Joint Executive Advisory Board Report

Ward(s) affected: All

Report of Director of Finance

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Capital and Investment Strategy 2019-20 to 2023-24

Executive Summary

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

<u>Capital Strategy</u>

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

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

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

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

Some capital receipts or revenue streams may arise as a result of investment in particular schemes, but in most cases are currently uncertain and it is too early to make assumptions. Some information has been included in the capital vision highlighting the potential income. It is likely there are cash-flow implications of the development

schemes, where income will come in after the five-year time horizon and the expenditure will be incurred earlier in the programme.

All projects will be funded by general fund capital receipts, grants and contributions, reserves and finally borrowing. We do not currently know how each scheme will be funded and, in the case of development projects, what the delivery model will be – this report, shows a high-level position. To ensure the Council demonstrates that its capital expenditure plans are affordable, sustainable and prudent, we set Prudential Indicators that must be monitored each year (shown in **Appendix 1**).

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

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

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

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

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

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

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

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

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

Non-financial investments and investment strategy

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

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

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

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

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

Flexible use of Capital Receipts policy

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

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

Recommendation to Joint Executive Advisory Board

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

Recommendation to Executive

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

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

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

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

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

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

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be added to the General Fund Capital Programme approved list, to be funded by reserves, and that the relevant officer be authorised to implement the schemes.

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

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

Recommendation to Council

The Executive is also asked to recommend to Council:

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

Reason(s) for Recommendation:

- To enable the Council to approve the Capital and Investment strategy for 2019-20 to 2023-24.
- To enable the Council, at its budget meeting on 26 February 2018, to approve the funding required for the new capital investment proposals.

1. Purpose of Report

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

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

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

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

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

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

2. Strategic Priorities

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

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

3. Background

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

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

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

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

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

3.6 The Council invests its money for three broad purposes:

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

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

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

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

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

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

4. Capital Expenditure and Financing

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

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

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

Current capital programmes (Appendices 3 to 8)

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

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

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

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

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

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

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

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

New capital schemes

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

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

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

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

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

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

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

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

Prudential Indicators

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

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

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

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

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

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

Estimates of Capital expenditure

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

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

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

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

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

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

Estimates of CFR and Gross debt as shown against the CFR

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

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

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

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

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

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

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

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

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

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

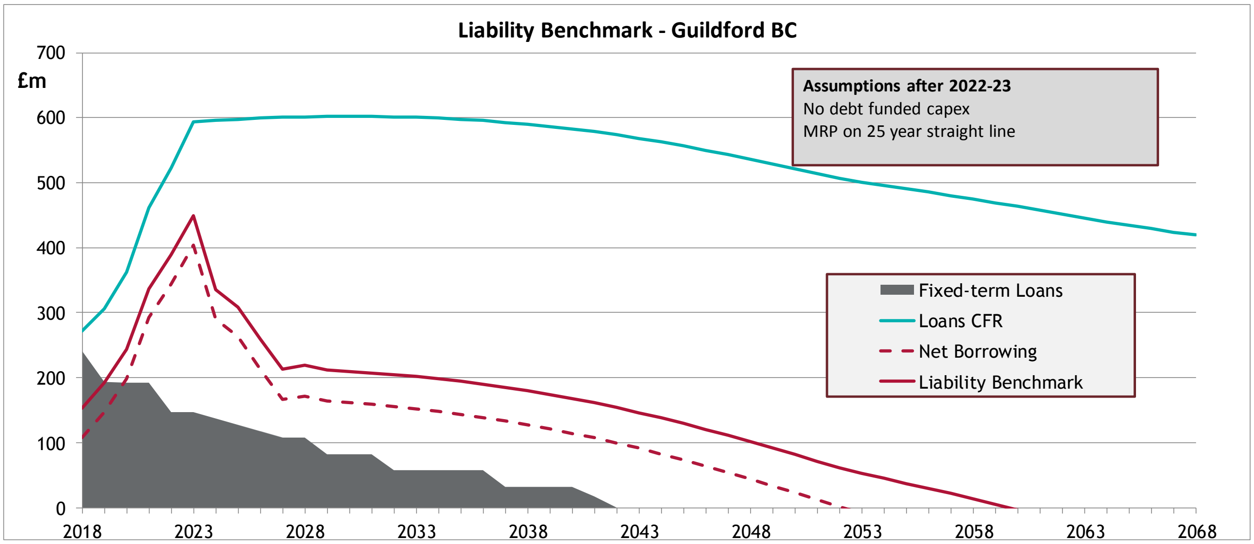
4.37 The HRA debt cap has now been removed. The implications of this are being worked through, and as such, the liability benchmark still currently assumes no increase in the CFR balance.

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

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

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

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



4.42 The difference between the liability benchmark (solid red line) and the red dotted line is our minimum liquidity requirement of £45 million. This graph clearly shows that while the CFR is stable, based on future assumptions, the liability benchmark is reducing in line with assumed increases in reserves and MRP payments.

Operational boundary and authorised limit for external debt

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

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

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

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

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

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

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

Ratio of financing costs to net revenue stream

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

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

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

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

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

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

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

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

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

5. Minimum Revenue Provision (MRP)

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

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

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

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

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

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

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

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

MRP Policy

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

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

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

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

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

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

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

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

6. Treasury Management

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

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

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

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

Borrowing strategy

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

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

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

Investment strategy

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

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

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

6.11 The Council's current portfolio is:

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

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

7. Asset management/Non-financial investments

Property asset management

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

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

Investments for service purposes

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

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

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

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

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

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

Other non-treasury investments

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

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

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

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

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

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

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

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

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

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

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

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

Liabilities

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

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

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

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

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

Proportionality

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

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

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

8. Flexible use of capital receipts policy

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

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

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

9. Knowledge and Skills

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

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

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

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

10. Risks

Capital programme

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

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

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

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

Treasury Management risks

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

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

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

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

Risks relating to non-financial assets

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

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

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

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

11. Consultations

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

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

12. Executive Advisory Board comment

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

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

13. Equality and Diversity Implications

13.1 There are no equality and diversity implications

14. Financial Implications

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

14.2 The budget for treasury management investment income in 2019-20 is £1.5 million, based on an average investment portfolio of £53 million, at a weighted average rate of 3%. The budget for debt interest paid is £5.75 million, of which £5.15 million relates to the HRA. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

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

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

Risk indicators

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

Total risk exposure

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

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

How investments are funded

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

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

Rate of return achieved

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

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

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

15. Legal Implications

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

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

16. Human Resource Implications

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

17. Summary of Options

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

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

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

18. Conclusion

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

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

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

19. Background Papers

None

20. Appendices

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