figures indicate growth waned as the quarter progressed and survey data suggest falling household and business confidence. Both main political parties have promised substantial fiscal easing, which should help support growth.

- While the potential for divergent paths for UK monetary policy remain in the event of the General Election result, the weaker external environment severely limits potential upside movement in Bank Rate, while the slowing UK economy will place pressure on the MPC to loosen monetary policy. Indeed, two MPC members voted for an immediate cut in November 2019.

- Inflation is running below target at 1.7%. While the tight labour market risks medium-term domestically-driven inflationary pressure, slower global growth should reduce the prospect of externally driven pressure, although political turmoil could push up oil prices.

- Central bank actions and geopolitical risks will continue to produce significant volatility in financial markets, including bond markets.

Forecast:

- Although we have maintained our Bank Rate forecast at 0.75% for the foreseeable future, there are substantial risks to this forecast, dependant on General Election outcomes and the evolution of the global economy.

- Arlingclose judges that the risks are weighted to the downside.

- Gilt yields have risen but remain low due to the soft UK and global economic outlooks. US monetary policy and UK government spending will be key influences alongside UK monetary policy.

- We expect gilt yields to remain at relatively low levels for the foreseeable future and judge the risks to be broadly balanced.

	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	**0.21**
Arlingclose Central Case	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**
Downside risk	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	**-0.73**
3-month money market rate														
Upside risk	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.30	0.30	0.30	0.30	0.30	**0.25**
Arlingclose Central Case	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**
Downside risk	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	**-0.73**
1yr money market rate														
Upside risk	0.10	0.20	0.20	0.20	0.20	0.20	0.20	0.25	0.30	0.30	0.30	0.30	0.30	**0.23**
Arlingclose Central Case	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**
Downside risk	-0.30	-0.50	-0.55	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	**-0.60**
5yr gilt yield														
Upside risk	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.45	0.45	0.45	**0.37**
Arlingclose Central Case	**0.50**	**0.50**	**0.50**	**0.55**	**0.60**	**0.60**	**0.60**	**0.60**	**0.60**	**0.60**	**0.60**	**0.60**	**0.60**	**0.57**
Downside risk	-0.35	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	**-0.56**
10yr gilt yield														
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45	**0.37**
Arlingclose Central Case	**0.75**	**0.75**	**0.80**	**0.80**	**0.85**	**0.85**	**0.90**	**0.90**	**0.95**	**0.95**	**1.00**	**1.00**	**1.00**	**0.88**
Downside risk	-0.40	-0.40	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	**-0.45**
20yr gilt yield														
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45	**0.37**
Arlingclose Central Case	**1.20**	**1.20**	**1.25**	**1.25**	**1.25**	**1.30**	**1.30**	**1.30**	**1.35**	**1.35**	**1.35**	**1.40**	**1.40**	**1.30**
Downside risk	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	**-0.45**
50yr gilt yield														
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45	**0.37**
Arlingclose Central Case	**1.20**	**1.20**	**1.25**	**1.25**	**1.25**	**1.30**	**1.30**	**1.30**	**1.35**	**1.35**	**1.35**	**1.40**	**1.40**	**1.30**
Downside risk	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	**-0.45**

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 1.80%

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

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

Glossary

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

Arlingclose – the Council's treasury management advisors

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

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

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

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

Bank Rate – the Bank of England base rate

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

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

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

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

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

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

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

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

CLG – Department for Communities and Local Government

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

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

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

Counterparty – the organisation the Council is investing with

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

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

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

Creditworthiness – a measure of the ability to meet debt obligations

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

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

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

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

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

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

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

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

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

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

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

Housing Grants – see Affordable Housing Grants

Illiquid – cannot be easily converted into cash

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

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

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

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

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

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

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

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

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

Money Market - the market in which institutions borrow and lend

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

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

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

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

Money Market Rates – interest rates on money market investments

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

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

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

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

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

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

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

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

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

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

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

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

Sovereign – the countries the Council are able to invest in

Specified Investments - Specified investments are defined as:

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

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

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

SWAP Bid – a benchmark interest rate used by institutions

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

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

Treasurynet – the Council's cash management system

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

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

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

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

Executive Report

Report of Director of Service Delivery

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Date: 21 January 2020

Housing Revenue Account 2020-21 Budget

Executive Summary

The report outlines the proposed Housing Revenue Account (HRA) budget for 2020-21.

The 2020-21 estimates are predicated on the assumptions, ambitions and priorities contained in the HRA business plan.

It is proposed to increase Council house rents by 2.7% in line with the Rent Standard 2020 (issued by the Regulator of Social Housing) and the Policy Statement for Rents on Social Housing (Issued by The Ministry of Housing, Communities and Local Government).

A 2.7% increase in garage rents is also proposed from April 2020, based on the September 2019 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 Executive are asked that subject to Council approving the budget on 5 February 2020:

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

(2) The Director of Service Delivery be authorised, in consultation with the Lead Councillor for Housing/Access and Disability, to reallocate funding between approved schemes to make best use of the available resources.

(3) The Director of Service Delivery be authorised, in consultation with the Lead Councillor for Housing/Access and Disability 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 1 to this report, be approved.

(2) That the 2.7% rent increase in line with the Rent Standard 2020 and Policy Statement 2019 be approved.

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

(4) That a 2.7% increase in garage rents be approved.

(5) That the Housing Investment Programme as shown in Appendix 4 (current approved and provisional schemes), as may be approved by the Executive at its meeting on 21 January 2020, 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 consistent with the objectives outlined in the HRA Business Plan.

1. Purpose of Report

1.1 This report sets out a draft budget for the Housing Revenue Account (HRA) for 2020- 21 and makes recommendations to the Executive on both the HRA revenue and capital programme budgets.

2. Corporate Plan

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

3. Background

3.1 The 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.

3.2 The resources available following the move to self-financing gives the Council the opportunity to be strategic in its approach to its housing stock. It is now possible 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.

3.3 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.

3.4 The impact of welfare reform through the introduction of Universal Credit as currently structured remains a concern. However, to date, through the pro-active support we provide to tenants the impact has been mitigated.

3.5 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. Potential Pressures

4.1 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.

4.2 The funding framework available to meet the cost of supported housing remains fragile. 2018-19 saw the Supporting People Grant reduce by £205,640 and further reductions are possible in future years. However, Surrey County Council have indicated that funding for 2020-21 will remain at 2019-20 levels.

4.3 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.

4.4 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.

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

5. HRA Revenue Budget 2020-21

Assumptions

5.1 The total HRA debt stands at £197 million. It is projected that the interest charge for 2020-21 will be £5,058,423. No provision is included in the budget for the repayment of debt during 2020-21 in line with the Executive's decision that debt repayment is not a priority.

5.2 The revenue budget for 2020-21 is predicated around a number of key assumptions. The most important are set out in the table below:

Item	Assumption
Opening stock	5,207 units of accommodation
HRA Debt	£197 million
Average cost of capital	3.16%
Rent increase	2.7%
Garage income increase	2.7%
Bad debt provision contribution 2020-21	£100,000
Void rate	1.6%
Service charge increases	Linked to contractual arrangements of suppliers
Housing units lost through Right to Buy (RTB)	15 per annum
Retained receipts	Held in reserves
HRA ring fence	Policy of strong ring fence continues
Debt repayment	No provision made for repayment of debt
Operating balance	£2.5 million

Summary of Revenue Account Budget 2020-21

5.3 The table below summarises the proposed 2020-21 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	10,914,860
Interest payments	5,058,423
Depreciation	5,525,000
Contribution to reserves from surplus	11,016,237
Other items	277,647
	32,792,257
Income	
Rents – dwellings	(29,977,447)
Rents – other	(1,192,740)
Service charges	(1,102,640)
Supporting people funding	(107,870)
Miscellaneous income	(411,560)
	(32,792,257)

5.4 Based on the assumptions detailed in paragraph 5.2, the HRA will have an operating surplus of £11.016 million for 2020-21 (£11,009 million 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

5.5 The main headings are summarised below:

Subjective Heading	2019-20 Budget	2020-21 Budget
	£	£
General Management	4,956,630	5,045,730
Responsive and planned maintenance	5,357,668	5,869,130
Interest payable	5,142,230	5,058,423
Depreciation	5,528,730	5,525,000
Cost of democracy	256,800	256,800

5.6 **General Management**: Budgeted expenditure on delivering HRA services is 1.8% above 2019-20 levels, and includes elements such as the pay award and contractual increases for items such as computer software, grounds maintenance, and cleaning services.

5.7 **Repairs and maintenance:** Emphasis continues to be on planned rather than responsive maintenance, but as the budget provides for both planned and responsive repairs, an element of demand driven cost is inherent in the expenditure. The two previous financial years have seen an increase in void levels and the service continues to experience higher levels of repair costs in a large part due to voids. Whilst the service returns a property to use as soon as possible, void units typically incur additional repair and improvement expenditure in order to prepare them for subsequent tenants. The budget for repairs and maintenance has been increased to reflect the projected outturn for the current year (2019-20) inflated by 4.5%.

5.8 **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	3	0.88%
Fixed	£2,070,000	2	3.60%
Fixed	£10,000,000	5	2.70%
Fixed	£10,000,000	6	2.80%
Fixed	£10,000,000	7	2.92%
Fixed	£10,000,000	8	3.01%
Fixed	£25,000,000	10	3.15%
Fixed	£25,000,000	13	3.30%
Fixed	£25,000,000	18	3.44%
Fixed	£15,000,000	22	3.49%
Fixed	£17,435,000	23	3.50%

5.9 **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 2020-21 charge represents, in officers' view, a realistic amount having regard to the outcome of the stock condition survey. A charge of £5,525,000 is considered both appropriate and affordable.

Income

5.10 The table below shows a breakdown of the 2.7% rent increase in social and affordable rents. All tenants will see an increase in rent, with the increase ranging from £2.03 to £6.41 per week.

Rent increase per week	Number of Tenants	
	Social rents	Affordable rents
£2.00 - £2.50	1220	0
£2.50 - £3.00	1097	3
£3.00 - £3.50	2139	7
£3.50 - £4.00	450	19
£4.00 - £4.50	23	24
£4.50 - £5.00	1	23
£5.00 - £5.50	0	35
£5.50 - £6.00	0	10
£6.00 - £6.50	0	10

The table below shows average current rents by property size.

Property Size	Social Rent	Affordable Rent
1 bed unit	£92.81	£143.03
2 bed Unit	£110.66	£170.99
3 bed Unit	£125.60	£196.79

5.11 In the region of 2600 tenants will have the increase in rent covered by either Housing Benefit or Universal Credit, in full or in part.

5.12 Officers are proposing an increase in garage rents of 2.7% from April 2020.

Welfare Reform and Universal Credit

5.13 Universal Credit (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.

5.14 Early indications are that some tenants do struggle under Universal Credit either to manage their financial affairs or to engage with the new system. However, through a proactive and supportive approach, the Rents team have been able to mitigate the impact. The changes, coupled with the general economic situation remains challenging for our more vulnerable tenants.

The use of predictive analytical software has allowed us to reallocate resources to support tenants on UC. The introduction of a flexible direct debit scheme and the mobile Payment App has helped tenants more easily manage their financial affairs under the new benefit system.

Collection costs and arrears have tended to increase across the sector but to varying degrees. It is likely we see this as the numbers on UC increase.

5.15 A provision for bad debt charge of £100,000 is included in the estimates. This charge will remain under review and the actual contribution to the bad debt allowance at year-end will be calculated with reference to the level of arrears.

Right to Buy sales (RTB)

5.16 RTB activity remained steady during 2019-20.

5.17 The table below outlines activity as at December 2019.

Activity	Number
Properties sold since 1 April 2019	10
Applications being processed	47
Projected disposals 2020-21	15

5.18 Under the government's one-for-one replacement scheme, 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.

It is proving challenging to align our development programme spend within the time constraints imposed by the Government. However we are taking the opportunity to increase the stock through a selective repurchase programme and supporting regeneration projects that will deliver more homes..

5.19 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.

6. HRA Capital Programme and Reserves

6.1 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 project at Westborough being the most recent example
- expansion – the provision of new additional affordable homes.

6.2 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

6.3 The HRA has built up significant revenue reserves and as at 31 March 2020 are estimated to be in the region of £99 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 estimated to be £14.16 million as at 31 March 2020. These funds can only be used to support capital expenditure.

6.4 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 table will be updated to include the proposed investment programme such bids as may be approved by the Executive at its meeting on 21 January 2020. The contribution into the reserve for future capital programmes is maintained.

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-20	35,829	8,526	54,634	**98,989**	2,260	7,657	4,243	**14,160**	**113,148**
Mar-21	38,329	8,526	50,570	**97,424**	2,260	4,922	4,904	**12,085**	**109,509**
Mar-22	40,829	8,526	42,213	**91,567**	2,260	550	5,587	**8,396**	**99,964**
Mar-23	43,329	8,526	44,506	**96,361**	2,260	547	6,292	**9,098**	**105,459**
Mar-24	45,829	8,526	48,054	**102,409**	2,260	1,085	7,020	**10,365**	**112,774**
Mar-25	48,329	8,526	56,453	**113,308**	2,260	3,683	7,772	**13,714**	**127,022**

Potential reserve commitments - Illustrative example	
Potential repayment of variable rate loan	**45,000**
Cumulative reserve balance	**82,022**

6.5 Looking ahead, the Weyside Urban Village Project 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, not only to deliver the new homes but ensure they are well maintained and managed.

6.6 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.

6.7 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

6.8 **Development Projects:** In the last 4 years, the HRA has invested over £21 million and delivered 128 new homes for our local residents. An update of our current development projects is set out below.

6.9 **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.

Concept designs are being developed to inform the scope of the project on the basis of a mixed tenure scheme. A further report will be presented to the Executive once these are available.

6.10 **Guildford Park (Ward: Onslow)** – the enabling works contract is underway with significant retaining structures nearing completion along with major service diversions. A framework contractor is being procured to finalise the design with the aim of starting construction during

Spring 2021. An allocation on the approved programme of £1 million from the HRA is proposed to fund its share of design and enabling works A further report will shortly be considered by the Executive (the general fund provisional programme includes £23 million in respect of this project).

6.11 **Former Apple Tree Pub Site (Ward: Westborough)** – The new development, named 'The Orchard', was completed in Summer 2019.

6.12 **Ladymead (Ward: Friary & St Nicolas)** – The new development, named 'Siren House', was completed in November 2019.

6.13 **Foxburrows (Ward: Westborough)** – Initial design work and consultation with affected residents is now underway. This work will inform any decision around the scope and extent of the scheme. An allocation on the approved HRA programme is proposed of £150,000 to fund some tenant decant costs should it be decided to proceed with the project. Additional funds will be required in due course but this allocation provides some additional flexibility that maybe needed at this stage in the project.

6.14 We have a number of other sites under active consideration, some of which involve third parties. A global budget of £10 million is already on the approved programme to provide the necessary flexibility.

A further budget of £10 million is already on the approved programme for the acquisition of land and property. Experience has shown that the market requires a very quick response to any opportunities. This provision ensures the Council is in a position to move very quickly should any suitable opportunities arise.

6.15 The constitution already makes provision, through a delegation to the Director of Service Delivery in consultation with key Councillors and officers, to allow decisions to be taken quickly but with appropriate governance safeguards in place.

6.16 **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 2019-20, 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.

6.16 Authority is sought to transfer the equity share repurchase and cash incentives schemes for 2020-21 currently shown on the provisional capital scheme list of Appendix 4 to the approved programme list.

7. Robustness of the Budget and Adequacy of Reserves

7.1 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.

7.2 The budget process started in July 2019. Paragraph 5.2 details the assumptions used in the preparation of the 2020-21 budget.

7.3 Staffing costs have been included based on the Full Time Equivalents (FTEs) included in the approved establishment of 66.47.

7.4 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.

7.5 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 2020-21 budget includes a contribution to the bad debt provision of £100,000. This provision reflects the economic climate and continuing welfare reform changes. The level of operating balance remains unchanged at £2.5 million.

7.6 Surrey County Council funding in respect of Sheltered Housing services was removed from the budget for 2018-19. The 2020-21 budget assumes a continuation of grant funding for supported housing of £92,640.

7.7 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.

7.8 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.

7.9 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.

7.10 The value of all housing related reserves as at 1 April 2020 is projected to be around £113 million. The estimated value of all HRA reserves for the period up to 31 March 2025 is shown in paragraph 6.4. The HRA has a significant level of reserves and working balance, but has spending ambitions to match.

8. Legal Implications

8.1 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.

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

9. Human Resource Implications

9.1 The Future Guildford transformation project in now underway. The estimated staff savings have been included in the budget for 2020-21.

10. Conclusion

10.1 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.

10.2 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.

11. Background Papers

- HRA Business Plan 2019-2049

12. Appendices

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

Housing Revenue Account Summary - Draft Estimates 2020-21 **APPENDIX 1**

2017-18 Actual £	2018-19 Actual £	Analysis	2019-20 Estimate £	2019-20 Probable £	2020-21 Estimate £
		Borough Housing Services			
613,565	738,104	Income Collection	682,940	688,897	689,870
948,978	1,036,217	Tenants Services	938,680	936,632	889,510
64,128	81,030	Tenant Participation	148,270	112,418	148,900
68,808	69,865	Garage Management	101,340	97,182	101,700
64,083	59,064	Elderly Persons Dwellings	66,740	67,763	75,280
524,075	584,036	Flats Communal Services	432,530	518,947	513,530
432,181	423,867	Environmental Works to Estates	482,000	424,826	444,460
5,523,575	5,676,678	Responsive & Planned Maintenance	5,357,668	5,654,986	5,869,130
120,028	121,665	Sale of Council Houses & Equity Share	141,950	131,809	139,820
8,359,422	**8,790,527**		**8,352,118**	**8,633,462**	**8,872,200**
		Strategic Housing Services			
360,623	419,543	Advice, Registers & Tenant Selection	360,450	340,978	366,800
210,368	217,026	Void Property Management & Lettings	210,010	186,837	212,290
9,142	9,700	Homelessness Hostels Management	5,120	5,120	5,120
142,418	155,194	Supported Housing Management	163,210	162,185	160,740
392,915	426,311	Strategic Support	380,990	357,476	382,440
1,115,468	**1,227,774**		**1,119,780**	**1,052,597**	**1,127,390**
		Community Services			
911,190	938,878	Sheltered Housing	842,400	871,867	915,270
		Other Items			
5,528,728	5,638,889	Depreciation	5,528,730	5,528,730	5,525,000
(44,323)	(45,515)	Impairment	0	0	0
165,468	163,276	Debt Management	160,590	160,590	150,000
0	0	Rent Rebates	0	0	0
280,328	343,578	Other Items	632,390	382,312	402,387
16,316,281	**17,057,407**	**Total Expenditure**	**16,636,008**	**16,629,557**	**16,992,247**
(32,623,860)	(31,991,396)	Income	(32,445,282)	(32,419,245)	(32,792,257)
(16,307,579)	**(14,933,989)**	**Net Cost of Services(per inc & exp a/c)**	**(15,809,274)**	**(15,789,688)**	**(15,800,010)**
264,207	**258,720**	HRA share of CDC	**256,800**	**251,530**	**256,800**
(16,043,372)	**(14,675,269)**	**Net Cost of HRA Services**	**(15,552,474)**	**(15,538,158)**	**(15,543,210)**
(384,996)	(456,206)	Investment Income	(598,260)	(598,260)	(531,540)
5,004,072	5,159,240	Interest Payable	5,142,230	5,131,995	5,058,423
(11,424,296)	**(9,972,235)**	**Deficit for Year on HRA Services**	**(11,008,504)**	**(11,004,423)**	**(11,016,327)**
627,309	0	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
7,563,162	7,849,699	Contrib to/(Use of) New Build Reserve	8,433,504	8,429,423	8,441,237
0	(421,229)	CERA - Capital Expenditure from Revenue	0	0	0
309,017	0	Tfr (fr) to Pensions Reserve	0	0	0
640,110	0	Tfr (from)/to CAA re: Voluntary Revenue Provision	0	0	0
71,504	76,058	Tfr (from)/to CAA re: Impairment/Revaluation	0	0	0
(627,309)	0	Tfr (from)/to CAA re: REFCUS	0	0	0
(27,181)	(30,543)	Tfr (from)/to CAA re: Intangible assets	0	0	0
(9,000)	(1,750)	Tfr (from)/to CAA re: rev. inc. from sale of asset	0	0	0
(376,685)	**(0)**	**HRA Balance**	**(0)**	**0**	**(90)**
(2,500,000)	(2,500,000)	Balance Brought Forward	(2,500,000)	(2,500,000)	(2,500,000)
(2,876,685)	**(2,500,000)**	**Balance Carried Forward**	**(2,500,000)**	**(2,500,000)**	**(2,500,090)**

2016-17 Actual £	2017-18 Actual £	Analysis	2019-20 Estimate £	2018-19 Probable £	2019-20 Estimate £
		Income			
(29,850,855)	(29,236,342)	Rent Income - Dwellings	(29,736,103)	(29,662,305)	(29,977,447)
(213,964)	(208,349)	Rent Income - Rosebery Hsg Assoc	(209,980)	(209,980)	(208,350)
(194,263)	(206,530)	Rents - Shops, Buildings etc	(194,300)	(221,172)	(224,650)
(677,827)	(718,083)	Rents - Garages	(739,774)	(756,971)	(759,740)
(30,936,909)	**(30,369,304)**	**Total Rent Income**	**(30,880,157)**	**(30,850,428)**	**(31,170,187)**
(345,764)	(140,122)	Supporting People Funding	(105,000)	(123,100)	(107,870)
(961,529)	(1,023,033)	Service Charges	(1,007,580)	(1,028,935)	(1,102,640)
(5,155)	(9,144)	Legal Fees Recovered	(28,840)	(28,840)	(28,840)
(40,025)	(51,614)	Service Charges Recovered	(40,000)	(50,000)	(55,000)
(334,477)	(398,179)	Miscellaneous Income	(383,705)	(337,941)	(327,720)
(32,623,860)	**(31,991,396)**	**Total Income**	**(32,445,282)**	**(32,419,245)**	**(32,792,257)**

Housing Revenue Account - Fees and Charges 2020-21		2019-20	2020-21	APPENDIX 2 Increase
		£	£	
		From 1 April 2019	From 1 April 2020	%
To be approved by Council				
Sheltered Units				
Guest Room Fees (per night);				
Dray Court		19.05	19.65	3.1%
Japonica Court		20.75	21.40	3.1%
St Martin's Court		23.35	24.05	3.0%
St Martha's Court		23.05	23.75	3.0%
Tarragon Court		22.50	23.20	3.1%
Millmead Court		20.00	20.60	3.0%
Function Room Hire				
Voluntary /Charity Organisations	- Per Hour	13.90	14.30	2.9%
	- Per Day	69.00	71.05	3.0%
Education/Social Services	- Per Hour	16.50	17.00	3.0%
	- Per Day	103.00	106.10	3.0%
Social/Private Hire	- Per Hour	20.75	21.35	2.9%
	- Per Day	110.75	114.00	2.9%
Service charge (per week):				
Dray Court	To follow	59.20	0.00	-100.0%
Japonica Court	To follow	65.20	0.00	-100.0%
St Martha's Court	To follow	64.48	0.00	-100.0%
Millmead Court	To follow	53.78	0.00	-100.0%
St Martin's Court	To follow	61.33	0.00	-100.0%
Tarragon Court	To follow	54.09	0.00	-100.0%
Friary House (61 flats)				
Heating, Electricity, Cleaning, Caretaking and Security Services (per week)		16.81	17.08	1.6%
Garages (on Housing Estates) (*VAT is applied at the standard rate on private lets only)*				
High demand area (non residents) (per week)		19.65	20.18	2.7%
High demand area (per week)		11.95	12.27	2.7%
Elsewhere (per week)		9.82	10.09	2.7%
Castle Cliffe				
Gas and Electricity Charges (per week)		12.10	13.04	7.8%
Malthouse Court				
Gas and Electricity Charges (per week)		9.79	11.58	18.3%
Pound Court				
Electricity; Grounds Maintenance (per week)		6.62	5.24	-20.8%
Flats				
Where cleaning provided to communal areas;				
Sandmore (Laundry and Communal Facilities, per week)		4.37	4.84	10.8%
Decorating charge *(Note: charge is per room)*		1.63	1.68	3.1%
Supported Housing				
Service charge per week:				
William Swayne House:				
- Self Contained bedsits	To follow	111.41	0.00	-100.0%
- Self Contained flat	To follow	113.62	0.00	-100.0%
William Swayne Place	To follow	43.63	0.00	-100.0%
Dene Road	To follow	69.30	0.00	-100.0%
79 York Road	To follow	39.13	0.00	-100.0%
Caxtons	To follow	60.49	0.00	-100.0%
Dene Court	To follow	81.27	0.00	-100.0%
Sold Flats Service Charges - Solicitors' Enquiry				
Sales/purchases		136.50	140.60	3.0%
Remortgages		70.20	72.30	3.0%
Sold Flats Service Charge Management Fee		178.50	183.90	3.0%
Consent Fees				
Consent - Application in Advance		106.00	109.20	3.0%
Consent - Retrospective Application		181.00	186.50	3.0%

2020-21 Asset Management Plan – Major Investments **Appendix 3**

Category	Project	Estimate
Schemes		£
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 *Various locations*	Provision of modern kitchens, bathrooms and electrical upgrades.	1,300,000
Void Properties *Various locations*	Refurbishment of individual properties to enable them to be relet	600,000
Structural		
Repairs associated with structural movement. *Various locations*	Structural works to various properties, including structural investigation and remedial works	200,000
Doors & Windows		
Replacement of external doors *Various locations*	Replacement of external entrance doors	100,000
Windows		
Replacement of windows *St Marthas Court, Chilworth*	Renewal or replacement windows where existing are single glazed and/or beyond normal operational maintenance	200,000
Roof Renewal		
Pitched roof replacement *Broomfield, Park Barn*	Roof renewal to address failing roof coverings and associated construction details including chimneys, fascias, soffits & above ground rainwater drainage	75,000
Replacement of asbestos soffits including fascias, and rainwater goods *Hornhatch, Chilworth and Park Barn*	Removal of asbestos boarding at roofline to 16 blocks of flats which has prohibited cyclical decoration programme. Roofs are in reasonable condition and do not need to be renewed.	250,000

Category	Project	Estimate
External Wall Insulation		
External wall insulation to solid wall properties *Guildford Park, Guildford*	Provision of external wall insulation to solid wall properties to address poor thermal insulation	150,000
Mechanical & Electrical		
Central heating boiler upgrades. *Various locations*	Upgrading existing central heating installations with high efficiency systems	250,000
Domestic Air Source Heat Pump installations *Various locations.*	Replace old electric heating systems with high efficiency air source heat pump wet central heating systems	750,000
Warden Call System *Dene Road, Guildford*	Installation of new Warden Call System with Door entry	10,000
Lift refurbishment. *Bedford House, Guildford*	Continuation of phased programme to replace obsolete lift controllers	30,000
Lift refurbishment *Japonica Court*, Ash	Continuation of lift replacement programme	300,000
Lift replacement *St Marthas Court, Chilworth*	Secondary lift provision - stairlifts in phased programme of 2 per year, total 6	10,000
General		
Continuing programme of garage forecourt resurfacing	Resurface garage forecourt areas to garage blocks where existing surface is in poor condition – continuation of planned programme according to identified priority	100,000
Condition Appraisals	Annual programme of condition appraisal surveys	50,000

Category	Project	Estimate
Fire protection works	Prioritised non-urgent remedial works comprising Containment, Doors, Smoke Detectors, Signage	200,000
Mobility Scooter and improved access to various sheltered blocks	Millmead Court, Dray Court, Japonica Court, St Marthas Court - combination of using vacant rooms and charging enclosures	150,000
Condition Appraisal works	Prioritised repair plus non-urgent remedial works recommended by Condition appraisal assessment	100,000
Environmental improvements	General environmental improvements at sites to be agreed. All subject to resident consultation.	50,000
Disabled adaptations *Various locations*	Works to alter, adapt Council owned dwellings for the benefit of people with disability.	650,000
Software systems	Provision to upgrade essential business software	30,000
Programme support.	Programme support & development to support HRA Business Plan	40,000
	Total	**5,635,000**

GUILDFORD B.C. - HOUSING INVESTMENT PROGRAMME 2019-20 to 2024-25: HRA APPROVED PROGRAMME

APPENDIX 4

	Project Budget £000	2018-19 Actual £000	Project Spend at 31-03-19 £000	2019-20 Estimate £000	Carry Forward	Expenditure as at 02.12.19 £000	2019-20 Projected Outturn £000	2020-21 Estimate £000	2021-22 Estimate £000	2022-23 Estimate £000	2023-24 Estimate £000	2024-25 Estimate £000	Total Project Exp £000
Acquisition of Land & Buildings	10,700	519	920	0	2,581	327	2,581	1,800	1,800	1,800	1,800	0	10,700
New Build													
Guildford Park	75	0	75	0	0	123	0	0	0	0	0	0	75
Appletree pub site	3,200	2,209	2,764	338	98	713	660	0	0	0	0	0	3,424
Slyfield Green (Corporation Club)	2,448	0	2,376	0	72	61	61	0	0	0	0	0	2,437
Willow Way	1,000	179	952	0	48	1	5	0	0	0	0	0	957
Garage sites-	2,500		0	0	189			0	0	0	0	0	0
Pond Meadow		62	562	0		9	38						600
Rowan Close		4	549	0		8	51						600
Great Goodwin Drive		431	945	0		57	55						1,000
The Homestead	500	327	756	0	0	4	44	0	0	0	0	0	800
Fire Station/Ladymead	2,000	643	643	1,196	136	1,083	1,332	25	0	0	0	0	2,000
Bright Hill	500	0	0	0	500	0	0	500	0	0	0	0	500
Various small sites & feasibility/Site preparation	1,000		0	0		0	0	0	0	0	0	1,000	1,000
Pipeline projects	9,425			575		42	150	2,250	3,325	1,825	1,875	0	9,425
Redevelopment bid 13	533			533		0	0	533					533
Redevelopment bid 14	300			300		0	50	250					300
Schemes to promote Home-Ownership													
Equity Share Re-purchases	annual	143	annual	400		0	400	400	400	400	400	400	annual
Major Repairs & Improvements													
Retentions & minor carry forwards	annual	0	annual	40		0	40	Provisional	Provisional	Provisional	Provisional	Provisional	annual
Modern Homes - Kitchens, Bathroons & Void refurb	annual	1,253	annual	1,050		1,084	1,346	Provisional	Provisional	Provisional	Provisional	Provisional	annual
Doors and Windows	annual	256	annual	525	0	10	505	Provisional	Provisional	Provisional	Provisional	Provisional	annual
Structural	annual	545	annual	400	300	105	614	Provisional	Provisional	Provisional	Provisional	Provisional	annual
Energy efficiency: Central heating/Lighting	annual	1,101	annual	1,530		458	1,266	Provisional	Provisional	Provisional	Provisional	Provisional	annual
General	annual	1,210	annual	1,605	776	955	2,466	Provisional	Provisional	Provisional	Provisional	Provisional	annual
Grants													
Cash Incentive Scheme	annual	0	annual	75		0	75						annual
TOTAL APPROVED SCHEMES	**34,181**	**8,883**	**10,540**	**8,567**	**4,700**	**5,040**	**11,739**	**5,758**	**5,525**	**4,025**	**4,075**	**1,400**	**34,350**

GUILDFORD B.C. - HOUSING INVESTMENT PROGRAMME 2019-20 to 2023-24: HRA PROVISIONAL PROGRAMME

APPENDIX 4

	Project Budget £000	2018-19 Actual £000	Project Spend at 31-03-19 £000	2019-20 Estimate £000	Carry Forward	2019-20 Projected Outturn £000	2020-21 Estimate £000	2021-22 Estimate £000	2022-23 Estimate £000	2023-24 Estimate £000	2024-25 Estimate £000	Total Project Exp £000
Acquisition of Land & Buildings	10,000	0	0	0	0	0	0	3,000	3,000	4,000	0	10,000
New Build												
Guildford Park	16,000	341	907	406	700	1,106	6,760	7,201	26	0	0	16,000
Bright Hill	3,000	0	0	0	0	0	1,500	1,500	0	0	0	3,000
Slyfield (25/26 £5m; 26/27 £44m)	1,000	0	0	0	0	0	0	0	1,000	0	0	1,000
Redevelopment bid 13	10,124	0	0	0	0		3,197	5,861	1,066	0	0	10,124
Redevelopment bid 14	3,000	0	0	0	0		1,000	1,500	500	0	0	3,000
Major Repairs & Improvements												
Major Repairs & Improvements	annual		annual	0	0	0	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	0	0	0	75	75	75	75	75	annual
Total Expenditure to be financed	**43,124**	**341**	**907**	**406**	**700**	**1,106**	**18,032**	**24,637**	**11,167**	**9,575**	**5,575**	**43,124**

GUILDFORD B.C. - HOUSING INVESTMENT PROGRAMME 2019-20 to 2024-25: HRA RESOURCES AND FUNDING STATEMENT

APPENDIX 4

	2018-19 Actual £000	2019-20 Estimate £000	2019-20 Projected Outturn £000	2020-21 Estimate £000	2021-22 Estimate £000	2022-23 Estimate £000	2023-24 Estimate £000	2024-25 Estimate £000
EXPENDITURE								
Approved programme	9,249	8,567	11,739	5,758	5,525	4,025	4,075	1,400
Provisional programme	0	406	1,106	18,032	24,637	11,167	9,575	5,575
Total Expenditure	**9,249**	**8,973**	**12,845**	**23,790**	**30,162**	**15,192**	**13,650**	**6,975**
FINANCING OF PROGRAMME								
Capital Receipts	1,306	400	400	400	400	400	400	400
1-4-1 recepits	1,465	1,004	1,840	5,345	7,256	2,765	2,303	300
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	4,395	5,150	6,237	5,500	5,500	5,500	5,500	5,500
New Build Reserve	2,083	2,344	4,294	12,471	16,931	6,452	5,373	700
Grants and Contributions	0	0	0	0	0	0	0	0
Total Financing (= Total Expenditure)	**9,249**	**8,973**	**12,845**	**23,790**	**30,162**	**15,192**	**13,650**	**6,975**

RESERVES - BALANCES	2018-19 Actual £000	2019-20 Estimate £000	2019-20 Projected Outturn £000	2020-21 Estimate £000	2021-22 Estimate £000	2022-23 Estimate £000	2024-25 Estimate £000	2023-24 Estimate £000
Reserve for Future Capital Programme (U01035)								
Balance b/f	30,829	33,329	33,329	35,829	38,329	40,829	43,329	45,829
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	**33,329**	**35,829**	**35,829**	**38,329**	**40,829**	**43,329**	**45,829**	**48,329**
Major Repairs Reserve (U01036)								
Balance b/f	7,991	9,598	9,234	8,526	8,526	8,526	8,526	8,526
Contribution in year	5,639	5,529	5,529	5,500	5,500	5,500	5,500	5,500
Used in Year	(4,395)	(5,150)	(6,237)	(5,500)	(5,500)	(5,500)	(5,500)	(5,500)
Balance c/f	**9,234**	**9,977**	**8,526**	**8,526**	**8,526**	**8,526**	**8,526**	**8,526**
New Build Reserve (U01069)								
Balance b/f	44,919	45,789	50,686	54,634	50,570	42,213	44,506	48,054
Contribution in year	7,850	8,241	8,241	8,406	8,574	8,746	8,921	9,099
Used in Year	(2,083)	(2,344)	(4,293)	(12,471)	(16,931)	(6,452)	(5,373)	(700)
Balance c/f	**50,686**	**51,686**	**54,634**	**50,570**	**42,213**	**44,506**	**48,054**	**56,453**
Usable Capital Receipts: 1-4-1 receipts (T01011)								
Balance b/f	7,093	6,141	6,968	7,657	4,922	550	547	1,085
Contribution in year	1,340	2,529	2,529	2,609	2,884	2,762	2,841	2,898
Used in Year	(1,465)	(1,004)	(1,840)	(5,345)	(7,256)	(2,765)	(2,303)	(300)
Balance c/f	**6,968**	**7,666**	**7,657**	**4,922**	**550**	**547**	**1,085**	**3,683**

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

Usable Capital Receipts - HRA Debt Repayment (T01010)								
Balance b/f	3,867	4,158	3,952	4,243	4,904	5,587	6,292	7,020
Contribution in year	85	661	290	661	683	705	728	752
Used in Year	0	0	0	0	0	0	0	0
Balance c/f	**3,952**	**4,819**	**4,243**	**4,904**	**5,587**	**6,292**	**7,020**	**7,772**

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

Usable Capital Receipts - pre 2013-14 (T01008)								
Balance b/f	12,760	13,361	9,559	2,260	2,260	2,260	2,260	2,260
Contribution in year	0	0	0	0	0	0	0	0
Used in Year (HRA = above)	0	0	0	0	0	0	0	0
Used in Year (GF Housing Co)	(3,201)	(13,361)	(7,299)	0	0	0	0	0
Used in Year (GF Housing - DFG)	0	0	0	0	0	0	0	0
Balance c/f	**9,559**	**0**	**2,260**	**2,260**	**2,260**	**2,260**	**2,260**	**2,260**

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

Usable Capital Receipts - post 2013-14 (T01012)								
Balance b/f	422	0	0	0	0	0	0	0
Contribution in year	898	289	286	289	292	295	298	298
Used in Year (HRA = above)	(1,306)	(69)	(186)	(69)	(72)	(75)	(78)	(475)
Used in Year (GF Housing)	(14)	(220)	(100)	(220)	(220)	(220)	(220)	(220)
Balance c/f	**0**	**0**	**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

Joint Executive Advisory Board Report

Ward(s) affected: All

Report of Managing Director

Author: Steve Benbough

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Tel: 07803 204433

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Date: 9 January 2020

New Corporate Priorities and Plan

Executive Summary

The Council approved its current Corporate Plan for the period 2018 to 2023 at its meeting on 15 May 2018. However, since the Borough Council elections in May 2019, members of the Executive have discussed new corporate priorities and these have been the subject of a workshop for all councillors held on 13 November 2019.

This report seeks the views of the Joint Executive Advisory Board (EAB) on proposed new draft corporate priorities and the outline timetable for developing a new corporate plan. The Executive will be invited to agree the priorities for public consultation purposes at its meeting on 21 January 2020.

Recommendation to Joint Executive Advisory Board

The Board is invited to submit comments to the Executive on the proposed new draft corporate priorities and the timetable for developing a new corporate plan.

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

To support the Council with the development of new corporate priorities and a corporate plan to provide the strategic framework for managing our business and resources effectively.

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

1. Purpose of Report

1.1 This report asks the Executive to approve new draft corporate priorities for public consultation and to agree the process for developing a new corporate plan.

2. Strategic Priorities

2.1 Our corporate priorities and corporate plan will set out our strategic framework and are fundamental to ensuring that we manage our business and resources effectively. They will also ensure that our activities are aligned to the issues that matter most to local people.

3. Background

3.1 Following the Borough Council elections in May 2019, members of the Executive were asked to give an indication of their future priorities for the Council. From the responses received and on the basis of further discussions with councillors, a list of draft priorities was developed across the four following strategic themes:

Climate Change and Environment
Housing and Community
Economy and Regeneration
Improved Council

3.2 The themes and draft priorities formed the basis of discussions at a workshop for all councillors held on 13 November 2019. The workshop focussed on defining the outcomes and impacts that the Council would most wish to deliver under the following draft priorities:

<u>Climate Change and Environment</u>

- Working with residents and businesses towards becoming a carbon neutral borough
- Protecting our environment
- Making travel easier and more sustainable

<u>Housing and Community</u>

- Providing the housing that people need
- Caring for people who need our help
- Keeping the community active and well

<u>Economy and Regeneration</u>

- Encouraging sustainable, clean economic growth
- Supporting businesses to provide the jobs people need
- Regenerating Guildford town centre

Improved Council

- ➢ Using new ways of working to improve value for money and customer service

- ➢ Improving transparency, consultation and community engagement

3.3 The workshop started to identify the issues that councillors would most wish to address and covered topics such as homelessness, mental health, affordable homes and retaining and attracting businesses. The matters raised will help us work further with councillors on defining their priority outcomes.

3.4 The EAB is asked to consider the draft priorities set out in paragraph 3.2 and submit any comments on them to the Executive. Subject to any amendments, the Executive will then approve them for public consultation. The consultation will include an online survey to ensure that all residents and stakeholders can have their say and also a telephone survey to provide a representative response to the identified priorities. The proposed timetable for adoption of the new priorities and corporate plan is set out in paragraph 3.8 below.

New Corporate Plan

3.5 Sitting below the new corporate priorities, there will be key projects and actions to help support their delivery. As an example, under the priority "Caring for people who need our help", councillors have indicated that work on homelessness and food poverty are likely to be at the forefront. In a similar way, "Reducing waste" would encompass commitments and actions around the use of plastics. The new corporate priorities and desired strategic outcomes, together with these projects and actions, will form the basis of our new Corporate Plan.

3.6 A clearly expressed ambition since the elections has been for the Council to improve its community engagement. In fact, better engagement will be central to achieving some of the Council's stated priorities as they will rely on behavioural change by residents and businesses (e.g. climate change, plastics, public transport use etc.).

3.7 We suggest that a councillor working group is established to consider, prioritise and recommend the key activities and projects for delivery under the new corporate priorities. This group could seek the involvement of external experts and partners where appropriate and encourage wider community engagement.

3.8 The outcomes of the group's work would contribute to the formulation of a new Corporate Plan. An indicative timetable is shown below:

- 13 Nov 2019 — Workshop for councillors on draft corporate priorities
- 9 Jan 2020 — Consideration of draft corporate priorities by Joint EAB
- 21 Jan 2020 — Agreement of draft corporate priorities by the Executive and establishment of councillor working group

- Feb 2020 — Planning and preliminary work by the working group
- Feb/Mar 2020 — Public consultation on the new corporate priorities
- Mar/May 2020 — Stakeholder and community engagement by the working group (including consideration of the outcome of the public consultation on the draft corporate priorities)
- June 2020 — Workshop for all councillors to consider the recommendations of the working group
- 21 July 2020 — Executive to recommend the new Corporate Plan for adoption by the Council
- 28 July 2020 — Adoption of new Corporate Plan by the Council

4. Consultations

4.1 The new draft priorities were discussed at a councillor workshop on 13 November 2019. Subject to approval by the Executive, they will be subject to public consultation. The report also proposes the establishment of a working group to engage residents and partners in the development of a new corporate plan.

5. Equality and Diversity Implications

5.1 The new priorities and corporate plan will need to comply with the Public Sector Equality Duty (Equality Act 2010) and support the Council's Equality and Diversity Policy Statement. The intention is that the themes, priorities and projects set out in the plan will advance equality of opportunity.

6. Financial Implications

6.1 There are no financial implications arising directly from this report. However, the new priorities and corporate plan will link to the Council's Medium Term Financial Strategy, helping to define and shape the resources required to deliver our priority outcomes.

7. Legal Implications

7.1 There are no legal implications associated with this report. The Corporate Plan is not a legal requirement but is essential in setting out the Council's overarching strategic framework and priorities.

8. Human Resource Implications

8.1 There are no human resources implications arising from this report.

9. Climate Change/Sustainability Implications

9.1 There are no significant implications for climate change or sustainability arising from the proposals in this report. Clearly, however, there will be a number of corporate priorities and associated key projects and actions that will have major climate change/sustainability implications, which will be identified at the appropriate time.

10. Summary of Options

10.1 The existing Corporate Plan covers the period 2018 to 2023 and could remain unchanged. However, following the Borough Council elections in May 2019, new corporate priorities have been identified and a new corporate plan will be needed to provide the framework for delivery of the desired outcomes.

11. Conclusion

11.1 The report asks the EAB to submit comments on the new draft corporate priorities prior to them be approved by the Executive for public consultation. The priorities and new corporate plan will provide a strategic framework to guide our decisions and provide a focus for our work over the coming years.

12. Background Papers

Report to Executive: 24 April 2018

13. Appendices

None

Service	***Sign off date***
Finance / 151 Officer	*24/11/19*
Legal / Governance	
HR	*21/11/19*
Equalities	*21/11/19*
Lead Councillor	
CMT	*03/12/19*
Committee Services	*12/11/19*

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Joint Executive Advisory Board Report

Ward(s) affected: Burpham, Christchurch, Friary & St Nicolas, Holy Trinity, Merrow, Onslow, Shalford, Stoke, Stoughton and Westborough

Report of Director of Strategic Services

Author: Donald Yell, Senior Policy Officer – Planning Policy (Transport)

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Lead Councillor responsible: Councillor Caroline Reeves

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Date: 9 January 2020

Public bike share scheme for Guildford: Briefing on commercial viability and an update on the commissioning of the project

Executive Summary

The purpose of this report is to provide the Joint Executive Advisory Board (EAB) with:

- a briefing on the commercial viability of the project to deliver a public bike share scheme for Guildford
- an update on the commissioning of the project.

<u>Previous consideration by EAB</u>
The Place-making and Innovation EAB considered elements of the feasibility study and progress with progressing the bike share scheme at its meeting on 21 October 2019. The report and discussions considered aspects including the Council's revised proposal to deliver Phase A of the Guildford Borough Council-commissioned bike share scheme (hereafter the Guildford BC bike share scheme or Guildford BC scheme) and the consultant's recommendations for the scheme, as well as the consultant's draft plans for the Guildford cycle network as identified in the route assessments feasibility study.

This item responds to the request from the chairman of the EAB that a further item should be scheduled to allow EAB consider the commercial viability of a Guildford BC bike share scheme.

<u>Guildford Bike Share – Feasibility Study (Transport Initiatives & Urban Movement, May 2019) and the commercial viability of a Guildford BC bike share scheme</u>
The feasibility study, with the exception of the majority of its section 5 'Bike share business case', is provided in Appendix 1. Sections 3.2, 3.3 and 3.4 of the feasibility report were used extensively in the preparation of the material presented in Appendix 1 to the officer report of 21 October 2019, and were the subject of discussion by EAB on that occasion.

The majority of section 5 ('Bike share business case') of the feasibility study, which presents

an assessment of the commercial viability of a Guildford BC bike share scheme, is provided in Appendix 2. This is exempt from publication.

Update on the commissioning of the project
The officer report of 21 October 2019 identified that:

- the consideration of a potential Guildford BC bike share scheme has taken place in the context of the commissioning and establishment of a University of Surrey bike share scheme
- the commissioning of a Guildford BC scheme has been complicated by the existence of the University scheme
- officers have been in discussion with the University and the operator of the University scheme regarding the commissioning of a Guildford BC scheme and these discussions are continuing and commercially sensitive.

An update on the commissioning of the project is provided in Appendix 3. This is exempt from publication.

Recommendation to Executive Advisory Board

That the Executive Advisory Board is requested to note and provide comment on:

- The consultant's assessment of the commercial viability of a Guildford BC bike share scheme
- The update on the commissioning of the project

Reason(s) for Recommendation:
To inform the further development of the project to deliver a public bike share scheme in Guildford, which is a scheme in the Council's Corporate Plan 2018-2023.

Is the report (or part of it) exempt from publication?
Yes, part of the report, namely appendices 2 and 3:
(a) The content is to be treated as exempt from the Access to Information publication rules because it provides information relating to the financial or business affairs of Guildford Borough Council and one or more third parties and is therefore exempt by virtue of paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 as follows: "Information relating to the financial or business affairs of any particular person (including the authority holding that information)."
(b) The content is restricted to all councillors.
(c) It is likely that the exempt information in Appendix 2 can be expected to be made public for public inspection on 1 October 2020.
(d) The exempt information in Appendix 3 is not expected to be made public because it provides information relating to the financial or business affairs of Guildford Borough Council and one or more third parties and is therefore exempt by virtue of paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 as follows:
"Information relating to the financial or business affairs of any particular person (including the authority holding that information)."
(e) The decision to maintain the exemption may be challenged by any person at the point at which the EAB is invited to pass a resolution to exclude the public from the meeting to consider the exempt information.

1. Purpose of Report

1.1 The purpose of this report is to provide the Joint Executive Advisory Board (EAB) with:
- a briefing on the commercial viability of the project to deliver a public bike share scheme for Guildford
- an update on the commissioning of the project.

2. Strategic Priorities

2.1 The recommendation supports the delivery of the priority from the Corporate Plan 2018-2023 for: Making travel in Guildford and across the borough easier. Specifically, the plan identifies a project to introduce a public bike share scheme (including electric bikes) in Guildford.

3. Previous consideration by EAB

3.1 The Place-making and Innovation EAB considered elements of the feasibility study and progress with progressing the bike share scheme at its meeting on 21 October 2019. The report and discussions considered aspects including the Council's revised proposal to deliver Phase A of the Guildford BC bike share scheme and the consultant's recommendations for the scheme, as well as the consultant's draft plans for the Guildford cycle network as identified in the route assessments feasibility study.

3.2 This item responds to the request from the chairman of the EAB that a further item should be scheduled to allow EAB consider the commercial viability of a Guildford Borough Council-commissioned bike share scheme (hereafter the Guildford BC bike share scheme or Guildford BC scheme).

3.3 Further to the EAB meeting in October 2019, the predecessor Borough, Economy and Infrastructure EAB considered the potential for a public bike share scheme in September 2017. The Board supported the proposal to undertake a feasibility study to consider the matter further, and made a number of suggestions with respect to the scope of the feasibility study and the preparation for a potential bike share scheme.

3.4 The Executive also received a report on the bike share scheme in July 2018, which included an interim feasibility report. The Executive report addressed a number of the suggestions made by the EAB in September 2017. It set out the scale and scope of a then proposed Guildford BC scheme.

4. Guildford Bike Share – Feasibility Study (Transport Initiatives & Urban Movement, May 2019) and the commercial viability of a Guildford BC bike share scheme

4.1 The feasibility study, with the exception of the majority of its section 5 'Bike share business case', is provided in Appendix 1. Sections 3.2, 3.3 and 3.4 of the feasibility report were used extensively in the preparation of the material presented in Appendix 1 to the officer report of 21 October 2019, and were the subject of discussion by EAB on that occasion.

4.2 The majority of section 5 ('Bike share business case') of the feasibility study, which presents an assessment of the commercial viability of a Guildford BC bike share scheme, is provided in Appendix 2. This is exempt from publication.

5. Update on the commissioning of the project

5.1 The officer report of 21 October 2019 identified that:

- the consideration of a potential Guildford BC bike share scheme has taken place in the context of the commissioning and establishment of a University of Surrey bike share scheme
- the commissioning of a Guildford BC scheme has been complicated by the existence of the University scheme
- officers have been in discussion with the University and the operator of the University scheme regarding the commissioning of a Guildford BC scheme and these discussions are continuing and commercially sensitive.

5.2 An update on the commissioning of the project is provided in Appendix 3. This is exempt from publication.

6. Consultations

6.1 Representatives of number of groups took part in a stakeholder engagement workshop for the bike share feasibility study. This is described in section 4 'Stakeholder feedback' of the feasibility study in Appendix 1.

7. Key Risks

7.1 Section 2.7 of the feasibility study, as provided in Appendix 1, provides an assessment of risks and barriers to a successful Guildford BC scheme.

8. Financial Implications

8.1 The project for a potential Guildford BC bike share scheme has a provisional capital budget of £830k, comprised of:

- £530k in the Council's General Fund Capital Programme provisional list, and
- £300k provisionally approved by the LEP in 2019.

8.2 The revenue spend for the project to date is £73,744 (from 2017/18 financial year to the end of Quarter 2 2019/20 financial year). Of this, £9,675 has been spent in 2019/20 to date, of which £6,000 was the application fee to the LEP.

8.3 Further commentary on financial implications specific to the update on the commissioning of the project is provided in Appendix 3. This appendix is exempt from publication.

9. Legal Implications

9.1 There are a variety of legal aspects of a potential Guildford BC bike share scheme. These include:

- The procurement of a Guildford BC bike share scheme
- Legal agreements for the use of land, including highways land, for docking hubs and for complementary measures focused on signing and lining around docking hubs.

9.2 Legal implications will be considered further as and when a report is taken to the Executive seeking a new mandate for the commissioning of a potential Guildford BC bike share scheme.

9.3 No specific legal implications apply to this report.

10. Human Resource Implications

10.1 During the commissioning process, the Major Projects Team will have capacity to oversee and project manage the work with support from other relevant teams across the Council.

10.2 Once the scheme has been implemented, the consultant has suggested that allowance should be made for 0.1 FTE of officer time to support the scheme.

10.3 Consideration will need be given to where the responsibility of the future contract management of the scheme will lie within the Council's corporate structure.

11. Equality and Diversity Implications

11.1 The commissioning of a Guildford BC bike share scheme will have due regard to the aims of the Public Sector Equality Duty (Equality Act 2010).

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

11.3 A screening Equalities Impact Assessment for the project will be undertaken in due course and, if appropriate, a full Equalities Impact Assessment.

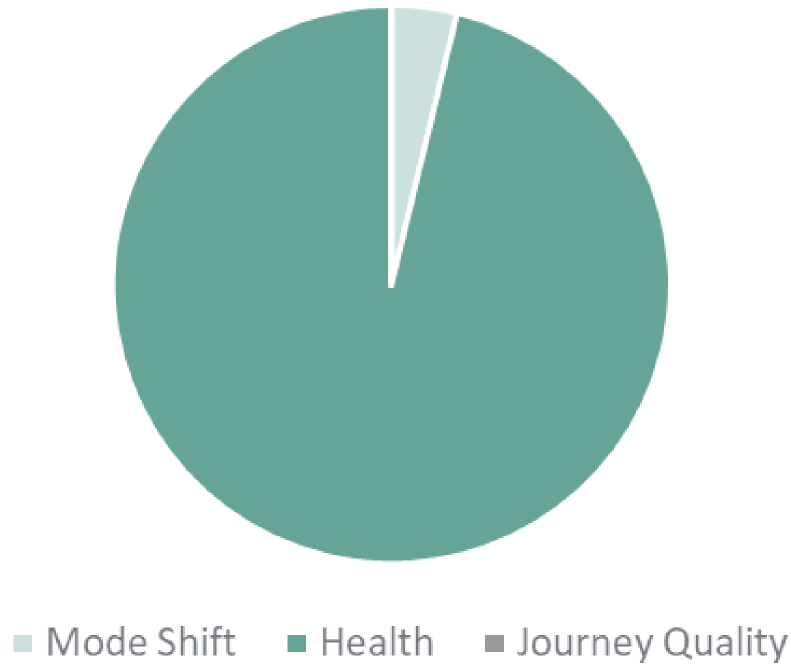
12. Climate Change/Sustainability Implications

12.1 Section 5.4 in the feasibility study, as included in Appendix 1 of this report, includes the consultant's analysis using the DfT's Active Mode Appraisal Toolkit[1] (May 2018) of a Guildford BC bike share scheme. This calculates mode shift, health and journey quality benefits based on a range of walking and cycling projects.

12.2 According to the Toolkit the BCR for the proposed bike share scheme is around 3.1, again in the 'High Value for Money' category. The chart overleaf shows how

[1] *www.gov.uk/government/uploads/system/uploads/attachment_data/file/712871/active-mode-appraisal-toolkit.xlsx*

the benefits are mostly related to health, with only a small proportion (4%) attributed to mode shift.



Estimated benefits by type

12.3 The feasibility study also appraises the scheme using generalised figures for appraisal of cycling projects produced by Cycling England in 2010. This assessed a large range of cycling infrastructure projects between 2005 and 2008 by the six Cycling Demonstration Towns, ranging from small interventions to major schemes. This estimated that the average benefit of 11 new users annually of cycling infrastructure was equivalent to £100k.

12.4 Hence the overall cost of an e-bike scheme cost over the first five years of around £830k would require just 91 people to start using the scheme regularly to show a benefit – fewer than 20 new users per year. This is significantly lower than the number of expected members, and hence there would be a net benefit even without taking into account casual users.

12.5 It is also notable that a Guildford BC bike share scheme based on a fully ebike fleet and charging at docking hubs is likely to have lower carbon emissions than a system involving the manual swapping of batteries, the latter involving more intensive servicing activities by a bike share provider.

13. Conclusion

13.1 This report has provided the EAB with:

- a briefing on the commercial viability of the project to deliver a public bike share scheme for Guildford
- an update on the commissioning of the project.

13.2 EAB's recommendations, including those made at its meeting on 21 October 2019, will be taken into account and reported to the Executive in a report on the project to be taken to Executive's meeting on 21 January 2020. The report to Executive will seek a new mandate for the commissioning of a Guildford BC bike share scheme.

14. Appendices

Appendix 1: Guildford Bike Share – Feasibility Study (Transport Initiatives & Urban Movement, May 2019) – with the exception of the majority of its section 5 'Bike share business case'

Appendix 2: Guildford Bike Share – Feasibility Study (Transport Initiatives & Urban Movement, May 2019) – remainder of section 5 'Bike share business case' **(Exempt from publication)**

Appendix 3: Update on the commissioning of the Guildford BC bike share scheme **(Exempt from publication)**

Service	***Sign off date***
Finance / S.151 Officer	*19/12/2019*
Legal / Governance	*12/12/2019*
HR	*12/12/2019*
Equalities	*12/12/2019*
Lead Councillor	*19/12/2019*
CMT	*17/12/2019*
Committee Services	*20/12/2019*

Final report:

For: ***Guildford Borough Council***

Guildford Bike Share - Feasibility Study

By: **Transport Initiatives LLP**

&

Urban Movement

May 2019

*Office 4, 145 Islingword Road
Brighton BN2 9SH*

www.transport-initiatives.com

Final report:

Guildford Bike Share – Feasibility Study

Contents

Quality Assurance	
Job: *Guildford Bike Share – Feasibility Study*	***Client:*** *Guildford Borough Council*
Job number: *CSSE24*	***Version number:*** *7.1*
Issued by: Mark Strong *for and on behalf of Transport Initiatives LLP & Urban Movement*	
	Date: *23 May 2019*
Checked by: Ken Spence	
	Date: *23 May 2019*

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1. Background

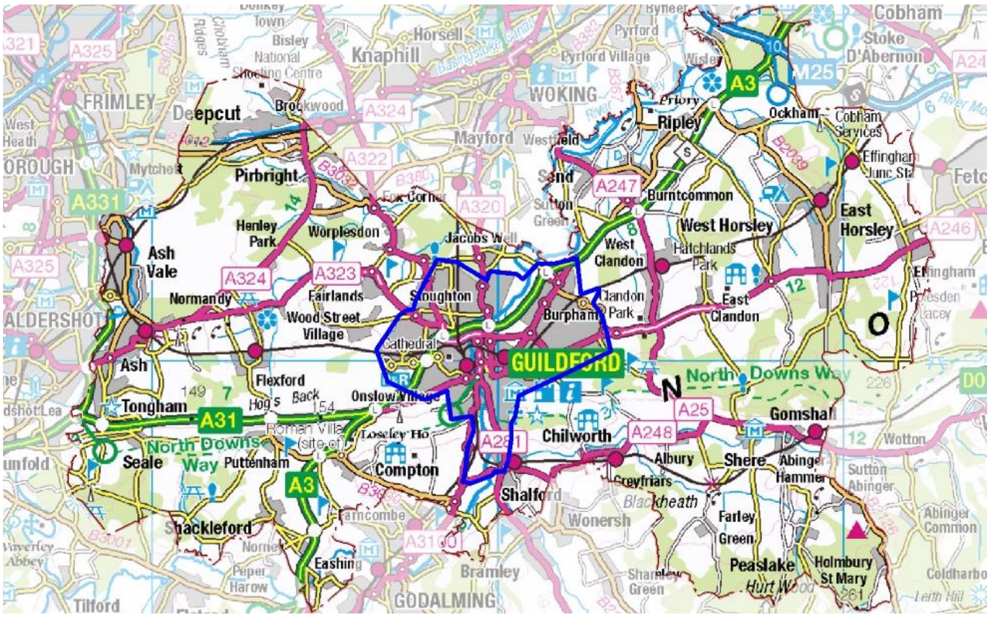
1.1 Bike share in Guildford

In September 2017 a report on bike share was presented to the Borough, Economy and Infrastructure Executive Advisory Board of Guildford Borough Council *(Guildford BC).* This supported the commissioning of a feasibility study looking at the development of a scheme in the town.

A number of issues and concerns were raised by Board members. The feasibility study was seen as providing assurance that these would be addressed, as well as assessing both appetite and potential for a bike share scheme in the borough.

While the Board supported a ‘docked’ scheme over a ‘dockless’ scheme, it felt that the feasibility study should examine both models before coming to a conclusion. The study would also examine the option of electrically assisted cycles (‘e-bikes’). The key points brought up by members were included in the study brief.

In 2018 Urban Movement *(UM)* and Transport Initiatives *(TI)* were commissioned by Guildford BC to carry out the feasibility study. The study focus was the town of Guildford itself (outlined in blue below), rather than the overall council area.



Plan 1. Study area (blue) in context of overall Guildford BC area.

At the start of the study process, the University of Surrey was committed to establishing a bike share scheme based on its two main campuses. This was subsequently launched in August 2018 (see 1.3 below).

Guildford BC’s intention is for a town-wide scheme to operate in parallel with the University scheme, extending the range of bike share to the whole of Guildford.

The primary aims of this feasibility study are therefore:

a. To consider the viability of a bike share scheme in Guildford and allow the council to make a decision on whether to progress a scheme

b. To assess compatibility with the existing University of Surrey scheme

c. If a decision is taken to proceed with a bike share scheme, to provide initial information and guidance to instigate the procurement process

Further support for the formal procurement process, including assistance with any tenders and assessment of bids, was not initially part of the feasibility study. However, following the issue of the draft report, Transport Initiatives has provided advice on the subsequent discussions regarding procurement.

1.2 Brief

The brief for the study set out the following elements (the full specification is set out in Appendix A).

A. Demonstration that there is sufficient need for a bike share scheme

i. Review of bike share systems, looking at 'docked' and 'dockless' models
ii. Evidence to show potential usage
iii. Consideration of the local benefits of a bike share scheme plus assessment of risks and barriers to a successful scheme
iv. Review of financial issues including an outline appraisal to justify capital expenditure and an assessment of whether a scheme can be self-sufficient

B. Identification of preferred design and operating model

i. Outline of scheme extent (number of bikes & number/sites of docking stations) and type (electric/traditional/mixed fleet)
ii. Alignment with University of Surrey plans
iii. Operational and management considerations

Following inception of the study these elements were delivered in a slightly different order which is reflected in the remainder of the report.

In particular, the business case, including the review of financial issues, forms the final section.

1.3 University of Surrey scheme

In 2017 the University of Surrey entered the Santander Cycles University Challenge, a competition by Santander Bank to support the development of a university focused bike share scheme. The competition was held in partnership with Nextbike, a large well-established bike share operator. Nextbike is based in Germany but operates schemes across Europe. In the UK, they provide bike share schemes in nine towns and cities, with the largest scheme currently being in Glasgow.

Although the University of Surrey was not the overall winner, as a runner-up in the competition it was awarded £75,000 from Nextbike to help set up its own scheme. Together with other crowdsourced funding and a further £25,000 investment from the University, this enabled a scheme to be launched in August 2018, comprising eight hubs and 50 cycles. The scheme has two main focuses at the main Stag Hill campus and the Manor Park campus to the west.

In December 2018, Huawei was announced as a sponsor of the University of Surrey scheme. This will enable a further two hubs to be added during 2019.

Nextbike launch, University of Surrey

Launch of sponsorship livery, Dec. 2018

1.4 Cycling in Guildford

This study specifically examines bike share solutions for the town of Guildford, rather than the overall Guildford BC area. It therefore needs to take into account the current and proposed provision for cycling in Guildford.

Guildford is a prosperous town in Surrey, located 27 miles (43km) southwest of central London on the A3 trunk road, roughly midway between the capital and Portsmouth. The town has a population of around 85,000 and lies at the centre of Guildford Borough Council which has an estimated 148,000 inhabitants (both 2017 mid-year estimates).

The town has a large central railway station at Guildford, used by 8 million passengers annually. In early 2018 planning permission was granted (on appeal) for a large mixed-use development at the station. Guildford lies on the Portsmouth Direct line, served by South Western Railway. It also provides interchange with other services, including CrossCountry, the Ascot-Guildford line and the North Downs line between Reading and Gatwick Airport (both GWR). Guildford is also served by two smaller stations at London Road and Shalford (south of the main built-up area). Two new stations are planned as part of future developments.

The main Stag Hill campus of the University of Surrey lies just to the west of the town centre. The University has over 16,000 students and over 2,000 staff. A second campus at Manor Park was opened in 2005, around 1 mile (1.6km) to the west of the main campus. It includes a large amount of the university's student accommodation, as well as the Surrey Sports Park, and was designed to be car-free. The two campuses are separated by the dual carriageway A3 trunk road, although a shared use (if narrow) subway allows people to walk and cycle between them.

Experience from bike share schemes in the rest of the UK and across the world shows that the provision of a good network of cycle routes is a key factor in how well a scheme is used. While there are a number of routes in Guildford, of varying quality, the cycle network is sparse and few routes are attractive to people who do not currently cycle. The main exceptions to this are the Downs Link to the south of the town, and the River Wey towpath through the town.

However, both Guildford BC and Surrey County Council are in the process of developing proposals for improved routes. In particular, the Sustainable Movement Corridor will include cycle infrastructure with improved links to the University of Surrey and the north and north-east of the town.

In 2018 TI and UM started work on a study of the existing cycle network, to include prioritised recommendations for routes and localised interventions. This is expected to be completed by summer 2019.

Cycle track along A25 at junction with Woodbridge Meadows

2. Assessment of bike share

2.1 Review of bike share models

There are a number of settings where bicycles are provided for multiple users. The various types of scheme are shown in Table 1 below.

Type of scheme	Description	Examples
Public bike share	Open to the public, with bikes available for hire on-street, 24 hours a day, 7 days a week. Booking, hiring & locking made via smartphone app, website, cycle or terminal. Variety of docked, hybrid & dockless systems.	Santander Cycles, Nextbike Glasgow, BTNBikeShare, JustEatCycles Edin-burgh, Mobike, Lime
Private bike share	Open to staff only (also students if university based), with bikes available on site, 24 hours a day, 7 days a week. Booking, hiring & locking made via app, website or cycle. Variety of docked, hybrid & dockless systems.	Nextbike University of Surrey, Bewegen Cathedral Square
Location-based hire	Open to the public, with bikes available for hire at specified locations (e.g. rail stations) only. Booking made via terminal, website or ticket office.	Brompton Hire, Abellio Bike & Go
Workplace pool bikes	Open to staff only (also students if university based), with bikes available on site during working hours only. Booking, hiring & locking involves either simple booking sheet or internal system.	Many workplaces
Peer-to-peer	Open to members only using bikes provided by private individuals. Booking usually made via website.	Spinlister
Loan	Bikes available for longer hire periods (commonly a month) on low rates, convertible to purchase	Big Bikes Birmingham
Bike library	Location or mobile unit with fleet of bikes available for short-term loan, mainly for families or children	Family Cycling Library, Hackney

Table 1. Bike share / hire models

While there are differing benefits to all these schemes, this study only examines in detail the first two types which can be considered to be ‘Bike Share’ as opposed to ‘Cycle Hire’. The key difference is the ability to make automated bookings for short-term trips. These models use similar systems to operate either as public or private bike share schemes, differing only in whether they are available to the general public.

A local example of a private bike share scheme operates in Guildford at Cathedral Square business park, where 20 e-bikes are available for use solely by employees. While the e-bikes can be used anywhere within the town, they are marketed mainly for trips between the business park and Guildford Station. The scheme is managed by Bewegen which mainly operates schemes in North America.

Location-based hire schemes are available to the public and are similar to public bike share schemes. However, there are a number of key differences:

- Cycles are hired from and returned to a limited number of locations (usually at or near rail stations)
- Cycles are hired on a daily basis rather than a shorter period
- They are generally seen as complementing rail trips rather than providing a stand-alone option, and are not intended as mass-market transport solutions

Again, there is a local example, with a 24 dock Brompton Hire hub located outside Guildford Station. It is likely that the main users are people commuting to London.

The remainder of this section focuses on public bike share schemes (though many of the issues discussed also apply to private schemes). These fall predominantly into two categories:

- **Docked:** cycles are hired from and returned to formal docking stations clustered into hubs, possibly with terminals. **Hybrid** schemes are a variation where cycles can also be parked away from hubs, possibly for an extra charge.
- **Dockless** (or **'free-floating'**): cycles are parked on-street, usually utilising an on-cycle smart lock, with no physical infrastructure

Docked / hybrid bike share

Until 2017, every bike share scheme in the UK used the docked model. Its main characteristics are:

- Cycles at hubs (clusters of 5-20 individual spaces), locked to bespoke docks or dedicated cycle stands
- Hubs in key locations around a town/city and at regular intervals in between
- Hubs can include a terminal for hiring a cycle *('dumb bike')* or the technology (terminal, GPS etc.) can be located on the cycle *('smart bike')*
- Bookings can be made at the terminal (if applicable), on the cycle or by an app
- Hires can only be completed by parking the cycle at a hub and cannot be ended anywhere else
- Robust good-quality cycles to withstand heavy use, with gears
- Some schemes have locks to enable short stops during a hire period

The first large-scale bike share scheme in the UK began operation in London in 2010, funded by TfL and operated by Serco. Initially all hiring was done through terminals although subsequently an app was introduced. At the launch, it was branded as Barclays Cycle Hire, and following a change of sponsor is now called Santander Cycles. After consistent year-on-year growth it has over 12,000 bikes and over 770 docking hubs. During 2017 over 10 million trips were made (around 2 trips per cycle per day).

Note that the first UK bike share scheme was actually Blackpool, launched in 2009.This was very small (50 cycles). Low usage, due to poor planning, led to its closure in 2012.

Subsequently, there has been a rapid expansion in schemes across the UK, with schemes now operational in nearly 30 towns and cities. As with the TfL scheme, initial schemes were all terminal-based though these have been dropped in recent schemes. Some schemes use bespoke docking mechanisms while others are based on standard Sheffield-style stands (either dedicated to bike share or shared with private cycles).

Examples of docked schemes: Santander Cycles, London (left), Nextbike Glasgow (right)

Hybrid systems offer a more flexible variation of the docked model. The main differences to the basic docked model are:

- Cycles are mainly parked at hubs, but also can be free-floating if permitted
- Virtual hubs can be created on a permanent or temporary basis e.g. where space is limited or for special events
- Hubs have no terminal – all technology is located on the cycle, including GPS
- Hires can be completed by parking the cycle either at a hub (or adjacent if this is full) or at any location within the scheme boundary (‘out-of-hub’)
- There is generally a small charge for parking outside a geo-fenced area around a hub, to help reduce street clutter and obstruction. Users are encouraged to lock cycles to a fixed object, ideally a cycle stand.
- There is a large charge if users park a cycle outside the scheme boundary

Examples of hybrid schemes: JustEat Cycles, Edinburgh (left), BTNBikeShare, Brighton (right)

Major operators of docked and hybrid schemes include Serco (London and Edinburgh), Nextbike (West Midlands region, plus nine cities including Belfast, Cardiff and Glasgow), and Hourbike (six cities including Brighton and Derby). A number of operators are present in only one or two places e.g. Smoove/ITS (Slough and Kingston) and RideOn (Dundee).

Dockless bike share

During 2016 there was a steep increase in dockless (or ‘free-floating’) bike share across the world, notably in China. Its main characteristics are:

- Free-floating cycles, with varying degrees of on-board technology
- No fixed hubs so no need for fixed locations (but can have virtual hubs)
- Cycles can be picked-up/dropped-off at any location within a fixed boundary, with sensitive areas shown as off-limits
- Guidelines for members on how to park cycles without causing obstructions, with penalties if they cause problems or take cycles out of the system area
- Cycles cannot be parked for short stops – the hire must be ended
- Members join, pay & hire via app only
- Cycles generally of low quality with most schemes using single-speed versions

The first large-scale dockless scheme in the UK was launched by obike in London in summer 2017. This closed within a few months due to major problems linked to a lack of engagement with TfL and London boroughs. An Irish-based operator, Urbo, launched in the UK during 2017 but withdrew in early 2018. A larger operator, ofo, was present in many UK cities including London, but ceased all international operations, including the UK, in early 2019. The closures of both Urbo and ofo were mainly due to financial difficulties.

There are currently two large operators (Mobike and Lime) and a number of smaller operators such as Yobike, Donkey Republic and Pony Bikes. In London, Oxford and Cambridge there are multiple operators, with different but overlapping operating areas.

Lime is notable for being the first large-scale dockless scheme in London using e-bikes (see below). It is centred on a small number of west London boroughs and its hire charges are significantly higher than standard bike share schemes.

Examples of dockless schemes: Mobike, London (left), Ponybikes, Oxford (right)

Strengths and weaknesses

The table below compares docked / hybrid and dockless models.

Docked / hybrid		***Dockless***	
Strengths	***Weaknesses***	***Strengths***	***Weaknesses***
Good visibility & awareness, with localised branding	Significant capital funding required for physical infrastructure, especially for e-bikes	No capital investment required	Commercial operator decides area covered & number of bikes - little scope for public influence
Operators run scheme with little revenue support	Operators need support to serve less commercial target markets	Operators can scale up quickly	Operators will not serve less commercial target markets & can scale down quickly
Certainty of locating a cycle, leading to confidence in system	Users can only leave bikes at hubs (non-hybrid schemes)	Operators run scheme with no revenue support	Financial case may be weaker, with long-term sustainability uncertain
Reinforces Council support for cycling (e.g. Guildford BC Corporate Plan 2018-23)	Possible issues in siting hubs (planning, loss of car parking, conservation)	Scheme can reach areas which are more marginal in terms of demand / propensity to cycle	Relies on smartphone and on-line payments so excludes people without smartphone / credit card
Robust & well-maintained cycles	High maintenance & redistribution costs	Simple cycles with reduced need for repairs	Low quality & often poorly maintained cycles
Ability to hire cycle without smartphone app	Potential revenue support needed for ongoing operations	Lower costs for users (depending on scheme)	Use of Council assets (footway, cycle stands) with no compensation
Council investment allows influence on scheme development	Lack of flexibility in moving hubs or expanding scheme	Users can leave bikes anywhere	Cluttering & obstruction in public areas, with some stored privately
Good parking behaviour due to need to dock bike	Reputational risk to Council if issues arise		Reputational risk to Council when issues arise but no influence

Table 2. Strengths and weaknesses of docked and dockless models

2.2 E-bikes

A variation that applies to all forms of bike share has been the introduction of **electric bikes** (‘e-bikes’) into fleets. It is important to note that e-bikes have electric assisted pedalling and cannot legally be ridden using the motor alone. The electric assist is also limited to a top speed of 25km/h (15mph) after which the motor cuts out. As e-bikes are heavier than non-assisted cycles this is a deterrent to excessive speed.

In general, e-bikes increase the potential market for cycling and there has been a large increase in use in recent years. They have become a major part of the cycle market in the rest of Europe (e.g. 20% of all cycles sold in Germany), with sales growing in 2017.

E-bikes attract a wider range of people cycling and increase the number and length of trips people (especially those with lower fitness levels) can make by cycle. In particular, disabled people, older people and others with restricted strength benefit from the electric assist, with evidence showing they increase accessibility. Importantly for Guildford, e-bikes also reduce the impact of hills for all users.

There is now considerable research[1] showing that e-bikes have clear health benefits for users, although these are slightly lower than for non-assisted cycles. The combination of encouraging more cycling (particularly switching from driving) and increased trip lengths means that there is a definite gain in public health and air quality.

Until 2018 the use of e-bikes in public bike share schemes did not mirror the increase in private usage. The first UK fleet (Co-bikes, Exeter) currently has only 20 e-bikes based on the Nextbike system (due to expand in summer 2019 to around 100 e-bikes). A larger e-bike hybrid scheme was launched in Derby in June 2018 with around 30 hubs and 200 cycles, run by Hourbike. This is proving to be very successful.

The schemes in Glasgow (operated by Nextbike) and Edinburgh are also planning to incorporate a significant number of e-bikes into their fleets during 2019.

Launch of Co-bikes expansion with support from Exeter City Council

As noted above, Lime launched in London in December 2018 with 1,000 e-bikes. While these are nominally based in three London boroughs, the ability to cover longer distances means that they are available across large parts of central London. However, as with standard dockless bike share, this has led to problems with bikes being left obstructing the footway and in other inappropriate locations. Availability is also inconsistent even within the boroughs that are formally served by Lime.

[1] www.forbes.com/sites/carltonreid/2018/11/23/riding-electric-bicycles-boon-to-health-and-not-cheating-confirms-literature-review

E-bikes have been shown to attract new groups of people to bike share. Over 30% of people taking part in the Shared Electric Bike Programme managed by CoMo UK (see 2.4 below) had rarely or never cycled before they started using the shared e-bikes.

The range of bike share is also extended by e-bikes, with the average length of trips being 5 miles, compared to 3 miles by non-assisted bike share cycles. Evidence from the Derby e-bike scheme show different patterns of usage compared to non-assisted bike share, with longer trip lengths (around 4 miles) and higher utilisation levels (over 3 trips/bike/day).

Finally, for many people e-bikes are a more attractive alternative to car use than non-assisted bike share. In one commuter scheme, 46% of regular shared e-bike trips were previously made by private car as a passenger, driver or in a taxi. This is much higher than the proportion switching from private motor vehicles in non-assisted schemes.

There have also been developments in the use of e-bikes in private bike share schemes. As noted above, the scheme at Cathedral Square business park offers 20 e-bikes for use by employees, aimed mainly at people travelling between the site and Guildford Station.

Similar schemes limited to council were launched in London at the start of 2019 by the London Boroughs of Waltham Forest (ten Freebike e-bikes) and Enfield (20 Beryl e-bikes).

Private e-bike schemes: Bewegen, Cathedral Square (left), Freebike, Waltham Forest (right)

2.3 Using bike share

There are variety of ways in which bike share cycles can be hired: a fixed terminal, a terminal or keypad on the cycle, a website or via an app. However, once hired, most systems offer more or less similar ways in which the hire is charged, with relatively minor variations in tariffs, free periods etc.

Hiring a bike: on-cycle terminal, BTNBikeShare (left), app, Donkey Republic, Worthing (right)

There are generally two types of membership: Casual (pay as you go) and Member (daily/monthly/annual). Some schemes offer discounts for certain groups e.g. students.

Typically, hires are charged in 30 minute periods. Some systems offer a free first period for members while others combine daily membership with the charge for the first period. Recent schemes operated by Hourbike (e.g. BTNBikeShare) differ from the norm by charging 3p/minute. Examples of tariff structures are shown in Table 3 below.

Scheme	Details
Santander Cycles, London	• £2 daily membership, giving access for 24 hours. All hires under 30 min are free, with longer hires charged at £2 for each additional 30 min period • £90 annual membership, with all hires under 30 min free • Longer hires charged at £2 for each additional 30 min period
Nextbike (e.g. Glasgow)	• £1 per 30 min for casual users, capped at £10 for 24 hours • £60 annual membership with first 30 min free and longer hires charged at £0.50 for each additional 30 min period, capped at £5 for 24 hours
BTNBikeShare (Hourbike)	• £72 annual membership (£65 for staff of supporting / sponsoring bodies) with up to 1 hour a day free use. Longer hires charged at 3p/min • Pay as You Ride fee of 3p/min for casual users, with a minimum fee of £1, capped at £10 for 24 hours • £2 to lock cycle away from a hub but within the operating area / £10 if locked outside operating area • Refund to user of £1 for cycle hired at out-of-hub location
Mobike	• £1 for 20 min period for both single speed & Lite (3 speed) cycles • Passes for longer durations from 30-360 days • Refundable deposit of £15 (“to encourage responsible use”) • £5 (Oxford & Cambridge) / £10 (London) charge if locked outside of operating area
Just Eat Cycles Edinburgh	• £1.50 for single trip of up to 1 hour, £1 per each extra 30 minutes period • £3 day (24 hours) pass, allowing unlimited hires up to 1 hour • £90 annual membership, allowing unlimited hires up to 1 hour • Extended rentals over 1 hour at £1 per 30 minutes.
Lime	• £1 to unlock bike (no rental period included) • £0.15/minute fee (equivalent to £4.50 for 30 min), with no cap

Table 3. Examples of tariffs

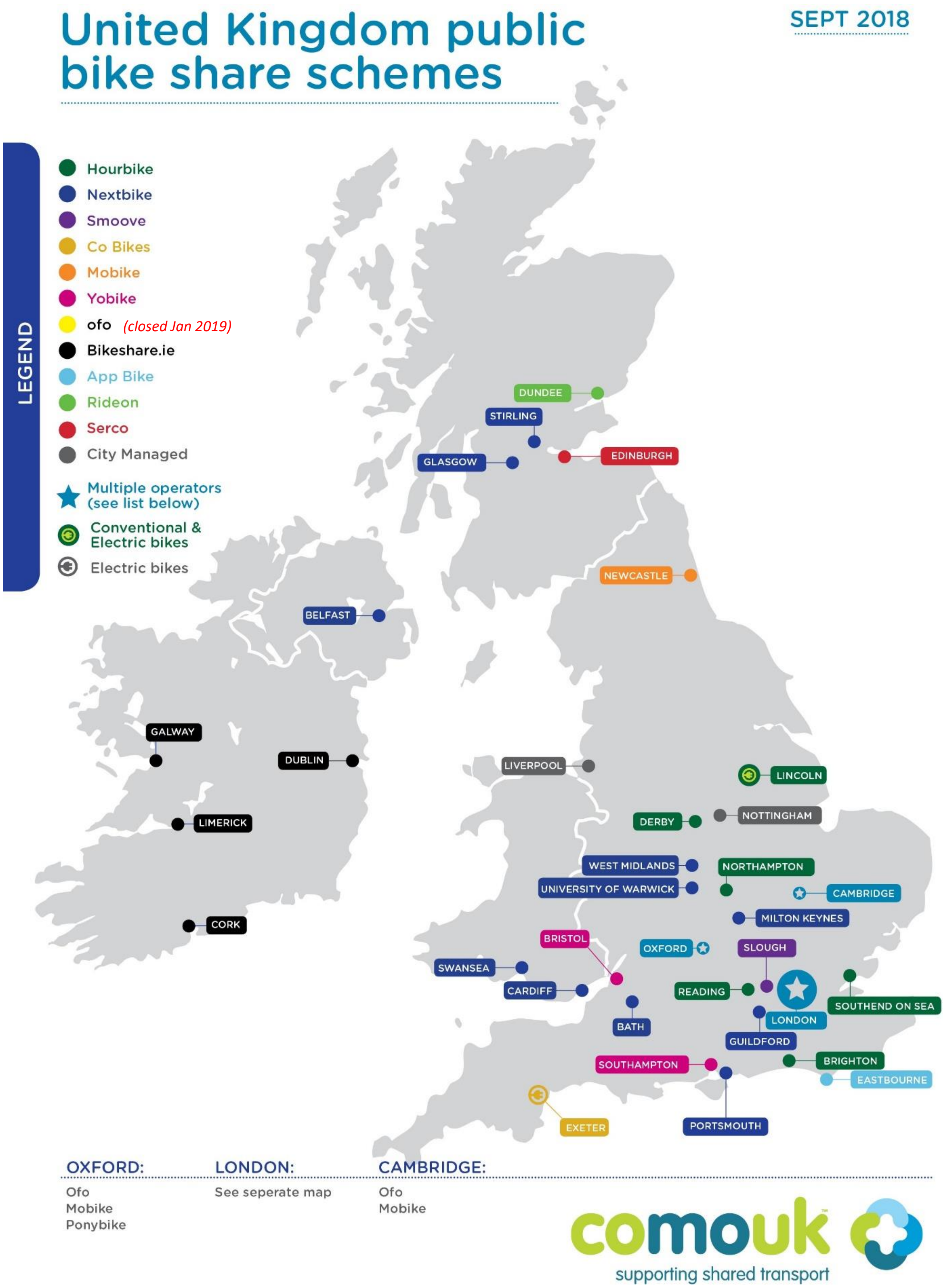
2.4 Market changes

CoMo UK (short for ‘co-mobility’ and formerly known as CarPlus BikePlus) is an industry body set up to encourage and facilitate shared mobility: car clubs, bike share and lift/ride sharing. Its most recent maps of bike share schemes in London and the rest of the UK (and Ireland) are shown below. Note these are from September 2018, and so do not reflect more recent scheme openings and closures.

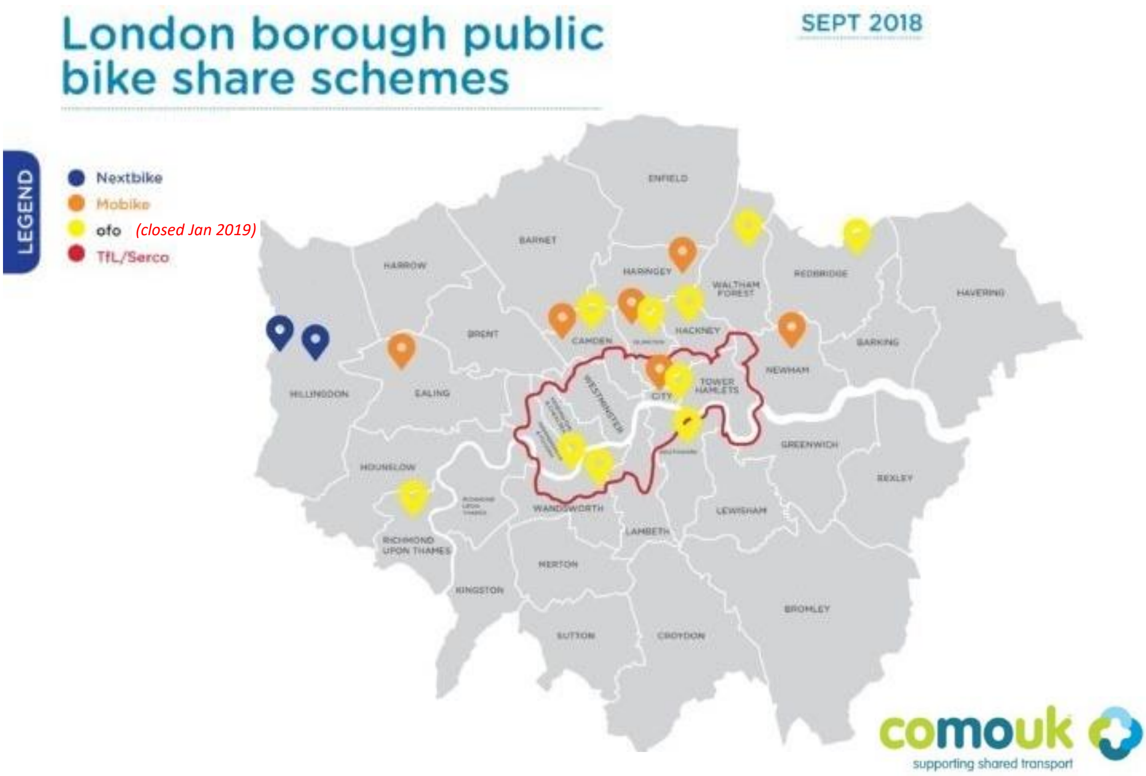
Even during the period of this study, there has been rapid flux in the bike share market, with schemes and even operators starting and withdrawing at short notice. There have been three high-profile changes:

- Withdrawal of dockless operator Mobike from Manchester in September 2018 (after an operational period of just 15 months)
- Launch of Lime dockless e-bikes in London in December 2018
- Complete withdrawal of ofo from the UK in January 2019

Most recently implemented schemes have either been hybrid, or docked with the possibility of conversion to hybrid. This now appears to be the norm for new schemes. It is expected that this will continue to be the case, with most docked schemes offering flexibility in terms of locations for parking with financial or other constraints encouraging parking at fixed hubs.



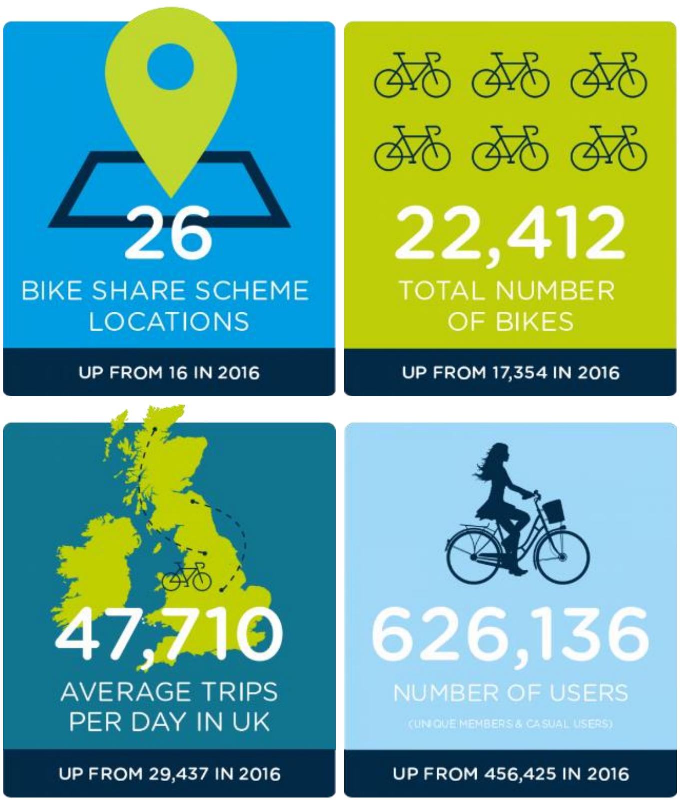
Bike share schemes in UK & Ireland, outside London (CoMo UK)



Bike share schemes in London (CoMo UK)

2.5 Evidence to show potential usage

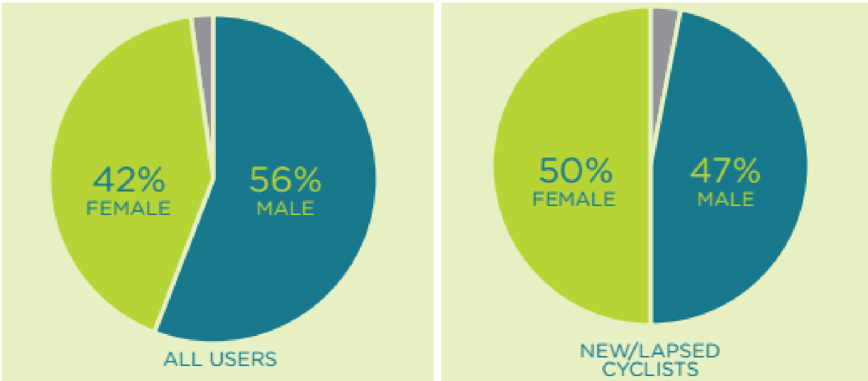
Evidence for the impact of bike share is provided by data from the 2017 survey of bike share users, published by CoMo UK in September 2018[2]. This gathered details on schemes across the country, based on around 1,800 user responses (see excerpts below).



Key points from 2017 bike share survey

[2] https://como.org.uk/wp-content/uploads/2018/06/Public-Bike-Share-User-Survey-2017-A4-WEB-1.pdf

It is particularly notable that bike share appears to attract a higher proportion of women (42%) than the average for all cyclists (25%).

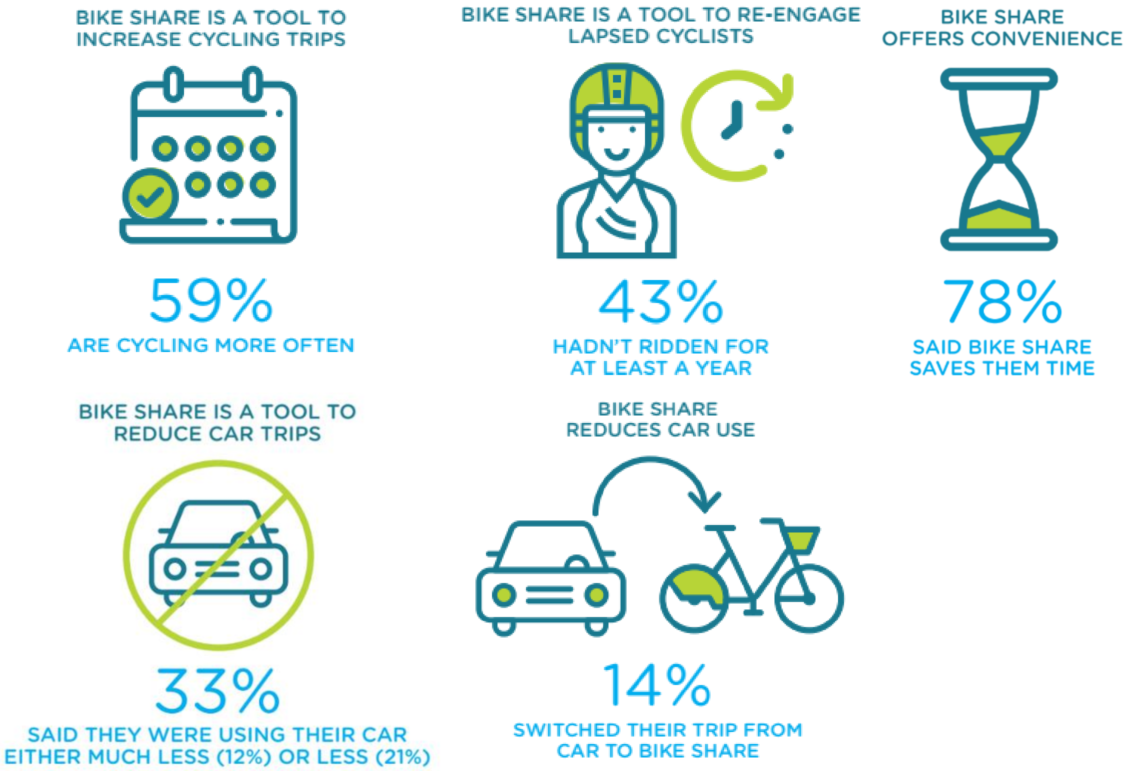


Proportion of male/female users from 2017 bike share survey

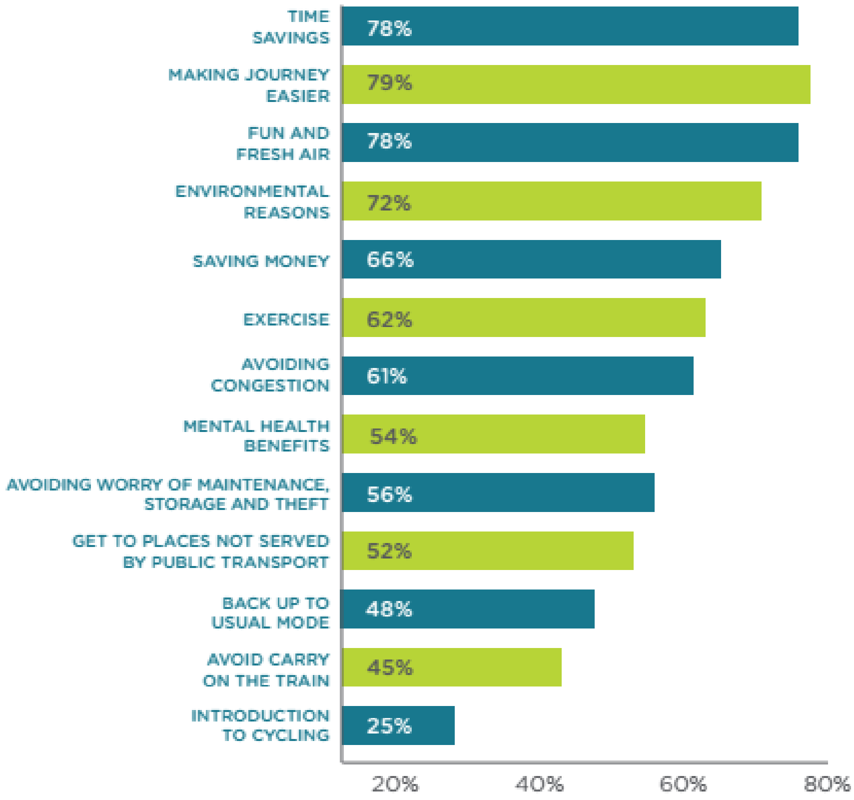
Users valued bike share for a number of reasons, with over three-quarters saying that bike share saves them time. Half of users said bike share helped them get to places not served by public transport.

Bike share was used in combination with other forms of transport (mostly public transport) on half of the last trips reported by users.

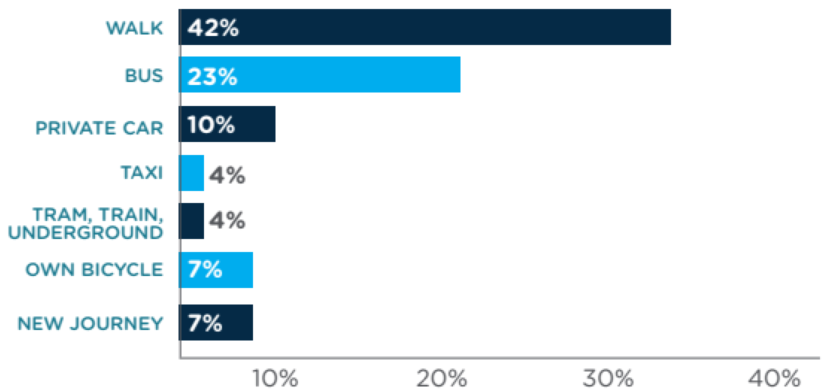
Finally, while bike share replaced many walking trips, 14% of trips transferred from motor vehicles (excluding buses) with 7% being completely new trips.



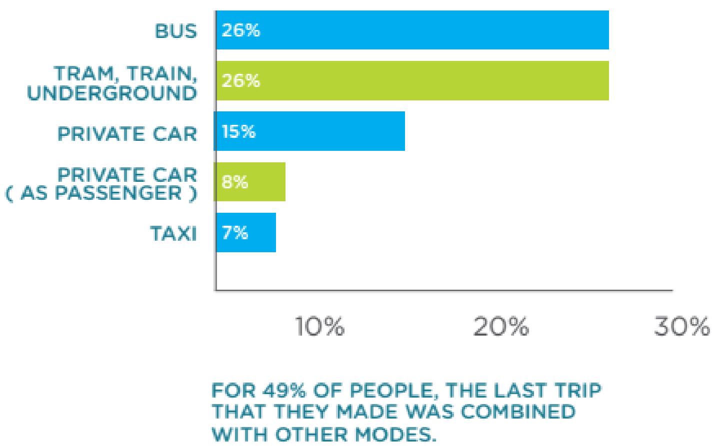
Other data from 2017 bike share survey



Reasons for using bike share, 2017 bike share survey



Transport mode replaced by bike share, 2017 bike share survey



Transport mode combined with bike share, 2017 bike share survey

2.6 Local benefits of a bike share scheme

A key task set out in the study brief was a review of the existing cycle infrastructure and routes in Guildford, looking at how this might be improved for bike share users as well as other people cycling in the town.

However, during the study period it became apparent that this was a much larger task than originally envisaged. A separate, more detailed, study was commissioned to look in detail at route corridors which might be expected to become the most commonly used by people cycling in Guildford (using bike share and private cycles). This is expected to be completed by summer 2019.

The general benefits of bike share are set out in Table 4 below, plus examples of how these might have an impact in Guildford. These are based on a wide range of research.

General benefits	Local benefits
Increasing number and variety of people cycling, leading to improved health and well-being	Increased cycling especially to north and west of town will improve health of these communities. Also important in attracting cycle trips to locations such as Spectrum Leisure Complex.
Alternative to the private car for short trips (especially e-bikes), helping to reduce congestion and pollution	Many workplaces are reasonably close to the centre of Guildford but have high car use, e.g. Guildford Business Park, Surrey Research Park
Providing improved access to jobs, education and amenities with “first / last mile” connectivity solutions	Will improve accessibility of locations such as University of Surrey and Guildford College
Supporting public transport by relieving pressure on overcrowded routes and/or increasing multi-modal trips, with flexibility where services are limited	Key linkage to rail trips to/from Guildford station providing good alternative to car trips from outside the town
Improving road safety by increasing the number and visibility of people cycling	Evidence from other cities (London, Brighton) that increased use of bike share helps underpin development of better infrastructure
Developing tourism by offering an enjoyable way to link leisure facilities	Increased access to attractive off-road routes such as River Wey towpath, Downs Link
Some users of bike share go on to purchase their own cycles	Support for local cycle shops
Corporate ambitions	Delivery of bike share will help reinforce Guildford BC support for cycling in particular and innovation and sustainable transport in general
Provision of e-bikes leads to longer trips and attracts a wide range of users	Given the nature of both the topography and transport patterns in Guildford, e-bikes would provide a stronger attraction for people to start cycling for a range of local trips, helping to reduce congestion.
Potential to support local social enterprises who could deliver services such as maintenance and redistribution, and also increase local employment	Local cycle charities / CICs could help deliver services (as in Liverpool, where Peleton CIC delivered redistribution and maintenance activities for Citybike until 2018). Note the University of Surrey scheme has helped to support a repair service on the campus.

Table 4. Benefits of bike share

An appraisal of the benefits is set out in the business case in Section 4.

2.7 Assessment of risks and barriers to a successful scheme

As well as benefits, there are also a number of risks to the development of a successful bike share scheme.

These fall into two categories, internal (scheme dependent) and external (determined by wider transport and other factors). Table 5 sets out a summary of these, based on experience of other schemes,

Risk category	Description	Mitigation
Internal	Capital cost (for docked / hybrid schemes)	• *Robust cost estimate, based on in-depth analysis of likely scheme size combined with industry research, means budget should be reasonably accurate* • *Secure funding commitments before proceeding*
	Revenue cost	• *Most recent schemes have been revenue neutral with on-going support not required* • *Tender to make it clear that there will be no revenue funding*
	Reputational risk if scheme is not successful	• *Development of strong business case* • *Selection of high-quality operator through tender process*
	User experience (fees, access to booking etc.)	• *Focus on these issues during tender* • *Ensure KPIs included in tender & on-going management*
	Legal issues during procurement	• *Tender process & award to follow strict procurement rules*
	Operation (management, redistribution, repairs, charging of e-bikes)	• *Focus on these issues during tender* • *Ensure KPIs included in tender & on-going management*
	Area covered	• *Scoping study of area* • *Robust study of possible locations to focus on areas with highest potential*
	Cycle & equipment design	• *Selection of established operator with high-quality equipment through tender process* • *Operator open-day to allow council & stakeholders to try out systems*
External	Competition for same market as short public transport trips	• *Promotion of bike-share as multi-modal option (NB evidence shows around 25% of bike share trips are combined with bus / train)*
	Lack of good cycle network & routes leading to increased risk to user safety	• *Work by Guildford BC, in partnership with Surrey County Council, to develop improved high quality cycle network based on LCWIP process* • *Local measures at / near bike share hubs*
	Limited availability of attractive leisure routes, restricting use to utility cycling	• *Work with partners (e.g. Sustrans, National Trust) to improve range of off-road routes for cycling by people of all abilities*
	Competition from other providers	• *CoMo UK accreditation includes requirement for operators to have council approval before launching, even if no funding required*
	Low propensity to cycle among hard to reach groups	• *Introduce 'Better Bike Share' programme with outreach, discounts etc based on examples in UK (Glasgow) and USA*

Table 5. Risk factors affecting bike share, with mitigation measures

2.8 Safety issues

There are a number of additional safety issues that need to be addressed by a bike share scheme compared to use of private cycles. However, it is important to note the bike share schemes have a very good safety record, with lower levels of crashes and casualties compared to the same number of trips by private cycle. For example, BTN BikeShare in Brighton only suffered a single reported injury incident during its first year of operation, during which 347,000 trips took place. In North America, cities with a large increase in bike share use saw a fall in the rate of cycle casualties.

A recent study by the International Transport Forum[3] examined the safety of bike share systems. The study found that the evidence suggests that bike share is safer than riding private cycles. It concluded that *"The results of our two sub studies lead us to conclude that, on a per kilometre basis, bike share is associated with decreased risk of both fatal and non-fatal bicycle injuries when compared to general bike riding."*

It is likely that the good safety record of bike share is attributable in part to the design and maintenance of the cycles. Bike share cycles are expected to have functioning brakes and properly inflated tyres. They also have in-built lights, and in most schemes these either turn on automatically when the cycle is hired, or when an on-board sensor detects it is dark.

Nevertheless, it is crucial that the operator is aware of their duty of care to users. As part of this they should establish that a cycle is fit for purpose at the start of every hire. It is important therefore that a system to ensure this forms part of the scheme. This should be addressed during the procurement process.

All responsible operators carry out regular checks on their fleet, with most having a system where all cycles are checked at least once every three days. There is usually a facility for users to report defects after which the cycle is immediately removed from service. Mechanics servicing bike share cycles will have appropriate training and qualifications.

Bike share users have to agree to conditions on road safety as part of the contract for hiring a cycle. This covers three main areas:

- A commitment to cycle responsibly, following all highway laws
- An understanding that they use the system at their own risk (excluding issues such as poor maintenance) and that riders are responsible for their own actions
- A disclaimer that the operator and any funder (such as the council) are not liable for any damage or loss due to the actions of a user unless this can be shown to arise from negligence

In particular, users are made aware that the use of protective equipment such as helmets is not a legal requirement and as with private cycles they are a matter of personal choice.

[3] *"The Safety of Bike Share Systems", ITF, July 2018* www.itf-oecd.org/sites/default/files/docs/safety-bike-share-systems_1.pdf

3. Preferred bike share model

3.1 Suggested model

Based on the review of bike share systems and feedback from stakeholders, we recommend that a **hybrid scheme** is likely to serve Guildford best. This will allow a focus on dock-based hubs in the centre of the town but also provide flexibility to make trips to areas without docks if required.

Dockless bikeshare schemes are generally run without local authority input and decisions on issues such as the operating area, locations of bikes, tariffs and promotion are made by the private operator. Recently launched schemes have included a Memorandum of Understanding between the operator and the host council, but an MoU is not binding on either party and (as in the case of Manchester) it is no guarantee of a long-term commitment. The operator will generally, and understandably, seek to maximise profit rather than work to deliver the council's wider transport aims. In addition, a dockless system is likely to impact negatively on conservation and other sensitive areas. There is also a risk of obstructions to pedestrians.

These issues all make it less likely that a dockless scheme can deliver a sustainable and consistent scheme which helps to deliver the aim of an increased mode share for cycling. Based on these and other factors set out above, we do not recommend this model.

Looking at a hybrid scheme in more detail, it will be important to ensure docked hubs where certainty of a cycle is required (e.g. at Guildford Station) or in areas where there may be an impact on the public realm. Other areas may be more suited to 'virtual' hubs using geo-fencing. A hybrid scheme allows these to be created on both a long-term and temporary basis. This will increase flexibility by enabling trial locations in areas where bike share may be more marginal. The impact on sensitive areas should be considered and some areas may need to be declared 'out-of-bounds' (e.g. Castle grounds).

The ability in a hybrid scheme to require a cycle to be locked to a stand (both at a hub and in other areas) at the end of a trip will reduce problems in areas of high demand caused when no docks are free. It will also reduce the risk of obstruction to pedestrians.

The design of the bike share cycle and equipment will be dictated by the choice of operator as it is unlikely that a bespoke Guildford design will be feasible. However, we recommend that (unlike the London scheme) there should be the possibility for cycles to be locked <u>during</u> a hire to allow short stops. This will allow people to use local shops and services while making a bike share journey

This form of scheme would be most compatible with the University of Surrey scheme. As part of the procurement process, any scheme must show clearly that it can work alongside the University scheme, ideally with shared membership and using the same hubs.

Based on the success of the e-bike scheme in Derby, e-bikes are considered to have significant potential to increase use given the hilly nature of much of Guildford. These will encourage non-cyclists and people returning to cycling to use the scheme and also make areas of the town more accessible by cycle.

We recommend that the options for a partly or fully e-bike fleet should be explored as part of the tender process rather than fixed in advance.

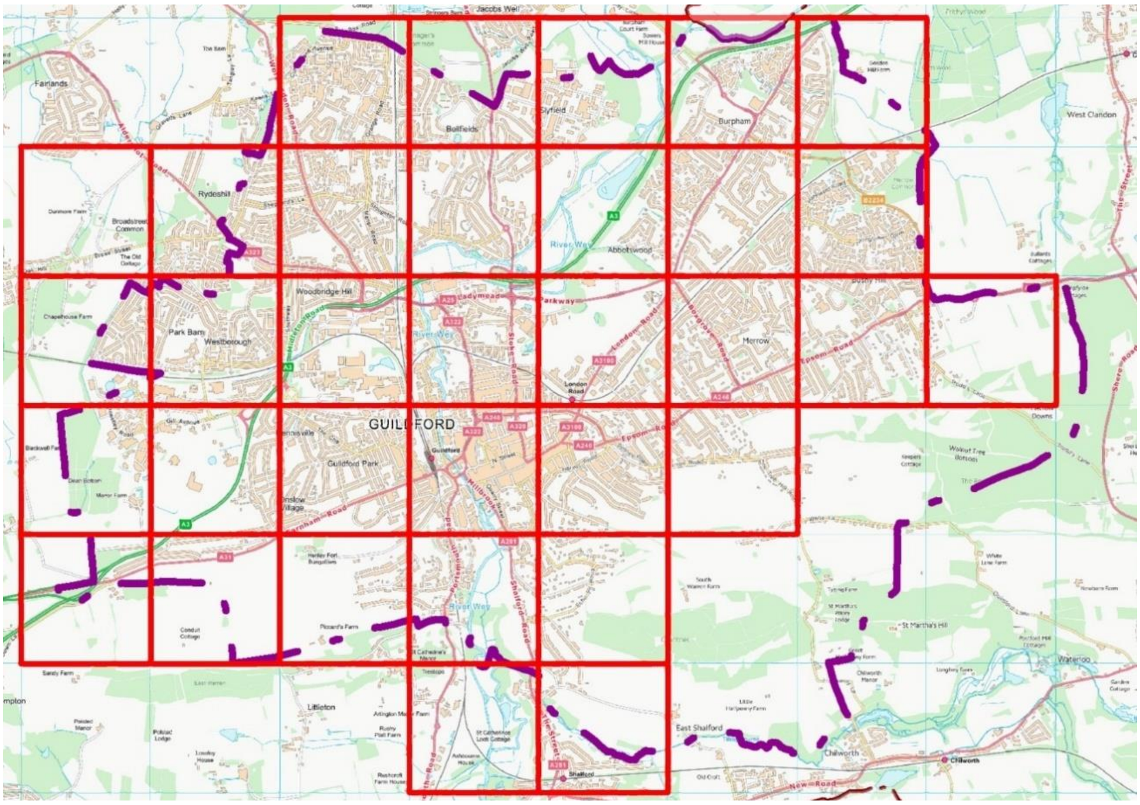
As part of the procurement process the selected operator should be required to have CoMo UK accreditation. This will ensure that safety features are built into the cycle design, as well as requiring a good level of maintenance and redistribution.

All these issues should be addressed as part of the tender and a range of KPIs established to ensure a high quality scheme while achieving best value.

3.2 Assessment of bike share potential

An initial assessment was carried out of the wards covering the urban area of Guildford. This includes less accessible rural / semi-rural areas in Holy Trinity ward, with some challenging gradients. We have considered that these are unsuitable for standard (non e-bike) bike share. The potential for e-bike usage is examined at the end of this section.

A desk-based review was carried out of the remaining built-up areas within the town boundary to determine the possible extent of a bike share scheme. This resulted in a study area of 33km^2, which was then analysed using a grid of 1km x 1km cells.



Plan 2. Guildford town area (outlined in purple) with initial area of search for bike share scheme

The cells were assessed against eight key factors (see Table 6). Guidance and experience from established UK and international[4] bike share schemes indicate these are the main factors determining take up of bike share. Transport Initiatives has used this system to assess a number of bike share schemes, including Derby (launched in June 2018).

Factor	Score
A. Existing key destinations/attractions and major people generators	8 / 6 / 4 / 2 / 0
B. Propensity to cycle (based on socio-demographic data)	4 / 2 / 0
C. Potential for increased cycling (based on PCT tool)	4 / 2 / 0
D. Main cycle routes	4 / 2 / 1 / 0
E. Significant areas of future development	4 / 2 / 0
F. Public transport / park & ride provision	2 / 1 / 0
G. Levels of cycling	2 / 1 / 0
H. Population density	2 / 1 / 0

Table 6. Factors used to assess bike share potential

[4] *Optimising Bike-sharing in Europe handbook* http://www.eltis.org/resources/tools/obis-handbook-optimising-bike-sharing-europe

The data sources shown in Table 7 were used to assess the score for each cell. Fuller details of the methodology can be found in Appendix C, along with plans showing the assessments for a number of the individual factors.

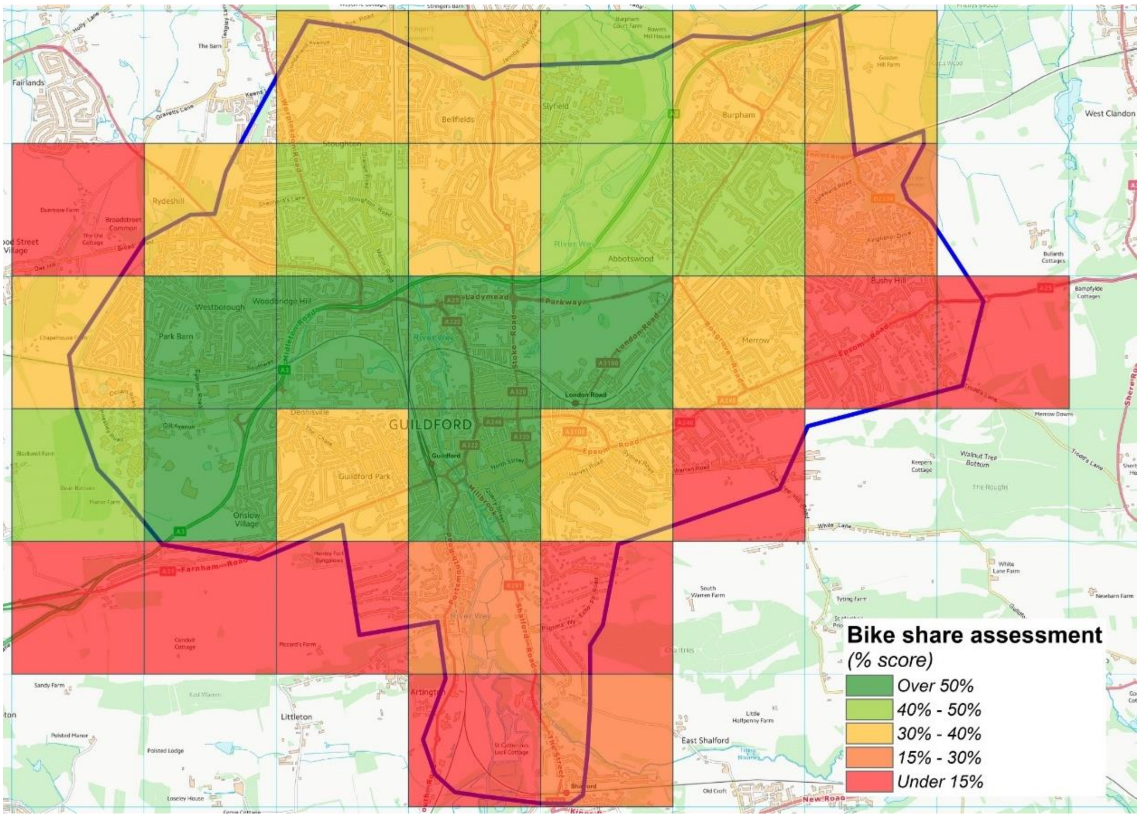
Topography itself has not been used as a factor, since bike share has been shown to work in some hilly areas such as Brighton. However, evidence does show that topography is linked to existing levels of cycling as well as other factors (e.g. cycle routes).

The key factors (highlighted by orange and yellow shading in Table 6) were given extra weighting, in particular the density of key destinations. The maximum score possible is 30, taking account of the weighting for factors A-E. The overall bike share potential was calculated as a percentage score for each grid cell.

Factor	Description
A. Key destinations/ attractions	Schedule of key destinations/attractions and workplace clusters, plus data from the (then) emerging Local Plan
B. Propensity to cycle	Socio-demographic data (Mosaic) at ward level, informed by OAC at LSOA level
C. Potential for increased cycling	Propensity to Cycle Tool (PCT) plotted at LSOA level
D. Main cycle routes	GIS layer of existing/future cycle network, with extra weighting given to higher quality infrastructure
E. Significant areas of future development	Guildford Borough Submission Local Plan: strategy & sites (2017)
F. Public transport / Park & Ride	GIS mapping of rail stations and Park & Ride sites
G. Levels of cycling	2011 census at LSOA level, plus cycling O-D pairs
H. Population density	2011 census plotted at LSOA level

Table 7. Data sources for factors

Plan 3 below shows the classification for each cell, showing where bike share is most likely to be successful. This uses a five point scale (very high, high, medium, low and very low).



Plan 3. Overall score for assessment of bike share potential

Some areas of Guildford were assessed as having low or very low potential for bike share. Possible reasons include:

- Predominantly residential neighbourhoods, with few non-residential destinations
- Low existing cycling levels due to distance from town centre and/or hillier areas
- Limited (if any) cycle route infrastructure
- Low propensity to cycle

While parts of Guildford have medium scores, this does not mean that bike share has no potential in these areas in the longer term (especially if e-bikes are used). However, including these at the outset would be likely to lead to low levels of use and hence not be cost effective. There would also be the possibility of negative publicity arising from low use.

Effect of e-bike scheme

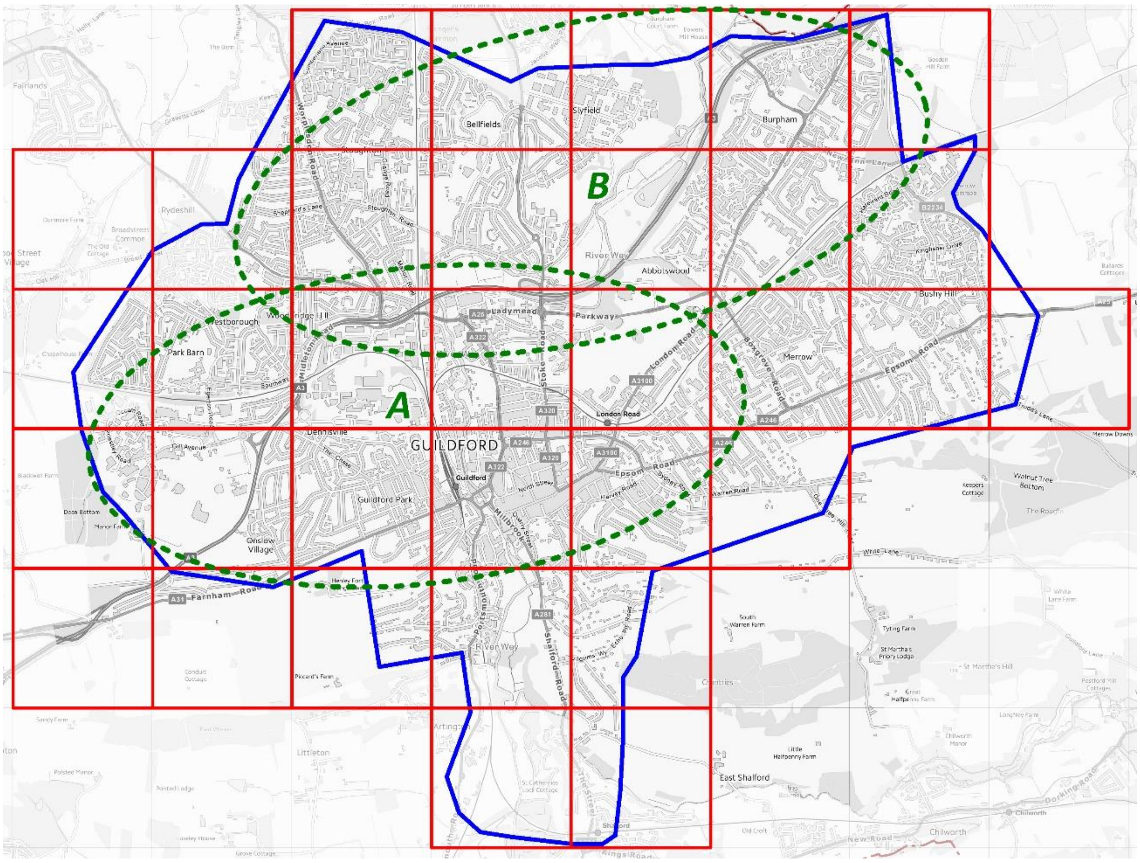
The assessment was carried out on the basis of a standard (non-e-bike) scheme. Using e-bikes would significantly increase the score for factor C (potential for increased cycling). This would result in some cells outside the town centre increasing from medium to high potential (i.e. from amber to light green in Plan 3), or from low to medium potential. The main outcome would be more longer trips, supporting future expansion into outer areas.

3.3 Suggested scheme extent and phasing

Based on the assessment and stakeholder input, we recommend that the scheme is developed in a phased manner that is compatible with the existing University of Surrey scheme. Plan 4 shows two areas, corresponding to two phases of bike share development, identified as ‘A’ and ‘B’. These areas and phases cover the higher potential areas.

A. Town centre & west Guildford (including University of Surrey campuses)

B. North Guildford plus additional hubs within area A



Plan 4. Suggested bike share phases

These two areas can be used to develop options for the size of a town-wide scheme, based on established parameters for hub locations. Table 8 below shows the approximate area and residential population of the areas covered by the two phases. Note that this does not include daytime population i.e. employees or non-resident students.

Phase	Approx. urban area (km^2)	Approx. residential population (2017 est.)
A *(including area covered by University of Surrey scheme)*	8.5	31,000
B	9	27,000

Table 8. Phase areas and population (based on LSOAs)

Best practice in other countries recommends that hubs are located about 250m-300m apart (about 3 minutes walk). However, in the UK this has been increased slightly to 400m (i.e. about 5 minutes walk) to match the recommended spacing for bus stops, providing a density of around 6 hubs per km^2. This is the density for the Santander Cycles scheme in London. Other schemes are generally less dense e.g. Brighton and Belfast have 3 hubs per km^2, while Edinburgh and Cardiff have just 2. However, this is mainly due to a number of outlying hubs which serve to reduce the average density.

In practice, hubs are usually sited either at or very near to key destinations, rather than exactly spaced. In core areas there might be two hubs close to each other – for example at Guildford Station and across the River Wey by the Odeon cinema.

In areas such as more residential neighbourhoods a lower density of around 3-4 hubs per km^2 is acceptable at the launch of a scheme (spacing of around 600m), with some in-fill at a later date. This approach has been used in Brighton where the initial phase of around 40 hubs at the launch of BTN BikeShare in September 2017 was intensified with 10 more hubs in November 2018 and incremental expansion since then.

Based on these densities, we have developed a range of suggested scheme sizes for each phase, set out in Table 9.

Phase	Town centre		Wider Guildford area		Total	
	Hubs	**Cycles**	**Hubs**	**Cycles**	**Hubs**	**Cycles**
A	8 - 10	60 - 70	15 - 20	90 - 105	**25 - 30**	**150 - 175**
B			25 - 30	150 - 175	**25 - 30**	**150 - 175**

Table 9. Suggested range of scheme size

We suggest that Phase A could comprise between 25-30 hubs with a fleet of 150-175 cycles. When combined with the existing University of Surrey scheme (50 cycles, 10 hubs of which two are opening in 2019) this would result in a total scheme size of around 35-40 hubs with 200-225 cycles.

Phase B has not been considered in as much detail but an outline estimate would suggest a roughly similar scale to Phase A to allow for the less dense areas covered. This would give a total for the combined schemes, including that of the University of Surrey, of around 350-400 cycles and 60-70 hubs.

Note that all figures for cycles are for the total fleet size. Based on experience of recent schemes, we suggest that an allowance of around 10% should be made for cycles that are unavailable due to repairs and maintenance.

The suggestions for scheme size apply to both fully docked or hybrid schemes. The initial expectation is that all hubs comprise physical docks. However, if a hybrid system is used this gives the option during the implementation stage of considering the use of virtual hubs in some locations. This would be an issue to be agreed in partnership with the selected operator rather than at this stage.

Using the resident population allows use of an alternative guideline for the number of cycles in the scheme. The ITDP Bike Share Planning Guide (2014) suggests a range of 10-30 per 1,000 resident population. Based on this, a scheme covering the Phase A area would require between 310 and 930 cycles, considerably higher than the area-based estimate. However, this is derived from experience in cities world-wide with much higher cycle usage than the UK in general and Guildford in particular. The town is also much smaller than the cities researched by ITDP (e.g. New York, Paris, London) with a much lower daytime population. Hence, we consider that the suggested level of hubs and cycles is reasonable.

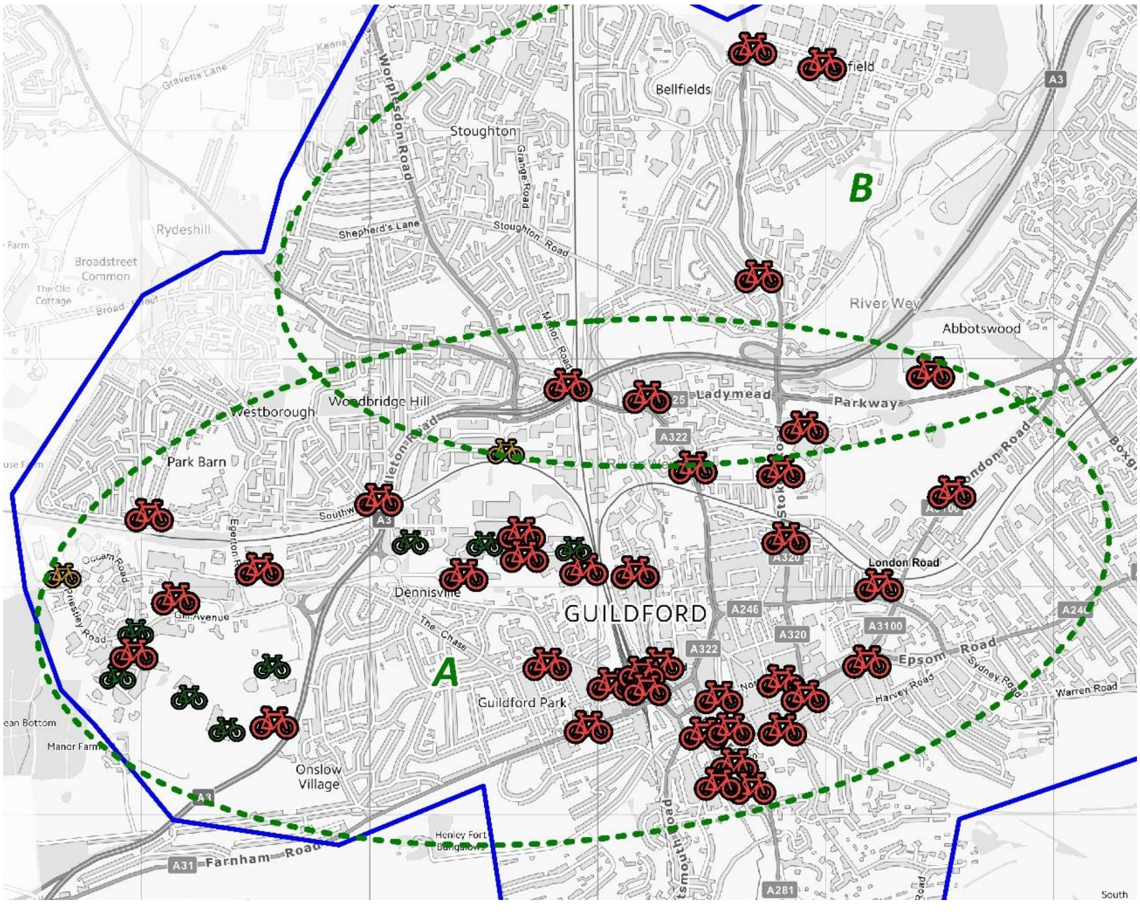
3.4 Possible hub locations

We carried out a detailed review of the Phase A area as shown above to produce an initial schedule of possible hub locations (whether physical docks or virtual hubs). It was agreed that a review of Phase B was not required at this stage.

The long list of suggested locations was discussed at the stakeholder event in July 2018 (see Section 4). There was broad endorsement for these initial suggestions, with one key exception. This was a request for inclusion of the Slyfield Industrial Estate (in the Phase B area) to be considered for inclusion in Phase A. This was due to the large amount of shift work on the estate and the poor provision of public transport.

To support this, two additional hubs are proposed at the industrial estate (east and west), plus a hub at the junction of Stoughton Road and Old Woking Road (on the cycle route between Guildford town centre and Slyfield).

The suggested hub locations are shown on Plan 5 below. A full schedule of these is provided in Appendix C, which includes general location details for each hub (e.g. “Outside Guildford Station) and a brief assessment of any issues.

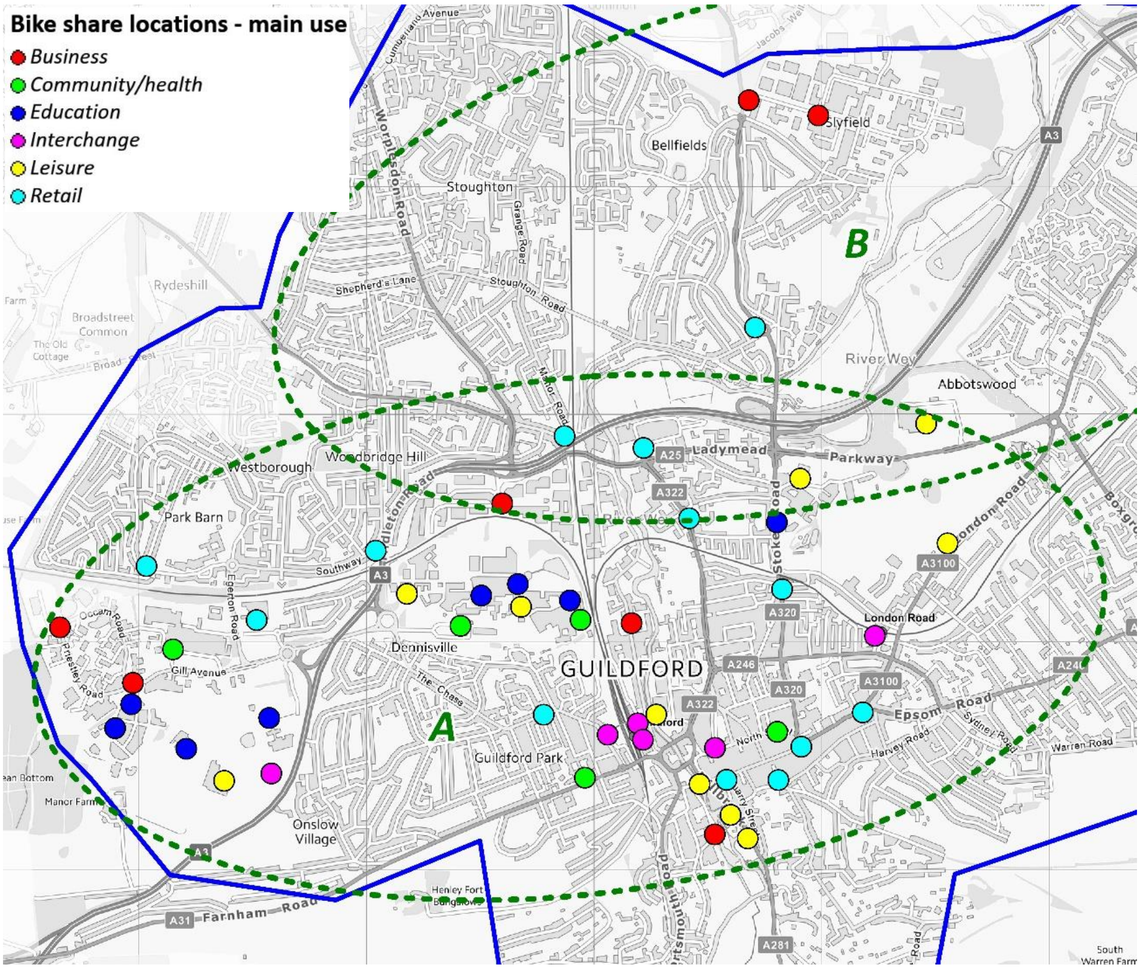


Plan 5. Suggested Phase A hubs (red) with existing (green) & planned (orange) UoS hubs

The precise details of where and how a hub is placed will depend on the nature of the location, the size of the hub (i.e. number of docks) and the available space. There may be other local considerations such as access, the impact on people walking, and conservation and public realm issues. In some locations the preferred option will be on the carriageway which will also mean possible re-purposing of car parking spaces. Some of these issues will also apply to virtual or geo-fenced hubs.

If a e-bike scheme chosen then there will be also be a need to consider the location of charging docks, with electricity supply, possible new cabling and streetworks all being issues. Whilst this is not a trivial matter, we would only anticipate around a third of hubs would need to be used for charging, reducing the impact of charging hubs.

The suggested hub locations were classified using six primary use categories (see Plan 6). This will enable a clearer case to be made for each hub at the implementation stage. However, it is important to note that most hubs would serve a variety of trip purposes.



Plan 6. Classification of Phase A hubs by use category

More detailed assessments have not been carried out at this stage as this is best done in partnership with a prospective operator. Different systems have varying requirements in terms of the method of installation, the physical size of a dock and other issues such as an electricity supply. They will also need to take into account how the hub is serviced which again will vary according to the operator.

Once a scheme has progressed through the procurement process a datasheet should be produced for each potential hub, with a plan and details on the number of docks and other issues, including permissions, electrification and any constraints. This will also allow complementary issues to be addressed (e.g. a hub on a one-way street might require a contraflow cycle lane to be provided).

Any potential impact on third parties could also be discussed at this stage. An example is the concern expressed by the National Trust regarding additional maintenance that might be needed on the River Wey towpath if bike share leads to significant increased use.

Plan 7 below shows the catchment areas for each suggested hub, based on a 400m buffer. This assumes a worst-case situation where a hub is empty and a user needs to walk to an adjacent hub to hire a cycle. Most of the Phase A area is within 400m of a hub, apart from a section of the Guildford Park neighbourhood and the western part of Merrow. If the lack of hubs in these areas is felt to be an issue, this could be addressed with infill in Phase B.

Plan 7. 400m buffers around proposed hub locations

Park and Ride

At the outset it was suggested that consideration should be given to the inclusion of the four Park and Ride sites in Guildford as potential bike share hubs. As shown in 2.5 above, data from the CoMo survey shows that 15% of bike share users combine their journeys with driving a private car trip (and a further 8% with a passenger trip in a car). There is therefore in principle some potential to combine bike share and Park and Ride.

However, the theoretical potential should be considered alongside practical details of the siting and layout of Park and Ride sites. When these are examined, only two of the four sites (Onslow and Spectrum) would be likely to support bike share. Detailed comments on the Park and Ride sites are set out in Table 10 below.

P & R site	In Phase 2?	Comments
Artington	No	Far from town centre along a busy main road (though the towpath is an alternative route). Low usage would therefore be expected.
Merrow	No	Far from town centre along a busy main road with very little cycle provision. Low usage would therefore be expected.
Onslow	Yes	Near University of Surrey campus at Manor Park and would therefore complement existing scheme.
Spectrum	Yes (at Leisure Complex)	Combined with parking for the Spectrum Leisure Complex and hence a single hub could serve both destinations.

Table 10. Potential for bike share at Park & Ride sites

3.5 Compatibility with University of Surrey scheme

The University of Surrey (UoS) bike share scheme, operated by Nextbike UK, was launched in August 2018 with 50 cycles at 8 hubs. While the main focus is travel by staff and students, it also serves Surrey Research Park. The scheme will expand in mid 2019, with two new hubs at the Research Park and Guildford Business Park.

In principle the proposed town-wide scheme could be entirely compatible with the existing UoS bike share scheme. The operators Nextbike already manage a number of larger schemes across the UK and there would be no operational barriers to Nextbike managing a larger scale scheme in Guildford.

However, due to procurement regulations the UoS scheme cannot simply be expanded in its current form. If Guildford BC wish to implement a town-wide scheme, the council would normally be required to carry out a formal procurement process to seek an operator.

There are two options for a town-wide scheme:

- Competition with the existing UoS scheme, with a distinct and separate offer
- Partnership with the existing UoS scheme (to a greater or lesser extent)

The competition option would create a number of difficulties, set out in Table 11 below.

Issue	Impact of competition
In city-wide schemes the student market forms a key sector of users	*Competing schemes would target the same users. Evidence shows that where this exists (e.g. Oxford) most people join only one scheme & hence there will be an impact on economic viability of both schemes*
Use of University campuses	*A competing town-wide scheme would not be permitted to site hubs on UoS campuses, limiting potential for use by the student market*
Lack of clarity between schemes	*Most people would be unlikely to appreciate the differences between competing schemes & therefore may join one but expect to use the other, leading to user dissatisfaction & negative attitudes to bike share*
Reputational risk for both Guildford BC & UoS	*Lack of collaboration between the local council as a public sector body and a publically funded university would be seen as counter-productive & a waste of resources by both parties*
Reduced scope for bike share trips	*Different systems will not be able to use each other's hubs meaning that the potential number of trips will be reduced e.g. it would not be possible to use bike share between UoS & Guildford Station*
Different equipment	*The provision of two distinct types of bike share cycles would lead to confusion with some users trying to park one type at the other's hubs*
Operation (management, redistribution, repairs)	*Two distinct operations will be needed reducing opportunities for economy of scale including increased trips by redistribution vehicles and the need to hold stocks of two types of spares*

Table 11. Impact of town-wide bike share in competition with University of Surrey scheme

These issues make it unlikely that a competing scheme would be successful. We would expect established operators to be reluctant to submit bids without a guarantee of Guildford BC underwriting their revenue costs. Hence, we recommend that the only viable and cost-effective option for a town-wide scheme is partnership with the existing University of Surrey scheme in order to achieve either a single scheme or compatible inter-operable schemes.

As part of the procurement process we recommend that the issues shown in Table 12 below should be addressed to ensure maximum compatibility. While these issues do not rule out an operator other than Nextbike operating the town wide scheme, they would not be able to serve the UoS as it stands. The University's contract with Nextbike precludes it from being involved in any other scheme, without Nextbike's written consent.

Some of these issues mirror the situation experienced in the bus industry in areas where services are franchised and appear as a single brand while being run by multiple operators (i.e. London).

Issue	Requirement of town-wide system
Equipment (cycles & hubs)	*All cycles & docking systems should be compatible allowing both the UoS & town-wide schemes to use each other's hubs*
Operation (management, redistribution, repairs)	*As far as possible the two operations should combine activities such as redistribution trips, maintenance centre, mechanics etc.*
Branding	*Consideration should be given to the establishment of a new over-arching Guildford-wide branding which would allow sub-branding for the UoS & town-wide schemes*
Membership	*Membership of one scheme should automatically confer free membership of the other scheme, possibly through an opt-in process. Operators of both schemes should be strongly encouraged to share membership databases.*
'Cross-ticketing'	*The two schemes should allow users to switch easily & seamlessly between them on an ad-hoc basis*
'Better bike share'	*The two schemes should collaborate to promote & encourage bike share among hard to reach groups*

Table 12. Issues to be addressed under a partnership option

3.6 Operational and management considerations

Our final set of recommendations focus on the operation and management of the scheme, both in terms of Guildford BC's relationship with the operator(s) and by the operator itself. Based on the review of schemes, and our assessment of the local issues in Guildford, we recommend that:

- A system should be procured on a similar basis to other cities and large towns, i.e. a concession to operate a bike share scheme in Guildford for 3-5 years with a 2 year extension based on good performance
- The system should be compatible with the UoS scheme and operate in partnership with it, as set out above
- Tariff periods etc. should be aligned to the UoS scheme although higher fees may be acceptable for standard (i.e. non-concessionary) users to make the scheme viable.
- While the operator will be responsible for all operational matters, including maintenance and redistribution of cycles, they should be encouraged to deliver this through local businesses / organisations
- The operator will be expected to cover all revenue costs and will be responsible for seeking sponsorship, although the council will assist with contacts etc. All branding must be agreed with the council.
- As part of the procurement process the council will set out draft KPIs and other conditions, including response times required, levels of service, and local storage of bikes. These will be finalised with the chosen operator.
- As part of the procurement process, options for a part or full e-bike system should be set out in a reasonable amount of detail.
- Data collection and its open use should be required to enable the council and stakeholders to establish route choices, future hub locations etc. All data feeds should conform to the General Bikeshare Feed Specification (GBFS).
- Allowance should be made for an officer at Guildford BC to support the scheme during procurement and implementation (0.5 FTE) and operation (0.1 FTE)

3.7 Marketing and promotion

Marketing and promotion activities are a significant element that can define the success of any bike share scheme. This is an activity that can often be overlooked in the development, lead up and implementation of a bike share scheme, and a dedicated budget and resource should be provided in order to promote the scheme, particularly during the initial launch period.

Any bike share scheme brought forward in Guildford would need to be well marketed. Schemes such as Santander Cycles in London, Nextbike Cardiff and BTN BikeShare in Brighton have regular promotions and make full use of social media, especially Twitter, which have been instrumental in the success of the respective schemes. Although it was only launched in 2018, JustEat Cycles in Edinburgh has already demonstrated good use of marketing, including giving each bike a name to encourage users to post images.

Providing information to businesses and residents raises awareness and sign ups can be offered at general promotional events in workplaces and at community events. Businesses can also be encouraged to become corporate members. If the scheme seeks to expand into ‘less traditional’ areas with lower propensity to cycle, this needs to be accompanied by significant marketing and promotion to engage and sign up people and to offer training and support to use the system. Experience gathered by the “Better Bikeshare” programme in Glasgow could be used to inform this.

Promotion would best be done as a partnership between the operator and the Council, allowing a balance to be struck between commercial needs and the Council’s wider policy aims. Marketing and promotion budgets should be set aside to cover the start-up and ongoing roll out of the scheme.

It is assumed that, in the absence of a headline sponsor, the scheme would initially be branded as part of Guildford’s Sustainable Movement programme. It is noted that this would reduce the need for a separate marketing and communication team. While the existing University of Surrey scheme has received sponsorship from Huawei, this is not an exclusive arrangement and there is still potential for a separate sponsor to support part or all of the wider scheme.

3.8 Monitoring and review

Detailed monitoring is crucial to assess the success of any implemented scheme. This should include before and after surveys of participants. Outside London, this does not appear to have been carried out before the introduction of bike share schemes.

CoMo UK carry regular surveys of bike share users nationally, but this has not been done for individual schemes. Hence we recommend that this needs to be addressed as part of developing a scheme in Guildford.

Regular meetings should take place between the operator and the council to discuss progress and monitor performance against the KPIs and other criteria in the contract. This should include discussion of user feedback.

As noted above, data collection and its open use will enable the council and stakeholders to gather information on the route choices made by users, as well as usage at each hub. This can be used to inform development of the bike share scheme as well as wide cycling infrastructure.

4. Stakeholder feedback

4.1 Stakeholder workshop

Following completion of the first stage of the feasibility study, a stakeholder engagement workshop was held in July 2018. Attendees included Cllr. Matt Furniss (then Lead Councillor for Infrastructure & Governance), officers of Guildford Borough Council and Surrey County Council, representatives from the University of Surrey and representatives of cycling, other transport, community and environmental bodies.

There were two discussion sessions: on bike share in general and a discussion of proposals for a town-wide scheme in Guildford. There was also a short presentation on the Nextbike / University of Surrey scheme which was subsequently launched in August 2018. Notes of the meeting are set out in Appendix D.

Cllr. Furniss noted that reducing congestion and improving air quality in Guildford are key issues that the introduction of a bike share scheme would help address. Furthermore, with the level of new development taking place in Guildford, a bike share scheme would provide enhanced access and connectivity for both residents and visitors in place of use of a private car.

The importance of ensuring supporting cycle infrastructure alongside bike share was discussed. It was noted that this should reflect the major changes in approach in recent years on how to provide for cycling. Ability to cycle, provision of cycle routes and attitudes towards cycling all impact upon the potential success of a scheme (for example modern flat dwellers are more likely to cycle).

It was also seen as important to provide a bike share scheme as part of a comprehensive package of travel measures, including marketing, promotional activities, cycle training and school engagement. This would all help to normalise cycling and increase use of the scheme.

There was a general view that a hybrid scheme is likely to serve Guildford best. Stakeholders felt that any town-wide scheme should also be inter-operable with the University scheme.

The importance of ‘docked’ hubs where certainty of a bike is required (e.g. at Guildford Station) was noted. The use of geo-fencing in sensitive areas was also discussed. Concerns were expressed about the potential impact of a dockless system on the conservation areas in the town. E-bikes were seen as having potential to increase use given the hilly nature of much of Guildford.

Cycling groups were keen to ensure that any scheme would not impact negatively on existing cycle parking in the town. If a scheme progresses that uses existing parking then it was important to ensure that that at least the same number of new spaces are provided so there will be no impact on existing cyclists.

The location of the proposed hubs was generally supported. However, stakeholders felt that Slyfield Industrial Estate (proposed for Phase B) should be considered as an earlier priority. This is a large employment site with limited parking provision and poorly served by public transport.

5. Bike share business case

[Sections 5.1, 5.2 and 5.3 are provided in Appendix 2. Appendix 2 is exempt from publication.]

[Sections 5.1, 5.2 and 5.3 are provided in Appendix 2. Appendix 2 is exempt from publication.]

5.4 Appraisal

It is difficult to carry out a full appraisal of the proposed scheme at this stage due to the lack of detailed costings over a long period from established bike share schemes. However, a reasonable outline figure can be derived using the estimated costs set out above.

The benefit can be calculated using the estimated figures for usage. This can be combined with the benefit of £3 per hire trip developed by the HEAT model for use in the business case for the Glasgow bike share scheme (2008 values).

This does not take into account other benefits such as reduced congestion, improved air quality and impact on road safety. A rough estimate of these benefits can be provided by the appraisal model used in Denmark which ascribes a public benefit of £0.15 per km cycled (equivalent to £0.10 per mile).

Using these figures gives an estimated cumulative benefit over 10 years of £3 million for a standard bike share scheme, or £3.7 million for a scheme with e-bikes.

A full DfT WEBTAG compliant appraisal based on the 2017 Value for Money Framework[5] would normally be carried out over a period of 30 or more years. There is insufficient data on any bike scheme anywhere in the world for this to be done. However, we have made an estimate for the Benefit Cost Ratio based on the initial and expanded scheme set out above. This shows a BCR of 2.3 by Year 10 (standard bikes) or 2.2 (e-bikes), at the lower end of the DfT's 'High Value for Money' category.

The DfT's Active Mode Appraisal Toolkit [6], published in May 2018, provides an alternative methodology. This calculates mode shift, health and journey quality benefits based on a range of walking and cycling projects.

5 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/630704/value-for-money-framework.pdf
6 www.gov.uk/government/uploads/system/uploads/attachment_data/file/712871/active-mode-appraisal-toolkit.xlsx

According to the Toolkit the BCR for the proposed bike share scheme is around 3.1, again in the 'High Value for Money' category. The chart below shows how the benefits are mostly related to health, with only a small proportion (4%) attributed to mode shift.

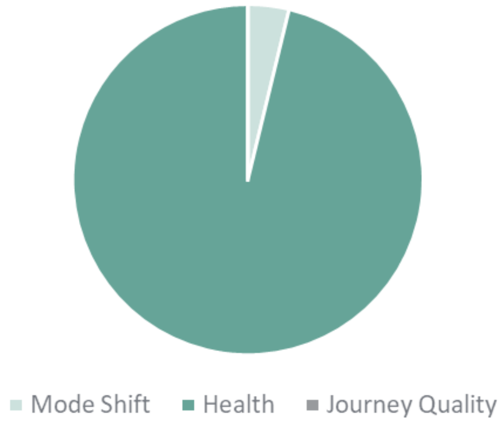


Figure 3. Estimated benefits by type

Finally, a higher level approach can be taken using generalised figures for appraisal of cycling projects produced by Cycling England in 2010. This assessed a large range of cycling infrastructure projects between 2005 and 2008 by the six Cycling Demonstration Towns, ranging from small interventions to major schemes. This estimated that the average benefit of 11 new users annually of cycling infrastructure was equivalent to £100,000.

Hence the overall cost of an e-bike scheme cost over the first five years of around £830,000 would require just 91 people to start using the scheme regularly to show a benefit – fewer than 20 new users per year. This is significantly lower than the number of expected members, and hence there would be a net benefit even without taking into account casual users.

6. Conclusions

6.1 Summary

The study has established that a bike share scheme would be feasible in Guildford and has set out the estimated cost for either a standard or e-bike system.

As set out above, we suggest that a bike share system should be procured on a similar basis to other cities and large towns, i.e. a concession to operate a bike share scheme in Guildford for 3-5 years with a 2 year extension based on good performance. This should be compatible with the University of Surrey scheme and operate in partnership with it, in order to achieve either one scheme or compatible schemes which are interoperable.

The operator will be responsible for all operational matters, including maintenance and redistribution of cycles. However, they should be encouraged to deliver this through local businesses / organisations wherever possible.

The operator will also be expected to cover all revenue costs and will be responsible for seeking sponsorship, although the council will assist with contacts etc. All branding must be agreed with the council.

Data collection and its open use should be required to enable the council and stakeholders to establish route choices, future hub locations etc. All data feeds should conform to the General Bikeshare Feed Specification (GBFS).

6.2 Next steps

If it is confirmed that the council wishes to establish a bike share scheme on the basis set out in this study, this will require a detailed procurement process.

If the decision is to carry out an open tender, this should be carried out in two stages: firstly, a call for Expressions of Interest, with a short questionnaire and basic diligence, to be followed by an Invitation to Tender to no more than three operators. This will ensure a shortlist comprising only those operators with a realistic likelihood of success. The operators invited to tender should be asked to attend an open day with members, officer and stakeholders, to establish a good understanding of their systems.

Alternatively, if it is accepted that the sole tenderer route is acceptable, this could be carried out using the VEAT process. This would still require the operator to submit a full detailed tender to demonstrate value for money and allow proper diligence.

As part of the procurement process the council will set out draft KPIs and other conditions, including response times required, levels of service, local storage of bikes, maintenance etc. These will be finalised with the chosen operator. The tender should also lay out Guildford’s broader transport and cycling strategy ambitions and specify the core objectives of the bike share scheme.

The tender should request bidders to provide a price for operating a scheme of the size set out in this study as Phase A with an indicative cost for Phase B. Bidder should also be required to set out options for a part or full e-bike system, in sufficient detail to allow a well-founded decision.

An option to be considered during the procurement process is a mechanism enabling the bike share scheme to be extended to other locations in Guildford BC (and indeed the rest of Surrey) without necessitating a completely new procurement exercise.

Finally, it is important that the introduction of a bike share scheme is not done in isolation. A further sum has therefore been allocated for complementary measures to ensure accessibility and ease of cycling, such as the provision of contraflow cycling where a hub is on a one-way street. Many of these will also benefit people using their own cycles.

Appendix A - Brief

GUILDFORD
BOROUGH

Guildford Bike Share Project

Feasibility Study Brief

1. Introduction

Guildford Borough Council is considering a bike share scheme for Guildford Town Centre and its surrounding area. The report in Appendix A provides some further information on work completed to date.

This brief sets out the requirements of a feasibility study which should be completed by the end of March 2018.

2. Background

The report in Appendix A provides background information regarding the project. This report was presented to Members of Guildford Borough Council on 13/9/17. Members raised a number of questions pertaining to the potential scheme, and these are included in the specification below.

This feasibility study will therefore seek to reassure Members and all stakeholders that their concerns have been addressed and there is both appetite and potential for a bike share scheme in the borough.

It now seems highly likely that the Santander funded scheme at the University of Surrey (referred to in the report) will be going ahead. Hence a key part of the feasibility study will be to ensure that the two schemes are compatible.

Following the feasibility study, it is expected that there will be a need to produce tender documents in order to appoint an operator to supply and manage the bike share scheme.

The primary outcomes of this study are:

a. To determine the viability of a bike share scheme in Guildford and allow Members to make a decision on whether to progress a scheme

b. If a decision is taken to proceed, to provide the necessary information and guidance to be able to put the scheme out to tender quickly.

3. Key partners

As part of the feasibility, key partners will need to be consulted. This should either be in the form of individual discussions or preferably at a workshop.

These include: Surrey County Council, University of Surrey, Cycling UK, Guildford BUG, Royal Surrey County Hospital (RSCH), Guildford Business Park, Surrey Research Park, plus others to be identified at inception.

4. Specification

There are two main elements of the feasibility study:

A. Demonstration that there is sufficient need for a bike share scheme, including:

i. Review of Bike Share models

ii. Evidence to show potential usage

iii. Consideration of the local benefits of a bike share scheme plus assessment of risks and barriers to a successful scheme

iv. Review of financial issues including an outline appraisal to justify capital expenditure and an assessment of whether a scheme can be self-sufficient

B. Identification of preferred design and operating model, including:

i. Outline of scheme extent (number of bikes & number/sites of docking stations) and type (electric/traditional/mixed fleet)

ii. Alignment with University of Surrey plans (or otherwise as recommended by the study)

iii. Operational and management considerations

These are addressed in greater detail below.

A. Demonstration of demand for bike share

i. Review of Bike Share models

The initial task should be to review the current models for bike share, taking into account the more recent developments in dockless or 'infrastructureless' schemes. The report in Appendix A suggests that a docked system would be most appropriate for Guildford. The feasibility study should not assume this, however, and consideration should be given to dockless systems with a view to determining what would be most successful in the town. It is important that the range of scheme types is fully assessed to ensure that a decision is based on objective criteria.

ii. Evidence for potential usage

A key element will be an analysis of the potential demand for bike share, based on a range of criteria which have been shown to affect bike share usage in other areas.

In order to determine the level of demand, it is suggested that the consultant should complete an initial survey exercise with a workshop for relevant stakeholder groups later in the study.

Key routes to be considered for users

The consultant is asked to briefly outline corridors which might be expected to become the most commonly used by the bike share customers. The purpose of this is to identify which routes we would need to evaluate for future interventions – this will be studied as a separate project.

iii. Consideration of the local benefits of a bike share scheme

Having identified a demand for the scheme, the benefits such as improved accessibility, reduced congestion, economic and health benefits need to identified and the likely outcome of the scheme should be set out. This should present the case for implementing a scheme and support the capital outlay the Council is committing.

Risks & barriers

Any risks or barriers to the delivery of the project should be detailed, these should be identified from the various stakeholder survey and workshop, plus (if deemed necessary) a formal risk workshop. To date Borough Members have indicated that they would like to see the following given consideration:

- What competition could there be to a council scheme?
- Any ongoing revenue issues and how they can be resolved
- Opportunities to link the bike share to other corporate ambitions
- Any legal or liability implications of introducing public bike share

iv. Financial issues

The benefits of bike share in the borough will need to be monetised in order to demonstrate that there is a sound business case for making the investment. A full appraisal is not required at this stage but an outline Benefit:Cost Ratio would be desirable.

There is capital funding available for the scheme, however the borough council do not wish to be burdened with an ongoing revenue cost. Therefore it is essential that the feasibility study is able to demonstrate that the scheme is likely to be self-sufficient within a short time after opening.

This will include consideration of whether there is sufficient interest from businesses to sponsor the scheme; novel sponsorship ideas are also encouraged to maximise income.

B. Preferred design and operating model

i. Outline of scheme extent and type

Based on the review in Stage A, the following issues should be addressed:

- Possible scheme extent (number of bikes & number/sites of docking stations)
- Possible scheme type (electric/traditional/mixed fleet)

An outline for the broad extents of the scheme can be agreed at the study inception meeting. It is suggested that the Park and Ride sites offer a useful and logical perimeter for the scheme, though this can be considered further as part of the study. The number of docking stations and cycles will need to be considered based on the market research and also existing evidence regarding the viability of bike share schemes of varying sizes.

The location of suggested docking stations should be set out in general terms (e.g. "Outside the station), with any broad issues highlighted (e.g. planning requirements and conservation issues). However, detailed assessments are not required as this stage since this is best done in partnership with the prospective operator. Different schemes have varying requirements in terms of the method of installation, size of the dock and any potential challenges such as the need for an electricity supply. Note that the Parking Manager will need to be consulted as part of the docking station siting process.

Once a scheme has progressed through the procurement process it will be necessary to produce a datasheet for each potential Docking Station detailing number of bays and other requirements, including permissions, electrification and any other pertinent information. This will also address complementary issues (e.g. a docking station on a one-way street might require a contraflow cycle lane to be provided).

The mix of electric and traditional bikes will also need to be considered based on the market research. Because Guildford has challenging topography in certain areas, there is likely to be a need for some electric bikes; these will encourage non-cyclists and less fit people who are interested in cycling to take up the bikes and also make areas of the borough much more accessible by bike.

The bicycle design, including whether they can be locked up away from a dock, and specific safety features and what telemetry they should carry should be outlined by the feasibility study. However, the precise details will be dictated by the choice of operator as it is unlikely that a bespoke Guildford design will be feasible.

ii. Alignment with University of Surrey plans

The University bike share scheme is currently planned to be a 60 bike scheme with 8 stations. The feasibility study should identify to what degree the Guildford project should be aligned with this scheme.

It is anticipated (though not assumed) that the greatest benefit would come from utilising a compatible system. The feasibility study should consider this and provide justification for the recommended course of action.

iii. Operational and management considerations

The final element of the study should address the operation and management of the scheme, both in terms of the council's relationship with the operator(s) and by the operator itself.

It is expected that the operator will be responsible for the maintenance and rebalancing of the scheme. However, in the tender it could be specified that this should be through local businesses/organisations and the viability of this needs to be considered.

Detail is required regarding what should be specified in a scheme for:

- Scheme administration – including Membership and any smart card distribution, payments, data collection, analysis and reporting, etc.
- Maintenance and rebalancing – including response times required, levels of service, how data is shared with third parties, etc. any need for storage of bikes.
- Operating Costs – an estimate of the annual cost for the scheme is required, looking at the initial scheme as a one off 5-7 year project and as the project as an ongoing scheme which would require capital to invest in new stock.
- Fees and Charges – the fees expected to be charged should be investigated, based on the survey data, the university's proposed regime and the optimum costs to make the scheme viable. The bike share scheme is provision of a service and so lower

costs are preferred, with consideration of discounts for people on low incomes, students etc.

- Potential for Sponsorship – related to the above, there needs to be a source of income to cover the balance of the scheme not met by fees. Any potential profit should be shared between the operator and the Council, however the likelihood of this needs to be assessed. The operator will be expected to source and reach agreement with any sponsor(s). Novel sponsorship options are also expected to be proposed as part of the feasibility.
- Key Performance Indicators and Data collection – KPIs to be included in the final bike share scheme need to be identified. This should be based on comparison of other bike share schemes nationwide to establish the most beneficial KPIs that are not so onerous that they effect the viability of the scheme. Data collection and its use should be explored, this will enable the council and stakeholders to establish route choices, future docking station locations and also any novel uses of data should be identified.

5. Deliverables and Timescales

Deliverable	Deadline
Initial study programme	At inception meeting
Stage A - Demand Assessment incl. interim report	16 February 2018
Stakeholder workshop	During February 2018
Stage B – Design & operational issues incl. interim report	9 March 2018
Draft Feasibility Study Report	19 March 2018
Full Feasibility Study Report	29 March 2018

6. Budget

All work for Stages A and B of this study should carried out for a fee not exceeding £10,000 (excluding VAT), including travel and other expenses.

Note that the council will be able to provide a free venue for the stakeholder workshop.

Appendix B – Methodology for bike share assessment

The following data sources were used to analyse each cell.

Factor	Score
A. Key destinations/attractions	Schedule of key destinations/attractions and workplace clusters, plus data from the (then) emerging Local Plan
B. Propensity to cycle	Socio-demographic data (Mosaic) at ward level, informed by OAC at LSOA level
C. Potential for increased cycling	Propensity to Cycle Tool (PCT) plotted at LSOA level
D. Main cycle routes	GIS layer of existing/future cycle network, with extra weighting given to surfaced routes
E. Significant areas of future development	Guildford Borough Submission Local Plan: strategy & sites (2017)
F. Public transport / park & ride provision	GIS mapping of rail stations and Park & Ride sites
G. Levels of cycling	2011 census at LSOA level, plus cycling O-D pairs
H. Population density	2011 census plotted at LSOA level

Data sources

The methodology for assigning a score to each of these factors is given below. Apart from A, each cell was assigned one of three ranks (High/Medium/Low) with a score of 2, 1 or 0. Due to its importance, factor A was scored on a 5-point scale from 4 to 0. These scores were then doubled for the key factors A-E.

A. Destinations – this is the most important factor for bike share. It is based on density and diversity of trip generators, ranging from very high in Guildford town centre, high in the area around University of Surrey and Manor Park, down to 0 in residential areas such as Merrow.

B. Propensity to cycle – this was based on a combination of the categories in MOSAIC and Output Area Classification (OAC), produced by OS. As MOSAIC data was only available at ward levels the open-data OAC was used to provide more detailed background. Our best judgement was used to align these with cycling propensity indices, such as those used for TfL and TfGM. An example is shown below.

OAC category	Cycling propensity
1 – Rural residents	Very low
2 – Cosmopolitans	Very high
3 – Ethnicity central	Medium to high (depending on sub-category)
4 – Multicultural metropolitans	Low to medium (depending on sub-category)
5 – Urbanites	Medium to very high (depending on sub-category)
6 – Suburbanites	Very low
7 – Constrained city dwellers	Low
8 – Hard-pressed living	Very low

OAC classifications and cycling propensity

C. Cycling potential – the Propensity to Cycle Tool produced for DfT was used to show the potential increase in cycling for each cell. The PCT sets out a range of scenarios for increased cycling. The one chosen was the "Government Target" model as this is considered most feasible in the medium term. The e-bike scenario can be used to show how wide-spread use of e-bikes would increase cycling significantly. More details on the PCT can be found at www.pct.bike .

D. Cycle routes – plans of existing and proposed cycle routes were supplied by Guildford BC. Existing routes were used determine the density of provision in each cell. Greenway routes with poor surfacing or tortuous alignments were given a lower weighting.

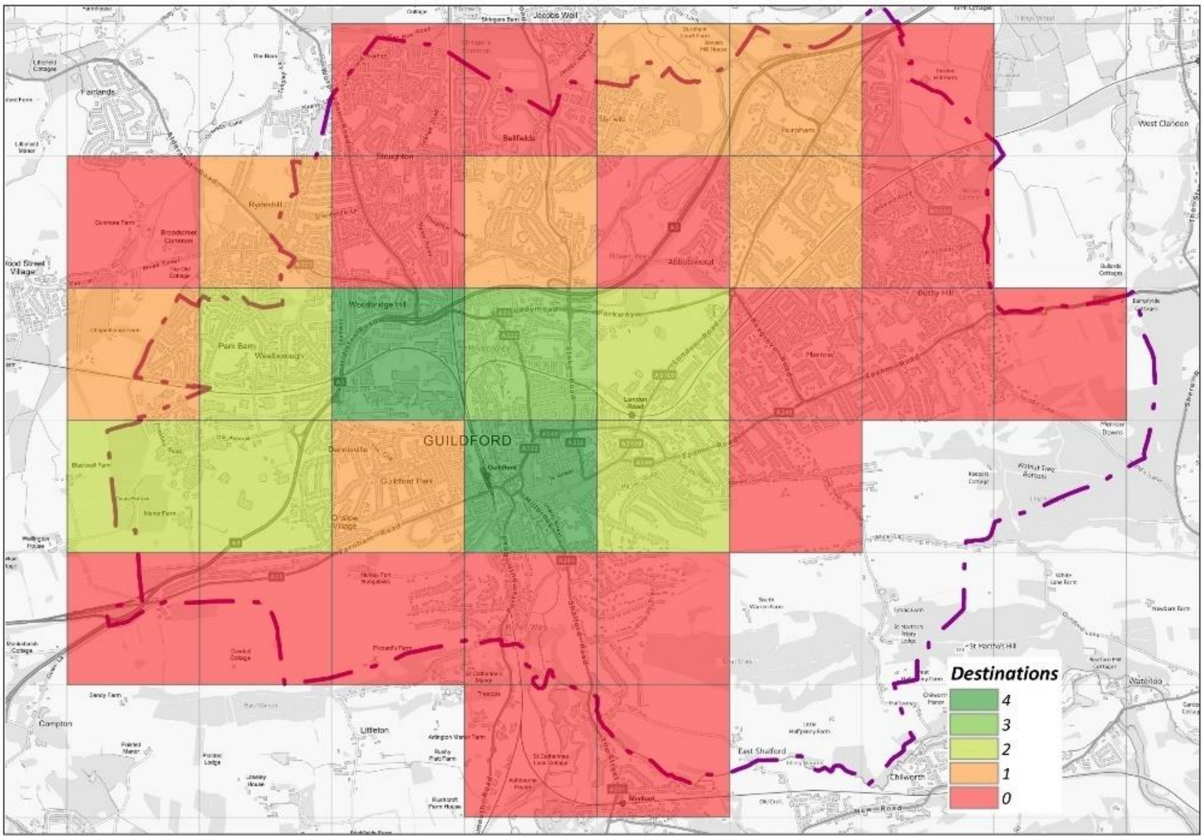
E. Significant areas for development – plans from the Guildford Borough Submission Local Plan: strategy & sites (2017) were used to determine the proposed level of development in each cell.

F. Public transport provision – a combination of rail stations and park & ride sites were used to determine the level of public transport provision in each cell.

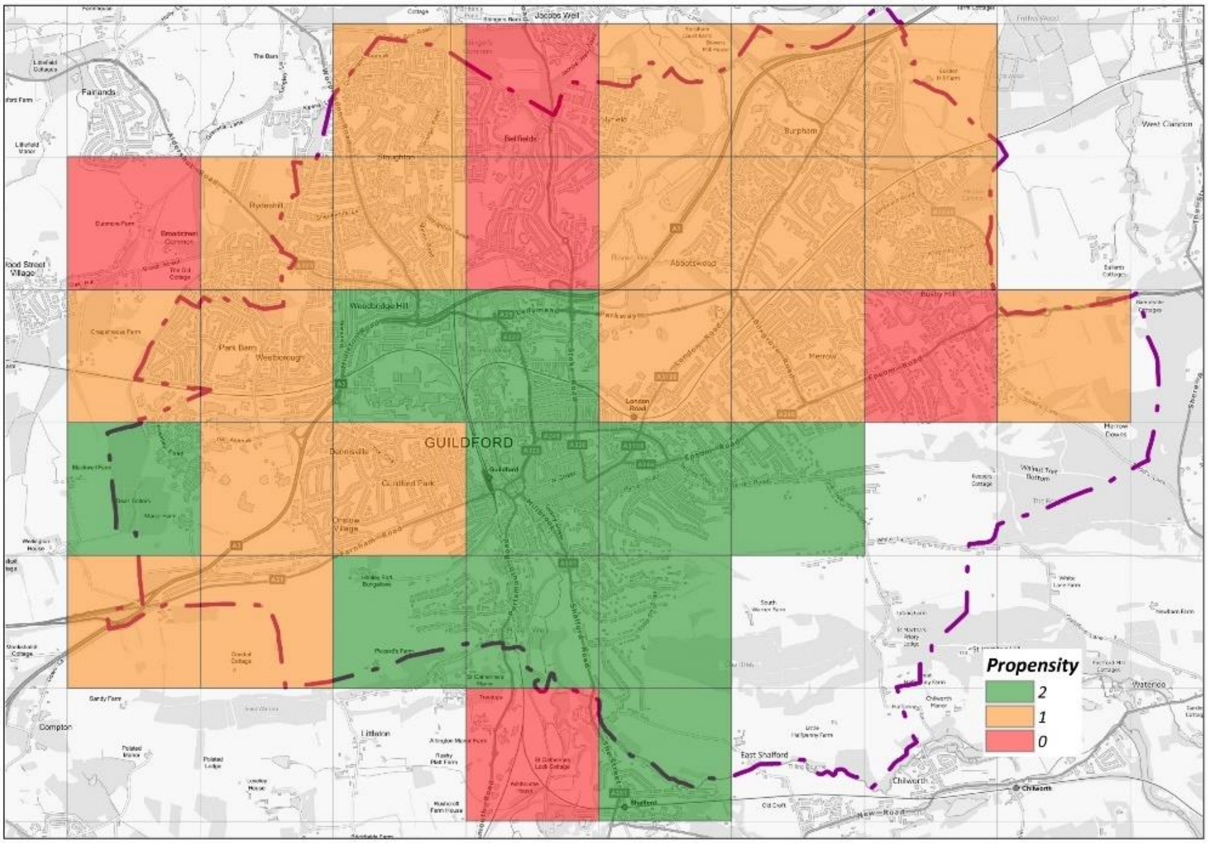
G. Levels of cycling – the levels of cycling in to work recorded in the 2011 census were plotted at LSOA level. This only reflects trips by residents so key destinations for cycle commuting were also taken into account based on O-D pairs from the census.

H. Population density – population estimates from the 2016 mid-year estimates were used to provide density at the LSOA level.

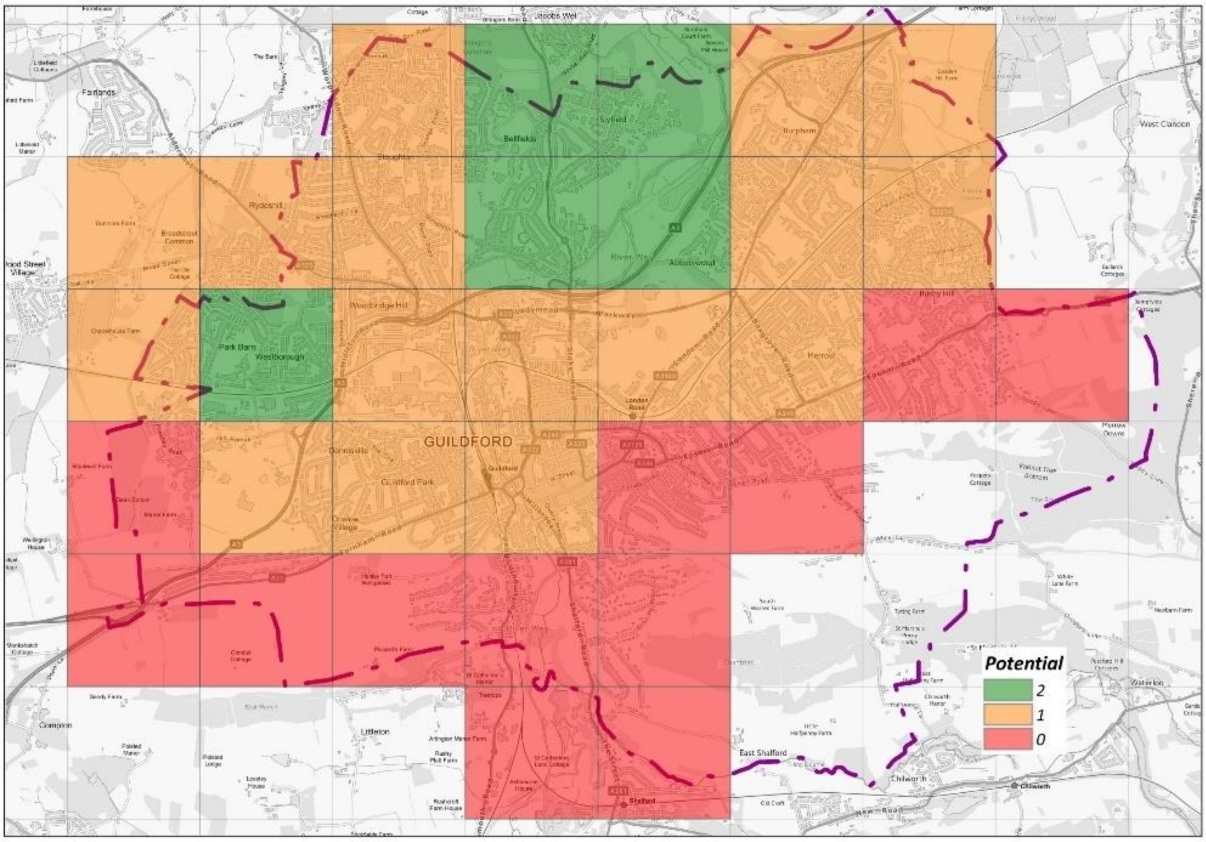
Plans showing some of these factors are shown below, overlaid with the grid used in the area of search.



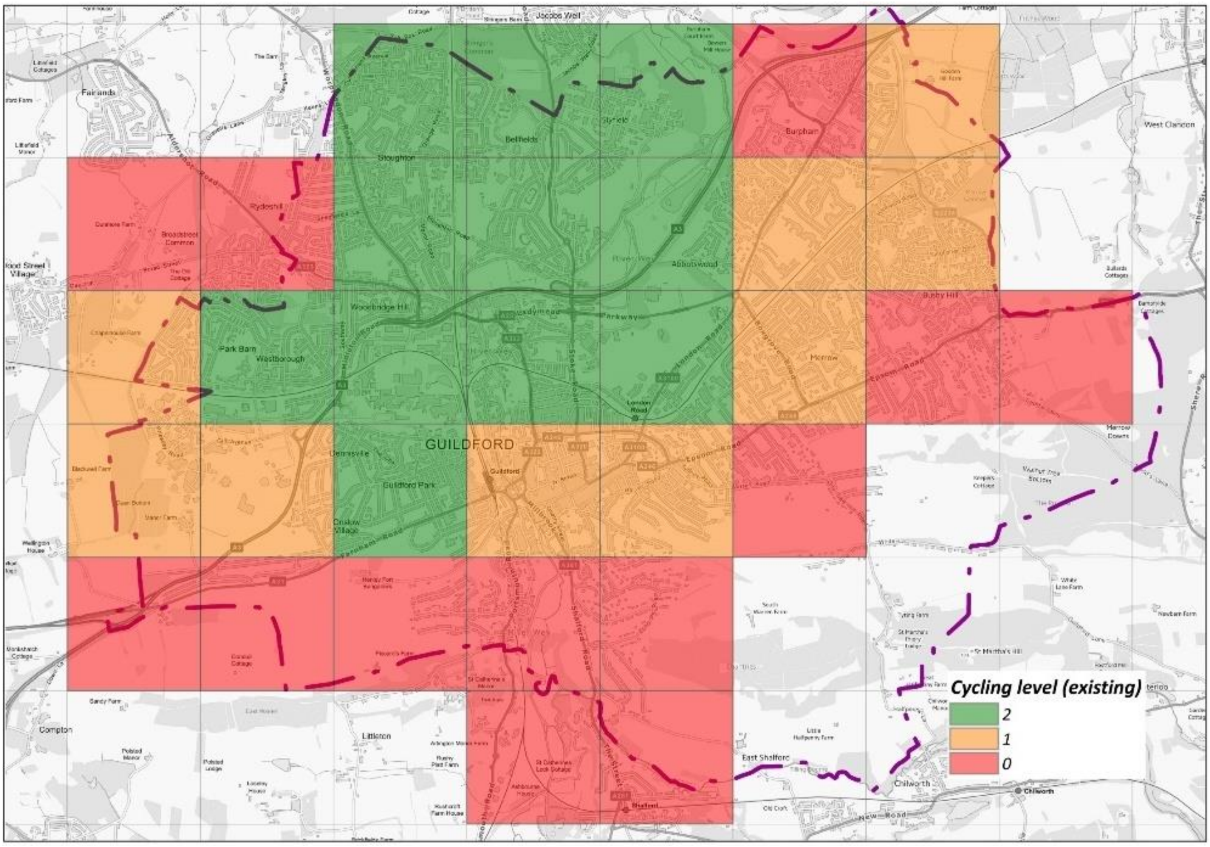
Density of destinations



Cycling propensity (based on OAC)

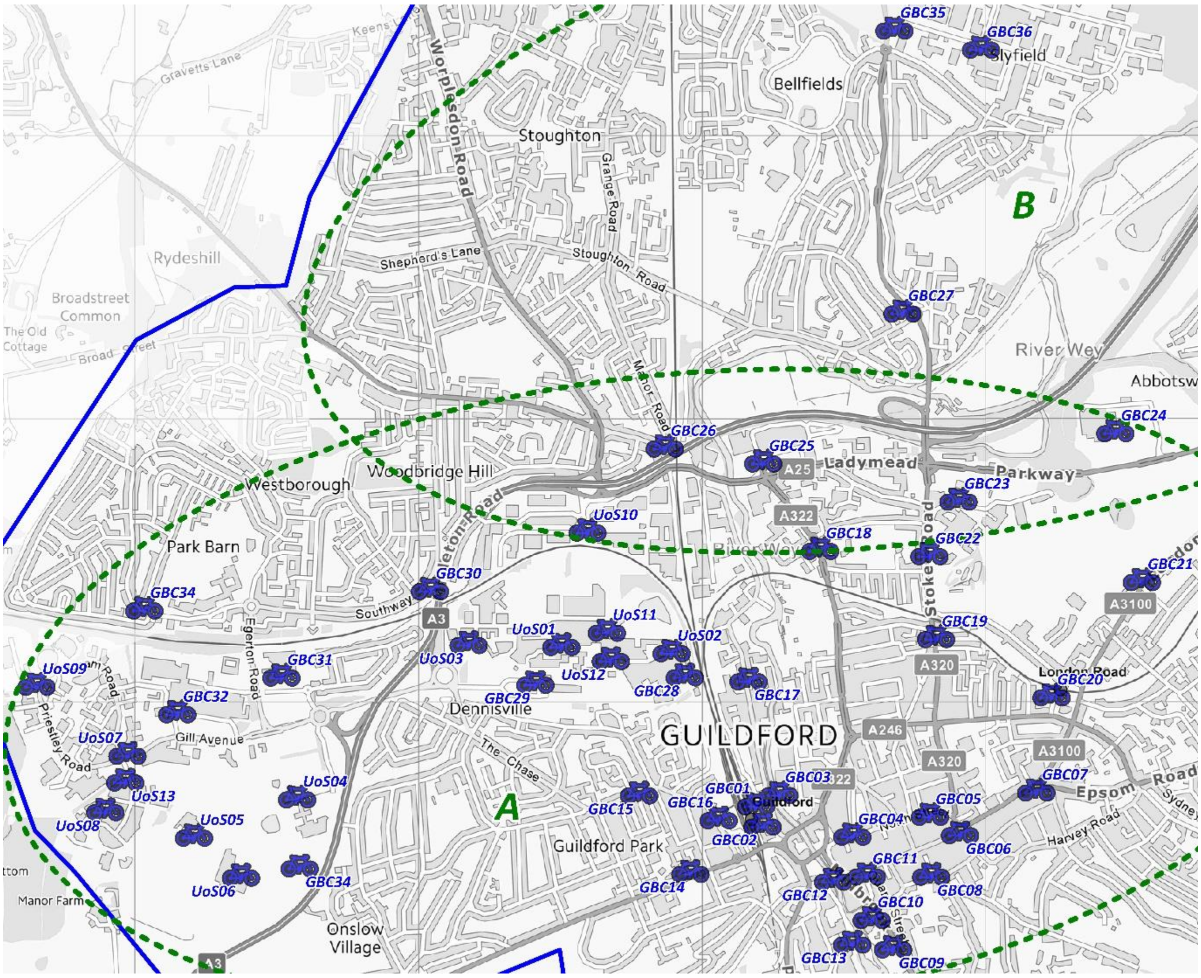


Cycling potential (based on PCT)



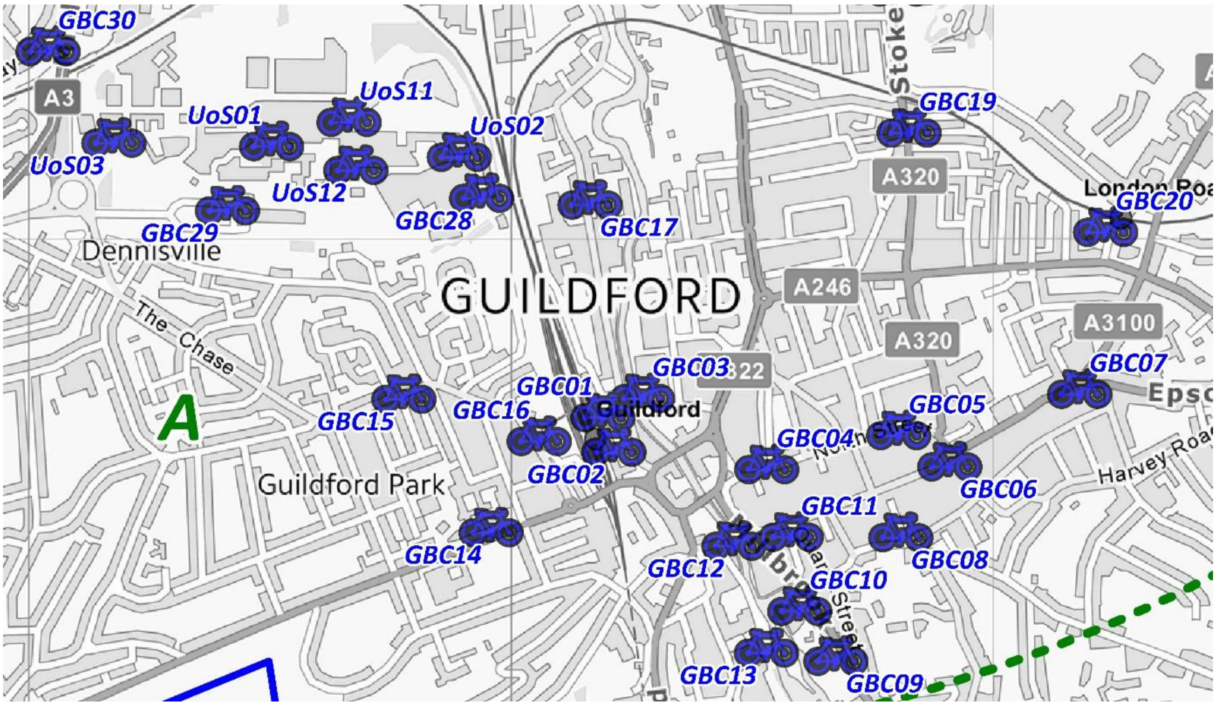
Cycling levels (2011 census)

Appendix C – Existing, planned & proposed bike share hub locations



Existing, planned and suggested bike share hub locations

Ref	Location	Primary purpose	Secondary purpose	Status	Comments
Existing University of Surrey nextbike scheme (current/planned/suggested hubs)					
UoS01	George Edwards Building	Education	Residential	Existing	By library
UoS02	Duke of Kent Building	Education	Residential	Existing	
UoS03	Rear of University Arts Centre	Leisure	Residential	Existing	
UoS04	Nursery Car Park	Education	Business	Existing	
UoS05	Veterinary School	Education		Existing	
UoS06	Surrey Sports Park	Leisure		Existing	
UoS07	Surrey Research Park south	Business		Existing	By Surrey Technology Centre
UoS08	Manor Park Residential complex	Education	Residential	Existing	
UoS09	Surrey Research Park north	Business		Planned	To be installed 2019
UoS10	Guildford Business Park	Business		Planned	To be installed 2019
UoS11	In Senate House car park	Education	Business	Suggested	
UoS12	By Students Union	Leisure	Residential	Suggested	
UoS13	By cafe & services, Manor Park Residential Complex	Education	Leisure	Suggested	



Existing, planned and suggested bike share hub locations (town centre & UoS Stag Hill campus)

Ref	Location	Primary purpose	Secondary purpose	Status	Comments
Guildford BC bike share scheme – suggested hub locations (bold indicates higher priority locations)					
GBC01	Guildford Station main entrance (north)	Interchange	Residential	Suggested	Two hubs to allow for demand at new station
GBC02	**Guildford Station main entrance (south)**	**Interchange**	**Business**	**Suggested (priority)**	**Two hubs to allow for demand at new station**
GBC03	**Cinema**	**Leisure**	**Business**	**Suggested (priority)**	
GBC04	Bus station / Friary Centre	Interchange	Retail	Suggested	
GBC05	**Library, North Street**	**Community/ health**	**Retail**	**Suggested (priority)**	
GBC06	High Street / North Street	Retail	Leisure	Suggested	
GBC07	**High St, Epsom Road, London Road junction**	**Retail**	**Leisure**	**Suggested (priority)**	**G-Live**
GBC08	**Tunsgate**	**Retail**	**Leisure**	**Suggested (priority)**	**Also serves Guildford Castle**
GBC09	Millbrook car park	Leisure		Suggested	Northern end of Downs Link
GBC10	Yvonne Arnaud theatre	Leisure	Retail	Suggested	
GBC11	High Street / Quarry Street	Retail	Business	Suggested	
GBC12	**Guildford Town Bridge**	**Leisure**	**Retail**	**Suggested (priority)**	**At eastern end**
GBC13	**Guildford Council offices**	**Business**	**Community**	**Suggested (priority)**	**In public car park**
GBC14	Farnham Road Hospital	Community/ health	Residential	Suggested	
GBC15	Madrid Road	Retail	Residential	Suggested	
GBC16	**Guildford station western entrance**	**Interchange**	**Residential**	**Suggested (priority)**	

GBC17	**Walnut Tree Close**	**Business**	**Residential**	**Suggested (priority)**	**Possibly by Riverside Business Park mixed use development**
GBC18	**Woodbridge Road opposite Gateway Guildford**	**Retail**	**Business**	**Suggested (priority)**	**Either side of road**
GBC19	Stoke Road / Kings Road	Retail	Residential	Suggested	Outside Kings Head pub
GBC20	**London Road Station**	**Interchange**		**Suggested (priority)**	
GBC21	Stoke Park	Leisure	Residential	Suggested	
GBC22	**Guildford College**	**Education**	**Residential**	**Suggested (priority)**	
GBC23	Lido	Leisure		Suggested	Also for north part of Stoke Park
GBC24	**Spectrum Leisure Complex**	**Leisure**	**Interchange**	**Suggested (priority)**	**Also Park & Ride site**
GBC25	Ladymead Retail Park	Retail		Suggested	May be scope for two hubs
GBC26	**Woodbridge Hill**	**Retail**	**Residential**	**Suggested (priority)**	**Serving area to north**
GBC27	Woodbridge Road / Stoughton Road	Retail	Residential	Suggested	By shops. Intermediate hub to complement GBC35 & GBC36
GBC28	Guildford Park car park	Community/ health	Residential	Suggested	On GBC land south of UoS campus boundary, near Health Centre
GBC29	Guildford Cathedral	Community/ health	Leisure	Suggested	By café?
GBC30	Southway (east)	Retail	Residential	Suggested	Small shopping parade including bike project
GBC31	Tesco Guildford	Retail		Suggested	
GBC32	**Royal Surrey County Hospital**	**Community/ health**		**Suggested (priority)**	**Near main entrance**
GBC33	Onslow Park & Ride	Interchange		Suggested	At pick-up area
GBC34	Park Barn, Southway (west)	Retail	Residential	Suggested	Pound Meadow to side of Nisa Local
GBC35	**Slyfield Industrial Estate west**	**Business**		**Suggested (priority)**	
GBC36	Slyfield Industrial Estate east	Business		Suggested	

Appendix D – Notes of stakeholder workshop, July 2018

Guildford Bike Share stakeholders' meeting

GBC offices, 26 July 2018

1. Attendance and apologies

Attended:

Guildford Borough Council: Cllr Matt Furniss, Rob Curtis, Edward Cheng, Chris Wheeler, Diana Roberts, Gary Kirk, Bob Crane, Chris Burchell & Donald Yell

Surrey County Council: Matt Strong & Becky Willson

Stakeholders: Martin Taplin & Nigel Burke *(G-BUG)*, Chris Ogle *(Experience Guildford)*, Bill Stokoe *(Guildford Vision Group)*, Chris Peck *(Cycling UK)*, Colin Selvin *(Guildford Society Transport Group)*, John Gibson *(National Trust)*, Julian Scriven *(Nextbike)* & Tracy Smith *(University of Surrey)*

Consultants: Mark Strong & Ken Spence *(Transport Initiatives)*

Apologies: Michael Green & Matthew Jezzard *(Surrey County Council)*, Doug Clare *(G-BUG)*, Ed Nelson *(University of Surrey)*, John Rigg *(Guildford Vision Group)*, Amanda Masters *(Experience Guildford)*, Paul Calvert *(Network Rail)*, Darren Little *(Royal Surrey County Hospital)*, Louise Punter *(Surrey Chambers of Commerce)*, John Dales & Brian Deegan *(Urban Movement)*

2. Introduction (Rob Curtis, GBC)

3. General presentation on Bike Share (Mark Strong, TI)

Transport Initiatives & Urban Movement had been carrying out a study on bike share & submitted an interim report to GBC, summarised in presentation here and item 6.

Question about seasonality. There is now a smoothing out between summer and winter.

4. Discussion about general Bike Share issues

Q. What did failing schemes do wrong?

A. Lack of planning – Blackpool: focus on leisure trips only & poor siting; Newcastle: low tech that did not work longer term; Dumfries: town too small to sustain bike share

Q. How does maintenance, rolling of schemes work out?

A. All is included in the contract, the proof is in the planning and professional nature of how the scheme is set up. Existing schemes have been generally well run.

Q. What is lifespan of bikes?

A. 5-6 years if well used by which point they need to be changed anyway as newer better versions with updated software will be available. nextbike write them down after 5 years.

Q. Do E-bikes need to be docked?

A. Not necessarily as current bikes should have sufficient charge to last all day if charged overnight. Batteries can be swapped by maintenance team.

Q. Is there a typical user profile?

A. Biggest user group aged 20-30, followed by 30-40. Bike share cycles are typically more robust and heavier than standard cycles, so need at least a basic level of cycling experience. Many users do not necessarily consider themselves "cyclists" (i.e. regular cycling using specialist equipment/clothing). Taller/older children are often also allowed to use bike share.

Q. Are bike share users more likely to be at risk of road safety related injury?

A. No evidence that they are. Good safety record in London.

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5. University of Surrey Bike Share Scheme (Julian Scriven – nextbike)

UoS scheme followed successful kickstarter project sponsored by Santander (four successful universities). However, UoS scheme itself will not be sponsored. Scheme to have 50 cycles & 8 hubs but plans for quick expansion with 2 more hubs envisaged soon. Launch date 2 August.

6. Detailed presentation on Bike Share in Guildford (Mark Strong, TI)

7. Discussion on Guildford bike share

Q. Are people going to use the bikes when the infrastructure is not great?

A. Existing cycle provision, especially around UoS, is sufficient to sustain the scheme if better promoted and signed. Guildford Sustainable Movement Corridor will complement use of bike share. Clearly, more infrastructure would benefit bike share as well as general cycling. Evidence (e.g. London) shows synergy between bike share and developing new infrastructure – high level of "non-cyclist" bike share users helps create demand for more routes.

Q. Slyfield Industrial Estate in area 3 should be an early priority as a large employment site with poor parking provision and no bus service

A. Yes, this will definitely be looked at closely

Q. Guildford quite hilly so E-bikes may be more viable

A. Yes, this has great potential. nextbike experience is that hybrid schemes (mix of e-bikes & standard cycles) can work quite well.

Q. GVG have looked at routes – how does bike share relate to sustainable corridors

A. Very well as the areas being considered fit very well with this

Q. Have any usage surveys been undertaken and of how increased usage may affect maintenance and interaction particularly on the towpath?

A. Surveys were carried out by UoS. Bike she operation will take into account impact of usage. There will be guidance on interacting with pedestrians & other road users

Q. Will bike share impact on cycle parking for private bikes?

A. This depends on which bike share scheme is chosen – some models use standard cycle stands (with or without branding), others like nextbike use dedicated docks. However, if the Guildford scheme does make use of cycle parking then at least the same number of new spaces will be provided so there will be no impact on existing cyclists.

Q. What has driven this for Guildford?

A. From the council perspective bike share helps support delivery of a number of policies, particularly the transport strategy. The professional judgement is that the potential is good.

8. Next steps

TI to finish report to GBC by end August, then council to make decision on whether to progress to formal procurement within a few months.

TI & UM have also been commissioned to carry out cycle network & parking study including detailed suggestions for improved cycle provision (NB stakeholder meeting in the autumn).

Actions:

A. TI to meet GVG & G-BUG to hear their detailed ideas

B. Presentations by Rob Curtis, Mark Strong & Julian Scriven to be circulated

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

Agenda item number: 9
Appendix 2

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