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Contact Officer:

John Armstrong, Democratic Services Manager
Tel: 01483 444102

5 June 2019

Dear Councillor

Your attendance is requested at a meeting of the **CORPORATE GOVERNANCE AND STANDARDS COMMITTEE** to be held in the Council Chamber, Millmead House, Millmead, Guildford, Surrey GU2 4BB on **THURSDAY, 13 JUNE 2019** to commence at approximately **8.00 pm** immediately following an induction session for committee members and co-opted members which will commence at 6.30pm.

Yours faithfully

James Whiteman
Managing Director

MEMBERS OF THE COMMITTEE

Chairman: Councillor Tim Anderson

Councillor Jan Harwood
Councillor Liz Hogger
Councillor Nigel Manning
Councillor Ramsey Nagaty
Councillor John Redpath
Councillor James Walsh

Independent Members:
Mrs Maria Angel MBE
Mr Murray Litvak

Parish Members:
Mr Charles Hope
Ms Geraldine Reffo
Mr Ian Symes

Authorised Substitute Members:

Councillor Jon Askew
Councillor Richard Billington
Councillor Ruth Brothwell
Councillor Colin Cross
Councillor Angela Gunning
Councillor Tom Hunt
Councillor Gordon Jackson

Councillor Masuk Miah
Councillor Susan Parker
Councillor Jo Randall
Councillor Deborah Seabrook
Councillor Patrick Sheard
Councillor Catherine Young

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QUORUM 3



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.

AGENDA

ITEM

1 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

2 LOCAL CODE OF CONDUCT - DISCLOSURE OF 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 also withdraw from the meeting immediately before consideration of the matter.

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

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

3 MINUTES (Pages 1 - 8)

To confirm the minutes of the meeting of the Corporate Governance and Standards Committee held on 28 March 2019 (attached).

4 INTERNAL AUDIT PLAN 2019-20 (Pages 9 - 16)

5 EXTERNAL AUDIT 2019-20 FEE LETTER (Pages 17 - 22)

6 CAPITAL AND INVESTMENT OUTTURN REPORT 2018-19 (Pages 23 - 96)

7 GENERAL FUND REVENUE ACCOUNT FINAL OUTTURN REPORT 2018-19 (Pages 97 - 120)

8 HOUSING REVENUE ACCOUNT FINAL ACCOUNTS 2018-19 (Pages 121 - 130)

9 REVIEW OF THE CODE OF CONDUCT FOR STAFF (Pages 131 - 146)

10 REVIEW OF THE COUNCILLORS DEVELOPMENT STEERING GROUP (Pages 147 - 152)

11 WORK PROGRAMME (Pages 153 - 160)

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CORPORATE GOVERNANCE AND STANDARDS COMMITTEE

28 March 2019

* Councillor Richard Billington (Chairman)

*Councillor Alexandra Chesterfield (Vice-Chairman)

* Councillor Andrew Gomm
* Councillor Nigel Kearse
* Councillor Marsha Moseley
Councillor Caroline Reeves
Councillor Tony Rooth

* Mrs Maria Angel MBE
Mr Charles Hope
Ms Gerry Reffo
* Mr Ian Symes

*Present

The Lead Councillor for Infrastructure and Governance, Councillor Matt Furniss, the Lead Councillor for Finance and Asset Management, Councillor Nigel Manning, and the Deputy Lead Councillor for Governance, Councillor Jo Randall were also in attendance.

CGS53 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

Apologies for absence were submitted on behalf of Councillors Caroline Reeves and Tony Rooth and from Charles Hope and Geraldine Reffo.

CGS54 LOCAL CODE OF CONDUCT - DISCLOSURE OF INTERESTS

Mrs Maria Angel MBE disclosed an interest in respect of agenda item 12 – Appointment of Independent Members of the Corporate Governance and Standards Committee (May 2019 – May 2023) on the grounds that she had submitted an application for re-appointment.

There were no other disclosures of interest.

CGS55 MINUTES

The Committee confirmed as a correct record the minutes of the meeting held on 17 January 2019. The Chairman signed the minutes.

CGS56 ANNUAL GOVERNANCE STATEMENT 2018-19

The Committee considered a report on the Council's Annual Governance Statement for 2018-19, as required by the Accounts and Audit (England) Regulations 2015. The Statement was underpinned by the Audit and Performance Manager's (as Head of Internal Audit) Annual Opinion Report April 2018 to March 2019, which was appended to the report.

The Statement set out the Council's governance framework and procedures that had operated at the Council during the year, a review of their effectiveness, significant governance issues that had occurred and a statement of assurance.

The Annual Governance Statement, which would be included in the Council's statement of accounts for 2018-19, had concluded that Guildford was a well-run Council with good governance processes in place. However, there had been a number of significant governance issues during the year, full details of which were reported in the Statement.

Having considered the report and the Annual Governance Statement set out in Appendix 1 thereto, the Committee

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RESOLVED: That the Executive be requested to adopt the Council's Annual Governance Statement for 2018-19 as set out in Appendix 1 to the report submitted to the Committee.

Reason:

To comply with Regulation 10 of the Accounts and Audit (England) Regulations 2015, the Executive must approve an Annual Governance Statement.

CGS57 DISCUSSIONS WITH THOSE CHARGED WITH GOVERNANCE

The Committee noted that, in carrying out their annual audit of the Council, Grant Thornton comply with the International Standards on Auditing (ISAs) as adopted by the UK Financial Reporting Council (FRC). ISAs required the auditor to make inquiries of Those Charged With Governance (TCWG) to determine whether they had knowledge of any actual, suspected or alleged fraud affecting the entity. These inquiries were made, in part, to corroborate the responses to the inquiries of management.

Grant Thornton had sent the Council a questionnaire setting out their inquiries of TCWG. Officers had prepared a response to the questionnaire, on behalf of the Chairman of this Committee. The questionnaire and the Council's proposed responses were set out in Appendix 1 to the report submitted to the Committee.

Having considered the report, the Committee

RESOLVED: That the responses to Grant Thornton provided in the Discussions with Those Charged with Governance document at Appendix 1 to the report submitted to the Committee, be approved.

Reason:

To enable the Council's external auditors, Grant Thornton, to carry out their duties under the Local Audit and Accountability Act 2014, the auditors must be provided with the necessary assurances required under International Standards on Auditing (ISA), particularly, ISA 260, Communication with Those Charged with Governance.

CGS58 AUDIT REPORT ON THE CERTIFICATION OF FINANCIAL CLAIMS AND RETURNS 2017-18: HOUSING BENEFIT SUBSIDY & POOLING HOUSING CAPITAL RECEIPTS

The Committee considered an audit report on the certification of financial claims and returns for 2017-18.

The audit covered claims returns relating to expenditure of £36.39 million, spanning Housing Benefit Subsidy worth £32.6m and Pooling of Housing Capital Receipts worth £3.79m.

Although it had been necessary to qualify the Subsidy claim, the auditor had found a minimal number of errors. The auditor's report had been very favourable towards the performance of the Benefits service, highlighting the improvements made compared to last year – with no new error types identified, and a decrease in the volume and value of errors found, and their extrapolation. As the auditors had covered all the testing within the set scale fee, there was no additional audit fee to approve.

The Committee noted that the Department for Work and Pensions had not processed the Council's audited claim. Based on the reduction in errors that had been assumed, there would be no change to the Council's subsidy.

The auditor had no issues to report that affected the total capital receipts return.

Having considered the report, the Committee

RESOLVED: That the position regarding the certification of claims and returns for 2017-18 be noted.

Reason:

To formally sign off the claims and returns for 2017-18.

CGS59 EXTERNAL AUDIT PLAN 2018-19

The Committee considered the annual external audit plan for 2018-19, which had been prepared by the Council's external auditors, Grant Thornton.

The plan contained details of the programme of work that Grant Thornton intended to carry out during 2018-19, the approach they would adopt and significant risks that they would review as part of the audit. The Audit Plan outlined:

- the elements of the audit cycle and the dates by which the work would be carried out
- the fee that Grant Thornton would charge in respect of the external audit of the Council. The overall fee for the core audit had reduced from the fee charged in 2017-18 as reported to the Committee at its meeting on 14 June 2018.

As part of the audit plan, the Council had requested that Grant Thornton undertake additional value for money work for 2018-19. This work had informed the Council's consideration of the Future Guildford Transformation programme at its meeting on 26 February 2019. The Supplementary VfM Findings report had been appended to the report submitted to the Committee for information. Due to the short timescales involved in the review, it had not been possible to report this work to the Committee at its meeting on 17 January 2019.

The Committee

RESOLVED: That the external audit plan submitted by Grant Thornton, as set out in Appendix 1 to the report submitted to the Committee, including the audit fee set out on page 12 of Appendix 1, be approved.

Reason:

To enable the Committee to consider and comment on the planned audit fee, work programme and update report.

CGS60 FINANCIAL MONITORING 2018-19 PERIOD 10 (APRIL 2018 TO JANUARY 2019)

The Committee considered a report that set out the financial monitoring position for period April 2018 to January 2019.

The report summarised the projected outturn position for the Council's general fund revenue account, based on actual and accrued data for this period. Officers were projecting a reduction in net expenditure on the general fund revenue account of £2,516,169. This was the result of a reduction in the statutory Minimum Revenue Provision (MRP) charge to the General Fund to make provision for the repayment of past capital debt. This lower than budgeted MRP charge reflected a re-profiling of capital schemes, which also had a positive impact on the level of cash balances and assumed external borrowing costs, which had combined to produce higher than budgeted net interest receipts. At service level, the projected outturn was £840,958 lower than the latest estimate once adjusted for items either funded from reserve or transferred to reserve. It was currently assumed, subject to consultation with the Lead Councillor for Finance and Asset Development, that the underspend would be transferred to the Invest to Save and Budget Pressures reserve to pump prime the Future Guildford Transformation project.

A surplus on the Housing Revenue Account would enable a projected transfer of £6.8 million to the new build reserve and £2.5 million to the reserve for future capital at year-end. This had

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been £216,947 lower than budgeted and was a consequence of the application of a risk-free interest rate on HRA reserve balances reflecting the allocation of risk between the general fund and the HRA.

Officers were making progress against a number of major capital projects on the approved programme as outlined in section 7 of the report. The Council was expected to spend £50.13 million on its capital schemes by the end of the financial year.

The Council's underlying need to borrow to finance the capital programme was expected to be £31.48 million by 31 March 2019, against an estimated position of £71.15 million, which was due to slippage on both the approved and provisional capital programme, as detailed in the report.

The Council held £118.9 million of investments and £212.5 million of external borrowing as at 31 January 2019, which included £193.1 million of HRA loans. Officers confirmed that the Council had complied with its Prudential indicators in the period, which had been set in February 2018 as part of the Council's Capital Strategy.

In relation to the slippage in the capital programme, the Committee noted that, for a number of reasons, providing an accurate estimate of the revenue implications of delays in bringing forward major capital projects would be difficult.

Having considered the report, the Committee

RESOLVED: That the results of the Council's financial monitoring for the period April 2018 to January 2019 be noted.

Reason:

To allow the Committee to undertake its role in relation to scrutinising the Council's finances.

CGS61 DATA PROTECTION AND INFORMATION SECURITY UPDATE REPORT

The Committee received and noted an update report on the Council's activities associated with compliance with the requirements of the General Data Protection Regulation (GDPR) and Data Protection Act 2018. The report had set out the implications of Brexit on such compliance and noted that, in practice, there would be little change to the core data protection principles, rights and obligations under GDPR should the UK leave the European Union, with or without a withdrawal agreement.

The report also noted that the staff training and awareness programme had been successful and that existing corporate policies and procedures had been amended and new policies and procedures introduced.

The report included details of the activities of the Information Assurance Manager and Information Rights Officer since May 2018 and their respective objectives for the next six months.

CGS62 ANNUAL REPORT OF THE MONITORING OFFICER REGARDING MISCONDUCT ALLEGATIONS

The Committee received and noted the Monitoring Officer's annual report about decisions taken on standards allegations against borough and parish councillors for the 12-month period ending 31 December 2018.

The Committee noted that during this period, there had been 16 complaints in total, of which seven were regarding parish councillors and nine were regarding borough councillors.

Thirteen of the complaints were the subject of no further action at stage 1, the initial jurisdiction test. Two of the complaints proceeded to stage 2, and one proceeded to stage 3, investigation - after which no further action was taken.

Aside from one complaint (where the identity of the complainant was being treated as confidential), all of the complaints were made by members of the public.

The report had also recorded the time taken for consideration and determination of each complaint.

The Monitoring Officer reported that there was no common theme amongst the complaints.

The Committee were also informed that the Committee on Standards in Public Life (CSPL), had published its report on *Local Government Ethical Standards*, details of which, including its key recommendations, were set out in the report submitted to the Committee.

The CSPL report acknowledged that many of their recommendations would require changes in either primary or secondary legislation, most notably the headline recommendation (no.16) that local authorities should have the power to suspend errant councillors, without allowances, for up to six months. However, CSPL had identified 15 examples of best practice, which they had invited councils to consider introducing as soon as possible in advance of any legislative changes.

The Committee noted each of the 15 best practice recommendations, together with commentary regarding the Council's current practices and an assessment of the extent to which they were compliant with best practice.

Having agreed that the Council should strive to achieve compliance with the best practice recommendations, the Committee

RESOLVED:

- (1) That the cases referred to the Monitoring Officer under the Council's arrangements for dealing with allegations of misconduct for the period 1 January 2018 to 31 December 2018, be noted.
- (2) That the Monitoring Officer be advised that there are no areas of concern upon which the Committee would like further information and/or further work carried out.
- (3) That the summary of the recommendations of the report of the Committee on Standards in Public Life (CSPL), *Local Government Ethical Standards*, as set out in Appendix 2 to the report submitted to the Committee be noted.
- (4) That the Monitoring Officer be authorised to take the necessary steps to ensure compliance with the 15 best practice recommendations contained in the CSPL report, as set out in Appendix 3 to the report submitted to the Committee; and submit reports as appropriate to this Committee in due course.

Reasons:

- (1) To ensure members of the Committee and others to whom the report is circulated are kept up to date with standards complaints relevant to the Committee, and kept up to date with the relevant findings of the review undertaken in 2018 by the Committee on Standards in Public Life of *Local Government Ethical Standards*.
- (2) To consider learning points for the future.
- (3) To seek to promote and maintain high standards of conduct amongst Members.

CGS63 REVIEW OF PROBITY IN PLANNING - LOCAL CODE OF PRACTICE

The Committee considered a report on the recent review of the Probity in Planning - Local Code of Practice document, which had not been reviewed for some time and had been included as a part of the ongoing review of the Council's Constitution. The document provided guidance for councillors and officers on their role and conduct in the planning process. The guidance included how councillors and officers should manage contact with applicants, developers and objectors or supporters. The purpose of the guidance provided in the document was to ensure that decisions made in the planning process were not biased and were taken openly and transparently, and based on material planning considerations only.

During the review, officers had undertaken a comparison process between the existing document and other councils' local codes published more recently. The Planning Development Manager, the Principal Planning Solicitor and the Monitoring Officer had reviewed the document. During the course of this process, it had been suggested that the updated Probity in Planning - Local Code of Practice could be amalgamated with other relevant information in respect of the determination of planning applications, including how the Planning Committee operates in that regard, and published as a 'Probity in Planning Councillors' Handbook. This would be very useful for all councillors, particularly those newly elected following the Borough Council Elections on 2 May 2019.

A copy of the draft Handbook was appended to the report submitted to the Committee.

This matter had also been considered by the Planning Committee at its meeting held on 27 March 2019, and a note of the comments made was circulated to the Committee. Planning Committee members had generally welcomed the proposed Handbook as a very useful reference document for councillors, particularly those new to Planning.

Having considered the report, the Committee

RESOLVED:

That the 'Probity in Planning Councillors' Handbook' attached as Appendix 2 to the report submitted to the Committee be commended to full Council on 9 April 2019 for adoption.

Reason:

To provide up to date and fit for purpose Probity in Planning guidance to councillors and officers, together with other relevant information on the planning process at the Council in a helpful handbook for councillors.

CGS64 APPOINTMENT OF INDEPENDENT MEMBERS OF THE CORPORATE GOVERNANCE AND STANDARDS COMMITTEE (MAY 2019 - MAY 2023)

Mrs Maria Angel MBE left the meeting immediately prior to the Committee's consideration of this matter.

The Committee considered a report on the process undertaken for the appointment of independent members of the Corporate Governance and Standards Committee.

Article 10 of the Council's Constitution provided that the composition of this Committee included three non-voting, co-opted persons who were not councillors or officers of the Council (independent members), whose term of office would be for a four-year period, with serving independent members being eligible for re-appointment.

Following a recruitment process, two applications had been received, one from the current independent member Mrs Maria Angel MBE seeking re-appointment, and the other from Mr Murray Litvak.

On the basis that Mrs Angel had served very ably and impartially as an independent member on the Committee (and its predecessor committee) since 2013, officers had no hesitation in commending to the Council her re-appointment as an independent member for a further four-year term.

Mr Litvak had been interviewed on 6 March 2019 by a panel comprising the Chairman of the Committee (Councillor Billington), the Chief Finance Officer (Claire Morris) and the Deputy Monitoring Officer (Sarah White).

Following the interview, the panel indicated that Mr Litvak was an extremely able and high calibre candidate with a good knowledge of standards and governance issues. Mr Litvak was currently Chairman of the Spelthorne Members Code of Conduct Committee and also the statutory Independent Person at Runnymede Borough Council. The panel had therefore recommended that Mr Litvak be appointed as an independent member of the Corporate Governance and Standards Committee.

On this basis, and having considered the CVs from both candidates, the Committee

RESOLVED: That the appointment of Mr Murray Litvak and re-appointment of Mrs Maria Angel MBE as independent members of the Council's Corporate Governance and Standards Committee, as recommended by the selection panel, with effect from May 2019, for a four-year term of office expiring in May 2023, be commended to the Council for formal approval on 9 April 2019.

Reason:

To comply with Article 10 of the Council's Constitution.

CGS65 APPOINTMENT OF INDEPENDENT PERSONS UNDER SECTION 28 LOCALISM ACT 2011 (MAY 2019 - MAY 2023)

The Committee noted that under Section 28 of the Localism Act 2011 ("the Act") the Council was required to appoint at least one independent person whose views may be sought regarding any allegations of misconduct against a councillor and the arrangements under which any such allegations can be investigated and determined.

There were currently three Independent Persons who had been appointed by the Council in 2015 and their term of office would end in May 2019.

Although the role of Independent Person was voluntary, the Council was required to advertise the vacancy in such manner as the authority considered likely to bring it to the attention of the public.

As with previous appointments, the Council had entered into a joint arrangement with a number of other councils in Surrey to recruit and appoint Independent Persons.

The Committee considered a report setting out details of the 2019 recruitment process, and the seven candidates who had been recommended for formal appointment as Independent Persons by this Council (and the participating councils) for the four year period from May 2019 to May 2023.

Having considered the report including the CVs from all seven candidates, the Committee

RESOLVED: That the appointment of the following persons as the Council's Independent Persons for a four-year term of office expiring in May 2023:

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- Vivienne Cameron
- Bill Donnelly
- Paul Eaves
- Liz Lawrence
- Roger Pett
- Bernard Quoroll
- John Smith

be commended to the Council for formal approval on 9 April 2019.

Reason:

To enable the Council to comply with its obligations under Section 28 (7) of the Localism Act 2011.

CGS66 WORK PROGRAMME

The Committee

RESOLVED: That the updated 12 month rolling work programme, as set out in Appendix 1 to the report submitted to the Committee, be approved.

Reason:

To allow the Committee to maintain and update its work programme.

The meeting finished at 8.17 pm

Signed

Chairman

Date

Corporate Governance and Standards Committee Report

Ward(s) affected: n/a

Report of Chief Internal Auditor

Author: Joan Poole, Audit and Business Improvement Manager

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Lead Councillor responsible: Joss Bigmore

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Email: joss.bigmore@guildford.gov.uk

Date: 13 June 2019

Internal Audit Plan 2019-20

Recommendation

The Committee is recommended to approve the internal audit plan for 2019-20, as set out in Appendix 1.

Reason(s) for Recommendation:

To ensure an adequate level of audit coverage

1. Purpose of Report

- 1.1. To present the draft audit plan for 2019-20, and give an update on the delivery of the audit plan in 2018-19.

2. Strategic Priorities

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

3. Background

- 3.1. Internal Audit is a statutory function. Under S.151 of the Local Government Act 1972, councils are required to have in place arrangements for the proper administration of their financial affairs, which includes an effective Internal Audit function. However, the Act does not specify how Internal Audit should be provided. Over the last few years, Internal Audit has been delivered through a mixed service provision with internal resources supported by an external contractor.
- 3.2. In 2018-19, the Council decided to move to an alternative delivery model for audit and entered into a contract with KPMG to carry out the majority of the audit plan

for 2018-19. The Audit and Business Improvement Manager is the client-side officer and we retained a multi skilled team within Audit and Business Improvement who have both audit and business improvement experience. The new structure has produced year-on-year savings of approximately £90,000 for a similar level of audit coverage.

- 3.3. KPMG have worked with our services in the same manner as an internal member of staff and the feedback has been mainly positive.
- 3.4. This solution has provided the Council with the assurance, experience and flexibility that is needed while, still retaining in-house audit expertise within the Business Improvement Team. The structure fulfils both the governance and assurance obligations of the internal audit function, but is practical and sustainable and value for money.

4. Audit Plan and Performance

- 4.1. We always base the plan on risk assessments in line with best practice. We aim to audit the majority of services at least once every three years although we review the major systems annually. We update the risk assessment after each audit. The planning process is an assessment of the areas of risk and the resources available. The audit plan is a balance between supply and demand and is affected by unplanned events even though there is a contingency budget.
- 4.2. The planning process includes:
 1. identifying the audit universe (all of the areas that require audit attention)
 2. carrying out a risk assessment to identify the level of risk and the appropriate frequency of audit
 3. an estimate of the resources required to carry out the audits
 4. reviewing how we resource the plan
 5. producing the audit plan based on the available resources.
- 4.3. The audit plan includes a certain amount of contingency to allow for unplanned work because the actual requirements will vary from year to year. We base the planned figure on records from previous years, but it can only ever be an estimate.
- 4.4. The aim of the audit plan is to cover areas that support the Council's strategic priorities, governance issues and financial probity. We also have to reflect the current changes and major projects within the Council. These changes bring both opportunities and challenges for us. Audit skills are relevant to many of the new initiatives across the Council and we have become involved in both lean and fundamental service reviews, which are part of the overall business improvement programme. While this is not traditional audit work it affords an in-depth knowledge of the services that a purely systems audit would not always provide and is therefore an important source of information about the Council. This information feeds into the risk assessments.
- 4.5. The last 12 months have brought challenges for the Council. The UK was due to leave the EU on 29 March 2019 but the process is still ongoing and the outcome still to be determined. This uncertainty has made planning for post Brexit very

difficult so over the last few months we have been making arrangements to deal with the potential risks to services in the event of a ‘no deal’ scenario. We have identified the impact on our services where we employ a number of EU nationals and we have looked at the risks to our supply chains especially the services we provide to our most vulnerable residents. As an example we have gained assurances that there will be no disruption in our Meals on Wheels supplies and we are working with partners in other Surrey authorities and Surrey County Council to co-ordinate our efforts and resources.

- 4.6. The continuing financial pressures mean that we need to look how we can deliver more efficient, effective and innovative ways of working. The Future Guildford project was introduced during 2018-19 to look at all Council services, how they are delivered, how they can be improved to become more efficient, cost-effective and maintain a high level of customer service.
- 4.7. Change always raises the level of risk. Uncertainty affects staff and increases the risk of system failure, the relaxation or circumvention of the expected controls and fraudulent activity. We need to ensure that the appropriate control measures are in place and applied consistently across all services and that we have good governance arrangements to ensure that we are operating within both the legal framework and our own protocols and standards while not stifling innovation.
- 4.8. The 2019-20 plan is extracted from the audit planning system and shows a resource requirement for 400 days. The full year’s plan is set out in **Appendix 1**.
- 4.9. The plan shows the latest risk assessment based on the updated risk assessment. The risk ratings and frequency of audits are shown in the table below:

Risk score	Audit frequency
A	Annual audit
B	Audit every two years
C	Audit every three years
D	Audit every five years

- 4.10. In compiling the plan, we try to strike a balance between reviewing the basic financial and management controls, the major governance areas that we must get right and the smaller services where, historically, the risk of system breakdown is higher. In addition, we look at specific areas where there is an increasing risk of fraud.
- 4.11. As part of our core remit to identify and promote economy, efficiency, and effectiveness, we are working as part of the Future Guildford Project with

managers and staff to help them identify and deliver different service options. This could include channel shift, automation or a more radical change such as shared services and outsourcing but, whatever the preferred option is, we ensure there is an appropriate level of control.

5. Progress against the plan 2018-19

5.1 The table below summarises progress against the Audit Plan. In 2018-19, there were 38 planned audits, including service and lean reviews. Over the year, we have completed, or are working on, 36 audits, which represent 95% of the audit plan. The work carried out so far shows that there is no indication of any material or significant issues arising from this work. The results of the work carried out in the year to 31 March 2019 are shown below:

ASSURANCE RATING	NUMBER OF AUDITS	
Significant Assurance	0	0%
Significant Assurance with minor improvement opportunities	18	47%
Partial assurance with improvements required	8	22%
No Assurance	0	0%
No Opinion (one-off projects) Value for Money	10	26%
In progress(Inc. fundamental service reviews)	2	5%

5.2 In addition, the internal audit team are still monitoring the risks to the Council in the event of the UK leaving the EU without an agreement and where these have been identified and have taken actions to minimise the risks.

5.3 The internal audit team has also been closely involved in the Future Guildford project carrying out workshops and business re-engineering processes. This is an opportunity for us to provide assurance that any new structure, system and process re-design includes the right level of governance and control.

5.4 There have been no material governance, or internal control issues of which we have been made aware during the year. The main issue and priority from an audit perspective, is that we maintain high levels of governance within the Council and that the programme of transformational change and improvement is embedded across the Council whilst maintaining service delivery and the effective operation of key controls.

5.5 The work over the year identified some governance areas where there were a number of medium risks and the resulting recommendations will be subject to follow-up reviews in 2019-20. These are project management and procurement.

Project Management – There is robust governance arrangements on our major projects but we need to ensure that there are consistent processes with key deliverables and measurable outcomes for all projects. During 2018-19, we reviewed all our projects and we are improving the governance particularly relating to monitoring, reporting and benefits realisation.

Procurement – We are a complex authority and we recognise that the procurement processes need to be flexible especially in specialist and technical areas. We control certain areas of spend very tightly and centrally but there are areas where it is more efficient and effective to devolve procurement decisions more widely. We are currently considering what the Council’s procurement team really needs and wants to control to ensure that we focus on what is important and this will include working with specialist teams to obtain the best outcomes, both financially and operationally. This is an on-going piece of work, which will be considered as part of the Future Guildford project.

5.6 There have been 24 Local Government Ombudsman (LGO) complaints in 2018-19. We have received decisions on 20 of the complaints, two were upheld and we have apologised in both instances to the complainant. The outcomes of the remaining four complaints will be reported to Committee. A summary of the cases is set out below:

GBC File Ref. No.	Complaint Category	Finding
AJ-18-0001	Benefits and Tax	Closed after initial enquiries – no further action
AJ-17-0010	Housing	Not upheld: no maladministration
AJ-18-0002	Planning & Development	Upheld: maladministration & Injustice
AJ-18-0003	Planning & Development	Upheld: maladministration, no injustice
AJ-18-0004	Planning & Development	Not upheld: no maladministration
AJ-18-0005	Planning & Development	Closed after initial enquiries – out of jurisdiction
AJ-18-0006	Benefits & Tax	Closed after initial enquiries – no further action
AJ-18-0007	Environmental Services & Public Protection & Regulation	Closed after initial enquiries - no further action
AJ-18-0008	Planning & Development	Premature
AJ-18-0009	Planning & Development	Closed after initial enquiries - no further action
AJ-18-0010	Housing	Closed after initial enquiries - out of jurisdiction
AJ-17-0013	Planning & Development	Not upheld: no maladministration
AJ-18-0011	Planning & Development	Closed after initial enquiries - out of jurisdiction
AJ-17-0003	Housing	Not upheld – no maladministration
AJ-18-0012	Planning & Development	Complaint received – not counted as a complaint decision (<i>premature</i>)
AJ-18-0015	Benefits & Tax	Closed after initial enquiries – no further action.
AJ-18-0018	Environmental Services & Public Protection & Regulation	Premature
AJ-18-0019	Planning & Development	Not upheld – no evidence of fault in the Council’s actions
AJ-18-0020	Corporate & Other Services	Closed after initial enquiries – no further action
AJ-18-0021	Housing	Closed after initial enquiries – no further action

6. Conclusion

- 6.1. The last year has been one of change. Services and structures are evolving and the pressure and uncertainty that change brings increases the risk of the degradation or breakdown of the control environment. We have continued to work with management to identify and examine these areas of potential risk and will continue to do so in 2019-20. Internal Audit has been part of that change. The co-sourced contract has given us the resilience, flexibility and assurance but we have retained in-house expertise and experience within the internal audit team to deal with sensitive or specialist issues. We are continuing to work with services not only through the traditional audit route but also through the Future Guildford workshops lean reviews and business process re-engineering. The audit plan for 2019-20 is structured to reflect the changing needs and priorities of the Council.

7. Financial Implications

- 7.1. The financial implications of the new structure were the subject of an internal review, which has been agreed, and the structure is now in place.

8. Legal Implications

- 8.1. The Local Government Act 1972 (S151) requires that a local council “shall make arrangements for the proper administration of their financial affairs”.
- 8.2. The 1972 Act is supported by the Accounts and Audit Regulations 2011, which state that “A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.
- 8.3. The internal audit plan is necessary to satisfy these legal obligations.

9. Human Resources

- 9.1. The new structure will be in place for 2018-19 and this has been factored into the Plan. Any changes will be reported to Committee.

10. Background Papers

None

11. Appendices

Appendix 1: Internal Audit Plan 2019-20

	Audit Plan 2019-20	Days	In-House	Risk Rating	Audit Type
	Governance				
1	GDPR	10		A	Compliance with legislation
2	HMOs	10		A	Compliance with legislation
3	North Downs Housing	15		A	Governance
4	Business Continuity		15	A	Governance
5	Risk Management		10	A	Governance
6	Performance Management		10	A	Governance
7	Project Management		15	A	Governance
8	Governance Audit		12	A	Governance
	Services				
9	NHMS	10		B	Income, debt control, performance management
10	Treasury Management	8		A	Performance management and control
11	Payroll	8		B	Segregation Controls counter fraud controls
12	Improvement Grants	10		B	Performance management and control
13	Lettings and Voids	10		A	Performance management and control
14	Rents	10		B	Income, debt control, performance
15	Creditors	10		B	Income, debt control, performance management
16	Housing Benefits	10		A	Performance management and control
17	Council Tax	10		A	Income, debt control, performance management
18	Parking	10		A	PCN Performance and compliance
19	Vehicle Management	12		A	Performance management Monitoring and Reporting
20	Procurement	12		A	VFM
21	Financial Controls/Budget Monitoring	10		A	Income and expenditure
22	Licensing	10		B	Performance management/Fee setting
23	Land Charges	8		B	Performance management/Fee setting
24	Garden Waste	10		B	Performance management/Fee setting
25	Environmental Health	10		B	Compliance with legislation
26	Commercial Waste	15		B	Performance management/Fee setting
27	JET	10		B	Performance Management
28	Community Transport	12		B	Performance Management/Fee setting/VFM
	Contract Management				
29	Housing (Term Contracts)	15		B	Contractor Performance Gas Safety

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 Appendix 1

	Audit Plan 2019-20	Days	In-House	Risk Rating	Audit Type
	ICT				
30	Cyber Security	10		A	Systems Audit and Follow-up on Cyber Security
31	Asset Management	10		A	Asset Control
	Other				
32	Ombudsman		15		
33	Lean & Projects		20		
34	FOI/SAR		8		
35	Contingency		20		
		275	125	Days	

Corporate Governance and Standards Committee Report

Ward(s) affected: n/a

Report of the Director of Finance

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Date: 13 June 2019

External Audit 2019-20 Fee Letter

Executive Summary

The Council's external auditors, Grant Thornton, have submitted their audit fee letter for 2019-20. The letter, which is attached as **Appendix 1**, provides a broad summary of the programme of work that Grant Thornton intend to carry out during 2019-20. The overall fee for the core audit is the same as the fee charged in 2018-19. The fee for grant certification work will be dealt with separately. The fee for the core audit can be managed within the overall budget for the finance directorate.

Recommendation to Corporate Governance and Standards Committee

That the Committee approves the external audit fee submitted by Grant Thornton, and makes any comments it feels relevant.

Reason for Recommendation:

To enable the Committee to consider and comment on the planned audit fee.

1. Purpose of Report

- 1.1 This report provides a summary of the proposed external audit fee and the work programme for the audit of the 2019-20 accounts, value for money opinion and the grant certification work as set out in the fee letter attached at **Appendix 1**. Officers recommend that the Committee notes the fee and makes any comment that it feels relevant.

2. Strategic Framework

- 2.1 The annual audit by Grant Thornton contributes to the achievement of all the Council's priorities as set out in the Corporate Plan 2018-23 by ensuring value for money and efficiency in service delivery.

3. Background

- 3.1 The fee for the 2019-20 core audit will be £44,300, which is the same as the core audit fee for 2018-19. Grant Thornton will prepare and produce a detailed audit plan for submission to this Committee in March 2020; however, the fee letter contains details of the scope of work covered by the core audit fee.
- 3.2 The external auditor charges a separate fee for Grant Certification work, which will be contracted separately in due course.

4. Financial Implications

- 4.1 There is budget provision in the 2019-20 estimates for the audit fees and the fees for other services provided by Grant Thornton.

5. Legal Implications

- 5.1 The Local Audit and Accountability Act 2014 states that the accounts of a relevant authority for a financial year must be audited:
 - a) in accordance with the Act and provision made under it, and
 - b) by an auditor (a “local auditor”) appointed in accordance with the Act or provision made under it.
- 5.2 A local auditor must, in carrying out the auditor’s functions in relation to the accounts of a relevant authority, comply with the code of audit practice applicable to the authority that is for the time being in force. The current code of practice for UK Local Government is the Code of Audit Practice issued by the Audit Commission in 2010. The code adopts the International Standards of Auditing (ISAs) as issued by the FRC.

6. Human Resource Implications

- 6.1 There are no human resource implications to the report.

7. Conclusion

- 7.1 The report outlines Grant Thornton’s fee letter for 2019-20. The audit fee is the same as 2018-19.

8. Background Papers

None

9. Appendices

Appendix 1: Grant Thornton Letter: Planned Audit Fee for 2019-20

Our ref: GT-GBC-1920
Your ref: External Audit Fee Letter 2019/20

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30 April 2019

Dear Claire,

Planned audit fee for 2019/20

The Local Audit and Accountability Act 2014 (the Act) provides the framework for local public audit. Public Sector Audit Appointments Ltd (PSAA) has been specified as an appointing person under the Act and the Local Authority (Appointing Person) Regulations 2015 and had the power to make auditor appointments for audits of opted- in local government bodies from 2018/19.

For opted- in bodies PSAA's responsibilities also include setting fees and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

All grant work, including housing benefit certification, falls outside the PSAA contract, as PSAA no longer has the power to make appointments for assurance on grant claims and returns. Any assurance engagements will therefore be subject to separate engagements agreed between the grant-paying body, the Council and ourselves and separate fees agreed with the Council.

Scale fee

PSAA published the 2019/20 scale fees for opted-in bodies at the end of March 2019, following a consultation process. Individual scale fees have been maintained [at the same level as in 2018/19, unless there were specific circumstances which required otherwise](#). Further details are set out on the [PSAA website](#). The Council's scale fee for 2019/20 has been set by PSAA at £44,300 which is the same as in 2018/19.

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes'.

The audit planning process for 2019/20, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

There are no changes to the overall work programme for audits of local government audited bodies for 2019/20. Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors. Audits of the accounts for 2019/20 will be undertaken under this Code. Further information on the NAO Code and guidance is available on the [NAO website](#).

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Appendix 1

The scale fee covers:

- our audit of your financial statements;
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion); and
- our work on your whole of government accounts return (if applicable).

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

Value for Money conclusion

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The NAO issued its latest guidance for auditors on value for money work in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2019	11,075.00
December 2019	11,075.00
March 2020	11,075.00
June 2020	11,075.00
Total	44,300.00

Outline audit timetable

We will undertake our audit planning and interim audit procedures in November 2019 to February 2020. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in July 2020 and work on the whole of government accounts return in July 2020.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	November 2019 to February 2020	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June to July 2020	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of

those charged with governance.

VfM conclusion	January 2020 to July 2020	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	July 2020	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	September 2020	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.

Our team

The key members of the audit team for 2019/20 are:

	Name	Phone Number	E-mail
Key Audit Partner	Sarah Ironmonger	01293 554072	sarah.l.ironmonger@uk.gt.com
Engagement Manager	Sebastian Evans	020 7728 3451	sebastian.evans@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed, and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively, you may wish to contact Paul Dossett, our Public Sector Assurance regional lead partner, via paul.dossett@uk.gt.com.

Yours sincerely



Sarah Ironmonger
Key Audit Partner
Grant Thornton UK LLP

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Corporate Governance and Standards Committee Report

Ward(s) affected: n/a

Report of Chief Finance Officer

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Date: 13 June 2019

Capital and Investment outturn report 2018-19

Executive Summary

This annual outturn report includes capital expenditure, non-treasury investments and treasury management performance for 2018-19.

Capital programme

In total, expenditure on the General Fund capital programme was £37.7 million. This was less than the revised budget by £99.6 million. Details of the revised estimate and actual expenditure in the year for each scheme are given in **Appendix 3**.

The budget for Minimum Revenue Provision (MRP) was £1.2 million and the outturn was £795,190. This was due to slippage in the capital programme in 2017-18.

Non-treasury investments

The Council's investment property portfolio stood at £161 million at the end of the year. Our rental income was £9 million, and our income return 6.3% against the benchmark of 4.8%.

Treasury management

The Council's cash balances have built up over a number of years, and reflect our strong balance sheet, with considerable revenue and capital reserves. Officers carry out the treasury function within the parameters set by the Council each year in the Capital and Investment Strategy. As at 31 March 2019, the Council held £97.3 million in investments, £20 million of short term borrowing so net debt of £116 million.

We borrowed short-term from other local authorities for cash flow purposes and ensure there is no cost of carry on this. We did not take out any additional long-term borrowing during the year. The Council had £212.9 million borrowing at 31 March 2019, of which £20 million was short-term borrowing for cash purposes.

This report (section 8) confirms that the Council complied with its prudential indicators, treasury management policy statement and treasury management practices (TMPs) for

2018-19. The policy statement is included and approved annually as part of the Capital and Investment Strategy, and the TMPs are approved under delegated authority.

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

	Estimate %	Actual %	Estimate (£000)	Actual (£000)
General fund Capital Financing Requirement (CFR)			360,074	106,939
Housing Revenue Account CFR			197,024	197,024
Total CFR			557,098	303,963
Return on investments	1.61	1.42	1,506	2,014
Interest paid on external debt		2.45	6,032	5,368
Total net interest paid			7,538	7,382

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

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

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

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

At its meeting on 18 June 2019, the Executive will also consider this report and will be invited to recommend to full Council on 23 July 2019:

- 1) That the treasury management annual report for 2018-19 be noted.
- 2) That the actual prudential indicators reported for 2018-19, as detailed in **Appendix 1** to this report, be approved.

Recommendation to Committee

The Committee is asked to submit any comments it may wish to make to the Executive when it considers this matter on 18 June 2019.

Reason for Recommendation:

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

1. Purpose of Report

- 1.1 The Local Government Act 2003 states that the Council has a legal obligation to have regard to both the CIPFA code of practice on treasury management and the Ministry of Housing, Communities, and Local Government (MHCLG) investment guidance.
- 1.2 The CIPFA treasury management code of practice, and the MHCLG investment guidance requires public sector authorities to produce an annual capital strategy (incorporating capital expenditure, non treasury investments and treasury management activity).
- 1.3 This report covers the outturn of the elements of the strategy and the requirement to report on the prudential and treasury indicators for the year. The position of the Council's investment property portfolio is also presented along with progress on the capital programme.
- 1.4 The Council borrows and invests substantial sums of money and is, therefore, exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risks. The Council holds a substantial amount of investment property and has a large capital programme, all of which have risk.
- 1.5 Treasury management is a highly complex, technical and regulated aspect of local government finance. We have included a glossary of technical terms (**Appendix 10**), to aid the reading of this report.

2. Strategic Priorities

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

3. Background

- 3.1 Treasury management is defined by CIPFA as:

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

- 3.2 The Council has overall responsibility for treasury management. Treasury management contains a number of risks. The effective identification and

management of those risks are integral to the council's treasury management objectives, as is ensuring that borrowing activity is prudent, affordable and sustainable.

- 3.3 The Council has a statutory requirement, under the Local Government Act 2003, to adopt the CIPFA Prudential Code and produce prudential indicators.
- 3.4 The objectives of the prudential code are to ensure, within a clear framework, that capital investment plans are affordable, prudent and sustainable, and the treasury management decisions are taken in accordance with good professional practice.
- 3.5 The Council has a large capital programme and a large investment property portfolio on its balance sheet. These, together with treasury management, are the management of the Council's cash and assets.
- 3.6 The Council operates its treasury management function in compliance with this Code and the statutory requirements.
- 3.7 This annual report, and the appendices attached to it, set out:
 - a summary of the economic factors affecting the approved strategy and counterparty updated (sections 4 and 5 with details in **Appendix 5**)
 - a summary of the approved strategy for 2018-19 (section 6)
 - a summary of the treasury management activity for 2018-19 (section 7 with detail in **Appendix 1**)
 - compliance with the treasury and prudential indicators (section 8 with detail in **Appendix 1**)
 - non-treasury investments (section 9)
 - capital programme (section 10)
 - risks and performance (section 11)
 - Minimum Revenue Provision (MRP) (section 12)
 - details of external service providers (section 13)
 - details of training (section 14)

4. **Economic Environment**

- 4.1 This section includes the key points of the economic environment for 2018-19, to show the treasury management activity in context. **Appendix 5** contains more detail.
 - US Federal Reserve continued to increase
 - US and China tensions
 - EU showing signs of rapid slowdown in economic growth resulting in the International Monetary Fund downgrading its global growth forecasts
 - Brexit failed to pass in Parliament, EU granted an extension to the deadline, resulting in volatility in Gilt Yields due to the economic and political uncertainty in UK and Europe

- Year-on-year CPI rise
- Real earnings growth up by 1.4% (after adjusted for inflation)
- Unemployment fell to 3.9% in January 2019
- Annual GDP growth at 1.4% which is below trend
- Bank of England base rate increased by 0.25% to 0.75% in August 2018
- Bank ring-fencing came into force
- UK AA sovereign long-term rating put on Rating Watch Negative due to Brexit uncertainty

4.2 The key points relevant to investment property are:

- Tenant demand for retail space falling sharply, contrasting with growth in the industrial sector
- Industrial is the only sector displaying positive rental and capital value expectations in the near term
- The supply of property on the market for sale at headline level was steady
- Brexit uncertainty is having an impact

5. Regulatory Changes

5.1 A new accounting standard - IFRS9 – financial instruments was implemented on 1 April 2018. This means that the Council needs to account for its investments differently, as categories and treatments have changed. There is currently no impact on the Council bottom line as the Government has issued a 5-year mandatory statutory override to stop any losses or gains received in year (in particular on pooled funds) being accounted for in year. These can continue to be held in a balance sheet reserve.

6. Approved strategy and budgets for 2018-19 – a summary

6.1 Council approved the Capital and Investment strategy for 2018-19 in February 2018.

6.2 The strategy showed an underlying need to borrow in 2018-19 for the General Fund (GF) capital programme of £70.8 million.

6.3 The strategy set out how we would manage our cash. It allowed for internally managed investments for managing cash flow and externally managed and longer-term investments for our core cash (cash not required in the short or medium term). See **Appendix 9** for background.

6.4 It highlighted the need to continue to diversify our investment portfolio to reduce credit risk. The approved strategy set the minimum long-term credit rating of A- (or equivalent) for investments in counterparties to be determined as 'high credit' using the lowest denominator principal for the three main credit rating agencies.

6.5 Investment property risks were examined in the strategy.

7. Treasury management activity in 2018-19

7.1 The treasury position at 31 March 2019, compared to the previous year is:

		31 March 2018 (£'000)	Average Rate	31 March 2019 (£'000)	Average Rate
Fixed Rate Debt	PWLB	148,125	3.22%	147,895	3.22%
	Market	0	0.00%	0	0.00%
Variable Rate Debt	PWLB	45,000	0.66%	45,000	0.92%
	Market	0	0.00%	0	0.00%
Long-term	LAs	5,000	1.29%	0	0.00%
Temporary borrowing	LAs	43,500	0.42%	20,000	0.66%
Total Debt		241,625	2.23%	212,895	2.45%
Fixed Investments		(91,132)	0.94%	(54,650)	1.09%
Variable Investments		(22,260)	0.58%	(30,729)	0.90%
Externally managed		(20,245)	3.30%	(11,945)	3.26%
Total Investments		(133,637)	1.23%	(97,325)	1.42%
Net Debt / (Investments)		107,988		115,570	

7.2 PWLB is the Public Works Loans Board and is a statutory body operating as an executive of HM Treasury. Its function is to lend money from the National Loans Fund to local authorities and other prescribed bodies.

7.3 The above table shows investments have decreased by £36.3 million and loans by £28.7 million. Therefore, net debt has increased by £7.6 million. Short-term borrowing has decreased, as we have used more of our investments to fund cash flow requirements in the year. We sold two of our externally managed funds and half of another with the aim of reinvesting in 2019-20 to have more diversification and a higher yield.

7.4 We budgeted a return of 1.63% for the year and achieved 1.42%.

7.5 The Council's budgeted investment income was £1.625 million, and actual interest was £1.986 million (£361,000 higher). We had been projecting higher interest receipts throughout the financial year. This is because we had more cash available to invest than we had budgeted, and we hold some longer higher yielding secure investments. We made a small loss on our external funds overall of £44,000 due to the write off of some of the value of the funding circle investment – this is in relation to bad debts and under the rules of IFRS9 we felt it was prudent to make the adjustment in 2018-19.

7.6 Our budgeted debt interest payable was £6.032 million. £5.14 million relates to the HRA. The outturn was £5.37 million (£5.1 million for the HRA). We assumed we would borrow long-term for the GF capital programme in the budget but slippage in the schemes meant that we did not need to and therefore realised a saving in the debt interest payable against budget.

7.7 All our external funds are distributing funds, and they achieved an overall weighted average return of 3.3%, split as:

Fund	Balance at 31 March £000	Average return	Type of fund
M&G	1,394,844	3.20%	Equity focussed
Schroders	855,750	7.58%	Equity focussed with at least 80% on FTSE all share companies
Funding Circle	508,170	6.22%	Investments in SMEs up to a max of £2,000
UBS	2,312,027	3.99%	Multi asset
CCLA	6,874,665	4.37%	Property

7.8 Movements in pooled funds in the year:

- we sold our investments in City Financials because it had not been performing well and we decided to redeem the investment (£88,000 loss).
- we sold 50% of our exposure in M&G to help mitigate the loss of the redemption of City Financials, as the fund had generated a capital gain (£210,000 gain).
- we also sold Payden & Rygel because we felt we could generate a higher yield than the fund was returning, if we diversified the investment.

7.9 Our external fund portfolio is diverse and we invest in a range of products and markets. The capital value of the funds can go up as well as down. Across all funds still held at the end of the year, there was a capital loss of £53,000 and a total capital gain of £222,000.

7.10 The Council also invested more in our subsidiaries and now holds £2.36 million of equity investment in Guildford Holdings Ltd and £4.61 million in North Downs Housing Ltd.

7.11 The Council agreed an interest rate of base rate plus 5% (currently 5.70%) on the investment in North Downs Housing Ltd. This is higher than the treasury investments held as it reflects the risk associated with holding such investments. We budgeted a return of £119,000 and earned £184,000, which is due to the increase in the Bank of England base rate in the year.

7.12 The equity investment in Guildford Holdings will be subject to a dividend if a profit is achieved.

Capital programme

7.13 The actual underlying need to borrow for the year, and the amount of internal borrowing actually taken, for the GF capital programme was £25.57 million, which is lower than budgeted of £99.6 million because of slippage in the capital programme. We will continue to support service managers with the scheduling of schemes in the capital programme to ensure it is kept up to date when project timescales change.

7.14 The Council must charge a Minimum Revenue Provision (MRP) on its internal borrowing, which is setting aside cash from council tax to repay the internal borrowing. MRP charged to the revenue account for the year was £795,189, against an original budget of £1.2 million.

- 7.15 Our overall underlying need to borrow, as measured by the Capital Financing Requirement (CFR) was £303.963 million (£106.9 million relates to the GF).

Benchmarking and performance indicators

- 7.16 The Council is a member of the CIPFA treasury management benchmarking club.
- 7.17 Arlingclose also provide benchmarking data across their clients (“client universe”). It highlights the effect of changes in our investment portfolio and compares the basis of size of investment, length of investment and the amount of credit risk taken.
- 7.18 The benchmarking shows a snapshot of our average running yield on all investments, also split between internally managed and externally managed. The latest benchmarking data (at 31 March 2019), shows our average rate of investments for our total portfolio as being 1.28% against the client universe of 1.08%. The table shows that we have outperformed our internally managed investments of the client universe by quite some margin.

Benchmark	Guildford	Client Universe
Internally managed return	1.31%	0.85%
Externally managed (return only)	3.88%	3.78%
Total Portfolio	1.61%	1.45%
% of investments subject to bail in	26%	55%
No. of counterparties/funds	31	13

- 7.19 The difference in our return as part of the benchmarking (1.61%) and our own return (1.42%) is due to a different calculation in the way Arlingclose put the benchmarking return together.
- 7.20 The table above shows how far the Council has come to mitigate bail in risk – closing the year at 26% of investments subject to bail in. This percentage will change during the course of the year depending on the level of cash we have and what we are invested in.
- 7.21 One of our key areas in our treasury strategy has been to increase diversification in the portfolio. The number of counterparties and funds we are investing in are far higher than the client universe and shows that we have achieved our aim. Again, this level of diversification will change at different points in the year.
- 7.22 We set our own performance indicators:

Indicator	Target	Actual	Variance
Cashflow investment returns above base rate	0.41%	0.29%	-0.12%
Long-term investment returns above base rate	0.73%	0.52%	-0.21%
Externally managed funds above base rate	2.86%	2.21%	-0.65%
Combined funds above base rate	1.08%	0.66%	-0.42%
% of daily balances within the range +/- £50,000	70.00%	75.07%	5.07%
The daily current account bal to be +/- £50,000	+/-£50,000	£1,420	

7.23 Overall performance was slightly below target in most areas.

7.24 The Council's daily bank balance target was +/- £50,000 for 70% of days. The average balance in the year was £1,420 and 75.07% of days were +/- £50,000, so we were well within our target.

8. Non-treasury investments

8.1 **Appendix 2** sets out the Council investment property fund portfolio report for 2018-19. The key points are summarised below.

8.2 The current portfolio is:

Sector	No. of assets	Sub category	No. of assets
Office	8		
Industrial	129		
Retail	10	Shops Shopping centres Supermarkets	6 2 1
Leisure	6	Restaurants Nightclubs	5 1
Other Commercial	11	Educational Theatre Barn Petrol station Sui Generis Car Park Water treatment works	3 1 2 1 1 1 1
TOTAL	159		

8.3 Fund statistics are:

<u>Rental income (£)</u>					
	Industrial	Office	All Retail	Alternatives	All
2015/16	2,679,571	1,831,900	1,750,254	885,636	7,147,361
2016/17	3,057,302	1,858,638	1,447,672	1,062,137	7,425,749
2017/18	3,493,405	3,186,048	1,426,317	1,080,786	9,186,556
2018/19	3,619,808	3,038,548	1,459,048	1,129,361	9,246,765
<u>Capital value (£)</u>					
	Industrial	Office	All Retail	Alternatives	All
2015/16	39,077,755	19,227,500	34,270,000	11,233,500	103,808,755
2016/17	42,922,450	25,915,000	25,908,500	15,963,500	110,709,450
2017/18	51,509,000	49,574,000	26,065,000	17,471,500	144,619,500
2018/19	66,970,000	49,159,000	26,097,000	18,843,000	161,069,000
<u>Income return (net of costs)</u>					
	Industrial	Office	All Retail	Alternatives	All
2015/16	8.0%	7.5%	5.6%	7.5%	6.8%
2016/17	7.1%	7.2%	5.6%	6.7%	6.7%
2017/18	8.0%	7.4%	5.2%	5.8%	6.6%
2018/19	6.8%	6.6%	5.9%	5.8%	6.3%
<u>Benchmark return</u>					
	Industrial	Office	All Retail	Alternatives	All
2015/16	6.1%	4.7%	5.4%	4.7%	5.2%
2016/17	5.4%	4.1%	5.0%	5.5%	4.8%
2017/18	4.9%	4.1%	5.1%	5.3%	4.8%
2018/19	4.4%	4.0%	5.1%	5.0%	4.6%

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

9. General Fund Capital programme

9.1 **Appendix 3** sets out the actual expenditure on capital schemes, compared to the updated estimates, together with reasons for variances. Overall, we spent £61.9 million (62%) less on capital schemes than we originally estimated and £10.7 million (22%) less than the revised estimate, the schemes with more than £1 million variance to budget relate to ICT, Internal Estate road, although there are significant variations on other approved schemes under £1 million, as detailed in the appendix.

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

	Revised estimate (£m)	Actual (£m)	Variance (£m)
GF Non-housing approved programme	43.4	35.2	(8.2)
GF Non-housing provisional programme	0.04	0.014	(0.026)
GF Schemes financed from reserves	4.538	2.371	(2.167)
GF Projects financed from s106 receipts	0.356	0.50	0.144
Total	48.334	38.085	(10.249)

9.3 We significantly re profiled schemes during the year, and under spent by £6.3 million on the revised estimate.

10. Compliance with treasury and prudential indicators

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

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

- capital expenditure plans are affordable
- all external borrowing and other long-term liabilities are within prudent and sustainable limits
- treasury management decisions are taken in accordance with professional good practice and
- in taking the above decisions, the council is accountable by providing a clear transparent framework

10.3 The prudential code requires the Council to set a number of prudential indicators for the following and two subsequent financial years, and to monitor against the approved indicators during the year. We can revise these indicators during the year but need full Council approval.

10.4 Officers can confirm that the Council has complied with its prudential indicators for 2018-19, (see **Appendix 1** for the outturn figures), its treasury management policy statement and its treasury management practices.

10.5 Section 6 outlines the approved treasury management strategy. We have adhered to the strategy by:

- financing of capital expenditure from government grants, usable capital resources, revenue contributions and cash flow balances rather than from external borrowing

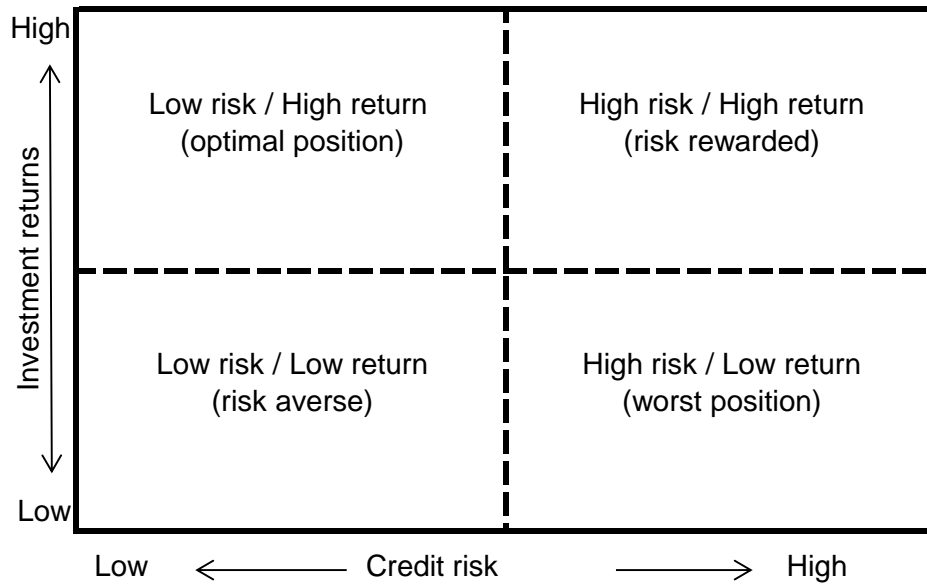
- taking a prudent approach in relation to the investment activity in the year, with priority given to security and liquidity over yield
- maintaining adequate diversification between counterparties
- forecasting and managing cash flow to preserve the necessary degree of liquidity

11. Risk and performance

- 11.1 The Council considers security, liquidity and yield, in that order, when making investment decisions.
- 11.2 The Council has complied with all the relevant statutory and regulatory requirements, which limit the level of risk associated with its treasury management activities. In particular, its adoption and implementation of both the prudential code and treasury management code of practice means our capital expenditure is prudent, affordable and sustainable, and our treasury practices demonstrate a low risk approach.
- 11.3 Short-term interest rates and likely movements in these rates, along with our projected cash balances, determine our anticipated investment return. These returns can be volatile and whilst, loss of principal is minimised through the annual investment strategy, accurately forecasting future returns can be difficult.
- 11.4 If the Council were to lose any of its investments, the GF will carry the loss, even if the cash lost is HRA cash. Therefore, to compensate the GF for this, we apply a credit risk adjustment to the rate of interest we apply on the HRA balances and reserves and SPA reserves. Therefore, a lower interest rate is applied than the weighted average investment return for the year.
- 11.5 The Council invests in externally managed funds. These are more volatile than cash investments, but can come with a higher return. Officers continually review our funds to ensure they still have a place in the portfolio. We view most of our funds over a three to five year time horizon to take account of their potential volatility – they are not designed to be short-term investments, despite being able to get the money from them quickly.

Credit developments and credit risk management during the year

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



- 11.8 Typically we should aim to be in the top left corner of the chart where we get a higher return for lower risk. In the actual benchmarking, for average rate versus credit risk (value weighted) we were above the average of all clients and were in the top left box towards the middle vertical line. For time weighted we are well within the top left box (see **Appendix 6** for the two charts).
- 11.9 We set our definition of high credit quality as a minimum long-term credit rating of A-, which attracts a score of 7. The lower the score, the higher the credit quality of the investment portfolio.
- 11.10 The table below shows that at each quarter date, the weighted average score of our investment portfolio, on a value weighted and a time weighted basis is well within our definition of high credit quality, ending the year at 3.86 (AA-) and 2.63 (AA).

Date	Value Weighted Avg Credit Risk Score	Value Weighted Avg Credit Rating	Time Weighted Avg Credit Risk Score	Time Weighted Avg Credit Rating	Average Life (days)
31-03-18	3.86	AA -	2.63	AA	302
30-06-18	3.73	AA-	2.30	AA	299
30-09-18	3.67	AA-	2.63	AA	350
31-12-18	3.81	AA-	2.50	AA	341
31-03-19	4.02	AA-	3.01	AA	328

- 11.11 We have maintained security throughout the year within the portfolio. We also have a lower risk score on both elements than the Arlingclose client universe (4.20/AA- and 4.02/AA-). We do, however, have a much longer duration (ours is 328 days compared to the universe of 29 days) and this is due to us having a large portion of investments of covered bonds in the portfolio, which can be sold

on the secondary market if required. The longer duration is with AAA rated covered bonds so this has enhanced the security of the portfolio.

12. Minimum Revenue Provision (MRP)

- 12.1 The Local Authorities (Capital Financing and Accounting) (England) (Amendment) Regulations 2003 (SI No 414) place a duty on local authorities to make a prudent provision for debt redemption. Making an MRP reduces the Capital Financing Requirement (CFR) and leaves cash available to replenish reserves used for internal borrowing or making external debt repayments. There are three options for applying MRP available to us:
- asset life method
 - depreciation method
 - any other prudent method
- 12.2 Any other prudent method means we can decide on the most appropriate method depending on the capital expenditure.
- 12.3 The latest MRP policy was approved by Council in February 2018, and stated that:
- the Council will use the asset life method as its main method, but will use annuity for investment property
 - in relation to expenditure on development, we may use the annuity method starting in the year after the asset becomes operational
 - where we acquire assets ahead of a development scheme, we will charge MRP based on the income flow of the asset or as service benefit is obtained, and will not charge MRP during construction, refurbishment or redevelopment
 - where expenditure is incurred pending receipt of an alternative source of finance we will not charge MRP
 - we will use 75-years for freehold land purchased for development purposes, and any new buildings or similar structures on that land
 - where loans are made to other bodies for their capital expenditure, no MRP will be charged
 - we will apply a 100-year life for investments in shares classed as capital expenditure
- 12.4 The unfinanced capital expenditure in 2018-19 of £25.56 million related mainly to property purchases and redevelopment projects.

13. External service providers

- 13.1 The Council reappointed Arlingclose as our treasury management advisors in March 2015. The contract is for a period of 7 years. The Council is clear what services it expects and what services Arlingclose will provide under the contract.

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

14. Training

- 14.1 CIPFA's revised treasury management code of practice suggest that best practice is achieved by all councillors tasked with treasury management responsibilities, including scrutiny of the treasury management function, receiving appropriate training relevant to their needs and that they should fully understand their roles and responsibilities.
- 14.2 The MHCLG's revised investment guidance also recommends that a process is in place for reviewing and addressing the needs of the Council's treasury management staff for training in investment management.
- 14.3 Following the revised CIPFA code of practice and the stated requirement that a specified body be responsible for the implementation and regular monitoring of the treasury management policies, we use the Corporate Governance and Standards Committee to scrutinise the treasury management activity of the Council.
- 14.4 Training on treasury management will be given to new councillors and in particular the group leaders and members of the Corporate Governance and Standards Committee.
- 14.5 Corporate Governance and Standards Committee reviews the annual report in June each year.
- 14.6 Officer training is undertaken on a regular basis, by attending workshops held by Arlingclose, and seminars or conferences held by other bodies, such as CIPFA. On the job training and knowledge sharing are undertaken when required. Those involved in treasury management are either a fully qualified accountant, or AAT qualified. The main post holder responsible for the treasury management function holds the 'Certificate in International Treasury Management for Public Finance' qualification, which is a joint qualification between the ACT (Association of Corporate Treasurers) and CIPFA.
- 14.7 Certain officers of the Council are deemed professional by the financial industry and therefore demonstrates the level of skill and expertise in the treasury function to ensure the Council retains professional status under the MiFID II regulations.

15. Consultations

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

16. Executive Advisory Board comment

- 16.1 Treasury management reports are under the remit of Corporate Governance and Standards committee and are not required to be presented to an EAB.

17. Equality and Diversity Implications

- 17.1 There are no equality and diversity implications

18. Financial Implications

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

19. Legal Implications

- 19.1 A variety of professional codes, statutes and guidance regulate the Council's treasury management activities. These are:
- the Local Government Act 2003 ("the Act") provides the powers to borrow and invest. It also imposes controls and limits on these activities
 - the Act permits the Secretary of State to set limits on either the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken. The HRA debt cap is the only restriction that applied in 2017-18
 - statutory instrument 3146 (2003 ("The SI"), as amended, develops the controls and powers within the Act
 - the SI requires the council to undertake any borrowing with regard to the prudential code. The prudential code requires indicators to be set – some of which are limits – for a minimum of three forthcoming years
 - the SI also requires the council to operate the treasury management function with regard to the CIPFA treasury management code of practice
 - under the terms of the Act, the Government issued "investment guidance" to structure and regulate the council's investment activities. The emphasis of the guidance is on the security and liquidity of investments.

20. Human Resource Implications

- 20.1 There are no human resource implications arising from this report other than the training discussed in section 15, which is already in place.

21. Summary of Options

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

22. Conclusion

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

23. Background Papers

- CIPFA Treasury Management in the Public Services – Code of Practice and Cross Sectoral Guidance Notes (2018 edition)
- CIPFA Treasury Management in the Public Services – Guidance Notes for Local Authorities including Police Authorities and Fire Authorities (2018 edition)
- CIPFA the Prudential Code for Capital Finance in Local Authorities (2018 edition)
- CIPFA the Prudential Code for Capital Finance in Local Authorities – Guidance Notes for Practitioners (2018 edition)
- Treasury management annual strategy report 2018-19

24. Appendices

- Appendix 1: Treasury management activity, treasury and prudential indicators 2018-19
- Appendix 2: Investment property fund portfolio report 2018-19
- Appendix 3: capital programme
- Appendix 4: schedule of investments at 31 March 2019
- Appendix 5: economic background – a commentary from Arlingclose
- Appendix 6: benchmarking graphs
- Appendix 7: credit score analysis
- Appendix 8: credit rating equivalents and definitions
- Appendix 9: background to externally managed funds
- Appendix 10: glossary

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Treasury Management activity and treasury and prudential indicators 2018-19

1. Introduction

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

2. Treasury management activity

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

Investments

- 2.2 The Ministry of Housing, Communities and Local Government (MHCLG) Investment Guidance requires local authorities to focus on security and liquidity rather than yield.
- 2.3 Both the CIPFA Code and government guidance requires local authorities to invest funds prudently, and to have regard to the security and liquidity of investments before seeking the highest rate of return, or yield. The main objective, therefore, when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitable low investment income.
- 2.4 Security of capital remains our main objective when placing investments. We maintained this during the year by following our investment policy, as approved in our treasury management strategy 2018-19, which defined "high credit quality" counterparties as those having a long-term credit rating of A- or higher.
- 2.5 Investments during the year included:
 - investments in AAA rated constant net asset money market funds

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Appendix 1

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

2.6 We divided our investments into three types

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

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

2.8 The table below shows our investment portfolio, at 31 March 2019, compared to 31 March 2018. **Appendix 2** contains a detail schedule of investments outstanding at the end of the year.

Investment details	Balance at 31-03-18 £m	Weighted Avg Return for Year	Balance at 31-03-19 £m	Weighted Avg Return for Year
Internally Managed Investments				
Fixed Investments < 1 year to cover cash flow	29.00	0.71%	6.00	0.96%
Corporate bonds	2.00	0.59%	0.00	1.06%
Certificates of deposit	3.00	0.59%	0.00	0.68%
Notice Accounts	11.00	0.56%	8.00	0.78%
Call Accounts	0.44	0.21%	0.00	0.37%
Money Market Funds	8.32	0.31%	13.23	0.66%
Revolving credit facility	2.50	2.25%	9.50	2.28%
Long term investments > 1 year	57.13	1.12%	48.65	1.17%
Externally Managed Funds				
Payden & Rygel	5.01	0.69%	0.00	0.64%
Funding circle	0.49	7.54%	0.51	6.22%
CCLA	6.65	4.83%	6.87	4.37%
SWIP	0.00	1.21%	0.00	0.00%
M&G	2.57	2.86%	1.39	3.20%
Schroders	0.88	7.38%	0.86	7.58%
UBS	2.34	3.92%	2.31	3.99%
City Financials	2.30	3.26%	0.00	2.68%
Total Investments	133.64	1.03%	97.32	1.42%

2.9 Our level of investments decreased during 2018-19, and we achieved a higher return than last year, partly due to increasing investment rates.

2.10 The Councils also holds £3.083 million equity investments in Guildford Holdings Ltd and £4.618 million in North Downs Housing Ltd.

2.11 We are earning an interest return of base rate plus 5% (currently 5.75%) on the investment in North Downs Housing. This is higher than the return earned on

treasury investments, but reflects the additional risks to the Council of holding the investment.

Security of investments

- 2.12 Counterparty credit quality was assessed and monitored with reference to credit ratings; financial institutions analysis of funding structure and susceptibility to bail-in, credit default swap prices; financial statements; information on potential government support and reports in the quality financial press.
- 2.13 We also considered the use of secured investment products that provide collateral in the event that the counterparty cannot meet its obligations for repayment.
- 2.14 The minimum long-term counterparty credit rating for 'high quality counterparties' approved for 2018-19 was A-/A3 across all three main credit rating agencies (Fitch, S&P, and Moody's).
- 2.15 The overall minimum long-term credit rating in the treasury strategy is BBB+. The strategy set different limits for different counterparty credit ratings both in maximum duration and exposure in monetary terms.
- 2.16 We also have the ability to invest in non-rated institutions subject to due diligence.

Liquidity of investments

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

Yield of investments

- 2.19 The council sought to optimise returns commensurate with its objective of security and liquidity. The Bank of England base rate increased to 0.75% in August 2018. Yields have been slowly increasing, but due to the economic uncertainty, have remained low.
- 2.20 We invested in longer-term covered bonds, which increased the return of the portfolio and the duration. Bonds can be sold in the secondary market should we need the liquidity.
- 2.21 The council's budgeted investment income for the year was £1.506 million and actual interest was £1.989 million.

Externally managed funds

- 2.22 We estimate to have substantial cash balances over the medium-term (our "core" cash as identified in the Councils liability benchmark), and as such we have continued investing in pooled (cash-plus, bond, equity, multi-asset and property) funds. These funds, have allowed us to diversify into asset classes other than cash without the need to own and manage the underlying investments. These funds operate on a variable net asset value (VNAV) basis offer diversification of investment

risk, coupled with the services of a professional fund manager; they also offer enhanced returns over the longer term but are more volatile in the short term. All of our pooled funds are in the respective funds distributing share class, which pay out the income generated. They have no defined maturity date, but are available for withdrawal, some with a notice period.

- 2.23 We regularly monitor all our external funds' performance and continued suitability in meeting our investment objectives.

Borrowing and debt management

- 2.24 The council's debt portfolio is detailed in the table below. Our loan portfolio decreased by £28.7 million due to more short term loans at the end of the year.

Interest calc	Lender	Loan type	Principal £'000	Initial loan period (yrs)	Period remaining years	Maturity date	Rate
Long-term							
Fixed	PWLB	EIP	460	10	3.0	31/03/2021	3.60%
Variable	PWLB	Maturity	45,000	10	4.0	28/03/2022	0.92%
Fixed	PWLB	Maturity	10,000	12	6.0	28/03/2024	2.70%
Fixed	PWLB	Maturity	10,000	13	7.0	28/03/2025	2.82%
Fixed	PWLB	Maturity	10,000	14	8.0	28/03/2026	2.92%
Fixed	PWLB	Maturity	10,000	15	9.0	28/03/2027	3.01%
Fixed	PWLB	Maturity	25,000	17	11.0	28/03/2029	3.15%
Fixed	PWLB	Maturity	25,000	20	14.0	28/03/2032	3.30%
Fixed	PWLB	Maturity	25,000	25	19.0	28/03/2037	3.44%
Fixed	PWLB	Maturity	15,000	29	23.0	28/03/2041	3.49%
Fixed	PWLB	Maturity	17,435	30	24.0	28/03/2042	3.50%
Short-term							
Fixed	Waverley BC	Maturity	5,000	0.34	0.0	18/04/2019	0.85%
Fixed	Western Isles Council	Maturity	2,000	0.29	0.1	26/04/2019	0.77%
Fixed	North Sommerset DC	Maturity	5,000	0.38	0.2	31/05/2019	0.85%
Fixed	Vale of Glamorgan	Maturity	3,000	0.41	0.2	14/06/2019	0.85%
Fixed	PCC South Wales	Maturity	5,000	0.17	0.0	08/04/2019	0.83%
Total			212,895				

- 2.25 Our primary objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should our long-term plans change being a secondary objective.

- 2.26 The rate on the variable rate loan is the average for the year.

- 2.27 We also have short-term loans outstanding at the end of the year which we took out for cash flow purposes, from other local authorities. Temporary and short-dated loans borrowed during the year from other local authorities remained affordable and attractive.

- 2.28 Affordability and the "cost of carry" remained important influences on our long-term borrowing strategy alongside the consideration that, for any borrowing undertaken

ahead of need, the proceeds would be invested at rates of interest significantly lower than the cost of borrowing. As short-term interest rates have remained low, and are likely to remain low at least over the forthcoming two years, lower than long-term rates, the council determined it was more cost effective in the short-term to use internal resources and borrow short-term to medium-term instead.

- 2.29 The Councils borrowing position is monitored regularly as to whether it is more beneficial to externalise borrowing now or whether to continue internal borrowing based on predicted future borrowing costs (which are likely to be higher). Arlingclose assist us with this 'cost of carry' and break even analysis.
- 2.30 The PWLB continued to operate a spread of approximately 1% between "premature repayment rate" and "new loan" rates so the premium charge for early repayment of PWLB debt remained relatively expensive for the loans in our portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence.

3. Treasury and prudential indicators

- 3.1 The Local Government Act 2003 requires local authorities to have regard to the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury decisions are taken in accordance with good professional practice. To demonstrate the Council has fulfilled these objectives, the Prudential Code sets various indicators that must be set and monitored each year.
- 3.2 The CFO confirms that we have complied with our prudential indicators for 2018-19, which were approved in February 2018 as part of the treasury management strategy statement. The CFO also confirms that we have complied with our treasury management policy statement and treasury management practices during 2018-19.

Balance sheet and treasury position prudential indicator

- 3.3 The capital financing requirement (CFR) measures the council's underlying need to borrow for a capital purpose. Over the medium-term, borrowing must be only for a capital purpose, although in the short-term, we can borrow for cash flow purposes, which does not affect the CFR.
- 3.4 The council's CFR for 2018-19 is shown in the following table

Capital Financing Requirement	2018-19 Approved Estimate £000	2018-19 Revised Estimate £000	2018-19 Actual £000
HRA			
Opening balance (01 Apr 18)	197,024	197,024	197,024
Movement in year: Unfinanced cap exp	0	0	0
Closing balance (31 Mar 19)	197,024	197,024	197,024
General Fund			
Opening balance (01 Apr 18)	93,801	82,167	82,167
Movement in year: Unfinanced cap exp	70,811	44,930	25,566
Movement in year: MRP	(1,201)	(795)	(795)
Closing balance (31 Mar 19)	163,411	126,302	106,938
Total			
Opening balance (01 Apr 18)	290,825	279,191	279,191
Movement in year: Unfinanced cap exp	70,811	44,930	25,566
Movement in year: MRP	(1,201)	(795)	(795)
Closing balance (31 Mar 19)	360,435	323,326	303,962
Balances and Reserves	(115,482)	(115,482)	(167,168)
Cumulative net borrowing requirement / (investments)	244,953	207,844	136,794

3.5 The GF unfinanced capital expenditure mainly relates to property purchases, SARP and Guildford park car park. This is lower than budgeted because of the slippage in the capital programme – we projected this slippage during the year, which is shown by the revised estimate (as in the strategy report presented to Council in February 2019).

3.6 We budgeted an underlying need to borrow of £70.8 million for 2018-19, and our actual underlying need to borrow was £25.6 million because of slippage in the capital programme.

Gross debt and the CFR

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

Gross Debt and the CFR	2018-19 Actual £000
General Fund CFR	106,939
HRA CFR	197,024
Total CFR (at 31 March)	303,963
Gross External Borrowing	(212,895)
Net (external) / internal borrowing position	91,068

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

3.9 We are showing as being internally borrowed up to £91 million in at the end of March 2019, against an estimate of £222 million – lower because of slippage in the capital programme.

Capital expenditure prudential indicator

3.10 This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits, and, in particular, to consider the impact on council tax or housing rent levels for the HRA.

3.11 The following table shows capital expenditure in the year, compared to the original estimate approved by the Executive in January 2018.

Projects	Original Estimate (£'000)	Actual (£'000)	Variance (£'000)
<u>Housing Revenue Account</u>			
HRA Capital Programme	22,706	9,249	(13,457)
Total Housing	22,706	9,249	(13,457)
<u>General Fund</u>			
Chapel Street	200	879	679
Spectrum roof & CHP	43	215	172
Guildford park car park	4,497	1,006	(3,491)
Clay lane link road	4,339	1,119	(3,220)
SARP	900	1,962	1,062
Walnut bridge	1,026	471	(555)
Bedford Wharf	0	15,576	15,576
Town centre gateway regeneration			0
Rebuild crematorium	10,335	3,913	(6,422)
Provisional schemes	40,058	15	(40,043)
Housing company loan	21,400	3,201	(18,199)
Other General Fund Projects	17,201	7,968	(9,233)
Total General Fund	99,999	36,325	(63,674)
Total Capital Programme	122,705	45,574	(77,131)

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

- provisional schemes were re-profiled during the year, and include:

- Westfield/Moorfield road resurfacing
- new burial grounds
- Guildford park car park
- various transport schemes

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

CAPITAL EXPENDITURE SUMMARY	2018-19 Approved £000	2018-19 Outturn £000	2018-19 variance £000
General Fund Capital Expenditure			
- Main Programme	44,437	35,234	(9,203)
- Provisional schemes	50,953	15	(50,938)
- Schemes funded by reserves	4,351	1,026	(3,325)
- S106 Projects	0	51	51
Total Expenditure	99,741	36,326	(63,415)
Financed by :			
Capital Receipts	(5,290)	(3,695)	1,595
Capital Grants/Contributions	(5,465)	(2,517)	2,948
Capital Reserves/Revenue	(17,832)	(9,945)	7,887
Borrowing	(71,154)	(20,169)	50,985
Financing - Totals	(99,741)	(36,326)	63,415
Housing Revenue Account Capital Expenditure			
- Main Programme	14,876	9,249	(5,627)
- Provisional schemes	7,830	0	(7,830)
Total Expenditure	22,706	9,249	(13,457)
Financed by :			
- Capital Receipts	(5,509)	(2,771)	2,738
- Capital Reserves/Revenue	(17,197)	(6,478)	10,719
- Borrowing	0	0	0
Financing - Totals	(22,706)	(9,249)	13,457

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

Ratio of financing costs to the net revenue stream prudential indicator

3.15 This is an indicator of affordability and highlights the revenue impact of capital expenditure by identifying the proportion of the revenue budget required to meet the financing costs associated with capital spending. Financing costs include interest on borrowing, MRP, premium or discount on loans repaid early, investment income and depreciation where it is a real charge.

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

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

3.18 The net revenue stream for the GF is the total budget requirement and for the HRA is total income. Where the figure is negative, it is because there is a net investment

position (more investments than debt). The total budget requirement for the GF used is the 2018-19 budget.

	2018-19 Original Estimate	2018-19 Actual
General Fund	10.61%	-3.76%
HRA	33.09%	32.84%

- 3.19 The figure for the GF is negative because interest received is higher than financing costs (interest payable, debt management costs and MRP). The budget assumed a large amount of external borrowing for the capital programme which was not required and was reported throughout the year as part of budget monitoring.

The authorised limit prudential indicator

- 3.20 The Local Government Act 2003 requires the council to set an affordable borrowing limit, irrespective of the indebted status. This is a statutory limit, which we cannot breach.
- 3.21 The limit is the maximum amount of external debt we can legally owe at any one time. It is expressed gross of investments and includes capital expenditure plans, the CFR and cash flow expenditure. It also provides headroom over and above for unexpected cash movements.
- 3.22 The limit was set at £591 million for the year and the highest level of debt was £230 million.
- 3.23 We measure the levels of debt on an ongoing basis during the year for compliance. The CFO confirms there were no breaches to the authorised limit in 2018-19.

The operational boundary prudential indicator

- 3.24 The operational boundary, based on the same estimates as the authorised limit, reflects the most likely, prudent but not worst case scenario. It does not allow for additional headroom included in the authorised limit.
- 3.25 The limit was set at £535 million for the year and the highest level of debt was £230 million.

Upper limit for fixed and variable interest rate exposures treasury indicator

- 3.26 This indicator is set to control exposure to interest rate risk. We calculate exposures on a net basis (fixed rate debt net of fixed rate investments). We take fixed rate to be if it was taken out as a fixed rate loan/investment regardless of its duration.

Net Debt / (Investments) on Principal outstanding	2018-19 Actual £000
Limits on fixed interest rates	132,325
Limits on variable interest rates	(230,367)

- 3.27 The above shows the peak in the year. Variable is negative because we had more variable rate investments than debt. We include our external funds as variable rate investments.

Maturity structure of fixed rate borrowing treasury indicator

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

	Upper Limit	Lower Limit	Actual at 31 March 2019	Value of loans maturing
Under 12 months	15%	0%	1.49%	2,230,000
1-2 years	20%	0%	0.15%	230,000
3 to 5 years	25%	0%	6.67%	10,000,000
6 to 10 years	50%	0%	36.69%	55,000,000
11-15 years	100%	0%	16.68%	25,000,000
16-20 years	100%	0%	16.68%	25,000,000
21-25 years	100%	0%	21.64%	32,435,000
Over 26 years	100%	0%	0.00%	0

- 3.29 The above table shows the amount of debt maturing in each period and its percentage of total fixed rate loans. The targets were set to give us flexibility for drawing down new loans on a fixed or variable rate basis. If a lower upper limit for fixed rate debt were set, the council would be giving itself a greater exposure to interest rate changes by having more variable rate debt. The upper limit for under 12 months was set to cover any short-term borrowing for cash flow purposes and for allowing for the principal loan repayments falling in that period.

- 3.30 The limit for that maturing within 12 months is higher due to short-term borrowing levels. 45% of our fixed rate debt matures within the next 10 years, with the majority being in years 6-10. This gives the council stability in its interest payments over that time, and time to consider refinancing options. The first fixed rate loan matures in 2024.

Actual external debt treasury indicator

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

	External debt as at 31 Mar 18 £'000	External debt as at 31 Mar 19 £'000
Borrowing	241,625	212,772
Other long term liabilities	0	0
Total	241,625	212,772

- 3.32 Actual external debt decreased because we had less short-term borrowing than at the start of the year.

Upper limit for total principal sums invested over 1 year

- 3.33 The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the council having to seek early repayment of the sums invested.
- 3.34 Our limit was set at £70 million, we ended the year with exposure of £48.6 million.
- 3.35 As mentioned earlier in the report, many of our long-term investments are covered bonds, which can be sold on the secondary market. There could be a price differential if they were sold, but it is unlikely to be material.

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GBC INVESTMENT PROPERTY FUND PORTFOLIO ANNUAL REPORT

Current Fund Summary – 2018/19

OBJECTIVE OF FUND

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

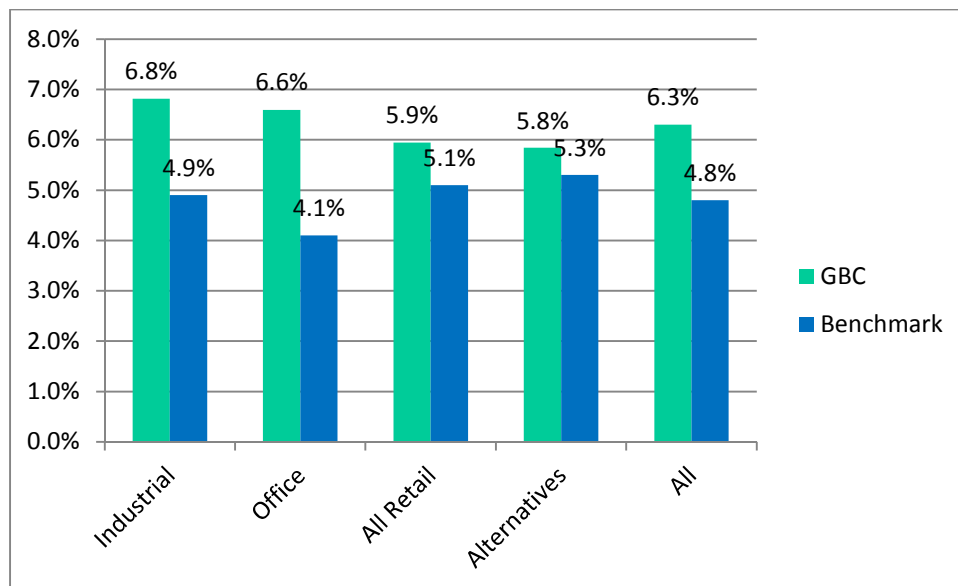
KEY POINTS – 31 MARCH 2019

- Fund size £161 million. Rental income of over £9.2 million pa.
- 164 properties
- High yielding (6.3% net of costs/voids)
- Low vacancy rate (0.78%)
- Long average unexpired lease terms

TOP FIVE SINGLE INVESTMENTS

- Wey House, Farnham Rd
- Liongate House, Ladymead
- Friary Centre
- The Billings, Walnut Tree Clse
- Friary Street, West Side

FUND PERFORMANCE AGAINST UK BENCHMARK 2018/19



KEY ACQUISITIONS AND DISPOSALS 2018/19

Property	Interest	Price paid	Date of completion	Previous rent pa	Current rent pa
ACQUISITIONS					
Slyfield, Moorfield Road, 41 (Moorfield Point)	Leasehold (to merge Freehold)	£1,459,000	04/12/2018	£221,000	£357,534
Woodbridge Meadows, 23 (Argol House)	Leasehold (to merge Freehold)	£829,806	05/02/2019	£7,225	£65,000
DISPOSALS					
Lysons, Cobbs	Freehold	£390,000	19/10/2018	£18,500	N/A

Property Investment Fund – 2018/19

FUND STRATEGY

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

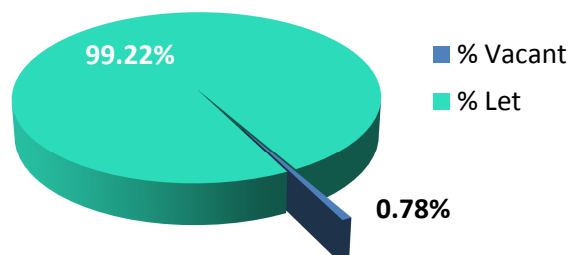
Current Fund Properties

Sector	No. of assets	Sub-category	No.
Office	8	-	
Industrial	125	-	
Retail	10	Shops Shopping Centres Supermarkets	6 2 1
Leisure	6	Restaurants Nightclubs	5 1
Alternatives	11	Educational Theatres Barns Petrol Stations Sui Generis Car Parks Water Treatment Works	3 1 2 1 1 1 1
Total Investment Properties	159		

Officers aim to achieve an above average income return by keeping vacancy and associated costs (such as empty rates, service charges, repairs and insurance) to a minimum and by generating income growth through rental increases, refurbishments, active asset management and new lettings. The vacancy rate is currently 0.78% (excluding intentional voids).

Vacancy Rate (based on days per property)

Qtr 1	Qtr 2	Qtr 3	Qtr 4	Year
0.65%	0.76%	0.72%	0.99%	0.78%



GBC INVESTMENT PROPERTY FUND PORTFOLIO ANNUAL REPORT

The Fund has acquired 11 buildings in the last 5 years, investing almost £42 million in assets for pure investment and redevelopment opportunities. Those acquired for pure investment (just over £40 million) are now valued at over £51 million. Of these acquisitions, all properties have been retained to date, with only have one property being considered for disposal, illustrating that acquisitions have generally been made for the long term.

Property	Date Purchased	FY	Price paid	Asset Value at 31/01/2019
Midleton Ind Estate, 11	01/12/2014	2014/15	£460,000	Re-development
Midleton Ind Estate, 13	05/12/2014	2014/15	£325,000	Re-development
The Billings	01/12/2014	2014/15	£5,700,000	£6,950,000
Midleton Ind Estate, 05	19/12/2014	2014/15	£650,000	Re-development
Midleton Ind Estate, 10	20/07/2015	2015/16	£4,800,000	£6,700,000
Armour Building, Bridge St	24/03/2016	2015/16	£2,950,000	£3,120,000
Lysons, Brinnell Building	18/03/2016	2015/16	£1,500,000	£2,820,000
Wey House	02/08/2016	2016/17	£22,650,000	£23,200,000
Midleton Ind Estate, 09	24/03/2017	2016/17	£500,000	£890,000
Slyfield, Moorfield Road, 41	04/12/2018	2018/19	£1,459,000	£6,385,000
Woodbridge Meadows, 23	05/02/2019	2018/19	£829,806	£940,000

PERFORMANCE

Despite market uncertainty due to the current political environment and changing consumer spending patterns (See Appendix 1 - RICS UK Commercial Property Market Survey), the fund continues to perform well. The fund currently stands at £161million with a total rent roll of over £9.2 million per annum. This represents a total net return of 6.3%. This is despite the following:

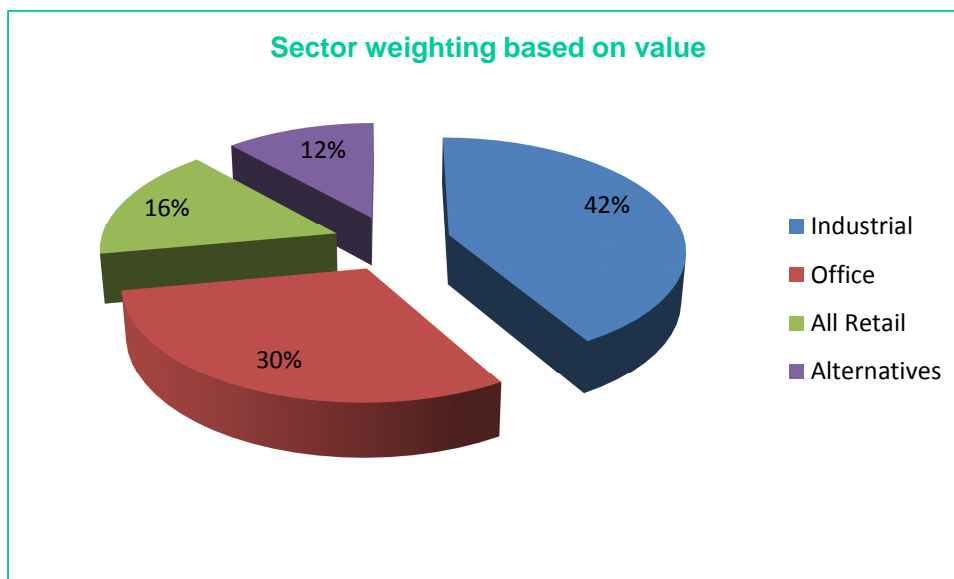
1. intentional voids at Midleton Industrial Estate to allow the redevelopment (rental loss of £125,350pa);
2. the loss of units on Slyfield Industrial Estate to enable to the Slyfield Area Regeneration Project (SARP) (rental loss of £92,500pa);
3. vacancies at 3 The Billings (which is now under offer at £154,000pa) and 10 Midleton (£300,000pa); and
4. Reclassification of some assets to the Operational Portfolio.

This represents a total loss of £671,850pa. However, due to rental increases at rent review and recent acquisitions, the loss has been off-set and income has actually increased.

Fund Performance (total return)

Rental income (£)					
	Industrial	Office	All Retail	Alternatives	All
2015/16	2,679,571	1,831,900	1,750,254	885,636	7,147,361
2016/17	3,057,302	1,858,638	1,447,672	1,062,137	7,425,749
2017/18	3,493,405	3,186,048	1,426,317	1,080,786	9,186,556
2018/19	3,619,808	3,038,548	1,459,048	1,129,361	9,246,765
Capital value (£)					
	Industrial	Office	All Retail	Alternatives	All
2015/16	39,077,755	19,227,500	34,270,000	11,233,500	103,808,755
2016/17	42,922,450	25,915,000	25,908,500	15,963,500	110,709,450
2017/18	51,509,000	49,574,000	26,065,000	17,471,500	144,619,500
2018/19	66,970,000	49,159,000	26,097,000	18,843,000	161,069,000
Income return (net of costs)					
	Industrial	Office	All Retail	Alternatives	All
2015/16	8.0%	7.5%	5.6%	7.5%	6.8%
2016/17	7.1%	7.2%	5.6%	6.7%	6.7%
2017/18	8.0%	7.4%	5.2%	5.8%	6.6%
2018/19	6.8%	6.6%	5.9%	5.8%	6.3%
Benchmark return					
	Industrial	Office	All Retail	Alternatives	All
2015/16	6.1%	4.7%	5.4%	4.7%	5.2%
2016/17	5.4%	4.1%	5.0%	5.5%	4.8%
2017/18	4.9%	4.1%	5.1%	5.3%	4.8%
2018/19	4.4%	4.0%	5.1%	5.0%	4.6%

Currently the investment fund has a high weighting of industrial and office investments in comparison to retail and alternatives.



GBC INVESTMENT PROPERTY FUND PORTFOLIO ANNUAL REPORT

LOCAL PROPERTY MARKET

Industrial

The local industrial market, in common with that of the wider South West M25 region continues to experience encouraging levels of occupier activity despite ongoing BREXIT uncertainty. Enquiry levels remain steady, the investment market performs well and fundamental indicators of supply versus demand suggests there remains demand for speculatively built space in 2019 and beyond.

Industrial stock in Guildford Borough is made up of a number of industrial estates. The Fund's Slyfield Industrial Estate is by far the biggest and is arguably best located for road connections to the A3. Current availability is remarkably low at present, particularly for the smaller size ranges.

Office

The office market in Guildford has started to suffer from the loss of large corporate occupiers. At the end of Q4 2018 there was some 432,000 sq ft of offices (units greater than 2,000 sq ft) available to be let in Guildford (this does not include the 82,000 sq ft which Ericsson will be vacating nor the 50,000 sq.ft which BOC will shortly be bring to the market). This represents a vacancy rate of circa 13%.

The ten-year average annual take up in Guildford is just over 90,000 sq.ft so there is therefore 4-6 years supply. Although agents believe the take up is actually below the average with just 5,000 sq.ft let in 2 deals in Q1 2018.

Market demand is mainly focussed on town centre locations with a large part of the demand currently coming from the computer games sector. The market is reliant on the SME's for take up and demand is generally for smaller space areas of 3,000 -10,000 sq ft.

2017 take up above 5,000 sq.ft attached.

Retail

Tenant demand for retail space is still falling sharply.

See Appendix 1 - RICS Q4 2018: UK Commercial Property Market Survey

Industrial is the only sector displaying positive rental and capital value expectations in the near term.

Officers believe the Fund's sector weightings will deliver a small yield benefit through maintaining a higher weighting to the Guildford industrial and alternative sectors, and a lower weighting to the high street retail, shopping centre and corporate office markets.

The Council's ability to source the right investment stock at the right price continues to be the biggest driver of performance.

Whilst there is currently no active property investment acquisition fund, officers continue to look for interesting opportunities, currently with a bias towards Guildford locations, the industrial markets and good quality alternatives.

More importantly, officers continue to asset manage the existing portfolio to ensure performance is optimised. .

KEY ACQUISITIONS AND DISPOSALS 2018/19

Slyfield, Moorfield Road, 41 (Moorfield Point)



The rent of the above property was due for review as at 25 December 2015. In 2018, officers managed to finally agree an increase from the passing rent of £180,000pa to £221,000pa, an increase of 23%. This led to an approach from the long leaseholder to sell its interest in the property. This allowed the Council to consolidate the freehold and leasehold interest and become direct landlord to the eight sub-tenants with a rent roll of £357,534pa. The acquisition represented a net initial yield of 8.84%.

Woodbridge Meadows, 23 (Argol House)



This property was let on a long leasehold at £7,225pa. The Council acquired the property early this year. It was simultaneously re-let to the tenant on a 2-year lease at £65,000pa. On expiry of the temporary lease, the Council have granted a 125-year lease to Porsche Cars GB Ltd for a premium of £800,000 and a new ground rent of £15,000pa subject to review.

Lysons, Cobbs



This management intensive property did not meet the Council's investment criteria and was in a poor condition. As such, the Council agreed to sell the freehold to the existing tenant for £390,000. The proceeds have been ring fenced for future property investment.

CURRENT PROJECTS



The Council is currently undertaking a redevelopment of Midleton Industrial Estate. Midleton Industrial Estate, which is in the Council's freehold ownership, holds significant asset management opportunities.

The entire Estate comprises around 5.7 acres and is divided in accordance with the long leaseholds previously granted. There has been a strategy in recent years to buy back units, which were let on long leaseholds to enable redevelopment for continued industrial use. The units are typically 1970s warehouses at the end of their economic life.

The Council has to-date been temporarily letting properties to reduce costs and increase revenue with a range of lease expiry dates. The Council has now decided to bring forward and develop the site in phases as and when leases expire or are determined.

Phase 1 will begin with Plot 11, on which we vacant procession has been achieved, and follow with Plots 13 and 14/15.

It is hoped that the first properties will be ready to let around the end of 2019 / early 2020 and marketing will start once planning has been accepted.

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

Ref	Directorate/Service and Capital Scheme name	Approved gross estimate	Cumulative spend at 31-03-18	2018-19			Projected expenditure by project officer	2019-20 Est for year	2020-21 Est for year	2021-22 Est for year	2022-23 Est for year	2023-24 Est for year	Future years est exp	Projected expenditure total	Grants / Contributions towards cost of scheme	Net cost of scheme	
				Estimate approved by Council in February	Revised estimate	Expenditure at 16.04.19											(a)
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
	APPROVED SCHEMES																
	COMMUNITY DIRECTORATE																
	General Fund Housing																
ED30	Home Farm, Effingham - provision of Gypsy and Traveller pitches COMPLETE	1,000	987	-	13	1	1	-	-	-	-	-	-	987	-	987	
	Disabled Facilities Grants			-	605	455	455	605	605	605	605	605	3,025	3,480	(737)	2,743	
	Better Care Fund			-		50	50	-						50		50	
	Home Improvement Assistance			-	-	41	41	-						41	-	41	
	Solar Energy Loans			-	-	6	6	-						6	-	6	
	SHIP			-	-	0	0	-						0	-	0	
	General Grants to HAs			100	100	-	-	100	100	100	100	100	500	500	-	500	
	General feasibility, site preparation costs for affordable			120	188	-	-	120	120	120	120	120	600	1,265	-	1,265	
	Bright Hill Car Park Site		17			2	2						-	-	-	-	
	Ladymead/Fire Station site preparation (complete)		95			-	-						-	-	-	-	
	Garage Sites-General		159			1	1						-	-	-	-	
	Garage Sites Phase 1		5			5	5						-	-	-	-	
	Guildford Park Car Park (complete)		312			-	-						-	-	-	-	
	Apple Tree Pub Site		75			0	0						-	-	-	-	
	Park Barn					2	2										
	Japonica Court/Shawfield Day Centre					4	4										
	Corporate Property																
P ED3/15	Disabled Access (DDA) Improvements: ph.2 & 3	390	348	26	56	21	21	7	-	-	-	-	7	375	-	375	
ED14(e)	Void investment property refurbishment works	400	219	177	58	-	-	59	-	-	-	-	59	401	-	401	
ED14	5 High Street void works		-	-	106	2	2	105					105				
ED15	Unit 3 The Billings void works				1	0	0										
ED14(i)	12/13 Enterprise Est void work COMPLETE			-	16	16	16						-				
ED19	Asbestos surveys and removal in non-residential council premises	158	114	42	44	16	16	22	-	-	-	-	22	152	-	152	
ED21	Methane gas monitoring system	100	45	60	55	-	-	55	-	-	-	-	55	100	-	100	
ED22	Energy efficiency compliance - Council owned properties	245	16	225	229	42	42	187	-	-	-	-	187	245	-	245	
ED23	Rebuild retaining wall on Shalford Park boundary with the Old Vicarage (COMPLETE)	60	32	9	28	1	1	-	-	-	-	-	33	(16)	17		
ED26	Bridges -Inspections and remedial works	317	173	200	144	0	0	129	-	-	-	-	129	312	-	312	
ED26	Bridges - Millmead Footbridge					4	4										
ED26	Bridges - Shalford Common			-		1	1										
ED26	Bridges - Millmead Lattice					9	9										
ED26	Bridges - Shalford Rd/Millmead Island					0	0										
ED35	Electric Theatre - new boilers	120	-	-	120	-	-	120	-	-	-	-	120	120	-	120	
ED41	The Billings roof	200	13	187	187	14	14	-	173	-	-	-	173	200	-	200	
ED42	Guildford house damproofing- removal of decayed timber panelling and mathematical tiling at high level COMPLETE	20	4	20	31	27	27	-	-	-	-	-	-	31	-	31	
ED44	Broadwater cottage	224	2	64	72	67	67	154	-	-	-	-	154	223	-	223	
ED45	Gunpowder mills - scheduled ancient monument	50	5	50	45	-	-	25	-	-	-	-	25	30	-	30	
ED46	New House - short term works following acquisition	70	18	22	52	36	36	16	-	-	-	-	16	70	-	70	
ED52	Chapel Street (Castle Street/Tunsgate Public Realm Scheme)	1,035	113	200	922	879	879	50	-	-	-	-	-	992	-	992	
ED53	Site clearance costs ahead of sale of Burpham Court Farm Buildings	50	-	-	50	33	33	-	-	-	-	-	-	33	-	33	
ED47	Cladding of Ash Vale units	145	-	145	145	13	13	132	-	-	-	-	132	145	-	145	
ED55	48 Quarry Street, Museum - structural works	-	-	30	30	15	15	15	-	-	-	-	15	30	-	30	
PL53	Park Barn CC LED lighting upgrade (Complete)	3	-	3	3	3	3	-	-	-	-	-	-	3	-	3	
ED53	Tyting Farm Land-removal of barns and concrete hardstanding	200	-	200	200	-	-	200	-	-	-	-	200	200	-	200	
ED56	Foxenden Tunnels safety works	110						110					110	110	-	110	
ED57	Holy Trinity Church boundary wall	63						63					63	63	1	64	
	Office Services																
	Replace Hydro Gates Toll House (COMPLETE)				16	11	11							11	-	11	
BS4	Hydro private wire - Tollhouse to Millmead			4	4	3	3	-	-	-	-	-	-	3	-	3	
	Millmead - IT Cooling System	150				18	18						-	18		18	
	COMMUNITY DIRECTORATE TOTAL	5,110	2,752	1,883	3,520	1,796	1,796	2,274	998	825	825	825	5,697	10,227	(752)	9,476	

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

Ref	Directorate/Service and Capital Scheme name	Approved gross estimate	Cumulative spend at 31-03-18	2018-19				2019-20 Est for year	2020-21 Est for year	2021-22 Est for year	2022-23 Est for year	2023-24 Est for year	Future years est exp	Projected expenditure total	Grants / Contributions towards cost of scheme	Net cost of scheme
				Estimate approved by Council in February	Revised estimate	Expenditure at 16.04.19	Projected exp est by project officer									
		(a) £000	(b) £000	(c) £000	(d) £000	(e) £000	(f) £000	(ii) £000	(iii) £000	(iv) £000	(v) £000	(v) £000	(g) £000	(b)+(g) = (h) £000	(i) £000	(h)-(i) = (j) £000
ENVIRONMENT DIRECTORATE																
Operational Services																
OP1	Safer Guildford: CCTV & Lighting Strategy - Lighting Strategy phase 3 & 4	345	324	-	21	-	-	21	-	-	-	-	21	345	-	345
OP5	Mill Lane (Pirbright) Flood Protection Scheme	71	55	16	16	-	-	16	-	-	-	-	16	71	(19)	52
OP6	Vehicles, Plant & Equipment Replacement Programme	6,445	5,366	600	1,079	384	384	579	-	-	-	-	579	6,329	(26)	6,303
	Mary Road Flood (EA grant)	45	16	-	29	-	-	29	-	-	-	-	29	45	(45)	-
OP20	Flood resilience measures (use in conjunction with grant funded schemes)	100	-	-	-	-	-	100	-	-	-	-	100	100	-	100
OP22	Litter bins replacement	265	104	-	161	8	8	-	-	-	-	-	-	112	-	112
OP23	Flats recycling - new bins	50	39	-	11	7	7	4	-	-	-	-	4	50	-	50
OP25	WRD roads and footpaths	150	59	51	51	37	37	40	-	-	-	-	40	135	-	135
OP26	Merrow lane grille & headwall construction	60	3	52	57	-	-	57	-	-	-	-	57	60	-	60
OP27	Merrow & Burpham surface water study	15	-	15	15	-	-	15	-	-	-	-	15	15	-	15
OP28	Crown court CCTV	10	-	10	10	-	-	10	-	-	-	-	10	10	-	10
OP17	New vehicle washing system	155	0	155	155	1	1	154	-	-	-	-	154	155	-	155
Parks and Leisure																
P	PL11 Spectrum Roof replacement	4,000	1,420	43	276	115	-	300	-	-	-	-	300	2,939	-	2,939
	Spectrum roof - steelwork ph2	-	407	-	-	3	3	-	-	-	-	-	-	-	-	-
	Spectrum roof - steelwork ph3	-	697	-	-	23	23	-	-	-	-	-	-	-	-	-
	PL15 Infrastructure works: Guildford Commons	150	3	-	-	-	-	-	-	-	-	-	-	3	-	3
	PL15(a) Infrastructure works: Guildford Commons: Merrow	-	12	-	5	0	0	5	-	-	-	-	5	17	-	17
	PL15(b) Infrastructure works: Guildford Commons: Shalford	-	97	33	33	14	14	-	-	-	-	-	-	111	-	111
	PL20(a) Onslow Rec play area (COMPLETE)	174	165	-	9	8	8	-	-	-	-	-	-	173	-	173
	PL20(b) Westnye Gardens play area	125	10	110	115	108	108	-	-	-	-	-	-	118	(1)	117
	PL21 Stoke Park Tennis Courts refurbishment (COMPLETE)	90	85	-	5	4	4	-	-	-	-	-	-	89	-	89
	PL22 Stoke Park Paddling Pool (ph1&2) (COMPLETE)	423	418	-	5	-	-	-	-	-	-	-	-	418	-	418
	PL32 Stoke Park Bowls Club (COMPLETE)	102	112	-	(10)	-	-	-	-	-	-	-	-	112	(44)	68
	PL34 Stoke cemetery re-tarmac	47	-	47	47	-	-	47	-	-	-	-	47	47	-	47
	PL35 Woodbridge rd sportsground replace fencing	250	39	-	211	157	157	-	-	-	-	-	-	195	-	195
	PL36 Stoke Park Composting facility	105	-	105	105	-	-	105	-	-	-	-	105	105	-	105
	PL38 Chantry wood campsite	216	7	210	209	-	-	-	-	-	-	-	-	7	-	7
	PL41 Stoke pk office accommodation & storage buildings (Greenhouse)Complete	65	74	-	(9)	2	2	-	-	-	-	-	-	76	-	76
	PL42 Pre-sang costs	100	19	79	81	5	5	61	-	-	-	-	61	85	-	85
	PL43 Stoke Cemetery Chapel - phase 2(COMPLETE)	75	7	72	68	38	38	-	-	-	-	-	-	46	-	46
	PL46 Replace Stoke Park gardens attendant hut/Visitor information point (COMPLETE)	143	14	80	128	128	128	-	-	-	-	-	-	143	-	143
	PL47 Wall repairs for parks, cemeteries & recreation facilities(COMPLETE)	195	10	180	185	162	162	-	-	-	-	-	-	172	-	172
	PL48 Bellfields Community Centre - Subsidence	60	3	49	57	56	56	-	-	-	-	-	-	59	-	59
	PL50 Countryside fence replacement COMPLETE	97	64	47	33	33	33	-	-	-	-	-	-	97	-	97
	PL52 Sutherland Memorial Park LED lighting for courts/football pitch (COMPLETE)	25	-	-	25	24	24	-	-	-	-	-	-	24	-	24
	PL53 New War Memorial	50	16	-	34	45	45	-	-	-	-	-	-	60	-	60
ED18	Museum and castle development	1,652	3	349	449	185	185	180	1,020	-	-	-	1,200	1,388	-	1,388
PL57	Parks and Countryside - repairs and renewal of paths,roads and car parks	165	-	165	165	94	94	-	-	-	-	-	-	94	-	94
PL24	Kings college astro turf	547	-	120	547	76	76	-	-	-	-	-	-	76	(427)	(350)
PL58	Shalford Common - regularising car parking/reduction of encroachments	121	-	-	-	-	-	60	61	-	-	-	121	121	-	121
PL49	Resurface Lido Rd CP (COMPLETE)	40	-	40	40	40	40	-	-	-	-	-	-	40	-	40
Economic Development																
	Broadband for Surrey Hills	-	-	-	10	10	10	-	-	-	-	-	-	10	-	10
ENVIRONMENT TOTAL DIRECTORATE		16,727	9,649	2,628	4,428	1,765	1,765	1,783	1,081	-	-	-	2,835	14,253	(561)	13,691
FINANCE DIRECTORATE																
Financial Services																
FS1	Capital contingency fund	annual	-	5,000	2,775	-	-	5,000	5,000	5,000	5,000	5,000	25,000	25,000	-	25,000

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

Ref	Directorate/Service and Capital Scheme name	Approved gross estimate	Cumulative spend at 31-03-18	2018-19				2019-20 Est for year	2020-21 Est for year	2021-22 Est for year	2022-23 Est for year	2023-24 Est for year	Future years est exp	Projected expenditure total	Grants / Contributions towards cost of scheme	Net cost of scheme
				Estimate approved by Council in February	Revised estimate	Expenditure at 16.04.19	Projected exp est by project officer									
RESOURCES DIRECTORATE TOTAL		0	0	5,000	2,775	0	0	5,000	5,000	5,000	5,000	5,000	25,000	25,000	0	25,000
DEVELOPMENT/INCOME GENERATING/COST REDUCTION PROJECTS																
COMMUNITY DIRECTORATE																
ED25	Guildford Park - new MSCP and infrastructure works	6,500	1,118	4,497	4,768	685	685	3,509	-	-	-	-	3,509	6,247	-	6,247
	Guildford Park - Housing for private sale		614			321	321									
	Investment in North Downs Housing (60%)	15,180	2,698	12,840	12,482	1,921	1,921	4,379	4,500	1,682	-	-	10,561	15,180	-	15,180
	Equity shares in Guildford Holdings Ltd (40%)	10,120	1,803	8,560	8,317	1,280	1,280	2,920	3,000	1,117	-	-	7,037	10,120	-	10,120
ED49	Middleton Ind Est Redevelopment	3,850	36	1,637	1,801	219	219	3,594	-	-	-	-	3,594	3,849	-	3,849
ENVIRONMENT DIRECTORATE																
P5	Walnut Bridge replacement	3,341	896	1,026	2,445	471	471	801	1,094	17	-	-	1,912	3,278	(1,630)	1,648
PL9	Rebuild Crematorium	11,732	560	10,335	5,000	3,913	3,913	7,259	-	-	-	-	7,259	11,731	-	11,731
PL25	Spectrum Combined Heat and Power (GF contr)	1,110	216	-	651	74	74	-	-	-	-	-	-	290	-	290
PL29	Woodbridge Rd sportsground	1,900	1,918	-	(18)	293	293	-	-	-	-	-	-	2,211	(746)	1,465
PLANNING & REGENERATION DIRECTORATE																
ED32	Internal Estate Road - CLLR Phase 1	11,139	1,173	4,339	4,966	1,119	1,119	6,500	-	-	-	-	6,500	8,792	(1,000)	7,793
P	ED6 Slyfield Area Regeneration Project (SARP)	15,225	1,252	900	1,632	1,962	1,962	5,670	700	5,641	-	-	12,011	15,225	-	15,225
	ED27 North Street Development / Guild Town Centre regeneration	977	721	337	256	20	20	-	-	-	-	-	741	(50)	691	
	P9c TCMP Sites U: Bedford Rd Wharf(COMPLETE)	15,576	-	-	1,400	15,576	15,576	-	-	-	-	-	15,576	-	15,576	
	P9c(a) Walnut Bridge Land Acquisition		9		491	369	369						379	-	379	
	P9c Town Centre Gateway Regeneration	3,523	11	-	(11)	33	33	3,479	-	-	-	-	3,479	3,522	-	3,522
	SMC(West) Phase 1	3,850		850	850	250	250	1,383	1,665				3,048	3,298	(2,725)	573
P16	A331 hotspots	3,930	-	300	300	147	147	2,230	1,400	-	-	-	3,630	3,777	(1,965)	1,812
P14	Town Centre Approaches	1,033	-	200	200	-	-	1,033	-	-	-	-	1,033	1,033	(700)	333
P12	Strategic property acquisitions -	830	-	-	830	831	831	-	-	-	-	-	-	831	-	831
P13	Strategic property acquisitions - 41 Moorfield Road	1,544	-	-	1,544	1,541	1,541	-	-	-	-	-	-	1,541	-	1,541
P20	Bedford Wharf Landscaping	150			150	1	1	149	-	-	-	-	149	150	-	150
P22	Ash Bridge Land acquisition	120			120	2	2						2			2
P21	Ash Road Bridge	3,460			600	646	646	2,814	-	-	-	-	2,814	3,460	(3,460)	(0)
DEVELOPMENT/INCOME GENERATING/COST REDUCTION		115,089	13,024	45,821	48,773	31,672	31,672	45,720	12,359	8,457	0	0	66,536	111,232	(12,276)	98,956
APPROVED SCHEMES TOTAL		136,926	25,425	55,332	59,496	35,234	35,234	54,777	19,438	14,282	5,825	5,825	100,068	160,712	(13,589)	147,123
non-development projects total		21,837	12,401	9,511	10,723	3,562	3,562	9,057	7,079	5,825	5,825	5,825	33,532	49,480	(1,313)	48,167

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

Ref	Code	Directorate / Service Units Capital Schemes	Gross estimate approved by Executive (a)	Cumulative spend at 31-03-18 (b)	2018-19		Expenditure at 16.04.19 (f)	Projected exp est by project officer (g)	2019-20 Est for year (i)	2020-21 Est for year (ii)	2021-22 Est for year (iii)	2022-23 Est for year (iv)	2023-24 Est for year (v)	Future years estimated expenditure (h)	Projected expenditure total (b) to (g)=(i)	Grants or Contributions towards cost of scheme (j)	Net total cost of scheme to the Council (i) - (j) = (k)
					Estimate approved by Council in February (c)	Revised estimate (e)											
			£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
PL51(p)		Stoke Park - Home Farm Redevelopment	4,000	-	-	-	-	-	-	-	-	-	4,000	4,000	4,000	-	4,000
PLANNING & REGENERATION DIRECTORATE																	
P	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	-	500	500	-	180	500	5,000	7,000	820	13,500	13,500	-	13,500	
	P7(P)	Transport schemes for future Local Growth Fund and other funding opportunities	4,000	-	4,000	-	-	-	-	-	-	-	-	-	-	-	
	P8(P)	Town centre transport infrastructure package	217	-	217	217	-	-	-	-	-	-	-	-	-	-	
	P10(p)	Sustainable Movement Corridor	6,045	-	-	-	-	-	-	-	6,045	-	6,045	6,045	-	6,045	
	P11(p)	Guildford West (PB) station	5,200	-	1,150	1,150	-	-	1,150	1,050	3,000	-	5,200	5,200	(3,750)	1,450	
	P12(p)	Strategic property acquisitions	31,747	-	-	-	-	4,647	13,300	13,800	-	-	31,747	31,747	-	31,747	
	P14(p)	Guildford Gyrotory & approaches	10,967	-	-	-	-	-	3,500	3,500	3,967	-	10,967	10,967	(5,000)	5,967	
	P15(p)	Guildford bike share	530	-	530	530	-	530	-	-	-	-	530	530	-	530	
	P17(p)	Bus station relocation	500	-	300	300	-	300	200	-	-	-	500	500	-	500	
	P18(p)	Student Housing	81,000	-	3,000	-	-	-	-	-	-	-	-	-	-	-	
	P19(p)	Access for all Ash Station funding	250	-	-	-	-	250	-	-	-	-	250	250	-	250	
	P20(p)	Bedford Wharf Landscaping	350	-	-	350	-	350	-	-	-	-	350	350	-	350	
	P21(p)	Ash Road Bridge	9,040	-	-	-	-	9,040	-	-	-	-	9,040	9,040	(9,040)	-	
DEVELOPMENT/INCOME GENERATING/COST REDUCTION PROJECTS TOTAL			320,301	-	28,322	21,672	-	-	19,677	70,922	56,992	82,673	4,820	235,084	235,084	(25,290)	209,794
PROVISIONAL SCHEMES - GRAND TOTALS			350,776	33	40,058	33,541	15	15	24,613	88,778	63,467	83,223	4,970	265,051	265,099	(25,369)	239,730
		non development projects	30,475	33	11,736	11,869	15	15	4,937	17,856	6,475	550	150	29,968	30,016	(79)	29,937

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

Item No.	Projects & Sources of Funding	Approved gross estimate	Cumulative spend at 31-03-18	2018-19			Projected exp est by project officer	2019-20 Est for year	2020-21 Est for year	2021-22 Est for year	2022-23 Est for year	2023-24 Est for year	Future years est exp	Projected expenditure total
				Estimate approved by Council in February	Revised estimate	Expenditure at 16.04.19								
		(a) £000	(b) £000	(c) £000	£000	(e) £000	(f) £000	(i) £000	(ii) £000	(iii) £000	(iv) £000	(v) £000	(g) £000	(b)+(g) = (h) £000
	COMMUNITY DIRECTORATE													
	ENERGY PROJECTS per SALIX RESERVE:(PR220)			-		-	-	-					-	-
R-EN10	LED Lighting replacement	80	49	-	19	-	-	193	-	-	-	-	193	242
	Lighting Spectrum	26			26	26	26							26
R-EN11	WRD energy reduction	70	-	-	70	-	-	70	-	-	-	-	70	70
	ENERGY PROJECTS per GBC INVEST TO SAVE RESERVE: <i>GBC 'Invest to Save' energy projects (to be repaid in line with savings)</i>			164	164	-	-	-					-	-
R-EN12	PV/energy efficiency projects	100	2	98	98	-	-	-	-	-	-	-	-	100
R-EN13	Park Barn Day Centre - air source heat pump COMPLETE	143	-	143	143	100	100	-	-	-	-	-	-	100
R-EN14	SMP - air source heat pump	28	-	28	28	-	-	28	-	-	-	-	28	28
R-EN15	Stoke Park Nursery - air source heat pump COMPLETE	17	-	17	17	9	9	-	-	-	-	-	-	9
	ENERGY RESERVES TOTAL	464	51	450	565	136	136	291	-	-	-	-	291	576
	CAPITAL SCHEMES RESERVE													
	Ash Manor Roof Works	80			80	78	78	-	-	-	-	-	-	78
	CAPITAL SCHEMES RESERVE	80	-	-	80	78	78	-	-	-	-	-	-	78
Page 64	BUDGET PRESSURES RESERVE													
	Future Guildford implementation team	2,600					-	1,000	1,600	-	-	-	2,600	2,600
	BUDGET PRESSURES RESERVE TOTAL	2,600	-	-	-	-	-	1,000	1,600	-	-	-	2,600	2,600
	FINANCE DIRECTORATE													
	INFORMATION TECHNOLOGY - IT Renewals Reserve (PR265) : approved annually													
	Hardware / software budget			1,034	1,425	-	-	527	500	500	500	-	2,027	2,027
R-IT1	Hardware	annual	annual	-	-	14	14	-	-	-	-	-	-	14
R-IT2	Software	annual	annual	-	-	299	299	-	-	-	-	-	-	299
	ICT infrastructure improvements	1,250		1,250	1,325	-	-	-	-	-	-	-	-	-
R-IT3	IDOX Acolaid to Uniform	275						275	-	-	-	-	275	275
R-IT4	LCTS alternative	56						6	50	-	-	-	56	56
R-IT5	Future Guildford ICT	1,200						1,200	-	-	-	-	1,200	1,200
	IT RENEWALS RESERVE TOTAL	2,781	-	2,284	2,750	313	313	2,008	550	500	500	-	3,558	3,871
	ENVIRONMENT DIRECTORATE													
	SPECTRUM RESERVE													
R-S14	Spectrum schemes (to be agreed with Freedom Leisure)	700	-	700	700	-	-	450	-	-	-	-	450	450
	Spectrum - Athletic Track					168	168							
	SPECTRUM RESERVE TOTAL	700	-	700	700	168	168	450	-	-	-	-	450	450
	CAR PARKS RESERVE													
R-CP1	Car parks - install/replace pay-on-foot equipment	1,170	240	15	345	-	-	930	-	-	-	-	930	1,170
	<u>Car Parks - Lighting & Electrical improvements:</u>													
R-CP13	- Castle, Farnham & York Rd Lighting	300	-	-	300	-	-	-	-	-	-	-	-	-
R-CP8	- Castle car park (PR000299) deck surfacing	325	-	325	325	144	144	175	-	-	-	-	175	319
R-CP10	- Bedford Road (PR000243) deck replacement	512	-	-	59	-	-	59	-	-	-	-	59	59
R-CP18	- Deck Millbrook car park	2,000	-	-	-	-	-	-	1,000	1,000	-	-	2,000	2,000
R-CP12	Replacement of collapsed retaining wall Bright Hill (Complete)	321	54	-	-	-	-	-	-	-	-	-	54	54
R-CP14	Lift replacement (PR000293)	841	68	187	399	141	141	426	187	-	-	-	613	822
R-CP16	Bright Hill Barrier essential works (PR000425)	80	2	-	78	-	-	-	-	-	-	-	-	2

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

Item No.	Projects & Sources of Funding	Approved gross estimate	Cumulative spend at 31-03-18	2018-19		Expenditure at 16.04.19	Projected exp est by project officer	2019-20 Est for year	2020-21 Est for year	2021-22 Est for year	2022-23 Est for year	2023-24 Est for year	Future years est exp	Projected expenditure total
				Estimate approved by Council in February	Revised estimate									
		(a) £000	(b) £000	(c) £000		(e) £000	(f) £000	(i) £000	(ii) £000	(iii) £000	(iv) £000	(v) £000	(g) £000	(b)+(g) = (h) £000
R-CP17	Leapale rd MSCP drainage (PR000433)	90	-	90	90	26	26	-	-	-	-	-	-	26
R-CP21	Tunsgate Car Park Lighting		48			-	-							48
R-CP19	Structural works to MSCP	300	-	200	200	-	-	245	-	-	-	-	245	245
R-CP20	MSCP- Deck surface replacement & barriers	593						593	-	-	-	-	593	593
	CAR PARKS RESERVE TOTAL	6,532	413	817	1,796	311	311	2,428	1,187	1,000	-	-	4,615	5,339
	SPA RESERVE :													
	SPA schemes (various)	100	annual	100	251	-	-	-	-	-	-	-	-	21
R-SPA1	Chantry Woods					-	-						-	
R-SPA2	Effingham					-	-						-	
R-SPA3	Lakeside					-	-						-	
R-SPA4	Riverside					21	21						-	
R-SPA5	Parsonage					-	-						-	
R-SPA7	Access tracks at Chantry Wood	60	-	-	60	-	-	-	-	-	-	-	-	-
	SPA RESERVE TOTAL	160	-	100	311	21	21	-	-	-	-	-	-	21
	GRAND TOTALS	13,318	464	4,351	6,201	1,026	1,026	6,177	3,337	1,500	500	-	11,514	12,935

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

Ref	Service Units / Capital Schemes	Approved gross estimate	Cumulative spend at 31-03-18	2018-19			Projected expenditure at 16.04.19	Projected expenditure by project officer	2019-20	2020-21	2021-22	2022-23	2023-24	Future years est exp	Projected expenditure total	Grants / Contributions towards cost of scheme	Net cost of scheme	Total net cost approved by Executive
				Estimate approved by Council in February	Revised estimate	Est for year			Est for year	Est for year	Est for year	Est for year	Est for year					
		(a)	(b)	(c)	(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	
APPROVED SCHEMES (fully funded from S106 contributions)																		
ENVIRONMENT DIRECTORATE																		
Operational Services																		
S-OP3	Hayden Place CCTV - P92310	35	12		23	-	0							35	(35)			
Parks and Leisure																		
S-PL7	Tilehouse Open Space - Playground Refurbishment & Fitness Equipment	132	102	-	30	-	0	-	-	-	-	-	-	102	(102)	-	-	
S-PL8	Baird Drive/Briars Playground Refurb	10	8	-	2	-	0	-	-	-	-	-	-	8	(8)	-	-	
S-PL17	Bushy Hill Facilities	27	16	-	11	-	0	-	-	-	-	-	-	16	(16)	-	-	
S-PL23	75-78 Woodbridge Rd (complete)	15	11	-	4	-	0	-	-	-	-	-	-	11	(11)	-	-	
S-PL29	Greening the approaches - roundabouts	40	5	-	35	-	0	-	-	-	-	-	-	5	(5)	-	-	
S-PL33	Installation of trampoline play equipment Pirbright	11	-	-	11	-	0	-	-	-	-	-	-	-	-	-	-	
S-PL36	Gunpowder mills - signage, access and woodland imps	36	17	-	19	-	0	-	-	-	-	-	-	17	(17)	-	-	
S-PL38	Chantry Wood Campsite	36		-			0	36	-	-	-	-	36	36	(36)	-	-	
S-PL47	Fir Tree Garden	28	-	-	28	-	0	-	-	-	-	-	-	-	-	-	-	
S-PL48	Stoke Park Trim Trail	23	22		1	-	0	-	-	-	-	-	-	22	(22)	-	-	
S-PL50	Stoke Park New Playground Entrance	13	6		7	7	7	-	-	-	-	-	-	13	(13)	-	-	
S-PL51	Pound Place Playarea	23			23	23	23							23	(23)	-	-	
S-PL52	Benches on Ripley Green	5			5	5	5							5	(5)	-	-	
S-PL53	WW1 Commemorative Orchard	14			14	14	14							14	(14)	-	-	
S-PL54	Shalford Swift Tower (Art)	7			7	2	2							2	(2)	-	-	
ENVIRONMENT DIRECTORATE TOTAL		418	199	-	218	50	50	36	-	-	-	-	36	273	(273)	-	-	
APPROVED SCHEMES continued (fully funded from S106 contributions)																		
COMMUNITY DIRECTORATE																		
S-P1	Haydon Place / Martyr Road	67	64	-	3	-	0	-	-	-	-	-	-	64	(64)	-	-	
S-P7	Woodbridge meadows	243	197	-	46	-	0	-	-	-	-	-	-	197	(197)	-	-	
S-P8	Woodbridge Hill environmental improvements	226	220	-	6	1	1	-	-	-	-	-	-	221	(221)	-	-	
S-P10	G Live Lighting and Signage York Road	32	23	-	9	-	0	-	-	-	-	-	-	23	(23)	-	-	
S-P11	G Live Bus stop/drop off point	11	4	-	7	-	0	-	-	-	-	-	-	4	(4)	-	-	
S-P12	Espom Rd/Boxgrove Road	150	87	-	63	-	0	-	-	-	-	-	-	87	(87)	-	-	
S-P14	Bridge Street Waymarking	5	1	-	4	-	0	-	-	-	-	-	-	1	(1)	-	-	
DEVELOPMENT DIRECTORATE TOTOAL		734	595	-	139	1	1	-	-	-	-	-	-	596	(596)	-	-	
APPROVED S106 SCHEMES TOTAL		1,152	794	-	357	51	51	36	-	-	-	-	36	869	(869)	-	-	

GENERAL FUND CAPITAL PROGRAMME : SUMMARY OF RESOURCES AND FINANCIAL IMPLICATIONS

1.0 AVAILABILITY OF RESOURCES - NOTES :

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

1.2 The actuals for 2017-18 have been audited.

1.3 Funding assumptions:

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

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

2.0 Capital receipts - Balances (T01001)

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Balance after funding capital expenditure as at 31 March

	2017-18 Actuals £000	2018-19 Budget £000	2018-19 Est Outturn £000	2019-20 Estimate £000	2020-21 Estimate £000	2021-22 Estimate £000	2022-23 Estimate £000	2023-24 Estimate £000
Balance as at 1 April	0	0	0	0	0	0	0	0
Add estimated usable receipts in year	496	5,290	3,695	1,200	0	4,000	11,200	55,067
Less applied re funding of capital schemes	(496)	(5,290)	(3,695)	(1,200)	0	(4,000)	(11,200)	(10,795)
Balance after funding capital expenditure as at 31 March	0	0	0	0	0	0	0	44,272

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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

Estimated capital expenditure

Main programme - approved

Main programme - provisional

s106

Reserves

GF Housing

Total estimated capital expenditure

To be funded by:

Capital receipts (*per 2.above*)

Contributions

R.C.C.O.:

Other reserves

Capital Schemes Reserve (*para.4 below*)

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

Total funding required

	2017-18 Actuals £000	2018-19 Budget £000	2018-19 Est Outturn £000	2019-20 Estimate £000	2020-21 Estimate £000	2021-22 Estimate £000	2022-23 Estimate £000	2023-24 Estimate £000
	12,627	55,332	35,234	54,777	19,438	14,282	5,825	5,825
	19	40,058	15	24,613	88,778	63,467	83,223	4,970
	90	0	51	36	0	0	0	0
	1,204	4,351	1,026	6,177	3,337	1,500	500	0
	0	0	0	0	0	0	0	0
Total estimated capital expenditure	13,940	99,741	36,326	85,603	111,553	79,249	89,548	10,795
To be funded by:								
Capital receipts (<i>per 2.above</i>)	(2,597)	(5,290)	(3,695)	(1,200)	0	(4,000)	(11,200)	(10,795)
Contributions	(1,966)	(5,465)	(2,517)	(19,560)	(4,500)	(5,500)	(5,500)	0
<u>R.C.C.O.:</u>								
Other reserves	(1,204)	(17,832)	(8,304)	(11,858)	(3,557)	(1,720)	(500)	0
Capital Schemes Reserve (<i>para.4 below</i>)	0	0	0	0	0	0	0	0
	(5,767)	(28,587)	(14,516)	(32,618)	(8,057)	(11,220)	(17,200)	(10,795)
Balance of funding to be met from (i) the Capital Reserve, and (ii) borrowing	(8,173)	(71,154)	(21,810)	(52,985)	(103,496)	(68,029)	(72,348)	0
Total funding required	(13,940)	(99,741)	(36,326)	(85,603)	(111,553)	(79,249)	(89,548)	(10,795)

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4.0 General Fund Capital Schemes Reserve (U01030)

Balance as at 1 April

Add: General Fund Revenue Budget variations

Contribution from revenue

Less: Applied re funding of capital programme

Balance after funding capital expenditure etc.as at 31 March

	2017-18 Actuals £000	2018-19 Budget £000	2018-19 Est Outturn £000	2019-20 Estimate £000	2020-21 Estimate £000	2021-22 Estimate £000	2022-23 Estimate £000	2023-24 Estimate £000
	1,400	0	1,641	0	0	0	0	0
	1,201	0	0	0	0	0	0	0
	40	0	0	0	0	0	0	0
	2,641	0	1,641	0	0	0	0	0
	(1,000)	0	(1,641)	0	0	0	0	0
Balance after funding capital expenditure etc.as at 31 March	1,641	0	0	0	0	0	0	0

Estimated shortfall at year-end to be funded from borrowing

	7,173	71,154	20,169	52,985	103,496	68,029	72,348	0
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Appendix 3

GENERAL FUND CAPITAL PROGRAMME : SUMMARY OF RESOURCES AND FINANCIAL IMPLICATIONS

2017-18 Actuals £000	2018-19 Budget £000	2018-19 Est Outturn £000	2019-20 Estimate £000	2020-21 Estimate £000	2021-22 Estimate £000	2022-23 Estimate £000	2023-24 Estimate £000
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)	14,861	13,361	12,760	5,461	0	0	0
Add: Estimated receipts in year	0	0	0	0	0	0	0
Less: Applied re Housing (General Fund) capital programme	0	0	0	0	0	0	0
Less: Applied re Housing company	(2,101)	(13,361)	(7,299)	(5,461)	0	0	0
	12,760	0	5,461	0	0	0	0
Less: Applied on regeneration schemes	0	0	0	0	0	0	0
Housing receipts - estimated balance in hand at year end	12,760	0	5,461	0	0	0	0

2017-18 Actuals £000	2018-19 Budget £000	2018-19 Est Outturn £000	2019-20 Estimate £000	2020-21 Estimate £000	2021-22 Estimate £000	2022-23 Estimate £000	2023-24 Estimate £000
5.1 Housing capital receipts (post 2013-14) - estimated availability/usage for Housing, Affordable Housing and Regeneration projects only (statutory (impact CFR))							
Balance as at 1 April (T01012)	2,938	2,428	422	0	0	0	0
Add: Estimated receipts in year	506	200	286	289	292	295	301
Less: Applied re Housing (General Fund) capital programme	0	(220)	0	(220)	(220)	(220)	(220)
Less: Applied re Housing Improvement programme	(3,022)	(475)	(708)	(69)	(72)	(75)	(81)
	422	1,933	0	0	0	0	0
Less: Applied on regeneration schemes	0	0	0	0	0	0	0
Housing receipts - estimated balance in hand	422	1,933	0	0	0	0	0

	Total £'000s								
6.1 Estimated annual borrowing requirement	7,173	71,154	20,169	52,985	103,496	68,029	72,348	0	317,027
Bids for funding (net)		0	0	0	0	0	0	0	0
Total estimated borrowing requirement if all bids on Appendix 1 approved		71,154	20,169	52,985	103,496	68,029	72,348	0	317,027

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GUILDFORD B.C. - HOUSING INVESTMENT PROGRAMME 2018-19 to 2023-24: HRA APPROVED PROGRAMME

	Project Budget £000	2017-18 Actual £000	Project Spend at 31-03-18 £000	2018-19 Estimate £000	Carry Forward	Expenditure as at 12/04/2019 £000	2018-19 Projected Outturn £000	2019-20 Estimate £000	2020-21 Estimate £000	2021-22 Estimate £000	2022-23 Estimate £000	2023-24 Estimate £000	Total Project Exp £000
Acquisition of Land & Buildings	10,700	202	400	2,800	300	519	519	0	1,800	1,800	1,800	1,800	8,120
New Build													
N30008 Lakeside Close, Ash	5,100	336	4,991	0		25	25	0	0	0	0	0	5,017
N30011 Guildford Park	75	615	640	0	(565)	341	341	0	0	0	0	0	982
N30012 Appletree pub site	3,200	131	555	2,476	169	2,209	2,209	338	0	0	0	0	3,102
N30013 Slyfield Green (Corporation Club)	2,448	523	2,376	200	(128)	0	0	0	0	0	0	0	2,376
N30014 Willow Way	1,000	773	773	300	(73)	179	179	0	0	0	0	0	952
Garage sites-	2,500	0	0	1,100	(158)		0	0	0	0	0	0	0
N30015 Pond Meadow		500	500			62	62						562
N30016 Rowan Close		544	544			4	4						549
N30017 Great Goodwin Drive		513	513			431	431						945
N30018 The Homestead	500	429	429	50	21	327	327	0	0	0	0	0	756
N30019 Fire Station/Ladymead	2,000	0	0	1,800	200	643	643	1,196	25	0	0	0	1,864
Bright Hill	500	0	0	475	25	0	0	0	0	0	0	0	0
Various small sites & feasibility/Site preparation	1,000	0	0	0		0	0	0	0	0	0	0	1,000
Pipeline projects	9,425					0	0	575	1,825	3,325	1,825	1,875	9,425
Redevelopment bid 13	533					0	0	533					533
Redevelopment bid 14	300					0	0	300					300
Schemes to promote Home-Ownership													
Equity Share Re-purchases	annual	99	annual	400		143	143	400	400	400	400	400	annual
Major Repairs & Improvements													
Retentions & minor carry forwards	annual	0	annual	30		0	0						annual
Kitchens & Bathrooms	annual	1,097	annual	1,025		1,253	1,253						annual
Doors and Windows	annual	203	annual	60	180	256	256						annual
Structural	annual	380	annual	1,475	225	545	545						annual
Energy efficiency: Central heating	annual	1,214	annual	1,155		1,101	1,101						annual
General	annual	1,040	annual	1,455	170	1,210	1,210						annual
Grants													
Cash Incentive Scheme	annual	0	annual	75		0	0						annual
TOTAL APPROVED SCHEMES	39,281	8,600	11,723	14,876	366	9,249	9,249	3,342	4,050	5,525	4,025	4,075	36,480

GUILDFORD B.C. - HOUSING INVESTMENT PROGRAMME 2018-19 to 2022-23: HRA PROVISIONAL PROGRAMME

	Project Budget	2017-18 Actual	Project Spend at	2018-19 Estimate	2018-19 Projected Outturn	2019-20 Estimate	2020-21 Estimate	2021-22 Estimate	2022-23 Estimate	2023-24 Estimate	Total Project Exp
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Acquisition of Land & Buildings	10,000	0	0	0	0	0	0	3,000	3,000	4,000	10,000
New Build											
Guildford Park	16,000	0	0	4,830	0	406	6,760	7,201	26	0	15,093
Bright Hill	3,000	0	0	3,000	0	0	1,500	1,480	0	0	2,980
Slyfield (25/26 £5m; 26/27 £44m)	1,000	0	0	0	0	0	0	0	1,000	0	1,000
Redevelopment bid 13							3,197	5,861	1,066	0	10,124
Redevelopment bid 14							1,000	1,500	500	0	3,000
Major Repairs & Improvements											
Major Repairs & Improvements	annual		annual			5,150	5,500	5,500	5,500	5,500	annual
Retentions & minor carry forwards	annual		annual								annual
Modern Homes: Kitchens and bathrooms	annual		annual								annual
Doors and Windows	annual		annual								annual
Structural	annual		annual								annual
Energy efficiency: Central heating	annual		annual								annual
General	annual		annual								annual
Grants											
Cash Incentive Scheme	annual		annual			75	75	75	75	75	annual
Total Expenditure to be financed	30,000	0	0	7,830	0	5,631	18,032	24,617	11,167	9,575	42,197

GUILDFORD B.C. - HOUSING INVESTMENT PROGRAMME 2018-19 to 2023-24: HRA RESOURCES AND FUNDING STATEMENT

	2017-18 Actual	2018-19 Estimate	2018-19 Projected Outturn	2019-20 Estimate	2020-21 Estimate	2021-22 Estimate	2022-23 Estimate	2023-24 Estimate
	£000	£000	£000	£000	£000	£000	£000	£000
EXPENDITURE								
Approved programme	8,600	14,876	9,249	3,342	4,050	5,525	4,025	4,075
Provisional programme	0	7,830	0	5,631	18,032	24,617	11,167	9,575
Total Expenditure	8,600	22,706	9,249	8,973	22,082	30,142	15,192	13,650
FINANCING OF PROGRAMME								
Capital Receipts	3,022	400	1,306	400	400	400	400	400
1-4-1 receipts	1,307	5,109	1,465	1,004	4,832	7,250	2,765	2,303
Contribution from Housing Revenue a/c (re cash incentives)	0	75	0	75	75	75	75	75
Future Capital Programme reserve	0	0	0	0	0	0	0	0
Major Repairs Reserve	3,934	5,200	4,395	5,150	5,500	5,500	5,500	5,500
New Build Reserve	0	11,922	2,084	2,344	11,275	16,917	6,452	5,373
Grants and Contributions	0	0	0	0	0	0	0	0
Total Financing (= Total Expenditure)	8,264	22,706	9,249	8,973	22,082	30,142	15,192	13,650

RESERVES - BALANCES

Reserve for Future Capital Programme (U01035)

	2017-18 Actual	2018-19 Estimate	2018-19 Projected Outturn	2019-20 Estimate	2020-21 Estimate	2021-22 Estimate	2022-23 Estimate	2023-24 Estimate
	£000	£000	£000	£000	£000	£000	£000	£000
Balance b/f	28,329	30,829	30,829	33,329	35,829	38,329	40,829	43,329
Contribution in year	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Used in year	0	0	0	0	0	0	0	0
Balance c/f	30,829	33,329	33,329	35,829	38,329	40,829	43,329	45,829

Major Repairs Reserve (U01036)

Balance b/f	6,396	8,277	7,991	9,235	9,614	9,614	9,614	9,614
Contribution in year	5,529	6,500	5,639	5,529	5,500	5,500	5,500	5,500
Used in Year	(3,934)	(5,200)	(4,395)	(5,150)	(5,500)	(5,500)	(5,500)	(5,500)
Balance c/f	7,991	9,577	9,235	9,614	9,614	9,614	9,614	9,614

New Build Reserve (U01069)

Balance b/f	37,356	43,496	44,919	50,826	56,724	53,854	45,511	47,805
Contribution in year	7,563	3,000	7,990	8,241	8,406	8,574	8,745	8,920
Used in Year	0	(11,922)	(2,083)	(2,344)	(11,275)	(16,917)	(6,452)	(5,373)
Balance c/f	44,919	34,574	50,826	56,724	53,854	45,511	47,805	51,353

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

Balance b/f	6,211	6,641	7,093	6,968	8,493	6,270	1,704	1,700
Contribution in year	2,189	1,221	1,340	2,529	2,609	2,684	2,762	2,841
Used in Year	(1,307)	(5,109)	(1,465)	(1,004)	(4,832)	(7,250)	(2,765)	(2,303)
Balance c/f	7,093	2,753	6,968	8,493	6,270	1,704	1,700	2,239

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	3,428	3,851	3,867	3,952	4,613	5,296	6,001	6,729
Contribution in year	439	664	85	661	683	705	728	752
Used in Year	0	0	0	0	0	0	0	0
Balance c/f	3,867	4,515	3,952	4,613	5,296	6,001	6,729	7,481

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	14,861	13,361	12,760	9,559	4,098	4,098	4,098	4,098
Contribution in year	0	0	0	0	0	0	0	0
Used in Year (HRA = above)	0	0	0	0	0	0	0	0
Used in Year (GF Housing Co)	(2,101)	(13,361)	(3,201)	(5,461)	0	0	0	0
Used in Year (GF Housing - DFG)	0	0	0	0	0	0	0	0
Balance c/f	12,760	0	9,559	4,098	4,098	4,098	4,098	4,098

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	2,938	2,428	422	0	0	0	0	0
Contribution in year	506	200	898	289	292	295	298	298
Used in Year (HRA = above)	(3,022)	(475)	(1,306)	(69)	(72)	(75)	(78)	(475)
Used in Year (GF Housing)	0	(220)	(14)	(220)	(220)	(220)	(220)	(220)
Balance c/f	422	1,933	0	0	0	0	0	(397)

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

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Schedule of investments at 31 March 2019

Counterparty	Principal £	Rate	Start	End
Fixed investments				
National Counties BS	1,000,000	0.9200%	18-Jan-19	26-Apr-19
LA - Thurrock Council	5,000,000	1.1000%	08-Mar-19	09-Sep-19
	6,000,000			
Long-term Covered bonds				
Santander UK plc	2,000,000	0.6560%	08-Jul-16	08-Jul-19
BMW Intl Investment (corp ur	2,300,000	0.4034%	10-Jul-18	17-Jul-19
Leeds BS	2,000,000	0.6131%	01-Oct-14	01-Oct-19
Coventry	2,000,000	0.5805%	17-Mar-15	17-Mar-20
Bank of Montreal	600,000	0.6480%	20-Jul-17	20-Jul-20
Bank of Montreal	1,400,000	0.4680%	20-Jul-17	20-Jul-20
National Australia Bank	2,000,000	1.1250%	10-Nov-16	10-Nov-21
Commonwealth Bank of Aust	2,000,000	1.1250%	18-Jan-17	22-Dec-21
CIBC	2,000,000	1.1220%	17-Jul-17	30-Jun-22
Santander UK plc	1,000,000	0.6750%	16-Nov-17	16-Nov-22
Barclays Bank UK PLC	1,000,000	0.5124%	23-Oct-18	09-Jan-23
Nationwide	850,000	0.4156%	12-Apr-18	12-Apr-23
United Overseas Bank	1,000,000	0.3092%	01-Feb-19	28-Feb-23
Santander UK plc	1,000,000	0.5402%	12-Feb-19	12-Feb-24
	21,150,000			
Long-term investments				
Highland Council (14/4/21)	5,000,000	1.5000%	16-Apr-18	14-Apr-19
Rugby Borough Council (15/4	2,000,000	1.5500%	15-Apr-16	15-Apr-19
Fife Council	5,000,000	1.7700%	07-Apr-15	07-Apr-20
Rugby BC	3,000,000	1.8000%	05-May-15	05-May-20
Staffordshire Moorlands	1,500,000	1.7800%	20-May-15	20-May-20
Croydon	5,000,000	1.0500%	02-May-18	05-May-20
Southern Housing Group Ltd	6,000,000	1.2100%	04-Feb-19	05-Aug-19
	27,500,000			

Agenda item number: 6
Appendix 4

Counterparty	Principal £	Rate	Start	End
Notice Accounts				
Barclays	3,000,000			
Goldman Sachs 95 day	5,000,000			
	8,000,000			
Revolving Credit Facility				
Network Homes	2,500,000			
One housing group	5,000,000			
	7,500,000			
Money market funds				
Aberdeen	6,750,000			
Amundi	616,000			
CCLA	1,854,000			
Federated	4,009,300			
	13,229,300			
Total internally managed	83,379,300			
Externally managed				
CCLA	6,948,750			
M&G	1,394,844			
Schroders	855,750			
UBS	2,312,027			
Funding Circle	511,106			
Total Externally managed	12,022,477			
Total investments	95,401,777			

Economic background – a commentary from Arlingclose

Economic background:

After spiking at over \$85/barrel in October 2018, oil prices fell back sharply by the end of the year, declining to just over \$50 in late December before steadily climbing toward \$70 in April 2019. UK Consumer Price Inflation (CPI) for February 2019 was up 1.9% year/year, just above the consensus forecast but broadly in line with the Bank of England's February Inflation Report. The most recent labour market data for the three months to January 2019 showed the unemployment rate fell to a new low 3.9% while the employment rate of 76.1% was the highest on record. The 3-month average annual growth rate for pay excluding bonuses was 3.4% as wages continue to rise steadily and provide some upward pressure on general inflation. Once adjusted for inflation, real wages were up 1.4%.

After rising to 0.6% in the third calendar quarter from 0.4% in the second, fourth quarter economic growth slowed to 0.2% as weaker expansion in production, construction and services dragged on overall activity. Annual GDP growth at 1.4% continues to remain below trend. Following the Bank of England's decision to increase Bank Rate to 0.75% in August, no changes to monetary policy have been made since.

The US Federal Reserve continued its tightening bias throughout 2018, pushing rates to the 2.25%-2.50% range in December. However, a recent softening in US data caused the Fed to signal a pause in hiking interest rates at the last Federal Open Market Committee (FOMC) meeting in March.

With the 29th March 2019, the original EU 'exit day' now been and gone, having failed to pass a number of meaningful votes in Parliament, including shooting down Theresa May's deal for the third time, MPs voted by a majority of one (313 to 312) to force the prime minister to ask for an extension to the Brexit process beyond 12th April in order to avoid a no-deal scenario. Recent talks between the Conservative and Labour parties to try to reach common ground on a deal which may pass a vote by MPs have yet to yield any positive results. The EU must grant any extension and its leaders have been clear that the terms of the deal are not up for further negotiation. The ongoing uncertainty continues to weigh on sterling and UK markets.

While the domestic focus has been on Brexit's potential impact on the UK economy, globally the first quarter of 2019 has been overshadowed by a gathering level of broader based economic uncertainty. The US continues to be set on a path of protectionist trade policies and tensions with China in particular, but with the potential for this to spill over into wider trade relationships, most notably with EU. The EU itself appeared to be show signs of a rapid slowdown in economic growth with the major engines of its economy, Germany and France, both suffering misfires from downturns in manufacturing alongside continued domestic/populist unrest in France. The International Monetary Fund downgraded its forecasts for global economic growth in 2019 and beyond as a consequence.

Financial markets:

December was a month to forget in terms of performance of riskier asset classes, most notably equities. The FTSE 100 (a good indicator of global corporate sentiment) returned - 8.8% assuming dividends were reinvested; in pure price terms it fell around 13%. However, since the beginning of 2019 markets have rallied, and the FTSE 100 and FTSE All share indices were both around 10% higher than at the end of 2018.

Gilt yields continued to display significant volatility over the period on the back of ongoing economic and political uncertainty in the UK and Europe. After rising in October, gilts regained their safe-haven status throughout December and into the new year - the 5-year benchmark gilt yield fell as low as 0.80% and there were similar falls in the 10-year and 20-year gilts over the same period dropping from 1.73% to 1.08% and from 1.90% to 1.55%. The increase in Bank Rate pushed up money markets rates over the year and 1-month, 3-month and 12-month LIBID (London Interbank Bid) rates averaged 0.53%, 0.67% and 0.94% respectively over the period.

Recent activity in the bond markets and PWLB interest rates highlight that weaker economic growth is not just a UK phenomenon but a global risk. During March the US yield curve inverted (10-year Treasury yields were lower than US 3 month money market rates) and German 10-year Bund yields turned negative. The drivers are a significant shift in global economic growth prospects and subsequent official interest rate expectations given its impact on inflation expectations. Further to this is world trade growth which collapsed at the end of 2018 falling by 1.8% year-on-year. A large proportion of this downturn in trade can be ascribed to the ongoing trade tensions between the US and China which despite some moderation in January does suggest that the International Monetary Fund's (IMF) and Organisation for Economic Co-Operation & Development's (OECD) forecasts for global growth in 2019 of 3.5% might need to be revised downwards.

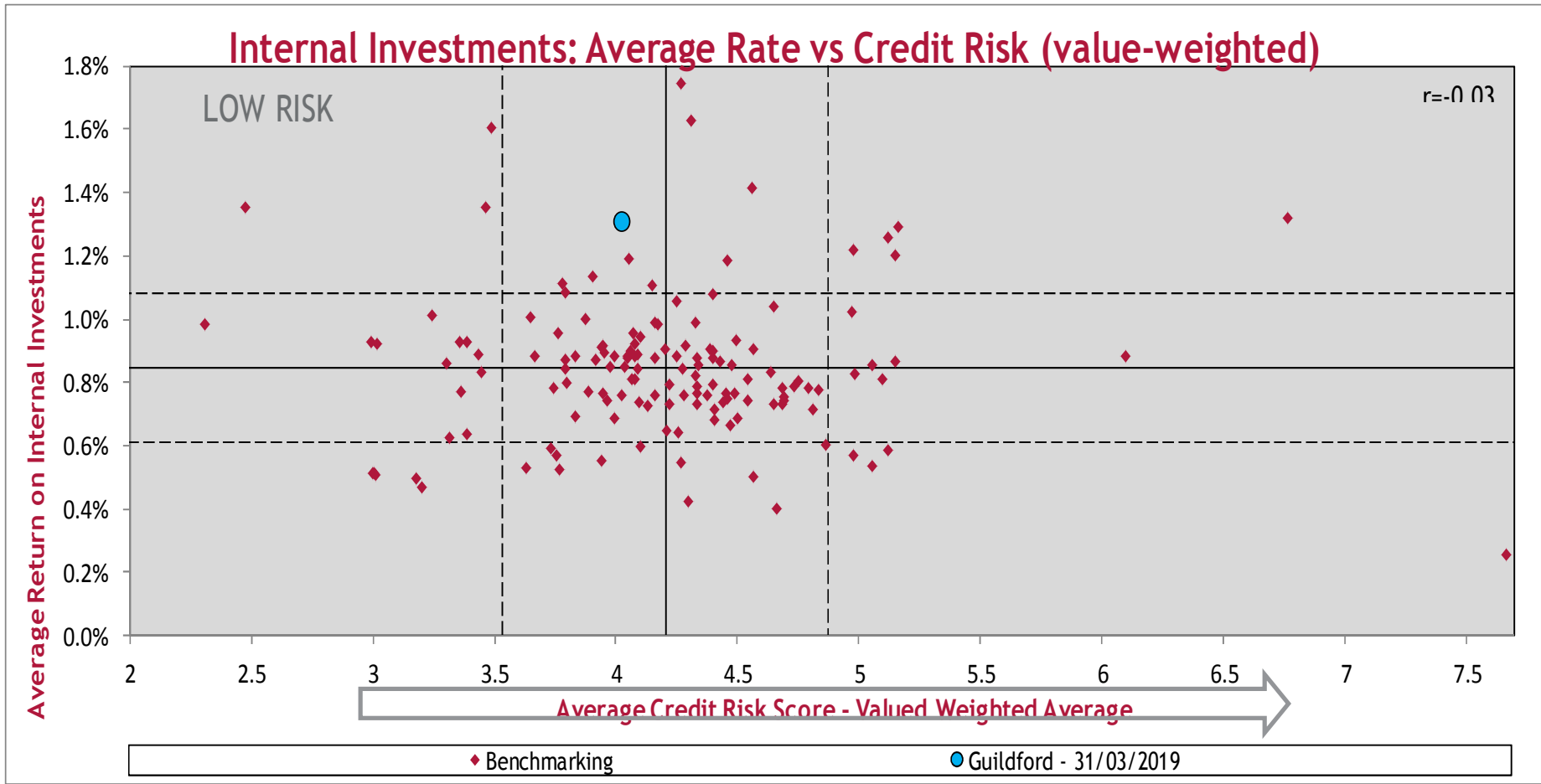
Credit background:

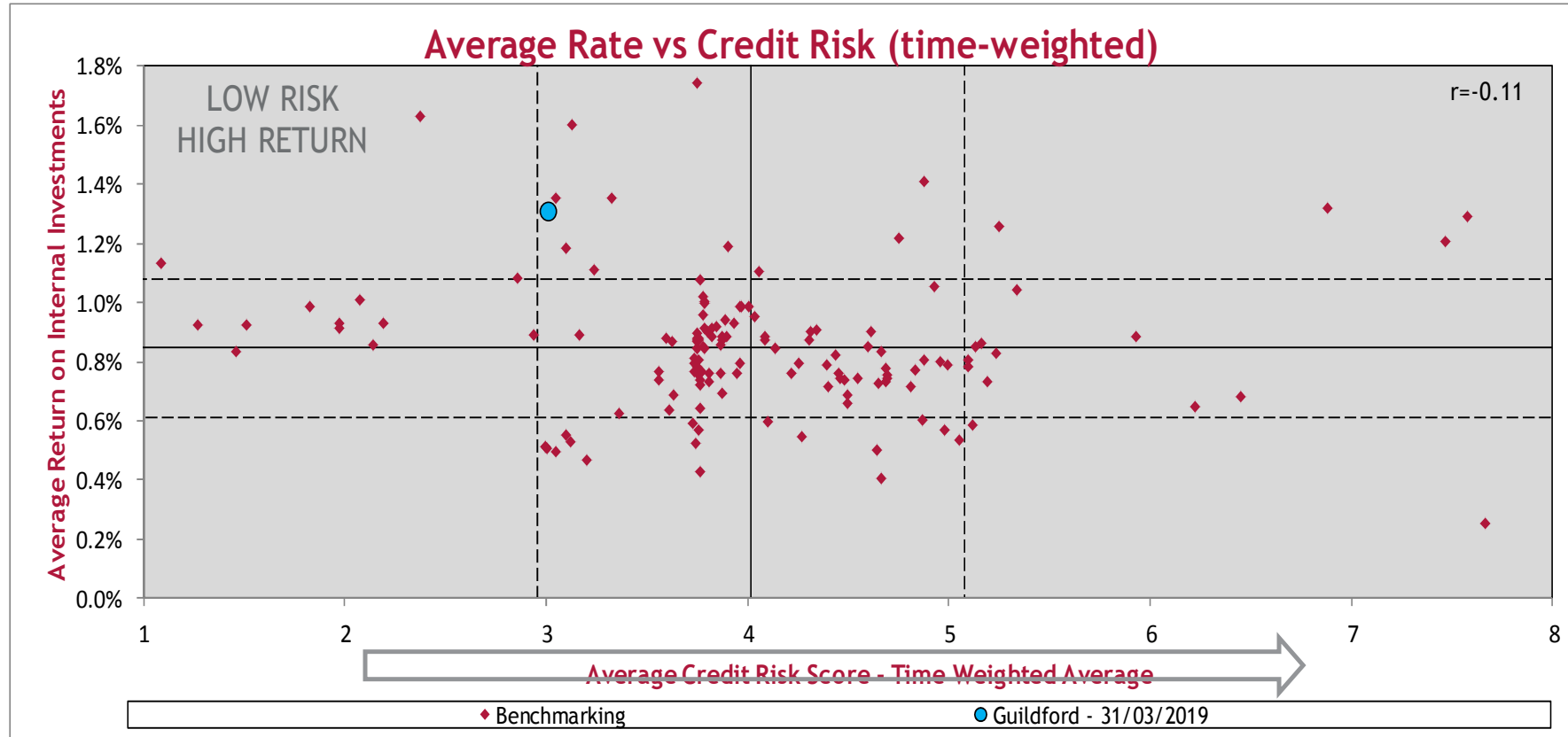
Credit Default Swap (CDS) spreads drifted up towards the end of 2018 on the back of Brexit uncertainty before declining again in 2019 and continuing to remain low in historical terms. After hitting around 129 basis points in December 2018, the spread on non-ringfenced bank NatWest Markets plc fell back to around 96bps at the end of March, while for the ringfenced entity, National Westminster Bank plc, the CDS spread held relatively steady around 40bps. The other main UK banks, as yet not separated into ringfenced and non-ringfenced from a CDS perspective, traded between 33 and 79bps at the end of the period.

The ringfencing of the big four UK banks (Barclays, Bank of Scotland/Lloyds, HSBC and RBS/Natwest Bank plc) transferred their business lines into retail (ringfenced) and investment banking (non-ringfenced) entities.

In February, Fitch put the UK AA sovereign long-term rating on Rating Watch Negative as a result of Brexit uncertainty, following this move with the same treatment for UK banks and a number of government-related entities.

There were minimal other credit rating changes during the period. Moody's revised the outlook on Santander UK to positive from stable to reflect the bank's expected issuance plans which will provide additional protection for the its senior unsecured debt and deposits.





Credit score analysis

Scoring:

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

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

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

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Credit Rating Equivalents and Definitions

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

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Background to externally managed funds

CCLA – The Local Authorities Property Fund

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

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

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

M&G Global Dividend Fund

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

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

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

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

Risk and reward profile



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

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

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

Schroder Income Maximiser Fund

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

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

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

UBS Multi-Asset Income Fund

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

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

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

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

Risk profile

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

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

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

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

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

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

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

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Glossary

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

Arlingclose – the Council's treasury management advisors

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

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

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

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

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

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

Bank Rate – the Bank of England base rate

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

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

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

to the risk of credit loss via a bail in should the regulator determine that the bank is failing or likely to fail.

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

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

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

CCLA – the local authority property investment fund

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

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

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

CLG – department of Communities and Local Government

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

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

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

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

Counterparty – the organisation the Council is investing with

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

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

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

Creditworthiness – a measure of the ability to meet debt obligations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Housing Grants – see Affordable Housing Grants

Illiquid – cannot be easily converted into cash

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

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

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

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

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

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

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

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

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

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

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

Money Market - the market in which institutions borrow and lend

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

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

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

Money Market Rates – interest rates on money market investments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sovereign – the countries the Council are able to invest in

Specified Investments - Specified investments are defined as:

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

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

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

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

SWAP Bid – a benchmark interest rate used by institutions

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

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

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

Treasurynet – the Council's cash management system

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

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

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

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

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Corporate Governance and Standards Committee

Ward(s) affected: All

Report of Chief Finance Officer

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Lead Councillor responsible: Joss Bigmore

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Email: joss.bigmore@guildford.gov.uk

Date: 13 June 2019

Revenue Outturn Report 2018-19

Executive Summary

General Fund (GF) Revenue Account

Overall, the outturn on the General Fund was £1,851,116 less than we originally budgeted, which reflects our continued sound financial management.

The report sets out the major reasons for the variance. At service level after adjustment for movements to and from reserve, the projected outturn is £168,000 higher than the latest estimate.

Our net income from interest receipts is £1,641,694 more than estimated and the minimum revenue provision (MRP) for debt repayment is £405,453 lower than estimated. The general fund summary is set out at **Appendix 1** and reasons for the major variances by service are set out in **Appendix 2** (which excludes depreciation and capital charges). The Chief Finance Officer, in consultation with the Leader of the Council and the Lead Councillor for Finance have used their delegated authority to transfer the underspend to the Invest to Save Reserve to support the transformation agenda.

Earmarked reserves

The closing balance on all the Council reserves are set out in **Appendix 3** together with the ongoing policy for each.

Collection Fund

2018-19 was the fourth year of the Business Rates Retention Scheme (BRRS) and it continues to cause volatility in the Council's accounts. The Business Rates balance on the Collection Fund is particularly susceptible to movements in the number and value of appeals that businesses have made against their rateable values. We have no control over these appeals, and have limited information from the Valuation Office to help us assess the potential impact.

The Collection Fund revenue account for the year is set out in **Appendix 4**. There is an overall deficit on the Collection fund of £4.9 million.

The outturn position has been included in the Statement of Accounts signed by the Chief Financial Officer on 31 May 2019 which will be subsequently audited by Grant Thornton. The Corporate Governance and Standards Committee will review the draft accounts at its meeting on 13 June and will review the audited accounts on 25 July.

Recommendation to Corporate Governance and Standards Committee

The Committee is asked to comment on the following recommendation to the Executive when this report is considered at its meeting on 18 June 2019:

“That the Executive notes the Council’s final outturn position and endorses the decisions, taken under delegated authority to transfer the amounts set out in Section 5 of the report to the relevant reserves”.

Reasons for Recommendation:

- To note the final outturn position and delegated decisions taken by the Chief Finance Officer, which have been, included within the statutory accounts the Chief Finance Officer signed at the end of May.
- To facilitate the on-going financial management of the Council.

1. Purpose of Report

- 1.1 This report gives the final position on the General Fund and the Collection Fund revenue accounts for the 2018-19 financial year. It explains the major variances from the General Fund revised estimate and reports how the available balance has been used.
- 1.2 The outturn position on the General Fund Capital Programme and the Housing Revenue Account has been included in separate reports within the agenda papers.

2. Strategic Priorities

- 2.1 Good financial management underpins the achievement of the Council’s strategic framework.

3. Background

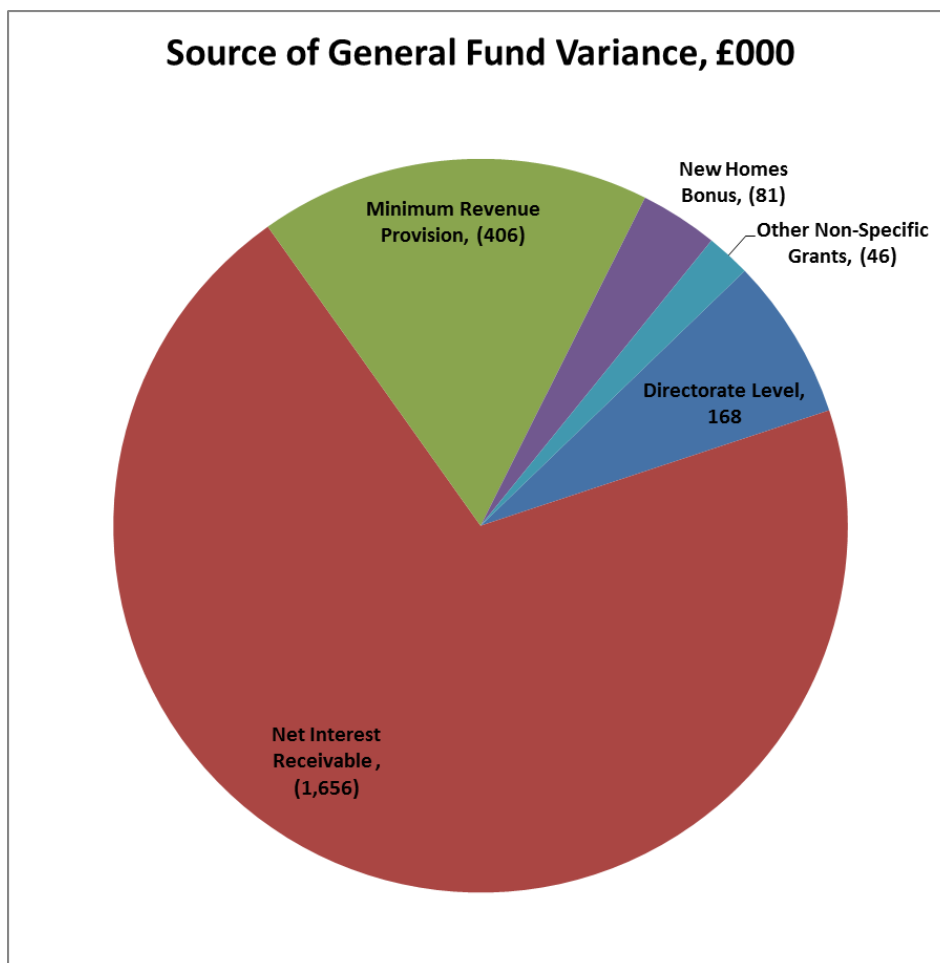
- 3.1 In accordance with the Accounts and Audit (England) Regulations 2015, the timetable for signing, approval and publication of the statement of accounts is as follows:
 - no later than 31 May the Chief Finance Officer (CFO) must sign and date the statement of accounts and certify that it presents a true and fair view
 - the audit will take place after 31 May and conclude before the final accounts are presented to councillors for approval
 - before completion of the audit, the accounts will be open for scrutiny by the public for 30 working days. The accounts will be open for inspection from 31 May 2019 to 12 July 2019 and we have published the dates on our website
 - the CFO must re-certify the statement of accounts prior to its approval by the Council or a committee

- no later than 31 July, the Council or a committee must consider and approve the statement of accounts, which are then signed by the person presiding at the meeting. The Corporate Governance and Standards Committee will be asked to consider and approve the audited accounts at its meeting on 25 July 2019.
 - we must publish the accounts by 31 July 2019.
- 3.2 This report sets out the final position on two revenue accounts – General Fund and Collection Fund.
- 3.3 Officers have included the impact of the final position in the statutory statement of accounts, which the CFO signed on 31 May 2019. Grant Thornton will do the external audit during June.

4. General Fund Revenue Account

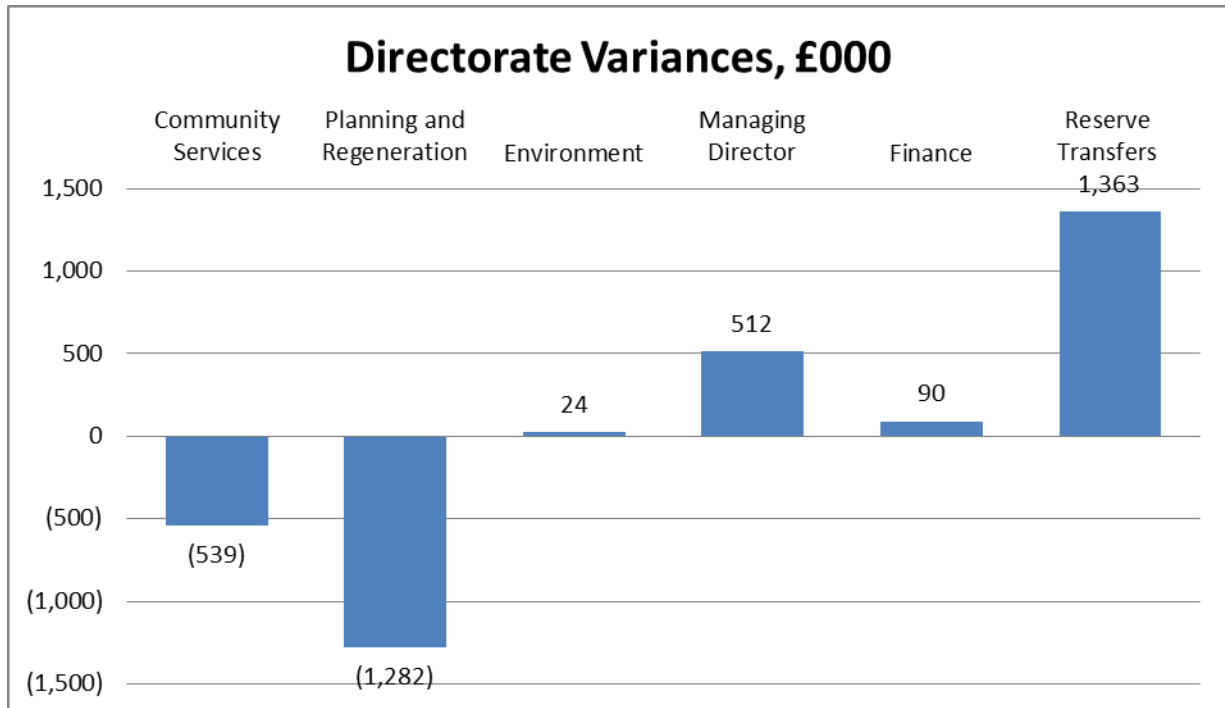
Summary of Outturn Position

- 4.1 The overall variance on the General Fund is net expenditure £1.85 million less than budget. This arises from four areas; the Directorates, external interest received, the Minimum Revenue Provision cost and non-specific government grants. This is set out in the chart below:



Directorates

4.2 The directorates are approximately £0.16 million over budget overall, which equates to around 1.7% of the relevant net budgeted revenue expenditure. However, there are significant differences in the position of each directorate, as shown in the chart below.



4.3 **Appendix 2** provides explanations of any service variances above £50,000 within each directorate.

4.4 We have also analysed the directorate variance by type of expenditure or income across all services and the following are the major differences:

Subjective Variance Summary	£000	Total £000
Increased expenditure		
increased utility and rates costs	293	
Increased payments to contractors & bought in services	329	
increased bad debt provisioning	984	
increased plant, equipment, miscellaneous and materials costs	367	
increased staffing costs, incl agency, casual, temporary staff and benefit accrual	211	
increased external legal advice costs	320	

		2,504
<i>Decreased expenditure</i>		
reduction in scanning costs	(179)	
reduction in backfunding of superannuation costs	(206)	
reduction in irrecoverable VAT costs incurred	(153)	
reduction in repair and maintenance programme costs	(475)	
inflation lower than anticipated	(119)	
		(1,132)
<i>Increased Income</i>		
income resulting from VAT refund	(252)	
increased Crematorium fee income	(648)	
increase in rental income	(210)	
increase in Housing Benefit overpayment recovery (net of payments to claimants)	(812)	
		(1,922)
<i>Decreased Income</i>		
reduction in off-street meter income	412	
reduction in sponsorship and miscellaneous income	331	
reduction in software licensing costs	(77)	
reduction in building control fees	52	
		718
TOTAL Directorate Variance by type of expenditure		168

Interest receivable

- 4.5 The weighted average interest rate achieved on our investment portfolio was 1.42% against budget, which was 1.61%. We had higher balances than we estimated when we set the budget and therefore net interest received (after paying interest on external loans) was £1,325,506 more than revised estimate. The higher balances come from having more cash than estimated at the start of the year and slippage in the 2018-19 capital programme
- 4.6 The General Fund pays interest to the Housing Revenue Account (HRA) on its balances. The increase paid in 2018-19 was £348,285 lower than budgeted and is a consequence of the application of a risk-free interest rate on HRA reserve balances reflecting the allocation of risk between the general fund and the HRA.
- 4.7 Overall, net interest received by the General Fund was £1,641,694 more than estimated (fair value adjustment)

Minimum Revenue Provision (MRP)

- 4.8 Minimum Revenue Provision is a charge to the revenue account for unfinanced capital expenditure. The 2018-19 budget was based on the estimated capital-financing requirement (CFR) at the end of the previous year (31 March 2018) and was £1,200,643 based on an estimated CFR of £93.8 million. The actual General Fund CFR at 31 March 2018 was £82.16 million, which generated a minimum revenue provision of £795,189 (£405,454 lower than the revised budget).

Transfers to reserves

- 4.9 The majority of transfers to and from reserves are opposite accounting entries to either Revenue Contributions to Capital Outlay (RCCO) or items within the service accounts (and therefore do not affect the overall position). The transfers that are not service related and affect the total net expenditure that were included in the 2018-19 budget are:
- Business Rates Equalisation reserve; increased contribution of £392,000 (see paragraph 4.17)
 - New Homes Bonus (NHB) reserve; in accordance with the Council's policy to transfer some of the new homes bonus grant received in the year to reserve, £200,000 was transferred to the reserve. The Council has also used £551,500 of the NHB reserve in year to pay for schemes detailed in paragraph 6.10.
- 4.10 We also contributed around £752,000 to the carry forward reserve for projects that were on going at the end of the financial year.
- 4.11 **Appendix 3** gives a full list of the balances on earmarked reserves and the purpose for which they were established.

Business Rates Retention Scheme (BRRS)

- 4.12 The Government introduced the Business Rates Retention Scheme (BRRS) from 1 April 2013 to replace the Formula Grant system of distributing grant to local authorities.
- 4.13 The scheme includes a baseline level of funding and allows the Council to keep an element of business rate income above the baseline. However if the business rate income is lower than the baseline, the Council bears the loss up to 7.5% of the baseline, after which there is a safety net payment. If estimated income were above the baseline, we would normally have to pay a levy of 50% of the additional income to the government.
- 4.14 However, for 2018-19 we were part of the Surrey business rates pilot, along with all the other Surrey District and Borough Councils and Surrey County Council. Being a business rates pilot area, meant that across the area we keep all of the additional income generated above the baseline funding level. The additional income will be distributed to each authority in line with the pilot agreement. The system is far more volatile than the old one (where the amount of grant was fixed and known in advance of the budget being set) and carries more risk for the Council.
- 4.15 When setting the budget we expected our business rate income to be higher than the baseline funding level and budgeted to receive a gain from being in the business rates pilot of £352,000. We also budgeted to contribute £2.5 million of business rates income to the business rates equalisation reserve. This is in line with our medium term financial strategy, to help mitigate the volatility in funding caused by the business rates scheme and the Council's redevelopment plans for the town centre.

- 4.16 When we set our 2018-19 budget, we projected the business rate income we would receive (£87.1 million of which the Council's 30% share is £26.1 million) and provided this estimate to the government in our NNDR 1 return. At the end of the year, we update the data based on actual income (£95.4 million of which the Council's share is £28.6 million) and inform the government in our NNDR 3 return.
- 4.17 The reason for the increase in business rates income between the estimated amount and the actual for 2018-19 is due to a significant decrease in the provision for appeals of £6.5 million. The provision is an allowance for reductions in business rates payable because of appeals made by the rate payer to the Valuation Office (VO) in 2018-19. Due to changes under the check challenge and appeal system, the number of appeals against the revaluation in 2017 have not been as we initially expected and so we have reduced our provision accordingly. The table below shows the difference between the actual and estimated income from business rates and the resulting impact on the levy payment:

<u>Business Rates Retention Final Summary</u>	2018-19 Budget	2018-19 Actual	2018-19 Variance
	£0	£0	£0
BRRS – tariff	22,269	22,269	0
BRRS – tariff adjustment from MHCLG	(476)	(476)	0
BRRS – surrey pilot gain	(352)	(973)	(621)
BRRS - equalisation reserve transfer	2,097	2,490	393
	23,539	23,310	(229)
BRates Collection fund deficit	53	53	0
BRRS - s31 grant	(1,413)	(1,184)	(229)
BRRS - retained income	(26,159)	(26,159)	0
BRRS - net position	(3,980)	(3,980)	0

The Council's current policy is to transfer its share of the levy or safety net payment to the business rates equalisation reserve to help smooth the volatility in income from business rates under the BRRS and to help us manage the fluctuations in our business rate income that will occur as we carry out our development plans for the town centre. .

S31 grant relating to Council Tax

- 4.18 The government has introduced a council tax discount for certain types of annexe and compensates us for the loss in income under s31 of the Local Government Act 2003. The amount of grant received in 2018-19 was £21,976 (£20,232 in 2017-18).

Overall Position

- 4.19 The overall position on the General Fund was £1.85 million lower net expenditure than originally budgeted.
- 4.20 The table below summarises the overall position on the General Fund. The figures exclude various accounting adjustment items such as capital charges, International Accounting Standard 19 (IAS 19) adjustments relating to Pension Funds, and other items that do not have any effect on the Council's net budget. The service unit figures include budgeted and actual contributions to service related earmarked reserves where appropriate.

	Revised Estimate	Actual Expenditure	Variance to revised Estimate
	2018-19 £000	2018-19 £000	2018-19 £000
Directorate Level Expenditure (excluding depreciation & capital charges. Major variances by directorate are explained in Appendix 2)	16,788	15,593	(1,195)
Transfers to reserves (included in Directorate expenditure)	(3,177)	(1,814)	1,363
Directorate Level Expenditure (excluding depreciation, capital charges and reserve transfers)	13,611	13,779	168
Net interest receivable (paragraph 4.5 to 4.7)	127	(1,359)	(1,486)
Minimum Revenue Provision (paragraph 4.8)	1,201	795	(406)
Business rates retention scheme - net position after transfer to business rates equalisation reserve (paragraph 4.12 to 4.11)	(3,980)	(3,980)	0
Revenue Support Grant	0	0	0
New Homes Bonus	(1,471)	(1,552)	(81)
Transition grant and s31 council tax grant		(46)	(46)
Collection Fund Council Tax (surplus) / Deficit	38	38	0
TOTAL net budget (excl parish precepts)	9,526	7,675	(1,851)

5. Treatment of available balance

- 5.1 The Chief Finance Officer, under delegated authority in consultation with the Leader of the Council and the Lead Councillor for Finance has utilised the balance available for the year of £1.85 million by making a transfer to the Invest to Save Reserve to support the delivery of the Future Guildford Transformation Programme.

6. Major earmarked reserves

- 6.1 The Code of Practice on Local Authority Accounting that controls the production of the Council's statutory accounts does not require us to include a complete list of the Council's Reserves and Balances in the Statement of Accounts. A complete list of earmarked reserves is detailed in **Appendix 3**.
- 6.2 All of these reserves have been set up for a specific purpose and the appendix shows the current policy related to each.
- 6.3 The reserves are cash backed and the accounts include the interest earned on the balances in the revenue account.
- 6.4 The following table and paragraphs summarise movements on the major reserves (those with an opening or closing balance of more than £1 million). All the balances quoted are before the transfers suggested in section five above.

	Balance at 31 March 2018 £000	Transfers In 2018-19 £000	Transfers Out 2018-19 £000	Balance at 31 March 2019 £000
General fund:				
Budget Pressures	2,058	-	129	1,929
Business Rates Equalisation	5,560	3,620	1,130	8,050
Capital Schemes	1,641	884	1,632	893
Car Parks Maintenance	4,618	935	848	4,705
Invest to Save	1,948	2,714	247	4,415
IT Renewals	2,101	761	1,658	1,204
New Homes Bonus	3,983	1,387	1,843	3,527
Park and Ride	1,650	-	-	1,650
Special Protection Area (SPA) Sites	5,400	818	24	6,194
Spectrum	1,624	182	168	1,638
Other earmarked reserves	11,157	2,435	3,528	10,064
Total	41,740	13,736	11,207	44,269

Budget pressures reserve

- 6.5 This reserve was set up as part of closing the 2014-15 accounts to help manage unforeseen expenditure pressure during the year. During the year, expenditure of £129,000 was financed, leaving a closing balance of £1.92 million. This reserve will support Future Guildford implementation team costs in 2019-20.

Business Rates Equalisation

- 6.6 We set up this reserve in 2013-14 to help accommodate the potential volatility of the BRRS and to mitigate the effects on our business rates income of any town centre redevelopment. In closing the accounts, we have used this reserve to accommodate the 2018-19 effects of the BRRS within the original budget (see paragraph 4.17).

Carried forward items (within other earmarked reserves)

- 6.7 This reserve, is shown as part of 'other reserves' and allows the budget for items that we have not completed in the year to be carried forward so they can be finalised in later years without affecting that years' budget. In 2018-19, the Council used £235,000 of the reserve relating to items carried forward at the end of 2017-18 and made a contribution of £752,000 to the reserve in respect of items unspent in 2018-19. The balance on the reserve as at 31 March 2019 is £1.88 million.

Car Parks Maintenance and Improvement

- 6.8 We used this reserve to fund repairs, maintenance and improvements in the Council's off street car parks. The Council approves its use annually as part of the Car Parks Business Plan.

Invest to Save Reserve

- 6.9 This reserve funds investment opportunities (that will allow us to achieve ongoing savings) and short term increases in revenue costs during periods of transition. We made a budgeted contribution of £250,000 and transferred £594,000 into this

reserve from the carry forward reserve. We financed revenue expenditure of £246,000 from the reserve, mainly relating to redundancy and pension fund strain costs resulting from service restructuring. The Chief Finance Officer, in consultation with the Leader of the Council and the Lead Councillor for Finance have used their delegated authority to transfer the 2018-19 underspend in full to the Invest to Save Reserve to support the transformation agenda.

New Homes Bonus

- 6.10 New Homes Bonus (NHB) is a general grant that we receive from the government. It is not ring fenced for any specific purpose and is financed nationally mainly by reductions in revenue support grant. We made a £200,000 budgeted contribution to reserve in 2018-19, and financed expenditure of £551,500 on Ash Road Bridge design, Slyfield internal access road, Bike share feasibility study, planning policy costs and the early feasibility work around the development of replacement for Spectrum in line with the Council's NHB policy. In addition, we transferred a further £104,900 from the reserve, which was budgeted to be spent on the same projects to the carry forward reserve as the feasibility studies were not complete by the year-end. The closing balance is £3.52 million of which £1.69 million is committed to infrastructure and regeneration projects. The Council's policy is to transfer any increase in NHB to reserve to fund specific short to medium term projects or capital projects as identified in the approved capital programme. The Council approved a New Homes Bonus Policy in February 2016, which informs the allocation of this grant during the budget setting process to specific projects each year.

Park and Ride

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

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

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

Spectrum

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

7. Collection Fund

- 7.1 Appendix 3 shows the final figures for the Collection Fund. Because of the introduction of the BRRS, we now show the transactions for Council Tax and National Non Domestic Rates (NNDR) separately.

National Non-Domestic Rates (NNDR) or Business Rates

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

- 7.3 The owner/occupier of a business property can appeal against the valuation of a property at any time. The Valuation Office Agency (VOA) deals with these appeals. Appeals made up to 31 March 2015 could be backdated to 1 April 2010. In 2017-18 the Council made a significant provision for appeals resulting from the revaluation of Business Rates in 2017 and a claim for backdated Mandatory relief from two NHS trusts. In 2018-19, the level of provision for business rates appeals has been reduced reflecting the number of appeals and the success rate. The position will remain under review.
- 7.4 The deficit on the Business Rates element of the Collection Fund has reduced by £8.4 million to £3.74 million at 31 March 2019. This deficit, adjusted for any difference between estimate and projected outturn in 2019-20, will feed into the General Fund, as a cost, in 2020-21. The use of the Business Rates Equalisation reserve enables us to manage the impact of these in-year movements.
- 7.5 The collection rate for the 2017-18 financial year was 99.40% at 31 March 2019 (99.38% for 2017-18).

Council Tax

- 7.6 The Local Council Tax Support Scheme (LCTSS), introduced by the government in 2013-14, continues to make it more difficult for us to estimate our Council Tax income. Some people who had previously received housing benefit now receive a reduction in their Council Tax instead and some now pay at least some Council Tax where they did not under the Housing Benefit system. These reliefs can change throughout the year as people move in and out of employment.
- 7.7 The final figure for Council Tax receivable was lower than the original estimate due to increased discounts and exemptions, resulting in a £465,000 reduction in the collection fund position to leave a closing deficit balance of £1,178,000.
- 7.8 The collection rate for the 2018-19 financial year was 98.90% at 31 March 2019 (99.11% for 2017-18).

Balance on Collection Fund

- 7.9 The overall balance carried forward on the Collection Fund Revenue Account, is a deficit of £4.91 million. This is made up of a deficit balance of £3.74 million in relation to Business Rates and a deficit of £1.17 in relation to Council Tax. The deficit is shared between the relevant major preceptors and Central Government (Business Rates only) as part of setting the 2020-21 budget.

8. Consultations

- 8.1 Officers have consulted the Lead Councillor for Finance about the recommendations in this report.

9. Executive Advisory Board comment

- 9.1 Because of the tight timescale set down in legislation for the preparation and approval of the accounts it is not possible for the Executive Advisory Board to consider this report prior to the Executive.

10. Equality and Diversity implications

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

11. Financial implications

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

12. Legal implications

- 12.1 The Accounts and Audit (England) Regulations 2015 state that the Council must prepare, in accordance with proper practices in relation to accounts, a statement of accounts for each year, which must include such of the following accounting statements as are relevant to the functions of the relevant body:
- Housing Revenue Account
 - Collection Fund
 - any other statements relating to each and every other fund in relation to which the body is required by any statutory provision to keep a separate account
- 12.2 The proper practice referred to above is the Code of Practice on Local Authority Accounting in the United Kingdom: a Statement of Recommended Practice (the Code).
- 12.3 The Code is based on International Financial Reporting Standards (IFRSs) and has been developed by the CIPFA/Local Authority Scotland Accounts Advisory Committee (LASAAC) Code Board under the oversight of the Financial Reporting Advisory Board (FRAB). It constitutes a proper accounting practice under the terms of section 21(2) of the Local Government Act 2003.
- 12.4 The Chief Finance Officer will sign the Statement of Accounts before 31 May. Our external auditors, Grant Thornton will then audit the accounts before we present them to the Corporate Governance and Standards Committee for consideration and approval on 25 July 2019. Specifically the role of the Committee is to “review the annual statement of accounts with specific emphasis on whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council”.
- 12.5 The Accounts and Audit (England) Regulations 2015 require the Chief Financial Officer to re-certify the accounts before approval and for the person presiding at the meeting (i.e. the chairman of Corporate Governance and Standards Committee) to sign and date them after approval. We must then publish the Statement of Accounts, together with any certificate, opinion or report issued by the external auditor.

13. Human Resource Implications

- 13.1 There are no human resources implications.

14. Summary of Options

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

15. Conclusion

- 15.1 2018-19 has been a year of continuing change for the Council and it is pleasing that we have maintained our strong record of financial management throughout.

16. Background Papers

Budget Book 2018-19

Accounts and Audit (England) Regulations 2015

17. Appendices

Appendix 1: General Fund Summary

Appendix 2: General Fund Variances by Service

Appendix 3: List of earmarked reserve balances

Appendix 4: Collection Fund Revenue Account

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Actual 2017-18 £	GENERAL FUND SUMMARY (DRAFT)	Original Estimate 2018-19 £	Latest Estimate 2018-19 £	Draft Actual 2018-19 £
5,730,610	Community Services	6,566,430	(302,541)	(13,789,834.16)
3,660,491	Corporate	4,182,470	0	0.00
(64,620)	Planning and Regeneration	(940,790)	7,660,064	10,426,129.08
10,228,910	Environment	12,541,840	12,897,967	13,240,650.33
(152,784)	Managing Director	(720,960)	395,525	891,013.64
1,683,406	Finance	4,265,080	7,759,200	7,666,719.67
21,086,013	Total Directorate Level	25,894,070	28,410,215	18,434,678.56
(11,858,453)	Depreciation (contra to Service Unit Budgets)	(11,622,280)	(11,622,280)	(2,842,029.13)
9,227,560	Directorate Level excluding depreciation	14,271,790	16,787,935	15,592,649.43
(1,594,679)	External interest receivable (net)	(677,696)	(677,696)	(1,985,098.43)
384,198	Interest payable to Housing Revenue Account	804,490	804,490	456,205.92
573,852	Minimum Revenue Provision	1,200,643	1,200,643	795,189.56
(18,174)	Revenue income from sale of assets	0	0	(27,056.00)
	Fair value interest adjustment			170,000.00
	Revenue Contributions to Capital Outlay (RCCO)			
1,000,000	Met from: Capital Schemes reserve	0	0	1,641,466.79
1,204,102	Other reserves	862,000	862,000	2,479,854.24
0	General Fund	0	0	95,750.00
10,776,859	Total before transfers to and from reserves	16,461,227	18,977,372	19,218,961.51
	Transfers to and from reserves			
	Capital Schemes reserve			
(1,000,000)	Funding of Revenue Contribution to Capital Outlay	0	0	(1,641,466.79)
120,000	Contribution in year	0	0	0.00
(733,838)	Budget Pressures reserve	(975,227)	(975,227)	(129,227.00)
2,499,270	Business Rates Equalisation reserve	2,097,217	2,097,217	2,490,051.63
250,532	Car Park Maintenance reserve	(999,580)	(999,580)	87,375.75
32,500	Election Costs reserve	62,500	62,500	62,500.00
12,138	Insurance reserve	(5,630)	(5,630)	11,277.69
48,007	IT Renewals reserve	227,880	227,880	(896,801.90)
(285,948)	Invest to Save reserve	155,450	155,450	3,239.76
(193,496)	Local Authority Business Growth Incentive reserve	0	0	0.00
37,815	New Homes Bonus reserve	(269,969)	(269,969)	(351,437.80)
0	Energy Management reserve	0	0	(68,644)
55,613	On Street Parking reserve	46,190	46,190	(169,709.09)
1,577,983	Pensions Reserve (Statutory)	0	0	(4,522,770.66)
0	Recycling reserve	0	0	(300,000.00)
(65,050)	Spectrum reserve	181,510	181,510	13,339.57
2,180,826	Carry Forward Items	0	(2,516,145)	398,488.47
1,884,897	Other reserves	(215,630)	(215,630)	1,148,317.55
17,198,108	Total after transfers to and from reserves	16,765,938	16,765,938	15,353,494.86
	Business Rates Retention Scheme payments			
29,737,627	Business Rates tariff payment	22,269,018	22,269,018	22,269,018.00
(475,758)	Business Rates levy payment to Surrey - Croydon Pool	0	0	0.00
0	Business Rates - tariff adjustment from MHCLG	(475,774)	(475,774)	(475,774.00)
0	Business Rates - Surrey pilot gain	(351,982)	(351,982)	(973,269.00)
	Non specific government grants			
(1,183,169)	s31 grant re BRR scheme	(1,413,309)	(1,413,309)	(1,184,856.55)
(20,232)	s31 grant re council tax	0	0	(21,976.00)
(101,789)	Transition grant	0	0	0.00
(20,103)	New Burdens grant	0	0	(23,862.00)
(2,075,466)	New Homes Bonus grant	(1,200,586)	(1,200,586)	(1,200,586.00)
43,059,218	GUILDFORD BOROUGH COUNCIL NET BUDGET	35,593,305	35,593,305	33,742,189.31
1,576,106	Parish Council Precepts	1,631,985	1,631,985	1,631,985.00
44,635,324	TOTAL NET BUDGET	37,225,290	37,225,290	35,374,174.31
(35,250,674)	Business Rates - retained income	(26,159,016)	(26,159,016)	(26,159,015.70)
(319,407)	Revenue support grant	0	0	0.00
654,015	Collection Fund Deficit/(Surplus) - Business Rates	52,958	52,958	52,958.00
(120,602)	Collection Fund Deficit/(Surplus) - Council Tax	38,032	38,032	38,031.58
9,598,656	COUNCIL TAX REQUIREMENT	11,157,264	11,157,264	9,306,148.19
	Projected (under)/over spend			(1,851,116.19)

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CC Level 4	CC Level 5	CC Level 6	CC Level 6 Description	2018-19 Revised Budget (£)	2018-19 Actual (£)	2018-19 Net Revised Budget Variance (£)	2018-19 Actual to Revised Budget Variance (£)	Comments
COMDIR	COMDMN	CARSIT	GYPSY AND TRAVELLER SITES	-39,960	-104,257	-64,297		Vacant post £26,820 plus additional income from electricity recharged, Surrey County Council admin fee and site rent £44,400.
COMDIR	COMDMN	SAFGUI	COMMUNITY WELLBEING	401,030	287,664	-113,366		Reduction in staff costs due to service review
COMDIR	COPSMN	CORPRO	CORPORATE PROPERTY SERVICES	769,407	202,476	-566,931		Employee costs are £52k below budget due to vacancies partly covered by temporary staff. The two surveyors are now permanent employees. The £546k saving in planned maintenance is due to delays in consents and the procurement process. £132k of carry forwards has been requested.
COMDIR	COPSMN	INDEST	INDUSTRIAL ESTATES	-2,903,078	-3,098,019	-194,941		Income ahead of budget £114k with income generated from the acquisition of the head lease for 41 Moorfield Rd offsetting the loss of 11 Middleton which is subject to planned redevelopment. Cost savings in relation to planned project costs £74k carry forward applied for.
COMDIR	COPSMN	INVPRO	Investment Property	-5,239,400	-4,988,700	250,700		Business Rates and Utility costs associated with void units account for £68k. The balance is income shortfall relating to voids specifically in relation to the Billings with no voids or rent free periods allowed for in the budget. Savings in premises costs are due to lower emissions monitoring costs and grounds maintenance payments.
COMDIR	COPSMN	OTHPRO	Other Property	-209,020	-433,425	-224,405		Income generated from acquisition of Bedford Road Odeon and Old Orleans less Business Rates for unoccupied Old Orleans and maintenance costs. £69k of consultants fees have not been used and are subject to a carry forward request.
COMDIR	HADVMN	FAMSUP	SURREY FAMILY SUPPORT PROG	239,850	197,908	-41,942		An increase in Discretionary Housing Payments, general grants and furniture required to support families.
COMDIR	HADVMN	HOMLES	HOMELESSNESS	852,480	365,472	-487,008		Department for Communities and Local Government Grants are not included in the budget process
COMDIR	HADVMN	HOUADV	HOUSING ADVICE	300,000	337,766	37,766		Increase in charges allocated for 2018-19 budget will be corrected for future years
COMDIR	HADVMN	HOUASS	AFFORDABLE HOUSING DEVELOPMENT	174,610	132,123	-42,487		Vacant posts during 2018-19
COMDIR	HECOMN	CITADV	CITIZENS ADVICE BUREAU	285,190	285,185	-5	n/a	
COMDIR	HECOMN	CIVEMS	CIVIL EMERGENCIES	62,120	56,427	-5,693	n/a	
COMDIR	HECOMN	COMSER	COMMUNITY SERVICES	0	0	0	n/a	
COMDIR	HECOMN	DAYSER	DAY SERVICES	511,400	503,758	-7,642	n/a	
COMDIR	HECOMN	EMECOM	CARELINE SERVICE	-36,840	-76,961	-40,121		Higher than anticipated income from Monitoring Lease Charges
COMDIR	HECOMN	EMISER	EMI SERVICES	139,970	156,745	16,775	n/a	
COMDIR	HECOMN	ENVHEA	ENVIRONMENTAL CONTROL	476,110	475,700	-410	n/a	
COMDIR	HECOMN	FOODSF	FOOD AND SAFETY SERVICES	416,520	378,241	-38,279		Vacant post within the service has resulted in a saving to the service
COMDIR	HECOMN	G2525	CORPORATE HEALTH & SAFETY	-3,210	-2,889	321	n/a	
COMDIR	HECOMN	GRANTH	GRANTS TO VOLUNTARY ORGS: H&C	539,779	482,150	-57,629		The agreed carry forward from 2017-18 has not been used in 2018-19.
COMDIR	HECOMN	LICENS	LICENSING SERVICES	129,530	125,990	-3,540	n/a	
COMDIR	HECOMN	MOWTPT	COMMUNITY MEALS & TPT	664,060	596,525	-67,535		Employee related savings due to vacancies £19k and transport pool hire savings £17k. The Community Transport Scheme grant has been received from SCC although the budget was held centrally £36k. Refreshment and other sales are lower than targets by £25k.
COMDIR	HECOMN	PESCON	PEST CONTROL	11,170	14,103	2,933	n/a	
COMDIR	HECOMN	PRIHOU	PRIVATE SECTOR HOUSING	425,170	307,204	-117,966		Additional income from " Houses in Multiple Occupation" due to new laws, Joint Handy Person scheme in place with 5 other Councils and Occupational Therapists income offset by an increase in salary costs.
COMDIR	HECOMN	PUBHEA	PUBLIC HEALTH	91,150	86,513	-4,637	n/a	
COMDIR	HECOMN	TAXLIC	TAXI LICENSING	53,536	46,592	-6,944	n/a	
COMDIR	HOHRMN	OSHRA	HOUSING OUTSIDE THE HRA	-19,320	-21,457	-2,137	n/a	
COMDIR	HOMFMN	HOMFAR	HOME FARM, EFFINGHAM	103,805	-5,956	-109,761		Carry forward from 2017-18 for site maintenance not used within 2018-19.
COMDIR	OFFSMN	OFFSVC	OFFICE SERVICES TEAM	-196,010	-93,652	102,358		Increase in Asset Development recharges £16,520, plus the target for income generated from the lease of office space in Millmead House to external organisations was not fully met £63,000. Plus changes to the service from end of year adjustments to support service recharges.
COMDIR	PROASP	PROASP	PROJECT ASPIRE	0	26,888	0		The Project Aspire Community Grants Scheme offers funding for community projects and initiatives that benefit local residents - this is fully funded from reserves.
COMDIR	PROPMN	BUIMAI	BUILDING MAINTENANCE	2,580	51,642	49,062		Significant increase in workload in 2018-19 with limited resources resulted in overspend on accounts such as Payments to contractors, materials used by them as well as agency staff backfilling vacant posts throughout the year.
COMDIR	PROPMN	G6525	HOUSING SURVEYING SERVICES	-1,570	-1,568	2	n/a	
COMDIR	PROPMN	WRDSTO	DEPOT STORES	-700	-299	401	n/a	

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ENVDIR	BUSOMN	WRD	WOKING ROAD DEPOT	-41,690	39,909	81,599	Greater expenditure on R & M , drainage and brickwork than budgeted
ENVDIR	BUSOMN	WSOH	OPERATIONAL SERVS OVERHEAD AC	-42,910	-42,907	3	n/a
ENVDIR	ELECMN	ELECTR	ELECTRIC THEATRE	0	-67	-67	n/a
ENVDIR	ENTNMN	CCTV	TOWN CENTRE CCTV SYSTEM	99,320	100,302	982	n/a
ENVDIR	ENTNMN	G5538	ENGINEERING AND TRANS SERVICES	750	752	2	n/a
ENVDIR	ENTNMN	LANDRA	LAND DRAINAGE	361,480	198,511	-162,969	Expenditure on drainage works was less than anticipated and consequently the engineering recharge.
ENVDIR	ENTNMN	OSMAP	ORDNANCE SURVEY & MAPPING SER	14,370	8,602	-5,768	n/a
ENVDIR	ENTNMN	PARRID	PARK & RIDE SERVICES	632,330	674,088	41,758	When budgets were set it was assumed that the weekend bus service at the Spectrum would be reduced but this has not been the case
ENVDIR	ENTNMN	RIVCON	RIVER CONTROL	39,620	24,081	-15,539	n/a
ENVDIR	ENTNMN	ROAFOO	ROADS & FOOTPATHS MAINTENANCE	98,080	102,870	4,790	n/a
ENVDIR	ENTNMN	SNOICE	SNOW & ICE PLAN	9,480	544	-8,936	n/a
ENVDIR	ENTNMN	STRFUR	STREET FURNITURE	89,740	80,568	-9,172	n/a
ENVDIR	ENTNMN	TRANSP	TRANSPORTATION	14,380	20,603	6,223	n/a
ENVDIR	FLWAMN	ABACAR	ABANDONED CARS	39,010	37,561	-1,449	n/a
ENVDIR	FLWAMN	ARMDAY	ARMED FORCES DAY	0	0	0	n/a
ENVDIR	FLWAMN	CLINWA	CLINICAL WASTE	3,680	7,715	4,035	n/a
ENVDIR	FLWAMN	DOGCON	DOG CONTROL	0	0	0	n/a
ENVDIR	FLWAMN	FLEMAN	FLEET MANAGEMENT	-1,583,270	-1,588,441	-5,171	The insurance recovered amount will be transferred out of revenue so the true variance is £86,400. The Transport Pool Hire recharge is £69,800 less than budgeted and the recharge to other services (the administration of fleet management) is also under budget by £28,800.
ENVDIR	FLWAMN	MOTBAY	MOT BAY	-30,450	-7,080	23,370	The MOT Bay has generated £17,000 less income than budgeted
ENVDIR	FLWAMN	PUBCON	PUBLIC CONVENIENCES	277,600	257,485	-20,115	n/a
ENVDIR	FLWAMN	REFYCL	REFUSE AND RECYCLING	3,377,960	3,923,844	545,884	The recycling transitional payment was extended for the whole of the financial year resulting in £255,800 additional income but gate fees were correspondingly £612k higher than budgeted. £300,000 of the shortfall will be met from the recycling reserve; we also received a performance bonus (relating to 2017-18) of £40k. The Transport Pool Hire recharge was £82,600 more than budgeted and repairs and fuel costs were also higher. Employee related savings were £189,600 over budget due to agency staff and an over estimated vacancy credit.
ENVDIR	FLWAMN	STRCLE	STREET CLEANSING	2,422,200	2,157,892	-264,308	There salary savings due to vacancies. Fuel and oil, the Transport Pool Hire, bin purchases, payment to contractors and new tools and equipment are all below budget. Hire of vehicles is over budget.
ENVDIR	FLWAMN	VEHMAI	VEHICLE MAINTENANCE	1,320	6,744	5,424	n/a
ENVDIR	FLWAMN	WAS	WORKS ANCILLARY SERVICES	0	0	0	n/a
ENVDIR	HERTMN	GUIHOU	GUILDFORD HOUSE	383,657	347,748	-35,909	£20,000 earmarked for roof repairs remained unspent due to the project slippage, along with £12,000 relating to Asset Development recharges
ENVDIR	HERTMN	GUILDH	GUILDHALL	167,890	190,114	22,224	Employee expenditure significantly higher than budgeted for this year
ENVDIR	HERTMN	MUSEUM	MUSEUM	522,820	607,171	84,351	Overall employee expenditure overspend due to several circumstances, including redundancy payment, cost of a whole post relating to Museum capital project which we were unable to capitalise this year, and agency Caretaker
ENVDIR	INFOMN	INFORO	INFORMATION RIGHTS OFFICER	-120	-121	-1	n/a
ENVDIR	LEDVMN	LEIART	LEISURE ART DEVELOPMENT	99,180	101,447	2,267	n/a
ENVDIR	LEDVMN	LEICOM	LEISURE COMMUNITY CENTRES	111,190	94,249	-16,941	n/a
ENVDIR	LEDVMN	LEIGL	LEISURE G LIVE	380,480	347,702	-32,778	The increased Management Fee has resulted in additional income for 2018-19.
ENVDIR	LEDVMN	LEIGRA	LEISURE GRANTS	461,200	423,173	-38,027	Leisure Grants have been amalgamated with another service and were not fully used during 2018-19
ENVDIR	LEDVMN	LEIMAN	LEISURE MANAGEMENT CONTRACT	-775,990	-949,452	-173,462	Due to a VAT claim, income from sports activities were deemed none vatable, resulting in a refund from Her Majesty's Revenue and Customs
ENVDIR	LEDVMN	LEIPLA	LEISURE PLAY DEVELOPMENT	211,470	179,197	-32,273	The carry forward of £12,000 has been allocated over various Leisure cost centres. An additional grant received and an increase in Fun In The Summer Holidays (FISH) income than originally projected.
ENVDIR	LEDVMN	LEIRAN	LEISURE RANGERS	232,930	210,399	-22,531	Vacant posts during 2018-19 plus reduction in transport recharge as same budget used from 2017-18 has resulted in an underspend in 2018-19.
ENVDIR	LEDVMN	LEISPO	LEISURE SPORT DEVELOPMENT	81,310	96,668	15,358	n/a
ENVDIR	LEGLMN	G4525	LEGAL SERVICES	-7,600	-7,601	-1	n/a
ENVDIR	LOECMN	BUSFOR	BUSINESS FORUM	27,270	58,440	31,170	£17k is cost of engaging Stephanie Maynard to support the Forum and £15k is part of the £50k agreed Business Grants Scheme (application to fund from reserves).
ENVDIR	LOECMN	TIC	TOURIST INFORMATION CENTRE	236,940	250,551	13,611	n/a

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ENVDIR	LOECMN	TOUDEV	BUSINESS & TOURISM	429,610	525,828	96,218	Employee costs are £28k over budget primarily due to the Rural Officer (funded from reserves). Consultancy costs are £27k over as a result of SNAP consultancy and the long run costs of general tourism are not reflected in the budget £9k. On the income side banner board income is lower than budgeted with the loss of the Village income partly responsible £11k and Guildford Science and Arts Festival not meeting its Sponsorship budget.
ENVDIR	LOECMN	TOWMAN	TOWN CENTRE MANAGEMENT	-155,270	53,745	209,015	Income is down due to the public Wi-Fi concession being delayed and sponsorship income being lower than budgeted. Four sponsors have been attracted so far and further partners and initiatives are planned.
ENVDIR	PALAMN	CEMETE	CEMETERIES	258,490	198,703	-59,787	Reduction in transport recharge £13,300. Reduction is Asset Development recharge £22,260 for Property Works and additional income for Interment fees & Grant of Exclusive Burial Rights £26,100.
ENVDIR	PALAMN	CREMAT	CREMATORIUM	206,890	-696,251	-903,141	The income from Crematorium fees is a higher than anticipated as the closure of the building was much less than originally planned.
ENVDIR	PALAMN	PARKS	PARKS & COUNTRYSIDE	3,159,270	3,135,635	-23,635	Changes to the service from end of year adjustments to support service recharges.
ENVDIR	PALAMN	SPASIT	SPA SITES	0	-786,001	-786,001	Transferred from PARKS to create SPASIT
ENVDIR	PARKMN	MARKET	MARKETS	-107,600	-97,272	10,328	n/a
ENVDIR	PARKMN	OFFSTR	OFF STREET PARKING	-5,748,540	-6,392,612	-644,072	There are salary savings due to vacancies of £31,500. The CPMR budget is underspent by £826,600 and the general maintenance budget is also underspent by £49,300. The Transport Pool Hire recharge is £26k under budget. Pay and Display is over budget by £30,200 but £51,400 will be funded from the CPMR. The consultants budget for Millbrook decking of £80k was not spent. The contribution to Salix was £51,600 over budget and Business Rates under budget by £31k. The support service recharge was underspent by £21,600 mainly due to Corporate Property Services. Income was £360,000 under budget (Bright Hill, Farnham Rd MSCP, Guildford Park, Leapale Rd MSCP, Castle MSCP, Tunsgate)
ENVDIR	PARKMN	ONSTR	ON STREET PARKING	-674,330	-506,072	168,258	The payment to SCC for Guildford Onstreet of £116k was not budgeted for as the agreement was not signed until 31.03.18, well after the estimate process. There are salary savings due to vacancies of £46,800. The budget for signage is underspent by £20k and there have been no TEC registration costs (budget £7k) in 2018-19. Pay and display maintenance is £8,800 less than budgeted and computer hardware and advertising are both £6k less than budgeted. Income is £160,400 less than estimated due mainly to meter income and penalty fees.
ENVDIR	PROCMN	PROCUR	PROCUREMENT	10,850	10,850	0	n/a
ENVDIR	VILLMN	VILLGE	THE VILLAGE	0	31,424	31,424	The Village closed in December 2017- Capping off and final utilities.
FINDIR	BRSYMN	BUSRAT	BUSINESS RATES	-22,240	-7,479	14,761	n/a
FINDIR	BUSYMN	BUSSVC	ICT BUSINESS SERVICES TEAM	0	0	0	n/a
FINDIR	CORSMN	CORSER	CORP SERVICES	869,340	919,546	50,206	Additional allocation of CMT salaries due realignment of responsibilities £17k, increase in debit and credit card charges £40k increased bank charges £15k less audit fee savings £14k
FINDIR	CTAXMN	CTAX	COUNCIL TAX	566,150	456,437	-109,713	Staff vacancies throughout 2018-19 with temporary staff not recruited until August and then not covering all positions £80k and lower supplies and services partially offset by a reduction in council tax collection fees.
FINDIR	DEMOMN	ACCGUI	ACCESS GROUP (GUILDFORD)	4,170	4,625	455	n/a
FINDIR	DEMOMN	CIVEXP	CIVIC EXPENSES	228,190	231,892	3,702	n/a
FINDIR	DEMOMN	COMSUP	COUNCIL & COMMITTEE SUPPORT	404,400	370,579	-33,821	Adjustments to support service recharges at end of year
FINDIR	DEMOMN	CSADMN	COMMITTEE SERVICES	-410	-413	-3	
FINDIR	DEMOMN	DEMREP	DEMOCRATIC REPRESENTATION	908,970	893,798	-15,172	n/a
FINDIR	DEMOMN	PARISH	PARISH & LOCAL LIAISON	209,780	172,318	-37,462	
FINDIR	DEMOMN	YOUCOU	GUILDFORD YOUTH COUNCIL	10,040	6,690	-3,350	n/a
FINDIR	ELTLMN	ELECTI	ELECTIONS	98,090	98,927	837	n/a
FINDIR	ELTLMN	ELECTO	ELECTORAL REGISTRATION	384,420	256,126	-128,294	£100k of the budget allowed for individual voter registration is not required and an unbudgeted electoral registration grant of £22k has been received.
FINDIR	FINAMN	ACCOUN	ACCOUNTANCY	23,030	23,034	4	n/a
FINDIR	FINAMN	CORFIN	CORPORATE FINANCIAL	294,750	245,309	-49,441	Adjustments to support service recharges at end of year
FINDIR	FINAMN	FEASTU	FEASIBILITY STUDIES	340,220	92,737	-247,483	
FINDIR	FINAMN	G3555	DEBTORS	2,610	2,755	145	n/a
FINDIR	FINAMN	MISEXE	MISCELLANEOUS	260,090	156,269	-103,821	
FINDIR	FINAMN	PAYPUR	PAYMENTS AND PURCHASING	-79,990	-79,986	4	n/a
FINDIR	FINAMN	UNALLO	NON DISTRIBUTED COSTS	2,294,750	2,077,941	-216,809	
FINDIR	HSBNMN	HOUBEN	HOUSING BENEFITS	308,630	452,816	144,186	£144k of additional temporary staff costs required to backfill vacancies and deal with housing benefit claims.
FINDIR	ICTMN	CUSTEC	ICT CUSTOMER TECHNICAL SUPPORT	0	2	2	n/a
FINDIR	ICTMN	INFSYS	INFORMATION SYSTEMS TEAM	0	0	0	n/a
FINDIR	ICTMN	ITREV	ICT INVESTMENT & RENEWAL FUND	-601,350	-761,026	-159,676	Additional IT equipment recharged to services
FINDIR	ICTMN	MANPOL	MANAGEMENT POLICY STRATEGY	9,300	4,521	-4,779	n/a

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FINDIR	ICTMN	OPTECS	OPERATIONS TECHNICAL SERVICES	112,740	536,748	424,008	£50k redundancy costs offset payroll savings, so no overall effect. £138k of consultancy costs have been incurred to patch the infrastructure and enhance cyber security. The £100k software carry forward provision for migrating shadow ICT to the cloud remains unused and licences are £14 over budget. Contributions to IT renewal fund are £358k higher than budgeted and income for Street Naming was not implemented £33k.
FINDIR	ICTMN	PORMAN	PORTFOLIO MANAGEMENT	34,270	21,045	-13,225	n/a
FINDIR	PYINMN	INSREV	INSURANCE REVENUE A/C	5,630	-11,278	-16,908	n/a
FINDIR	WEBPMN	WEB	WEBSITE	282,230	274,334	-7,896	n/a
MANDIR	AUDTMN	CUSSVC	CUSTOMER SERVICE CENTRE	-19,750	-19,753	-3	Savings due to vacant posts not recruited awaiting outcome of Future Guildford.
MANDIR	AUDTMN	G2531	PERFORMANCE MANAGEMENT	0	0	0	n/a
MANDIR	AUDTMN	G3525	INTERNAL AUDIT	-140,320	-140,317	3	n/a
MANDIR	AUDTMN	G3530	BUSINESS IMPROVEMENT	-264,790	-52,640	212,150	This is the holding account for the Staff Savings £273,760 - the actual savings are allocated within the cost centres, offset by vacant posts £42,620, Car Leasing charges £5,740 and Consultants Advice £13,000.
MANDIR	AUDTMN	G3531	FUTURE GUILDFORD	0	76,896	76,896	Future Guildford costs are funded from reserves
MANDIR	HRBSMN	HRSERV	HR SERVICES	2,260	2,258	-2	n/a
MANDIR	HRBSMN	OTHEMP	OTHER EMPLOYEE COSTS	84,710	95,010	10,300	n/a
MANDIR	HRBSMN	PAYINS	PAYROLL AND INSURANCE	-15,480	-15,481	-1	n/a
MANDIR	PLPAMN	COMDEV	COMMUNITY DEVELOPMENT	330,225	282,064	-48,161	Savings are due to the timing of expenditure relating to the Safer Guildford Partnership for which a carry forward request of £38k has been submitted and £10k of vacancies.
MANDIR	PRMKMN	PUBREL	PUBLIC RELATIONS	398,670	393,236	-5,434	n/a
PLNDIR	BCONMN	BUICON	BUILDING CONTROL SUMMARY	425,720	571,741	146,021	Agency costs are £213k although there are salary savings due to vacancies. Income is £52,500 less than anticipated.
PLNDIR	BCONMN	LANCHA	LAND CHARGES	-3,010	-6,223	-3,213	n/a
PLNDIR	DEVCMN	DEVCON	DEVELOPMENT CONTROL	1,248,520	1,228,406	-20,114	n/a
PLNDIR	EYSYMN	CLIMAT	CLIMATE CHANGE	39,950	-82,892	-122,842	The saving to the service is a result of a reduction in expenditure due to the vacant post during 2018-19, plus additional income from Salix transferred to revenue.
PLNDIR	INFRMN	MAJPRO	MAJOR PROJECTS	2,438,660	717,397	-677,128	Income is £217k more than anticipated due to receipt of LEP grants, underspend on the consultants budget of £1.625m part of which a carry forward request of £999,696 has been submitted and £370k moved to Capital Reserve. As two projects have now moved to the Capital Programme remaining balance is underspent and not required.
PLNDIR	INFRMN	SAAP	SLYFIELD AREA REGENERATION	92,680	45,655	-47,025	Consultants costs were £40,000 as the costs were capitalised.
PLNDIR	PLPLMN	POLICY	POLICY	1,926,724	1,815,113	-111,611	There were salary savings of £107,000. Consultants and legal fees were £144,000 more than anticipated but the previous year's carry forward and inspector's fees were underspent by £75,000. Government grants of £54,000 were received in 2018-19.

		Opening balance, £000	Receipts in Year	Transfers out in Year	Closing balance, £000	Purpose of the Reserve / Policy on use
		01/04/2018	£000	£000	31/03/2019	
General Fund						
Election Costs	U01008	(76,208.26)	(142,500.00)	0.00	(218,708.26)	Contributions are made in non election years to offset the additional costs in the year that borough elections are held.
Interest Rate Movements	U01012	(867,000.00)	0.00	200,000.00	(667,000.00)	To allow for changes in predicted interest rates after the budget for the year has been set.
Concurrent Functions Grant Aid	U01021	(62,391.00)	(46,984.03)	7,771.02	(101,604.01)	Set up from Concurrent Function grant aid not required by Parish Councils, to allow urgent requests to be considered during the year.
HLS projects	U01023	(116,623.01)	(36,000.00)	32,582.46	(120,040.55)	To receive grants from Natural England prior to financing approved schemes in parks and countryside.
New Homes Bonus	U01026	(3,983,347.89)	(1,200,586.00)	1,656,942.80	(3,526,991.09)	To receive balance of new homes bonus grant received and not used in the year. Should be used in line with NHB Policy approved Council Feb 2016.
Capital Schemes	U01030	(1,641,466.79)	(893,630.00)	1,641,466.79	(893,630.00)	Financing of General Fund capital schemes within approved programmes.
Carried Forward Items	U01031	(2,975,567.95)	(752,549.44)	1,843,120.84	(1,884,996.55)	To finance expenditure in future years that was budgeted for but not able to be progressed in the year and which is still required.
Collection Fund Balance	U01033	(150,000.00)	0.00	0.00	(150,000.00)	Use as appropriate to smooth out the effects on the General Fund of a surplus or deficit on the Collection Fund.
Insurance	U01040	(949,538.79)	(11,277.69)	0.00	(960,816.48)	Maintain at level recommended by professional advisors. Receives or pays out the balance on the revenue account in the year and finances un-insured claims and excesses.
Invest to Save	U01041	(1,947,569.75)	(844,053.87)	246,760.24	(2,544,863.38)	To be used to fund investment opportunities in services that will allow ongoing savings to be achieved and accommodate short term increases in revenue costs during periods of transition.
Salix	U01042	(13,712.70)	(98,237.04)	26,332.65	(85,617.09)	Match funding for Salix (Carbon Trust) grant. Consists of two separate reserves in order to comply with the requirements of the Carbon Trust.
IT Renewals	U01043	(2,101,701.77)	(761,021.00)	1,657,822.90	(1,204,899.87)	Receives repayments from services to fund expenditure as set out in the ICT Strategy.
LABGI	U01044	(214,521.67)	0.00	0.00	(214,521.67)	Set up with income received from Local Authority Business Growth Incentive grant. This money will be used to support schemes that will also benefit the businesses in the Borough.
Spectrum	U01050	(1,624,537.92)	(181,510.00)	168,170.43	(1,637,877.49)	Maintained in order to provide funds for structural repairs and improvements. Under the Leisure Management contract responsibility for the fabric of the buildings remains with the Council.
Car Parks Maintenance	U01054	(4,618,082.71)	(624,720.00)	537,344.25	(4,705,458.46)	Financing of repairs, maintenance and improvements in off street car parks.
Land Charges	U01056	51,930.25	(5,032.00)	0.00	46,898.25	Balance on the land charges account for the year. Legislation requires that the Land Charges service breaks even over a three year period.
Park & Ride	U01057	(1,650,000.00)	0.00	0.00	(1,650,000.00)	Created in 2008/09 in lieu of a s106 contribution from the Queen Elizabeth Park development used to fund park and ride expenditure at Merrow and Artington.
Slyfield Area Regeneration Project (SARP)	U01059	(0.00)	0.00	0.00	(0.00)	Receives contributions from partners involved in the SARP and finances partnership expenditure.
Ash Manor AWP	U01062	(15,000.00)	0.00	0.00	(15,000.00)	To provide for replacement of Ash Manor All Weather Pitch, as required by agreement with the Football Foundation.
Ash Manor Renewals	U01063	(2,520.04)	0.00	0.00	(2,520.04)	To receive one third of any operational surplus on Ash Manor sports centre, as part of the tri-partite agreement in place.
Ash Manor Facilities Development	U01064	(2,520.04)	0.00	0.00	(2,520.04)	To receive one third of any operational surplus on Ash Manor sports centre, as part of the tri-partite agreement in place.
Pension Reserve (GBC)	U01066	(975,000.00)	0.00	0.00	(975,000.00)	Set up as part of closing the 2010-11 accounts in order to provide for a potential backfunding liability for staff transferred under TUPE to the Leisure Management contractor.
G Live sinking fund	U01067	(80,000.00)	(10,000.00)	0.00	(90,000.00)	Required by the G Live operator agreement.
Leisure Management Contract	U01068	(45,686.00)	0.00	0.00	(45,686.00)	Receives a minimum of 50 per cent of any surplus on the Leisure Management contract (excluding Ash manor) as required by the contract.
Legal actions	U01071	(763,358.00)	(200,000.00)	0.00	(963,358.00)	Available to finance legal costs and awards made because of actions taken against the Council, including judicial review.
Liongate rent top-up	U01073	(742,982.82)	0.00	114,380.00	(628,602.82)	To allow for the accounting treatment of an investment property where the purchase price was reduced by an amount for rental income compensation.
Family support programme	U01074	(188,071.22)	0.00	22,044.00	(166,027.22)	To hold the balance of funds supplied by Surrey County Council for the Family Support programme, prior to expenditure being incurred.
Local Plan	U01075	(234,083.00)	0.00	0.00	(234,083.00)	Available to finance costs associated with the Development Management Policies element of the Local Plan, along with the production of supplementary planning documents relating to both the Sites and Strategy and Development Management Policies element of the Local Plan.
Salix admin	U01076	(33,795.63)	0.00	0.00	(33,795.63)	
Energy Management Schemes	U01077	(168,708.76)	(40,672.00)	109,315.83	(100,064.93)	Funding for energy management schemes similar to Salix schemes but for which match funding is not available.
Preventing Homelessness	U01078	(184,651.57)	(249,240.52)	32,576.00	(401,316.09)	Received grant from Department of Communities and Local Government (DCLG) for use in partnership work across Surrey to prevent homelessness in future years.
Preventing Repossession	U01079	(172,528.39)	(186,035.00)	0.00	(358,563.39)	Received grant from DCLG to fund preventing repossession work in future years.
Civil Parking Enforcement - GBC/GLC shared control	U01080	(132,221.39)	(467,951.30)	674,087.65	73,914.96	To receive net funds due to Guildford and finance expenditure as allowed under the Civil Parking Enforcement agreement with Surrey County Council. Controlled jointly by the council and the Guildford Local Committee.
Business Rates equalisation	U01081	(5,560,463.66)	(3,620,299.30)	1,130,247.67	(8,050,515.29)	To be used as appropriate to smooth out the effects of the Business Rates Retention Scheme, including those related to regeneration projects.
Job Evaluation	U01082	(300,000.00)	0.00	0.00	(300,000.00)	To accommodate the medium term effects of salary changes should the Council choose to implement Job Evaluation following completion of the Pay and Grading exercise in 2014-15.
Masterplan	U01084	(194,487.52)	0.00	0.00	(194,487.52)	To finance the preparation of a Master plan for the borough.
SPA - Effingham	U01085	(997,193.76)	(420,136.26)	0.00	(1,417,330.02)	Receives s106 contributions for the Effingham SPA, prior financing expenditure on approved schemes.
SPA - Riverside	U01086	(544,116.67)	(105,954.02)	20,870.76	(629,199.93)	Receives s106 contributions for the Riverside Park SPA, prior financing expenditure on approved schemes.
SPA - Chantry Wood	U01087	(2,226,111.19)	(214,162.87)	0.00	(2,440,274.06)	Receives s106 contributions for the Chantry Wood SPA, prior financing expenditure on approved schemes.
SPA - Lakeside	U01088	(562,567.74)	(2,804.99)	3,138.00	(562,234.73)	Receives s106 contributions for the Lakeside SPA, prior financing expenditure on approved schemes.

Agenda item number: 7
Appendix 3

		Opening balance, £000	Receipts in Year	Transfers out in Year	Closing balance, £000	Purpose of the Reserve / Policy on use
		01/04/2018	£000	£000	31/03/2019	
SPA - Parsonage Water	U01089	(1,070,899.83)	(75,049.30)	0.00	(1,145,949.13)	Receives s106 contributions for the Parsonage Water SPA, prior financing expenditure on approved schemes.
Community Centres	U01090	(114,507.22)	0.00	0.00	(114,507.22)	To finance works on Community Centres
SCC Prevention partnership fund	U01091	0.00	0.00	0.00	0.00	To hold grants given by Surrey County Council prior to expenditure being incurred.
Capital movements reserve	U01092	(333,000.00)	0.00	0.00	(333,000.00)	To protect the revenue account against sale of investments at a capital loss.
Investment Property rent	U01093	(77,200.00)	0.00	0.00	(77,200.00)	To offset any shortfall in investment property rental income in the year.
Recycling	U01094	(450,000.00)	0.00	300,000.00	(150,000.00)	To protect the revenue account against adverse movement in the income generated from recyclable materials
Budget Pressures	U01095	(2,057,910.71)	0.00	129,227.00	(1,928,683.71)	To facilitate the management of pressure on the General Fund revenue budget.
Civil Parking - GBC control	U01096	(250,110.72)	(36,427.26)	0.00	(286,537.98)	To receive income from on-street parking, as agreed under the Civil Parking Enforcement agreement with Surrey County Council and finance any approved expenditure.
Taxi Licensing	U01097	0.00	0.00	0.00	0.00	Previously included with the carry forward reserve. To receive or fund any balance on the Taxi Licensing services (except irrecoverable costs). Legislation requires that the service is budgeted to break even over three years.
Project Aspire	U01098	(146,594.54)	0.00	26,888.15	(119,706.39)	To finance the costs of Project Aspire.
Refugee Support	U01100	(113,740.12)	0.00	61,935.44	(51,804.68)	Reserve holds unspent specific grant monies awarded by government to the Council to spend on supporting families that the Council has housed through the national refugee programme
Community Housing Fund	U01102	(60,962.00)	0.00	0.00	(60,962.00)	Reserve holds unspent specific grant monies received by the Council from Government for expenditure on supporting community housing projects
Planning Policy		0.00	(73,495.00)	0.00	(73,495.00)	
TOTAL		(41,741,332.50)	(11,300,328.89)	10,643,024.88	(42,398,636.51)	
GENERAL FUND 2018-19 (PER APPENDIX 1)					(1,851,116.19)	
					(44,249,752.70)	

Collection Fund

Revenue Account

2017-18 £000 Council Tax	2017-18 £000 Business Rates		2018-19 £000 Council Tax	2018-19 £000 Business Rates
Income				
98,700	88,126	Income from Business Ratepayers - Note 2		90,123
		Council Taxes	104,324	
		Distribution of prior year estimated deficit:		
	817	Central Government		66
	164	Surrey County Council	267	13
		Surrey Police and Crime Commissioner	45	
	654	Guildford Borough Council	38	53
98,700	89,761	Total Income	104,674	90,255
Expenditure				
75,412		Precepts		
12,718		Surrey County Council	80,584	
10,741		Surrey Police and Crime Commissioner	13,508	
		Guildford Borough Council	11,157	
		Payment of Business Rates shares:		
	44,063	Central Government		0
	8,813	Surrey County Council		61,037
	35,251	Guildford Borough Council		26,159
	(1,658)	Transitional Protection payments		(1,521)
	232	Charge to General Fund for collecting NDR		231
192		Provision for council tax bad debts	(110)	
	385	Provision for business rates bad debts		65
	12,000	Provision for business rates appeals		(4,080)
		Distribution of prior year estimated surplus:		
		Central Government		
834		Surrey County Council		
145		Surrey Police and Crime Commissioner		
121		Guildford Borough Council		
100,163	99,086	Total Expenditure	105,139	81,891
Collection Fund Balance				
750	(2,779)	Balance at the beginning of the year	(713)	(12,104)
(1,463)	(9,325)	Surplus/(deficit) for the year	(465)	8,364
(713)	(12,104)	Balance at the end of the year	(1,178)	(3,740)

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Corporate Governance and Standards Committee

Ward(s) affected: n/a

Report of Director of Community Services and Director of Finance

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Date: 13 June 2019

Housing Revenue Account Final Accounts 2018-19

Executive Summary

The Housing Revenue Account (HRA) records all the income and expenditure associated with the provision and management of Council owned residential dwellings in the Borough. The requirement to maintain a Housing Revenue Account is set out in the Local Government and Housing Act 1989 and the requirements to publish final accounts is set out in the Accounts and Audit Regulations 2003.

This report sets out the actual level of revenue spending on day-to-day services provided to tenants recorded in the HRA in 2018-19.

The actual net cost of revenue services in 2018-19 was £369,394 lower than the budget of £14,406,490 (paragraph 3.1). This variation represents 1.15% of the total turnover of £31.991 million. The final outturn (subject to audit) shows a surplus for the year of £10.350 million, compared to a budgeted surplus of £9.746 million, after taking into account various accounting adjustments. The HRA working balance at year-end remains £2.5 million.

The Chief Finance Officer, in consultation with the Lead Councillor for Housing and the Lead Councillor for Finance and Asset Management have used their delegated authority to transfer £2.5 million to the reserve for future capital programmes, with the balance of £7.85 million transferred to the new build reserve. This continues the policy adopted in previous years, whereby the year-end surplus is applied to each of the above two reserves.

At its meeting on 18 June 2019, the Executive will be asked to note the final outturn position and endorse the decision, taken under delegated authority to transfer £2.5 million to the reserve for future capital, and £7.85 million to the new build reserve from the revenue surplus of £10.350 million in 2018-19

Recommendation to Committee

The Committee is asked to submit any comments it wishes to make on the HRA Final Accounts for 2018-19 to the Executive.

Reason(s) for Recommendation:

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

1. Purpose of Report

- 1.1 To give the Executive the opportunity to consider the draft Housing Revenue Accounts (HRA) for 2018-19 and agree any transfers to earmarked reserves before the Chief Finance Officer signs the statutory Statement of Accounts.
- 1.2 It is a legal requirement that the Chief Finance Officer (CFO) signs the draft Statement of Accounts by 31 May 2019 after which Grant Thornton, our External Auditors, will audit them. Corporate Governance and Standards Committee must approve the accounts on behalf of the Council, by 31 July 2019. We must also publish the accounts by 31 July 2019.
- 1.3 The HRA is an integral part of the Statement of Accounts.

2. Key Strategic Priorities

- 2.1 The Council is the largest social housing landlord in the borough, our activities contribute to each of the Council's strategic priorities. The Council's Fundamental Theme of 'Place-making' contained in the Corporate Plan 2018-2023 includes a key priority to provide the range of housing that people need, particularly affordable homes. This report helps to achieve this priority.

3. Summary

- 3.1 The table below summarises the net cost of revenue services in 2018-19.

Surplus on provision of revenue services – As per Executive Summary above	(£369,394)		
Represented by:			
	Estimate 2018-19	Actual 2018-19	Variance 2018-19
Net Cost of Services (per income & expenditure account, Appendix 1)	(£14,406,490)	(£14,933,989)	(£527,499)
Amortisation and revaluation gains & losses – reverse impact on services	£0	£45,515	£45,515
IAS 19 Pension charge - reverse impact on services	£0	(£748,521)	(£748,521)
Decrease in depreciation charge – reverse impact on services	£0	£861,111	£861,111
Net cost of revenue services	(£14,406,490)	(£14,775,884)	(£369,394)

- 3.2 The operating surplus for the HRA account in 2018-19 is approximately £10.350 million.

- 3.3 The table below shows the main variances between the budgeted and actual operating surplus for 2018-19 under the key headings.

	£000
Budgeted HRA outturn (surplus) / deficit 2018-19	
<i>Represented by the <u>budgeted</u> contribution to the Reserve for Future Capital and the New Build reserve (£2.500m + £7.246m)</i>	(9,746)
Variance from budgeted position (major variances)	
Employee Related	(159)
Investment Income and Interest charge payable	369
Capital adjustments (depreciation, revaluation, REFCUS)	(936)
Premises (Repairs & maintenance, utilities, cleaning etc)	504
Allowance for impairment	(236)
Rental income from land and wayleaves	(95)
Other	(51)
Total	(604)
Operating (surplus)/deficit available to transfer to reserve in 2018-19	
<i>Represented by the proposed contribution to the Reserve for Future Capital and the New Build reserve (£2.500m + £7.850m)</i>	(10,350)

- 3.4 Officers propose to transfer £2.5 million to the reserve for future capital, with the balance of £7.850 million transferred to the new build reserve.

4. Background

- 4.1 The Local Government and Housing Act 1989 requires the Council to keep a HRA that records all revenue expenditure and income relating to the provision of council residential dwellings and related services. The use of this account is heavily prescribed by statute and the Council is not allowed to fund any expenditure for non-housing related services from this account.
- 4.2 Since April 2012, the HRA has operated independently of the previous national income redistributive system. The Council made a one-off payment to the Government of £192.3 million as part of the settlement, this was funded through a portfolio of loans from the Public Works Loan Board.
- 4.3 The HRA Business Plan seeks to maximise the advantages of the new financial environment and the associated flexibility it offers.
- 4.4 The business plan objectives are set out below.

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

The 2018-19 budget reflected these objectives and priorities.

5. Outturn position and major variances

Revenue

- 5.1 Gross expenditure on services was 102.64% of the budgeted level, whilst income receivable totalled 100.24% of the budgeted level. The reasons for this are set out in paragraphs 5.4 to 5.10 below and summarised in **Appendix 1**.
- 5.2 The operating surplus for the HRA account in 2018-19 is approximately £10.35 million, which is significantly better than would have been the case under the previous redistributive regime. This surplus, however, makes no provision for the repayment of debt principal; in line with the approach set out in the HRA business plan approved by the Executive.
- 5.3 The HRA would still have an operating surplus if we had made provision to repay the debt over the 30-year plan period. To repay the debt over the 30-year plan period a sum in the region of £6.4 million would need to be set aside from the operating surplus each year, reducing the level of available capital to invest to a figure in the region of £3.2 million. This is an overly simplistic representation designed to highlight the underlying surplus. It ignores the impact of any premium and discounts arising on the early redemption of debt, and more significantly the impact inflation would have on the debt, which is fixed in cash terms and would erode in real terms as the result of inflation.
- 5.4 Rental income from dwellings was £80,070 (0.27%) below the estimate (Appendix 1). The service has seen rent loss due to voids, but overall collection levels remain good.
- 5.5 Employee related expenditure was £159,110 lower than estimated. This saving is spread across a range of services.
- 5.6 Each year the Ministry of Housing, Communities and Local Government (MHCLG) sets a formula rent for each Council to apply to its housing stock along with a guideline rent increase/decrease. When our rents are higher than the prescribed "limit rent" then rent rebate subsidy limitation (RRSL) applies. RRSL is a mechanism that ensures that councils do not simply increase rents above the guideline level in the knowledge that the cost of doing so would fall on the Department of Work and Pensions (DWP) in higher housing benefit costs. The

actual average rent for 2018-19 was below the prescribed limit rent; consequently, no RRSLS charge has been applied to the HRA.

- 5.7 Investment income is £348,280 lower than the estimate as a consequence of the application of a lower risk interest rate on HRA reserve balances, reflecting the allocation of risk between the general fund and the HRA.
- 5.8 Expenditure on repairs & maintenance exceeded the budget by £427,210 or 8.1% (Appendix 1). The budget provides for both planned and responsive repairs, so an element of demand driven cost is inherent in the expenditure. The service has seen expenditure on void properties increase in 2018-19. Void units typically incur additional repair and improvement expenditure in order to prepare them for reletting.
- 5.9 Total investment in the stock, including both revenue and capital funded maintenance and improvement works was £10.072 million.
- 5.10 Rent arrears remain at consistent levels, in contrast to the overall housing sector, which is experiencing an increase in the level of arrears. Although a number of welfare reform changes have now taken effect, the delay in the roll out of universal credit has deferred any potential impact on arrears levels. As a result, a contribution of £64,000 has been made to the impairment allowance in 2018-19. The budgeted contribution for 2018-19 was £300,000.
- 5.11 The table below sets out the outturn for the headline categories across the HRA.

Account	Budget £	Draft actual £	Variance £
Employee related	3,099,400	2,940,290	-159,110
Premises related	5,300,820	5,804,985	504,165
Supplies and services	1,301,550	1,048,603	-252,947
Support services	1,540,630	1,503,494	-37,136
Transport related	92,250	82,596	-9,654
Total	11,334,650	11,379,968	45,318
Income (including recharges)	-31,916,130	-31,991,396	-75,266
Sub Total 1	-20,581,480	-20,611,428	-29,948

Comparison to net cost of services in Appendix 1			
Depreciation	6,500,000	5,638,889	-861,111
Recharge to general fund for Housing Advice service	-350,380	-337,670	12,710
IAS 19 pension adjustment	0	421,229	146,398
Revaluation and other capital items	0	-45,515	-45,515
Other minor items	25,370	506	-24,864
Sub Total 2	-14,406,490	-14,933,989	-527,499

Account (continued from above)	Budget £	Draft actual £	Variance £
Comparison to budgeted reserve contribution variance			
Corporate & democratic core charge	251,530	258,720	7,190
Investment income	-804,490	-456,206	348,284
Interest payable	5,138,210	5,159,240	21,030
Transfer to reserve: Pension contribution	0	-421,229	-421,229
Transfer to reserve: Revaluation	0	76,058	76,058
Transfer from reserve: Intangible assets	0	-30,543	-30,543
Transfer from reserve: Income from sale of assets	0	-1,750	-1,750
Revenue funded from capital (REFCUS – specific item)	75,000	0	-75,000
Total	-9,746,240	-10,349,699	-603,459

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

- 5.12 **Right to Buy (RTB) sales and one-for-one receipts:** Under the Government's one-for-one homes replacement scheme, the Council is able to retain an element of the RTB capital receipt to invest in the provision of new dwellings (the amount retained in 2018-19 is shown in the table in paragraph 5.17).
- 5.13 A maximum of 30% of the overall cost of new home provision can be funded from the one-for-one receipts reserve. If the Council is unable to deliver new homes within the timeframe set by Government, the receipt must be returned with interest. As a result, the first source of funding for new homes provision will be the one-for-one receipt reserve, with the balance (70%) funded from the new build reserve or the reserve for future capital.
- 5.14 12 properties were sold under RTB in 2018-19. In relation to the number of properties held by the HRA, this is not a material number. However, a continuation or acceleration in RTB sales, without the addition of new stock replacing RTB losses is cause for concern. Over a sustained period, net stock losses will increase the fixed overhead costs attributable to each unit of stock. This would reduce our ability to generate operating surpluses to support our development programme.
- 5.15 **Housing capital programme:** The Council delivered improvements to the value of £4.4 million to tenants' homes during the year.
- 5.16 **Reserves:** The HRA holds a number of reserves each for a specific purpose. They allow the Council to fund peaks in future years projected expenditure and will be a key funding source for the Council's development programme.
- 5.17 Table 5 below shows the balance on each reserve at the start of 2018-19, along with the expenditure financed in year and the proposed transfers arising from the appropriation of the revenue surplus in 2018-19.

	Balance 01 April 2018	Transfer into reserve 2018-19	Used in 2018-19	Balance 31 March 2019	Proposed transfer into reserve from revenue surplus 2018-19	Closing balance 31 March 2019
	£000	£000	£000	£000	£000	£000
Reserve for future capital works	30,828	0	0	30,828	2,500	33,328
New build reserve	44,919	0	(2,083)	42,836	7,850	50,686
Major Repairs Reserve (MRR)	7,990	5,639	(4,395)	9,234	0	9,234
Total Earmarked Reserves	83,738	5,639	(6,478)	82,898	10,350	93,248
Usable capital receipts (HRA Debt)	3,867	85	0	3,952	0	3,952
Usable capital receipts (1-4-1 receipts)	7,093	1,653	(1,465)	7,281	0	7,281
Usable capital receipts (housing and regeneration) – Pre 2013-14	12,760	0	(3,201)	9,559	0	9,559
Usable capital receipts (housing and regeneration statutory) – Post 2013-14	422	3,327	(3,749)	0	0	0
Total Capital Receipts Reserves	24,142	5,065	(8,415)	20,792	0	20,792
Total of all housing reserves	107,880	10,704	(14,893)	103,690	10,350	114,040

- 5.18 **Use of operating surplus:** An operating balance of £2.5 million will be retained. This is a prudent approach and provides a degree of in-year flexibility.
- 5.19 The Council has clearly stated its ambition to increase the number of affordable homes in the borough and work is underway to bring forward a number of development opportunities. A combination of useable one-for-one receipts and capital receipts have been used to finance capital expenditure on the new build programme, including Guildford Park car park, Apple Tree pub site, Willow Way, Ladymead and various former garage sites.
- 5.20 With this in mind, officers are proposing that £7.85 million is transferred to the new build reserve.
- 5.21 It is critical that we properly maintain our asset base to secure future income streams. A depreciation charge based on the value of the housing assets employed is made in the HRA. The 2018-19 depreciation charge was £5.64 million and the cost of maintaining the stock £4.4 million. We would normally expect to fully utilise this depreciation charge in the year with an additional contribution from the reserve for future capital to fund the difference, but in 2018-19, we used £1.24 million less than the calculated charge, leaving a balance of £9.23 million in the major repairs reserve, as shown in the table in paragraph 5.17. The major repairs reserve (MRR) is ring fenced for improvements to existing stock.

- 5.23 The outcome of recent stock condition surveys indicates, in the short term, the level of depreciation charge will significantly exceed the level of investment required in the existing stock. This will result in an increased balance on the MRR, which could be used to repay debt. Any recommendation to repay debt would be considered in the context of an updated HRA business plan, as well as by treasury management considerations at that time.

6. Financial Implications

- 6.1 The report covers the financial implications.

7. Legal implications

- 7.1 Under the provisions of the Local Government and Housing Act 1989, the Council must operate the HRA as a ring fenced landlord account. The Council can only account for specified transactions in the HRA and it must not operate at a deficit. There can be no cross subsidy between the HRA and General Fund in either direction.
- 7.2 We are required to prepare our accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (the code). By adhering to the code, we meet our obligation under the Local Government Act 2003 Section 21 (3).
- 7.3 The Statement of Account must be signed by the Chief Finance Officer (CFO) by 31 May 2019. After the accounts are audited, the CFO must re-certify the accounts before approval by an appropriate Committee of the Council. The Corporate Governance and Standards Committee will approve the accounts at its meeting on 25 July 2019.
- 7.4 The approved Statement of Accounts must be published together with any certificate, opinion or report issued by the external auditor.

8. Human Resource Implications

- 8.1 There are no human resource implications.

9. Conclusion

- 9.1 The HRA delivered an operating surplus of £10.35 million. No provision for the repayment of debt principal is included in this figure.
- 9.2 The HRA is better placed under the new financial regime than it was under the old national redistributive system.
- 9.3 The outturn is broadly in line with the assumptions set out in the approved 2015-45 HRA Business Plan. The HRA can support the initial development programme outlined in the development strategy and has the capacity to support material contributions to both the new build reserve and the reserve for future capital programmes.

10. Background Papers

- HRA Budget Report 2018-19 and 2015-2045 HRA Business Plan
- Code of Practice on Local Authority Accounting
- Account and Audit Regulations 2015

11. Appendices

Appendix 1: HRA Summary statement: Draft actual 2018-19

Agenda item number: 8

HRA Summary statement

Draft actual 2018-19

2016-17 Actual £	2017-18 Actual £	Analysis	2018-19 Estimate £	2018-19 Draft Actual £
		Borough Housing Services		
654,594	613,565	Income Collection	695,740	738,104
1,004,169	948,978	Tenants Services	959,890	1,036,217
71,395	64,128	Tenant Participation	137,940	81,030
68,906	68,808	Garage Management	72,390	69,865
62,795	64,083	Elderly Persons Dwellings	63,930	59,064
489,812	524,075	Flats Communal Services	433,580	584,036
473,413	432,181	Environmental Works to Estates	541,170	423,867
5,088,818	5,523,575	Responsive & Planned Maintenance	5,249,470	5,676,678
149,529	120,028	SOCH & Equity Share Administration	138,690	121,665
8,063,430	8,359,422		8,292,800	8,790,527
		Strategic Housing Services		
393,556	360,623	Advice, Registers & Tenant Selection	349,880	419,543
199,230	210,368	Void Property Management & Lettings	191,190	217,026
10,098	9,142	Homelessness Hostels	9,700	9,700
200,681	142,418	Supported Housing Management	164,170	155,194
593,967	392,915	Strategic Support to the HRA	425,970	426,311
1,397,533	1,115,468		1,140,910	1,227,774
		Community Services		
822,862	911,190	Sheltered Housing	779,380	938,878
		Other Items		
6,703,540	5,528,728	Depreciation	6,500,000	5,638,889
2,661,783	(44,323)	Revaluation and other Capital items	0	(45,515)
147,485	165,468	Debt Management	160,590	163,276
154,218	280,328	Other Items	635,960	343,578
19,950,851	16,316,281	Total Expenditure	17,509,640	17,057,407
(32,623,860)	(32,247,174)	Income	(31,916,130)	(31,991,396)
(12,673,009)	(15,930,894)	Net Cost of Services(per inc & exp a/c)	(14,406,490)	(14,933,989)
259,861	264,207	HRA share of CDC	251,530	258,720
(12,413,148)	(15,666,687)	Net Cost of HRA Services	(14,154,960)	(14,675,269)
(508,072)	(384,996)	Investment Income	(804,490)	(456,206)
5,022,423	5,004,072	Interest Payable	5,138,210	5,159,240
(7,898,797)	(11,047,611)	(Surplus)/Deficit for Year on HRA Services	(9,821,240)	(9,972,235)
	627,309	REFCUS - Revenue funded from capital	75,000	0
2,500,000	2,500,000	Contrib to/(Use of) RFFC	2,500,000	2,500,000
7,966,069	7,563,162	Contrib to/(Use of) New Build Reserve	7,246,240	7,849,699
121,431	309,017	Tfr (fr) to Pensions Reserve	0	(421,229)
	640,110	Tfr (from)/to CAA re: Voluntary Revenue Provision	0	0
(2,648,007)	71,504	Tfr (from)/to CAA re: Revaluation	0	76,058
(25,420)	(627,309)	Tfr (from)/to CAA re: REFCUS	0	0
(13,775)	(27,181)	Tfr (from)/to CAA re: Intangible assets	0	(30,543)
(1,500)	(9,000)	Tfr (from)/to CAA re: rev. inc. from sale of asset	0	(1,750)
(0)	0	HRA Balance	0	0
(2,500,000)	(2,500,000)	Balance Brought Forward	(2,500,000)	(2,500,000)
(2,500,000)	(2,500,000)	Balance Carried Forward	(2,500,000)	(2,500,000)

2016-17 Actual £	2017-18 Actual £	Analysis	2018-19 Estimate £	2018-19 Draft Actual £
		Borough Housing Services		
(29,850,855)	(29,579,133)	Rent Income - Dwellings	(29,314,780)	(29,236,342)
(213,964)	(207,228)	Rent Income - Rosebery Hsg Assoc	(209,980)	(208,349)
(194,263)	(199,874)	Rents - Shops, Buildings etc	(194,300)	(206,530)
(677,827)	(699,962)	Rents - Garages	(730,000)	(718,083)
(30,936,909)	(30,686,197)	Total Rent Income	(30,449,060)	(30,369,304)
(345,764)	(316,404)	Supporting People Grant	(82,000)	(140,122)
(961,529)	(937,611)	Service Charges	(1,008,040)	(1,023,033)
(5,155)	(21,432)	Legal Fees Recovered	(28,840)	(9,144)
(40,025)	(44,698)	Service Charges Recovered	(76,310)	(51,614)
(334,477)	(240,832)	Miscellaneous Income	(271,880)	(398,179)
(32,623,860)	(32,247,174)	Total Income	(31,916,130)	(31,991,396)

Corporate Governance and Standards Committee Report

Ward(s) affected: All

Report of Director of Finance

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Date: 13 June 2019

Review of the Code of Conduct for Staff

Executive Summary

There are requirements under legislation for the Council to adopt a Code of Conduct for Councillors to provide local guidance about behaviour and conduct. There is no such requirement for a Code of Conduct for Staff, but it is good practice to have one and of benefit to offer guidance and signposting to relevant employment policies and protocols that govern officers in their day-to-day work.

The current Code of Conduct for Staff (see Appendix 1) sits in Part 5 of the Council's Constitution alongside the Councillors' Code of Conduct. However, the Constitution, as the Council's tool of governance, is not a day-to-day reference for many of the Council's employees. The Code of Conduct for Staff has been rewritten to be a more accessible document in terms of style and language and it will contain links to other key sources of online information for all employees.

Alongside a general modernisation, it is also proposed in this report that the Code of Conduct should become part of the line management process, including new employee induction and end of probation sign off. It is also proposed that the revised Code of Conduct should be provided to all staff (new and existing), who will be required to confirm that they understand the behaviours and conduct expected of them.

Recommendation to the Committee:

That the revised Staff Code of Conduct attached as Appendix 2 to this report be commended to full Council on 23 July 2019 for adoption.

Reason for Recommendation:

To provide up to date and fit for purpose guidance accessible to all staff.

1. Purpose of Report

- 1.1 The purpose of this report is to present to the Corporate Governance and Standards Committee a revised draft of the Code of Conduct for Staff for consideration and recommendation to full Council for adoption.

2. Strategic Priorities

- 2.1 This Council has a set of organisational values that determine how we treat our customers and colleagues as we carry out our work. These values influence our day-to-day activities and help shape our culture.

3. Background

- 3.1 Local authorities are required to adopt a code of conduct, which sets out rules governing the behaviour of their councillors and satisfies the requirements of the Localism Act 2011. All elected and co-opted members of local authorities, including parish councils, are required to abide by their own, formally adopted, code. The Councillors' Code of Conduct seeks to ensure that members observe the highest standards of conduct in their role as councillors. It is not a requirement for local authorities to have a similar code of conduct for staff but it is considered good practice.
- 3.2 The Code of Conduct for Staff sits at Part 5 of the Council's Constitution alongside the Councillors' Code of Conduct and the Protocol on Councillor/ Officer Relations. It is the intention that these three documents are collectively reflective in providing guidance on the behaviour and conduct expected of those performing the public service role.
- 3.3 This Council has been undertaking an ongoing review of various elements of the Constitution over recent months and the Code of Conduct for Staff is the most recent section to be reviewed.
- 3.4 It is important that this document is revised and updated as and when necessary to cover changes in modern business practice, such as data protection matters and technology, such as social media use. These practices and technologies nurture new behaviours and expectations and should be reflected in the guidance.

4. Consultations

- 4.1 On 19 February 2019, service leaders from across the Council met to review the content of the existing Staff Code of Conduct and how it could be revised to become more pertinent to modern practices and accessible to all staff. The meeting was provided with the outcome of officer research into staff codes of conduct across a number of other councils in order to inform and advise what could be absent from the existing document. In particular, material from Norwich City Council, Glasgow City Council, Oxford County Council and Cornwall Council were found to be useful.
- 4.2 UNISON have been consulted on the proposed revised Code of Conduct for Staff and have no comments to add.

5. Equality and Diversity Implications

- 5.1 There are no equality and diversity implications arising from this report.

6. Financial Implications

- 6.1 There are no financial implications arising from this report.

7. Legal Implications

- 7.1 It is important that members of staff and the Council itself remain safeguarded by clearly set out guidance regarding proper conduct and behaviour.
- 7.2 The Code of Conduct for Staff will be incorporated into employees' employment contracts and breach of its provisions will therefore be a breach of contract. The Code makes it clear that breach may result in disciplinary proceedings. Obtaining the employee's signature to the Code will be important to evidence the fact that they were made aware of its provisions.

8. Human Resource Implications

- 8.1 Consultation undertaken with senior managers has suggested that the Code of Conduct for Staff should be provided to all existing and newly recruited members of staff and signed by them to ensure the expected behaviours and conduct are understood. It is also proposed that line managers revisit the Code at the conclusion of the probation period for new staff.
- 8.2 The revised Code includes links and references (for guidance purposes) to relevant Human Resource and ICT policies.

9. Summary of Options

- 9.1 The Committee may consider that the existing guidance is fit for purpose and make no changes.
- 9.2 The Committee may agree with the revisions to the Code of Conduct for Staff proposed in Appendix 2 and recommend the revised draft be put before full Council for formal adoption.
- 9.3 The Committee may consider that the revisions do not go far enough and further research and consultation should be undertaken.

10. Conclusion

- 10.1 It is important for the Council to provide guidance to members of staff in terms of expected behaviour and conduct. This is in order to continue to provide a high standard of service to the public and to protect the interests of staff, councillors and the Council as an organisation.

11. Background Papers

- Norwich City Council Staff Code of Conduct
- Glasgow City Council Staff Code of Conduct
- Oxford County Council Staff Code of Conduct
- Cornwall Council Staff Code of Conduct

12. Appendices

Appendix 1: Existing Guildford Borough Council Staff Code of Conduct

Appendix 2: Revised draft of Guildford Borough Council Staff Code of Conduct 2019

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GUILDFORD BOROUGH COUNCIL

CODE OF CONDUCT FOR STAFF

1. Introduction

- 1.1 The public is entitled to expect the highest standards of conduct from all staff working for Guildford Borough Council. Public confidence in their integrity would be shaken were the least suspicion to arise that they could in any way be influenced by improper motives.
- 1.2 The Council approved this code of conduct, which applies to all employees, on the recommendation of the former Standards and Audit Committee and after consultation with representatives of staff. It draws together existing laws, regulations, rules, policies and conditions of service relating to conduct and provides further guidance to assist and protect staff in their day-to-day work.
- 1.3 Failure to follow the various guidelines and requirements set out in this code may result in disciplinary action being taken, which could lead to dismissal. Therefore, it is important that staff familiarise themselves with the content.
- 1.4 Where employees are in any doubt about any matter arising from the code, including whether any personal relationships or interests should be declared in particular circumstances, they should seek advice from their director or the Monitoring Officer.
- 1.5 The Code gives advice and guidance on the following matters:-
- General standards
 - Political neutrality
 - Disclosure of information
 - Relationships
 - Use of the Council's materials, equipment or resources
 - Separation of roles during competitive tendering
 - Appointments and employment matters
 - Outside commitments
 - Personal interests
 - Gifts and hospitality
 - Sponsorship
 - Equality and health and safety issues
 - Information technology
 - Breach of code of conduct

2. General standards

- 2.1 You are expected to give the highest possible standard of service to the public and, where it is part of your duties, to provide appropriate advice to councillors and fellow staff with impartiality. You must not conduct yourself in a manner which could reasonably be regarded as bringing the Council into disrepute.
- 2.2 You will be expected through agreed procedures and without fear of recrimination to bring to the attention of the appropriate level of management any deficiency in the provision of service. You must report any impropriety or breach of procedure. Normally, this would be to your line manager but, in exceptional cases, may be direct to a director or the Managing Director. Further information is contained in the Council's Whistle-Blowing Policy.

- 2.3 You should be aware that it is a serious criminal offence for you corruptly to receive or give any gift, loan, fee, reward or advantage for doing, or not doing, anything or showing favour, or disfavour, to any person in your official capacity.

3. Political neutrality

- 3.1 You serve the Council as a whole and must, therefore, serve all councillors and not just those of one particular group. You must ensure that the individual rights of all councillors are respected.
- 3.2 You shall not be required to advise or attend group meetings of the political groups of the Council and must not do so without the consent of your director. Any advice to political groups must be given in a way that does not compromise your political neutrality.
- 3.3 Some senior and other posts are designated as politically restricted posts. If your post is so affected, this will have been identified to you as part of your terms of employment and you will have received a schedule setting out the various restrictions in force.
- 3.4 Whether or not you are politically restricted, you must follow every lawful expressed policy of the Council and must not allow your own personal or political opinions to interfere with your work.

4. Disclosure of information

- 4.1 It is generally accepted that open government is best. The law requires that certain types of information must be available to councillors, auditors, government departments, service users and the public. If you are unsure as to what information can be disclosed, you must seek guidance from the Monitoring Officer in respect of committee reports and your service leader or director in respect of all other information.
- 4.2 You must not use any information obtained in the course of your employment for personal gain or benefit nor pass it on to others who might use it in such a way.
- 4.3 Personal information about another member of staff or councillor should not be divulged without their prior approval, except where that disclosure is required or sanctioned by law.

5. Relationships

Councillors

- 5.1 Mutual respect between staff and councillors is essential to good local government. Close personal familiarity between staff and individual councillors can damage the relationship and should, therefore, be avoided. The Protocol on Member/Officer Relations provides further guidance on the role and relationships of councillors and officers and principles governing general conduct.

Local community and service users

- 5.2 You should always remember your responsibilities to the community you serve and ensure courteous, efficient and impartial service delivery to all groups and individuals within that community.

Contractors

- 5.3 All relationships of a business or private nature with external contractors or potential contractors must be made known to your director. Orders and contracts must be awarded on merit by fair and open competition against other tenders. No special favour should be shown to businesses with particular connections to employees (e.g. friends, partners or relatives). No part of the local community should be discriminated against.
- 5.4 If you engage or supervise contractors or have any other official relationship with contractors and have previously had or currently have a relationship in a private or domestic capacity with contractors, you should declare that relationship to your director.

Colleagues

- 5.5 You should treat colleagues with fairness, dignity and respect at all times. Mutual respect between colleagues is essential to good working relationships. The Council will not tolerate bullying, harassment or victimisation of anyone in any form.

6. Use of the Council's materials, equipment or resources

- 6.1 You must ensure that public funds entrusted to you are used in a responsible and lawful manner. You should strive to ensure value for money to the local community and to avoid legal challenge to the Council.
- 6.2 If your work involves the handling of money or awarding of contracts, you must familiarise yourself with the requirements of the Council's Financial and Procurement Procedure Rules. Failure to follow the correct procedures will be treated as a serious matter.
- 6.3 You must follow the Council's rules on the ownership of intellectual property or copyright created during your employment.
- 6.4 You must ensure that all facilities, including stationery, secretarial, computer services, use of telephones, fax machines and photocopiers and all materials provided by the Council, are used only in connection with duties arising directly from your employment with the Council.

7. Contracts and tendering

- 7.1 If you are involved in the tendering process and dealing with contractors, you must be aware of the need for accountability and openness and follow agreed procedures. You must exercise fairness and impartiality when dealing with all customers, suppliers, other contractors and sub-contractors.
- 7.2 If you are privy to confidential information on tenders or costs relating to contractors, you should not disclose that information to any unauthorised party or organisation.
- 7.3 You should ensure that no special favour is shown to current or recent former staff or their partners, close relatives or associates in awarding contracts to businesses run by them or employing them in a senior or relevant managerial capacity.

8. Appointments and employment matters

- 8.1 If you are involved in appointments, you must ensure that these are made on the basis of merit. It would be unlawful to make an appointment which was based on anything other than the ability of the candidate to undertake the duties of the post. In order to avoid any possible accusation of bias, you should not be involved in an appointment where you are related to an applicant or have a close personal relationship outside work with him or her.
- 8.2 Similarly, you should not be involved in any decisions relating to discipline, promotion or pay adjustments for any other member of staff who is a relative, partner or close personal friend outside work. You should not show any favouritism in day-to-day working relationships.

9. Outside commitments

- 9.1 Your off-duty hours are your personal concern, but you must not subordinate your duty to your private interest or put yourself in a position where your duty and your private interest conflict. You must also not do anything which could reasonably be regarded as bringing the Council into disrepute.
- 9.2 The Council will not preclude you from undertaking additional employment, but this employment must not, in the Council's view, conflict with your job or have a detrimental impact on the Council's interests or in any way weaken public confidence in the conduct of the Council's business.
- 9.3 Senior staff are expected to devote their whole-time service to the work of the Council and should do nothing that would impair their ability to perform their duty. They must not engage in any other business or take up any additional appointment without the express consent of their director.

10. Personal Interests

- 10.1 If you or your partner or any other person with whom you have a close family or personal relationship has a financial interest in a contract, potential contract or any financial or other matter being dealt with by the Council, this must be reported in writing and without delay by you to your director who will keep a record.
- 10.2 The test for declaring such an interest must be to avoid any suspicion of impropriety. If you are in a position to influence any decisions which are taken by, or on behalf of, the Council and you have any interest in that decision, however remote, you should declare it. This might include membership of voluntary bodies, especially where they might be receiving grants.
- 10.3 Another particularly sensitive area relates to applications for planning permission. If you or your partner or any other person with whom you have a close family or personal relationship has any interest in a property for which a planning application has been made or which might be affected by an application for an adjoining or nearby property and you might be in a position to influence the consideration of that application, you should declare your interest.
- 10.4 Officers are expected to consider carefully whether their membership of, or association with, clubs, societies, political parties and other organisations, such as the Freemasons, lobbying organisations and voluntary bodies, could allow the impression to be created that their official position could be used to promote a private or personal interest. The position should be notified as set out in paragraph 10.5 below.

- 10.5 A central register of the external interests of senior staff (Band 6 and above) will be maintained by the relevant director, with access limited to an individual's director and the Managing Director and to the leaders of the political groups and committee chairmen.

11. Gifts and Hospitality

Gifts

- 11.1 The acceptance of gifts and hospitality (including sponsorship of a Council activity) must be treated with extreme caution.
- 11.2 You should not accept any gifts and hospitality where this could be perceived as influencing the Council's relationship with any third party.
- 11.3 Other than items of small value, such as business diaries, calendars, flowers, confectionery or conventional seasonal tips, you should not accept gifts. You must return any gift which is not acceptable within this definition. If you feel that the return of the gift might cause offence, you should contact your director who will determine the appropriate course of action.
- 11.4 Each directorate will maintain a register to record all cases under paragraph 11.3 above of gifts over a value of £25 and this will be available for inspection when required by the Managing Director and Monitoring Officer.

Hospitality

- 11.5 As a general rule, attendance in an official capacity at a function organised by a public authority or body or by a charitable or non-profit-making organisation is acceptable. Similarly, attendance at a function attended by the Mayor or Deputy Mayor in his or her official capacity (for example the opening of premises, special anniversary functions etc.) at which you are also an official guest is acceptable.
- 11.6 Limited hospitality in the form of a meal or refreshments is also a normal courtesy of a business relationship and is acceptable. However, you must not allow such hospitality to reach a level whereby it could be seen by others to have influenced a business decision and you must not be entertained if you believe that an offer has been made with a view to exerting influence or to improve the standing of a private individual or firm in relation to current or future dealings with the Council.
- 11.7 As a further guide, a modest lunch taken in the context of a business meeting is acceptable, but entertainment outside the context of the business day (for example entertainment and/or invitations to sporting events, country houses and other leisure activities) is not, unless it is for charity fundraising.
- 11.8 If you are ever in any doubt as to what is or is not acceptable in terms of hospitality, the offer should be declined.
- 11.9 You must notify your director of all hospitality received over a value of £25, except where attending as in paragraph 11.5 above. Directorates will keep a register to record all such cases and this will be available for inspection when required by the Managing Director and Monitoring Officer.

Preferential rates and treatment

- 11.10 You must not seek or accept preferential rates or treatment from any person, company or other organisation by virtue only of your employment with the Council.
- 11.11 You must not seek or accept any preferential rates or treatment in respect of the use of any Council-owned facility, unless such preferential rates or treatment have been specified and agreed by the Council.

12. Sponsorship

- 12.1 Where an outside organisation wishes to sponsor or is asked to sponsor a Council activity, whether by invitation, tender, negotiation or voluntarily, the basic conventions concerning acceptance of gifts or hospitality apply. Particular care must be taken when dealing with contractors or potential contractors (i.e. contractors who could bid for Council work).
- 12.2 Where the Council wishes to sponsor an event or service, neither you nor any partner, spouse or relative must benefit from such sponsorship in a direct way without there being full disclosure to your director of any such interest. Similarly, where the Council through sponsorship, grant aid, financial or other means, gives support in the community, you should ensure that impartial advice is given and that there is no conflict of interest involved.

13. Equality and health and safety issues

- 13.1 You must ensure compliance with policies relating to equality issues. All members of the local community, customers and other staff have a right to be treated with fairness and equality.
- 13.2 You must ensure compliance with policies relating to health and safety issues.

14. Information technology

- 14.1 You must comply with policies relating to the use and security of the Council's computer systems.

15. Breach of code of conduct

- 15.1 Any breach of the code of conduct may be regarded as a disciplinary offence.

GUILDFORD BOROUGH COUNCIL

CODE OF CONDUCT FOR STAFF

1. Introduction

- 1.1 The public must have full confidence in the professionalism and integrity of all members of staff.
- 1.2 This Code applies to all members of staff when working for or acting on behalf of the Council, including temporary and casual workers, agency workers, interims and contractors. Where there is no direct employment-contract relationship, regard shall be had to this code when assessing acceptable behavioural standards.
- 1.3 The Code does not affect your rights and responsibilities under the law; its purpose is to provide clear and helpful guidance.
- 1.4 It is important for you to know that disciplinary action is possible if the Code is not followed and you should familiarise yourself with this document.
- 1.5 You should always seek advice from your line manager if in doubt about any aspect of this Code, especially the relevance of any personal relationships or interests¹.

2. Version

- 2.1 This document is version 2.0. It will be reviewed and updated as and when necessary to ensure that it is up to date and relevant.

3. General standards

3.1 You shall:

- Provide the highest possible standard of service to the public
- Provide impartial advice to councillors and the public
- Report to the appropriate management any breaches of this Code.
- Declare any gift, loan, reward, favour or advantage given to you because of the job you do.
- Present a smart professional appearance.
- If you are issued with a uniform, only wear it when undertaking your professional duties.
- Comply with the Council's **Behavioural Standards**.

3.2 You shall not:

- Conduct yourself in a way that would bring the Council into disrepute.

Organisational Culture Framework

¹ What is an 'interest'?

An interest can be something like the house or the area where you/your family live. Alternatively, it can be something you, your family or someone close to you do aside from working for the council like another job, membership of a political party or a club or society.

4. Political neutrality

4.1 You should remember that the Council is a political organisation and be mindful of this in all areas of your work and personal life. Some jobs in the Council are 'politically restricted' and those jobs are subject to rules about personal life as well as in work. The Council has written some [Guidance on Politically Restricted Posts](#).

4.2 You **shall**:

- Address all councillors respectfully and impartially.
- Be politically neutral when offering advice to councillors.
- Act according to any political restrictions set out in your job description.

4.3 You **shall not**:

- Allow your own personal or political opinions to interfere with your work.
- Attend political group² meetings without your director's knowledge and approval.

5. Use of media and social media

5.1 The 'media' or the 'press' means news websites, radio or television stations and newspapers. When we talk about 'social media', we mean online social networking websites like Facebook, Instagram, Twitter etc.

5.2 If you post malicious, untrue or otherwise inappropriate statements about the Council, councillor(s) or members of staff on social media sites, this will be a misuse of social networking and any such posting(s) may result in the Council taking disciplinary action against you.

5.3 You **shall**:

- Direct anyone from the media with a query to contact the councils' trained officers in the Communications and PR Team.
- Be aware that your comments made on social media websites will be public.
- Always comply with the Council's [Communications Protocol](#) and [social media standards](#).

5.4 You **shall not**:

- Post comments or disclose information about Council business, other officer colleagues, councillors or the Council that could be described as offensive, abusive or damaging even if those comments are made outside of working hours.
- Make available any of the Council's confidential information without the proper permission.

² What is a Group?

Councillors can form political groups and the largest group or a combination of groups usually form an administration to provide the political leadership for the authority. There is statutory recognition for political groups and it is common practice for such groups to consider matters of Council business in advance of consideration by the relevant Council committee.

6. Disclosure of information

6.1 Sharing confidential information without permission is a serious matter and may result in dismissal under the Council's [Disciplinary Policy and Procedure](#). It could also be a criminal offence and lead to criminal proceedings.

6.2 You **shall**:

- Know and apply the Council's policies on the management of sensitive information, and be aware of the types of information that can be shared depending upon the person who asking for it.
- Check with your manager or the Monitoring Officer if you are unsure what information can be shared.
- Maintain the confidentiality of all sensitive information (whether personal or otherwise) that you have access to in the course of doing your job.

6.3 You **shall not**:

- Use Council-held information in a way that would promote your own personal interests or share it with others to use in such a way.
- Share personal information about another officer or councillor without proper authority to do so.

7. Relationships

You **shall**:

- Treat other members of staff with fairness, dignity and respect. The Council will not tolerate bullying, harassment or victimisation in any form. [Bullying and harassment policy](#)
- Be courteous, efficient, and impartial to councillors, members of the public and service users. [Protocol on Councillor/Officer relations for guidance on role and relationships](#).
- Tell your director if you have any business or personal relationships with an external service provider or potential contractor working for the council.
- Inform your manager if you are related to someone at work or if you are having a close personal relationship with someone at work.

8. Use of the Council's equipment and resources

You **shall**:

- Use Council-owned equipment and resources given to you to do your job in a lawful and responsible manner.
- Strive to ensure value for money when undertaking your professional duties.
- Use Council facilities and equipment only in connection with the duties required by your job.
- Follow the rules regarding:
[ICT users' policy](#)
[Information systems security policy](#)

Data protection policy
Council's rules on intellectual property and copyright

9. Contracts and tendering

9.1 You **shall**:

- Display accountability and openness and follow **Council's Procurement Procedures rules** during the tendering process.
- Respect the confidentiality of tenders. **Awarding contracts**
- Disclose in writing to your line manager and the Monitoring Officer, any interest you may have in a contract which is, or is proposed to be, appointed by the Council, in accordance with s117 of the Local Government Act 1972.

9.2 You **shall not**:

- Offer, promise or give someone a reward to make them perform their activities improperly.
- Accept, agree to accept or request a reward in return for performing an activity . **Anti-fraud and corruption policy**
- Bribe anyone in order to win business, keep business or gain a business advantage for the council. **Anti-bribery policy**

10. Appointments and employment matters

10.1 It you are involved in staff recruitment you **shall**:

- Appoint based on merit and purely on the ability of the applicant to undertake the duties of the post.

10.2 It you are involved in staff recruitment you **shall not**:

- Be involved in the appointment of a relative or friend
- Be involved in any decisions relating to discipline, remuneration or promotion of any member of staff who is a relative, partner, or close friend outside work.
- Show any favouritism for any member of staff who is a relative, partner, or close friend outside work.

11. Outside commitments

11.1 You **shall**:

- Usually be able to take up additional employment outside of your job for the Council provided it does not conflict with your Council role; however, you must first notify your line manager.
- Declare any additional hours working for an external employer to your line manager.

11.2 You **shall not**:

- If you are a senior officer, take up other employment in addition to your Council role, without the express consent of your director.

- Undertake activities outside of your Council work that may be regarded as bringing the Council into disrepute.

12. Personal Interests

12.1 If your job is Band 6 and above, it is expected that you **shall inform your director**:

- If you, a close family member or someone with whom you have a close relationship has a financial interest in any matter being dealt with by the council.
- If you, a close family member or someone with whom you have a close relationship has submitted a planning application.
- If you have any interest in any council decision that you are able to influence for example, if you are a member of local club in receipt of council grants.
- If you are a member of any clubs, societies, political parties and other organisations because it might look like you are using your council job to influence something you have an interest in.

12.2 Your director will ask you to fill out a **Staff Declaration of Interest** form. What you declare will be included on a register of senior staff interests with access limited to your director, the Managing Director, political group leaders and committee chairmen.

13. Safeguarding

13.1 The Council has a statutory duty to ensure the safety and welfare of children, young people and adults at risk and the Council has a **Safeguarding Policy**.

13.2 When you are doing your job, if you have direct or indirect contact with children or adults at risk, or if you have access to information about them, you have a duty to safeguard and promote their welfare.

13.3 If you have concerns relating to the welfare of a child or adult at risk, you must report these to your line manager or your director.

14. Gifts, hospitality and sponsorship

14.1 You **shall**:

- Tell your director about any gift received or hospitality accepted over a value of £25, which will be placed on a 'register of gifts and hospitality' with access limited to the Managing Director and the Monitoring Officer
- Be aware that limited hospitality (a meal/refreshments) is acceptable as long as it does not reach a level that it might seem like it has influenced a business decision.
- Decline a gift or an offer of hospitality if you believe that the offer was made in order to exert influence over you or the Council or if you are uncertain about the reason for the invitation.
- Be aware that a modest lunch is normally acceptable, but entertainment is unacceptable unless it is for charity fundraising.
- Be aware that the rules concerning the acceptance of gifts or hospitality will apply if an outside organisation should sponsor a Council activity by invitation, tender, negotiation or voluntarily.

14.2 You **shall not**:

- Appear to influence the Council's relationship with anyone by accepting any gifts and hospitality from them.
- Accept any gifts, other than items of small value [£25 or less].
- Seek or accept special treatment from anyone because you work for the Council.
- Seek or accept special treatment regarding the use of any Council owned facility, unless you have been given permission to do so by the Council.
- Directly benefit yourself, or anyone with whom you have a close relationship, from any Council sponsored event or activity.

15. **Equalities and health and safety issues**

You should read and follow the Councils' policies relating to [equal opportunities](#), [alcohol and substance misuse](#) and [health and safety](#).

16. **Notification of Criminal Investigations and other required disclosures**

You should inform your manager in writing straight away if during your employment with the Council you are arrested, charged with, or convicted of a criminal offence.

17. **Breach of code of conduct**

Any breach of the code of conduct may be regarded as a disciplinary offence.
[Disciplinary Policy and Procedure](#)
[Grievance policy and procedure](#)
[Whistleblowing procedure](#)

I have read and understood the content of this document

Staff Signature

Manager Signature

.....

.....

Date.....

Date

Corporate Governance & Standards Committee Report

Ward(s) affected: All

Report of Director of Finance

Author: John Armstrong

Tel: 01483 444102

Email: john.armstrong@guildford.gov.uk

Date: 13 June 2019

Review of the Councillors' Development Steering Group

Executive Summary

Council Procedure Rule 24 (v) requires the appointing body to review annually, the continuation of task groups appointed by them. Although the Councillors' Development Steering Group was set up originally as an Executive working group, it was agreed in 2015 that the Steering Group would report on its work to this Committee.

This report asks the Committee to review the work carried out by the Steering Group over the past twelve months and the work they are likely to undertake over the next twelve months and to agree that it should continue its work. It is vitally important that the Steering Group is representative of all political groups on the Council. The Committee is therefore asked to appoint five councillors to the Steering Group for the 2019-20 municipal year, one from each political group.

Recommendation to the Committee:

- (1) That the Councillors' Development Steering Group continues its work and that the numerical allocation of seats on the Steering Group to each political group shall be one member per group, plus a nominated deputy.
- (2) That each of the political groups be asked to nominate one member to sit on the Steering Group for the 2019-20 municipal year, plus one nominated deputy.

Reason for Recommendation:

To comply with the requirement for this Committee to review the continuation of the Councillors' Development Steering Group, in accordance with Council Procedure Rule 24 (v).

1. Purpose of Report

- 1.1 This report asks the Committee to review the work carried out by the Councillors' Development Steering Group over the past twelve months and the work they are likely to undertake over the next twelve months. As part of this review, the report also asks the Committee to agree formally that the composition of the Steering

Group should be five members, one appointee from each of the five political groups on the Council, plus one nominated deputy per appointee.

2. Strategic Priorities

- 2.1 The work of councillor task groups should assist in the delivery of the Council's Corporate Plan and the fundamental themes that support that Plan.

3. Background

- 3.1 Council Procedure Rule 24 (v) requires the Committee to review annually the continuation of those task groups for which it is responsible. The Councillors' Development Steering Group is such a group.
- 3.2. The Council agreed in December 2016, as part of a review of the Constitution, to include for the purposes of clarity and avoidance of doubt, information in Council Procedure Rules on the appointment, terms of reference, composition and duration of:
- working groups (appointed by the Leader, a lead councillor, or the Executive) and
 - task groups (appointed by Council, a committee, or an EAB),
- including the appointment of working/task group chairmen and substitutes.
- 3.3 At its meeting on 21 May 2019, the Executive considered a report on the review of working groups for which it is the appointing body. The format of this report is similar to the Executive report and sets out in **Appendix 1**:
- (a) the terms of reference and current composition of the Steering Group; and
 - (b) a summary of general progress including work undertaken, goals achieved and work still to be carried out.
- 3.4 Clearly, the work of the Steering Group is vital to ensure that the Councillor training and development programme continues to meet the needs of councillors and strives to maintain the standards required by the South East Employers Charter for Elected Member Development. Accordingly, the Committee is asked to agree that the Steering Group continues with its work.
- 3.5 Under Council Procedure Rule 24, this Committee may determine, amongst other things,
- the number of councillors on a task group,
 - whether the task group should be cross-party (it is essential that *all* political groups are represented on the Steering Group) and
 - whether to ask political group leaders to nominate councillors for membership of the Steering Group or appoint those councillors itself.

4. Equality and Diversity Implications

- 4.1 The Steering Group is responsible for taking due regard to the requirements of the Public Sector Equality Duty (Equality Act 2010) when making any policy recommendations.

5. Financial Implications

- 5.1 There are no financial implications arising from this report. Any proposals, projects or suggestions from the Steering Group with financial implications will either be contained within approved budgets or considered as part of the Service and Financial Planning cycle.

- 5.2 The budget for councillor training and development in 2019-20 is £12,000.

6. Legal Implications

- 6.1 There is no legal requirement to establish working groups but most councils use them for purposes similar to ours. As stated above, we have made provision for their operation in Council Procedure Rules.

7. Human Resource Implications

- 7.1 Currently, we are able to service the Steering Group from within existing staffing resources within Democratic Services.

8. Summary of Options

- 8.1 In the light of the information provided in this report, the Committee (as the 'appointing body') is asked to agree that the Steering Group continues with its work.
- 8.2 The Committee may also revise terms of reference and composition of the Steering Group. In that regard, the Committee is also asked to agree the numerical allocation of seats to each political group. Officers are suggesting that this should be on the basis of one member from each of the five political groups on the Council.

9. Background Papers

None

10. Appendices

Appendix 1: Table showing details of the Councillor Development Steering Group including work undertaken over the past 12 months, and work still to be carried out

NAME OF GROUP	DATE ESTABLISHED / FREQUENCY OF MEETINGS	DATE OF NEXT MEETING	TERMS OF REFERENCE	DETAILS OF GENERAL PROGRESS AND WORK STILL TO BE UNDERTAKEN
Councillors' Development Steering Group	Dec 2005/ The Group met on 4 occasions in 2018-19	TBC following CGSC meeting on 13 June 2019 (anticipated number of meetings in 2019-20: 4 based upon the group continuing to meet on a quarterly basis)	The current terms of reference of the group are as follows: "To continue to support councillors in their ongoing development and training needs through a clear, structured Action Plan for councillor development that responds to the fundamental themes that support the vision of the Corporate Plan: Place-making, Community and Innovation."	<u>Progress:</u> <ul style="list-style-type: none"> • The Steering Group has continued to lead on helping the Council meet the standard of the SE Charter for Elected Member Development. The Council's next full assessment will take place in November 2019 and an 18 - month interim assessment was held on 11 June 2018. • At each meeting, the steering group reviews: <ul style="list-style-type: none"> ○ the councillors' training and development programme ○ evaluation forms completed after each training/seminar session and recommends changes to the organisation of future events where required ○ the councillors' training and development budget. • Arranged once a month training courses for councillors' that were relevant to their needs, including bite-sized training prior to Planning Committee meetings. • Created the Councillors' Section of the website, which gives councilors access to a host of resources pertinent to their role. An area where they can download claim forms, councillor's personal development and a calendar of training events.

NAME OF GROUP	DATE ESTABLISHED / FREQUENCY OF MEETINGS	DATE OF NEXT MEETING	TERMS OF REFERENCE	DETAILS OF GENERAL PROGRESS AND WORK STILL TO BE UNDERTAKEN
				<ul style="list-style-type: none"> • Promoted the 'Becoming a Councillor' sessions scheduled on 17 October 2018 and 11 February 2019 through the 'beacouncillor.co.uk/guildford' website. • Created an induction programme for the new councillors elected in May 2019. • Updated and circulated the 'Guide to being a Councillor' for the new councillors elected in May 2019. <p><u>Work to be undertaken:</u></p> <ul style="list-style-type: none"> • Collate the feedback received following the intensive induction period for councillors scheduled May-July 2019 and provide an overview summary for the Councillor Development Steering Group to review the effectiveness of the induction. • Obtain councillors' views on the new Councillors' Pages that are now hosted on the Council's website, rather than the Loop (intranet). The Pages include access to information on forthcoming training events, links to recent training presentations and other useful information – e.g. on data protection, FoI and local government finance. • Roll out the Personal Development Plans (PDPs) to all councillors for completion. The results of which will inform the development of the councillor training programme moving

NAME OF GROUP	DATE ESTABLISHED / FREQUENCY OF MEETINGS	DATE OF NEXT MEETING	TERMS OF REFERENCE	DETAILS OF GENERAL PROGRESS AND WORK STILL TO BE UNDERTAKEN
				<p>forward.</p> <ul style="list-style-type: none"> • Review the Group's terms of reference. • Prepare for South East Employers (SEE) Charter Assessment Day in November 2019 • Review online training offer for councilors following termination of contract with Learningpool in August 2019.

Corporate Governance and Standards Committee Report

Ward(s) affected: All

Report of Director of Finance

Author: John Armstrong

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Date: 13 June 2019

Corporate Governance and Standards Committee – 12 month rolling Work Programme

Recommendation

That the Committee considers and approves its updated 12 month rolling work programme, as detailed in Appendix 1 to this report.

Reason for recommendation:

To allow the Committee to maintain and update its work programme.

1. Purpose of report

- 1.1 The draft work programme attached as Appendix 1 sets out the items scheduled to be considered by this Committee at its meetings over the next 12 months.

2. Draft work programme

- 2.1 The draft work programme for the Corporate Governance and Standards Committee is set out in Appendix 1 to this report. The timing of the reports contained in the work programme is subject to change, in consultation with the chairman. The items to be considered include decisions to be made by the Executive and/or full Council, with consideration of any comments or recommendations made by this Committee.

3. Financial Implications

- 3.1 There are no financial implications arising directly from this report.

4. Legal Implications

- 4.1 There are no legal implications arising directly from this report.

5. Human Resource Implications

- 5.1 There are no human resources implications arising directly from this report.

6. Background Papers

- Guildford Borough Council Forward Plan
- Corporate Management Team Forward Plan

7. Appendices

Appendix 1: Corporate Governance and Standards Committee draft work programme

CORPORATE GOVERNANCE AND STANDARDS COMMITTEE DRAFT WORK PROGRAMME

25 July 2019

Subject	Details of decision to be taken	Decision to be taken by	Contact Officer
2018-19 Audit Findings Report: Year ended 31 March 2019	To note the external auditor's findings and management's response in the Action Plan	Corporate Governance and Standards Committee	Claire Morris 01483 444827
2018-19 Audited Statement of Accounts	To approve the 2018-19 Statement of Accounts	Corporate Governance and Standards Committee	Claire Morris 01483 444827
Financial Monitoring 2019-20 Period 2 (April/May 2019)	To note the results of the Council's financial monitoring for the period April/May 2019	Corporate Governance and Standards Committee	Claire Morris 01483 444827
Summary of Internal Audit Reports October 2018 – March 2019	To consider the summary of internal audit reports for the period October 2018 to March 2019, including an update on complaints to the Local Government Ombudsman for that period	Corporate Governance and Standards Committee	Joan Poole 01483 444854
General Data Protection Regulation (GDPR)	To consider a six monthly update on compliance with the GDPR	Corporate Governance and Standards Committee	Joyce Hamilton 01483 444053
Freedom of Information Compliance update	To consider the update report on the Council's performance in dealing with Freedom of Information requests (January to June 2019)	Corporate Governance and Standards Committee	Ciaran Ward 01483 444072
Review of Protocol on Councillor/Officer Relations	To consider recommendations of the task group appointed by the Committee to review the Protocol	Council: 8 October 2019	John Armstrong 01483 444102

CORPORATE GOVERNANCE AND STANDARDS COMMITTEE DRAFT WORK PROGRAMME

19 September 2019

Subject	Details of decision to be taken	Decision to be taken by	Contact Officer
Financial Monitoring 2019-20 Period 4 (April to July 2019)	To note the results of the Council's financial monitoring for the period April to July 2019	Corporate Governance and Standards Committee	Claire Morris 01483 444827
Councillor Training and Development Update	To consider a report from the Councillors' Development Steering Group relating to councillor training and development	Corporate Governance and Standards Committee	Sophie Butcher 01483 444056
Procurement Procedure Rules	To approve amendments to Procurement Procedure Rules following review	Council: 8 October 2019	Diane Owens 01483 444027

CORPORATE GOVERNANCE AND STANDARDS COMMITTEE DRAFT WORK PROGRAMME

19 November 2019

Subject	Details of decision to be taken	Decision to be taken by	Contact Officer
Annual Audit Letter for 2018-19	To consider the Annual Audit Letter for 2018-19	Executive: 7 January 2020	Claire Morris 01483 444827
Financial Monitoring 2018-19: Period 6 (April to October 2019)	To note the results of the Council's financial monitoring for the period April to October 2019	Corporate Governance and Standards Committee	Claire Morris 01483 444827
Summary of internal audit reports (April to September 2019)	To consider the summary of internal audit reports and progress on the internal audit plan for April to September 2019, including update on complaints to the Local Government Ombudsman for that period.	Corporate Governance and Standards Committee	Joan Poole 01483 444854

CORPORATE GOVERNANCE AND STANDARDS COMMITTEE DRAFT WORK PROGRAMME

16 January 2020

Subject	Details of decision to be taken	Decision to be taken by	Contact Officer
Capital and investment strategy (2020-21 to 2023-24)	To comment on various recommendations to the Executive and Council	Executive: 21 January 2020 Council: 5 February 2020	Victoria Worsfold 01483 444834
Financial Monitoring 2019-20 Period 8 (April to November 2019)	To note the results of the Council's financial monitoring for the period April to November 2019	Corporate Governance and Standards Committee	Claire Morris 01483 444827
Annual report of the Monitoring Officer regarding misconduct allegations	(1) To note the cases dealt with; and (2) To advise the Monitoring Officer of any areas of concern upon which they would like further information and/or further work carried out.	Corporate Governance and Standards Committee	Robert Parkin 01483 444135
Equalities Scheme Action Plan	Annual monitoring report on the implementation of the actions in the Equalities Scheme action plan approved in January 2018	Corporate Governance and Standards Committee	Lucy Richards 01483 444013
Gender Pay Gap Report 2020-21	To note the Council's gender pay gap report	Corporate Governance and Standards Committee	Francesca Smith 01483 444014
Freedom of Information Compliance - Annual Report 2019	To consider the annual report for 2018 on the Council's performance in dealing with Freedom of Information requests.	Corporate Governance and Standards Committee	Ciaran Ward 01483 444072
General Data Protection Regulation Update	To consider a six monthly update on compliance with the GDPR	Corporate Governance and Standards Committee	Joyce Hamilton 01483 444053

CORPORATE GOVERNANCE AND STANDARDS COMMITTEE DRAFT WORK PROGRAMME

26 March 2020

Subject	Details of decision to be taken	Decision to be taken by	Contact Officer
Discussions with those charged with governance	To agree the Committee's response to the external auditor's audit plan	Corporate Governance and Standards Committee	Claire Morris 01483 444827
Annual Governance Statement 2019-20	To adopt the Council's Annual Governance Statement 2019-20	Executive: 21 April 2020	Claire Morris 01483 444827
Audit Report on the Certification of Financial Claims and Returns 2018-19: Housing Benefit Subsidy and Pooling Housing Capital Receipts	To note the position regarding the certification of financial claims and returns for 2018-19	Corporate Governance and Standards Committee	Belinda Hayden 01483 444867
External Audit Plan and Audit Update 2019-20	To approve the external audit plan for 2019-20, and to note the content of the External Auditor's update report and make any appropriate comments.	Corporate Governance and Standards Committee	Claire Morris 01483 444827
General Data Protection Regulation (GDPR)	To consider a report on progress with compliance with the GDPR	Corporate Governance and Standards Committee	Joyce Hamilton 01483 444053
Financial Monitoring 2019-20 Period 10 (April 2019 to January 2020)	To note the results of the Council's financial monitoring for the period April 2019 to January 2020	Corporate Governance and Standards Committee	Claire Morris 01483 444827

CORPORATE GOVERNANCE AND STANDARDS COMMITTEE DRAFT WORK PROGRAMME

June 2020

Subject	Details of decision to be taken	Decision to be taken by	Contact Officer
Capital and Investment outturn report 2019-20	To submit any comments to the Executive when it considers this matter in June 2020.	Executive: June 2020 Council: July 2020	Victoria Worsfold 01483 444834
Revenue Outturn Report 2019-20	To note the Draft Statement of Accounts 2019-20, and to make any comments to officers in advance of the audit.	Executive: June 2020	Claire Morris 01483 444827
Housing Revenue Account Final Accounts 2019-20	To submit any comments to the Executive when it considers this matter in June 2019.	Executive: June 2020	Philip O'Dwyer 01483 444318
External Audit 2020-21 Fee Letter	To consider the planned audit fee	Corporate Governance and Standards Committee	Claire Morris 01483 444827
Internal Audit Plan 2020-21	To consider the internal audit plan for 2020-21	Corporate Governance and Standards Committee	Joan Poole 01483 444854
Review of the Councillors' Development Steering Group	(1) To approve the numerical allocation of seats on the Steering Group to each political group for 2020-21. (2) To ask political group leaders to confirm the councillor membership of the Steering Group for 2020-21	Corporate Governance and Standards Committee	John Armstrong 01483 444102