Council Report

Ward(s) affected: All

Report of Director of Resources

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Capital and Investment strategy 2022-23 to 2026-27

Executive Summary

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. The strategy also details how associated risks are managed and the implications for future sustainability.

Decisions made now, and during the period of the strategy on capital and treasury management will have financial consequences for the Council for many years into the future. This report, therefore, includes details of the capital programme, any new bids/mandates submitted for approval, plus the requirements of the Prudential Code and the investment strategy covering treasury management investments, service investments and commercial investments. The report also covers the requirements of the Treasury Management Code and the prevailing DLUHC Statutory Guidance.

Capital programme

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

Capital expenditure is split into the General Fund (GF) and Housing Revenue Account (HRA).

All projects, regardless of the fund, will be funded by capital receipts, grants and contributions, reserves, and finally borrowing. When preparing the budget reports, we do not know how each scheme will be funded and, in the case of regeneration projects, what the delivery model will be. This report shows a high-level position. The business case for each individual project will set out the detailed funding arrangements for the project.

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

To ensure the Council demonstrates that its capital expenditure plans are affordable, sustainable and prudent, we set Prudential Indicators.

General Fund
The Council has an underlying need to borrow for the GF capital programme of £298 million between 2021-22 to 2026-27. Officers have put forward bids, with a net cost over the same period of £16.5 million, increasing this underlying need to borrow to £315.5 million should these proposals be approved for inclusion in the programme.

The capital programme includes several significant regeneration schemes, which we have assumed will be financed from GF resources. However, subject to detailed design of the schemes, there may be scope to fund them from HRA resources rather than the GF 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.

The main areas of expenditure (shown gross) are:

- £218 million Weyside Urban Village (WUV)
- £63.5 million strategic property purchases – it is proposed to widen the remit of this fund to allow redevelopment opportunities (for example estate redevelopments)
- £32 million North Downs Housing (NDH)
- £28 million Ash road bridge and footbridge

As part of the savings programme and in realigning the capital programme in line with the new corporate plan, officers have been reviewing the capital programme, and are recommending some schemes be removed from the programme, and if required in future will come forward with a new mandate under the PPM governance framework – see Recommendation 1.

Appendix 2 contains a summary of the new bids submitted. Appendices 3 to 9 show the position and profiling of the current programme (2021-22 to 2025-26).

HRA
The HRA capital programme is split between expenditure on existing stock and either development of or purchase of new dwellings to add to the stock. A lot of work has started on updating the condition surveys of the existing stock and bringing in changes to legislation. This has resulted in a need to invest a far greater sum for 2022-23 than in previous years - £24.5 million. The capital programme will be funded from HRA capital receipts and reserves. There is also £142 million between 2022-23 and 2026-27 million included for development projects to build or acquire new housing (including WUV).

The main areas of major repairs and improvement expenditure are:
- refurbishment, replacement & renewal programme of existing stock, £11 million, which includes kitchen & bathroom upgrades, void property refurbishment and roof works
- works to existing stock to comply with changes to standards and legislation, £9 million, including replacement fire doors, electrical testing and fire protection works
- mechanical and electrical works £2 million, including central heating systems
- other works of £1.9 million including damp prevention works

The main development projects are:

- Guildford Park Car Park £45.7 million
- Bright Hill £17 million
- WUV £15 million
- Foxburrows £10 million

Appendix 2 contains a summary of the new bids submitted. Appendices 10 to 12 show the position and profiling of the current programme (2021-22 to 2025-26)

Treasury Management

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

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

The budget for investment income for 2022-23 is £1.2 million, based on an average investment portfolio of £118 million, at a weighted average rate of 1.69%. The budget for debt interest paid is £5.74 million, of which £5.05 million relates to the HRA.

Service and Commercial investments

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 earning a return is the primary purpose).

Investment property is valued at £152 million, as per the 2020-21 Statement of Accounts, with rent receipts of £7.8 million, and a yield of 5.8%

The Council has invested £21.2 million in our housing company – North Downs Housing Ltd (NDH). This is via 40% equity to Guildford Borough Council Holdings Ltd (£8.5 million) (who in turn pass the equity to NDH), and 60% loan direct to NDH (£12.7 million) at a rate of BoE Base rate plus 5%. The loan is a repayment loan in line with the NDH business plan.

This report also includes the Council's Minimum Revenue Provision (MRP) policy and the Prudential Indicators (see Section 5).

Due to the specialised nature of treasury management and capital finance, there is a glossary of terms at Appendix 18.

Flexible use of capital receipts policy

The updated flexible use of capital receipts policy can be found in Appendix 17. This policy, if approved at Council, allows us to use any capital receipts received in year to be used to fund any service transformation costs incurred in the same year. Officers are recommending this policy be approved to allow us the flexibility to fund transformation costs if appropriate.

This report has also been considered by the Joint Executive Advisory Board at its meeting on 10 January 2022, and by the Corporate Governance and Standards Committee at its meeting held on 20 January 2022. The comments from both these meetings are summarised in sections 16 and 17 of this report respectively.

At its meeting on 25 January 2022, the Executive also considered this report and endorsed the recommendation to Council set out below. The Executive also resolved:

Subject to Council approving the budget on 9 February 2022:

1) That the following schemes be removed from the capital programme
    a) SMC Ph 3 - £5.895 million, keeping £150,000 on the provisional programme. The £5.895 million will move onto the capital vision
    b) Stoke Park masterplan enabling costs – PL56(p) - £500,000 – will move to the capital vision and come back with an updated business case
    c) Sports Pavilions replacement water heaters (PL58(p)) £154,000 – will come back with a further bid if required
2) That the new bids, as shown in Appendix 2 be included in the provisional capital programmes
3) That £10.124 million for the Foxburrows scheme be transferred from the HRA provisional programme to the HRA approved programme
4) That the affordability limit for schemes to be funded by borrowing be agreed as set out in paragraph 4.31 of this report and in Appendix 1
5) That the remit of the Strategic property fund budget be widened to allow estate redevelopments to be funded from the budget

Recommendation to Council (9 February 2022):

1) That the General Fund and HRA capital estimates, as shown in Appendices 3 to 12, as amended to include the bids approved by the Executive at its meeting on 25 January 2022, 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.
4) That the updated flexible use of capital receipts policy at Appendix 17 be approved.

Reasons for Recommendation:
- To enable the Council to approve the capital and investment strategy for 2022-23 to 2026-27
- To enable the Council, at its budget meeting on 9 February 2022, to approve the funding required for the new capital schemes proposed

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

1. Purpose of Report

1.1 The Local Government Finance Act 2003 require local authorities 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 Decisions made this year on capital expenditure and treasury management activity will have financial consequences for the Council for many years to come. They are, therefore, subject to both a national regulatory framework and to local policy framework, which is discussed through the report and the appendices.

1.4 This report invites the Council to consider the capital programmes, and the new schemes the Council may wish or need to undertake in the next five years.

1.5 For the General Fund (GF), the Council must put aside revenue resources where the Council finances capital expenditure by debt (internal or external), to repay that debt in later years, since debt is only a temporary source of borrowing. 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). MRP is essentially the equivalent of repaying the principal loan amount within a mortgage (as opposed to the interest). The annual MRP statement and policy is included in section 5 of this report. Alternatively, capital receipts may be used to replace debt finance, as well as use of revenue resources by way of a Voluntary Revenue Provision (VRP).

1.6 The Council must have an approved investment strategy, and the implications associated with that detailed in the capital and investment strategy. This includes treasury investments, service investments and commercial investments.

1.7 The requirement to report in accordance with the TM code, and the prevailing DLUHC Investment Guidance is incorporated within this report and appendices.

1.8 CIPFA also recommends adhering to the UK Money Markets Code to its members as good practice.

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.

2.3 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 require local authorities 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 reporting framework, that

- an authority’s capital expenditure and investment plans are affordable and proportionate
- all external borrowing and other long-term liabilities are within prudent and sustainable levels
- the risks associated with investments for commercial purposes are proportionate to the financial capacity and
- treasury management decisions are taken in accordance with good professional practice.

3.3 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.

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

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 for the GF. This is charged to the revenue account annually and called MRP. There is not an earmarked reserve for MRP; it is represented in the balance sheet as increased cash as it forms part of the Council Tax Requirement.

3.6 The underlying need to borrow for capital purposes is measured by the Capital Financial Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment.

3.7 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)

3.8 Under the TM Code and the prevailing DLUHC Guidance, we are required to provide details of each of these purposes in the investment strategy.

3.9 The UK Money Markets Code (December 2020 revision) is a voluntary code of practice which CIPFA recommends authorities follow as good practice. It is endorsed by the Bank of England's 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.

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 As the HRA is a separate ring-fenced account to ensure Council housing does not subsidise, or is not subsidised, by other local services, we show the HRA capital programme separately.

4.3 When a capital asset is no longer needed, it may be sold so the proceeds (capital receipts) can either be spent on new assets or to repay debt. Repayment of capital grants, loans or investments can also generate a capital receipt.

4.4 The Council has an ambitious Corporate Plan and medium to long-term aspirations within the Borough. All schemes in the capital programme have been assessed against the Council's strategic priorities and Corporate Plan, ensuring expenditure meets the key objectives of the Council.

4.5 All capital expenditure must be financed, either from external sources (grants and contributions), own resources (revenue, reserves, capital receipts) or debt (borrowing or leasing).

4.6 Initially we will finance capital expenditure from external or our own resources. If we do not have enough to finance all the planned expenditure, there will be an increase in the underlying need to borrow (borrowing requirement) and therefore the Capital Financing Requirement (CFR). If we take out physical loans to meet that borrowing requirement (replacing cash we have spent), then external borrowing is in place. If there are no physical loans, then the Council has internal borrowing. This means that we are using cash relating to items in the balance sheet in the interim for capital funding purposes.

4.7 The most economically advantageous method of financing will be determined in the year(s) in which we incur the expenditure, in line with the preparation of the annual Statement of Account. This is part of the day-to-day treasury management activity of the Council and depends on the resources available. For planning purposes, we have assumed we will borrow internally for all schemes, but in doing so we are projecting a need to borrow externally (borrowing requirement).

4.8 Officers calculate the interest estimates (both investment and borrowing) according to the planned capital expenditure. We assume actual expenditure of

50% for schemes on the provisional programmes in the financial year. This also feeds into the MRP calculations (for the GF only), and the liability benchmark to ensure we are not being over prudent in our budgeting.

4.9 The GF capital programme is split into income and non-income generating schemes. The income generating schemes have at least a nil impact on the Council's finances – i.e., have external capital funding, or future revenue income that will cover the borrowing costs (Interest and MRP) of the scheme.

Capital Programme Governance

4.10 All projects and programmes delivered across the Council are subject to corporate governance managed by the of Strategy & Communications Team.

4.11 Programme and Project Management (PPM) control documents, such as mandates and business cases, are enabling a single pipeline of new and current work to be managed more effectively. The pipeline is owned by the governance team and actively managed in collaboration with Finance, Procurement, Legal and ICT (all enablers) for reviews and approvals throughout the lifecycle of the project or programme.

4.12 A current review of governance is seeking to streamline project and programme boards going forward. Consideration will also be given to the most effective arrangements to direct and review the portfolio at strategic level.

4.13 Service Leaders are expected to identify future bids for funding from the Capital Programme through their Service Plans. These potential growth bids should be included in their pipeline of projects or as new operational work. Any formal request for funding must then be submitted as a new mandate in line with the budget timetable.

4.14 All Capital Projects delivered by Corporate Programmes are governed by the full project lifecycle (Radar, Initiation, Feasibility, Design, Procurement, Delivery, Handover, Closure, Evaluation). Capital Programmes delivered by Corporate Programmes are governed by the full programme lifecycle (Strategy, Vision, Identify, Define, Deliver, Manage, Benefits, Close).

4.15 Following the approval of a mandate and project brief a business case must be developed.

1. Strategic Outline Case (SOC) - the preferred way forward
2. Outline Business Case (OBC) - the preferred option
3. Full Business Case (FBC) - the deal
4. Strategic Outline Programme (SOP) - umbrella for a group of projects
5. Business Justification Case (BJC) - simple and not controversial

4.16 The gateway approvals for these projects will be overseen through the new enterprise portfolio management arrangements. This will include a review process by enablers. Stakeholder engagement (including councillors and EABs) will also take place as required.

4.17 The responsibility for decision making and ongoing monitoring in respect of capital expenditure, investment and borrowing, including the Prudential Indicators, remain with Full Council. However, there is a wide range of Councillor scrutiny in the form of Overview and Scrutiny Committee and Corporate Governance and Standards Committee as well as internal executive working groups such as the major projects portfolio board (MPPB) and its sub-boards.

4.18 All Strategic Outline Cases (preferred way forward) are placed on the provisional capital programme, subject to a report to the Executive. The next review/approval stage is the Outline Business Case (preferred option). A further report to the Executive, with the Full Business Case (the deal), must be submitted before next stage of expenditure can be incurred on the project.

4.19 Longer range, very complex, more highly uncertain or riskier proposals can be placed on the capital vision programme (radar stage) as they may take considerable time to reach consensus and gain momentum before requiring money.

4.20 Improved forward planning at project level will improve financial planning and forecasting centrally. Better management of project time will mitigate cost increases.

4.21 More transparency in the delivery of projects and programmes will help to better align stakeholder expectations, including Directors, Service Leaders, Enablers, Project Managers, Councillors and the Public.

4.22 A medium-term plan will be produced using baselined data from service plans, mandates and business cases. This will set out financial implications and risks.

4.23 The Capital Monitoring Group meets quarterly to review projections, update on delivery progress and provide revised outturn spend figures (estimated final spend at the end of the financial year).

Current capital programme

4.24 A copy of the current capital programmes is attached at appendices 4 to 12, together with a schedule of the latest resource availability for, and financing of the programme.

4.25 All projections are based on 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.

4.26 The Council is currently projecting expenditure of £15.7 million for HRA and £59.5 for GF. The underlying need to borrow for the current financial year is £36.7 million

4.27 The net non-income generating schemes on the approved and provisional programmes are:

	2022/23	2023/24	2024/25	2025/26	2026/27
Approved Programme:					
Works to council owned properties	118	-	-	-	-
CCTV	260	-	-	-	-
Parks sites	387	60	-	-	-
Traveller encampments/transit site	155	-	-	-	-
Infrastructure	970	11	-	-	-
	1,890	**71**	**-**	**-**	**-**
Provisional programme:					
Works to council owned properties	1,811	2,100	1,150	-	-
Flood works	-	400	-	-	-
Parks sites	892	400	404	250	250
Infrastructure	1,520	-	5,895	3,152	-
	4,223	**2,900**	**7,449**	**3,402**	**250**

New capital schemes

General Fund

4.28 Officers have put forward 12 bids, with gross expenditure of totalling £28 million up to 2031-32 (£15.6 million up to 2026-27). Officers also recommend including £2 million per annum as the capital contingency fund to allow for unknown capital expenditure. This will increase the current underlying need to borrow to £315.5 million up to 2026-27.

4.29 The net cost each year, of the new proposals are:

	GROSS ESTIMATES								
Project title	**2022-23 £000**	**2023-24 £000**	**2024-25 £000**	**2025-26 £000**	**2026-27 £000**	**TOTAL COST £000**	**Third party contr £000**	**Specific reserves £000**	**General reserves/ borrowing £000**
Total General Fund	**4,869**	**1,948**	**2,500**	**5,000**	**3,000**	**17,317**	**0**	**0**	**17,317**
Total funded from reserves	**445**	**5**	**0**	**0**	**0**	**450**	**0**	**(450)**	**0**
Total HRA	**32,550**	**950**	**0**	**0**	**0**	**33,500**	**0**	**(33,500)**	**0**
Gross total	**37,864**	**2,903**	**2,500**	**5,000**	**3,000**	**51,267**	**0**	**(33,950)**	**17,317**
Funded by reserves or contributions	(32,995)	(955)	0	0	0	**(33,950)**			
Cost to the Council	**4,869**	**1,948**	**2,500**	**5,000**	**3,000**	**17,317**			
Already in programme	(780)	0	0	0	0	**(780)**			
Net addition to the programme	**4,089**	**1,948**	**2,500**	**5,000**	**3,000**	**16,537**			

4.30 The Council sets an affordability limit for the GF, based on what it can afford for implications of the capital programme (primarily MRP and borrowing interest). The idea is that where there are schemes that will not generate revenue savings or income there is an allowance in the revenue account to accommodate the revenue impact of those. This limit is set at the maximum increase in financing costs on the GF revenue account each year to £5 per Band D property, which is the maximum amount by which the Council can raise its Band D council tax.

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

	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 to 2030-31 £000
New Bids - net addition	4,089	1,948	2,500	5,000	3,000	10,600
Net non income generating approved prog	1,933	71	0	0	0	0
Net non income generating provisional prog	2,673	2,250	7,599	3,402	250	(500)
	8,695	**4,198**	**10,099**	**8,402**	**3,250**	**10,100**
						0
Affordability level	7,292	5,318	5,494	5,663	5,827	25,063
Less additional MRP over 21/22 base re historical exp	(165)	(101)	(34)	(36)	(37)	(137)
amount of additional cap exp the Council can afford	7,127	5,217	5,460	5,627	5,790	24,926
over / (under) affordable level	**1,568**	**(1,019)**	**4,639**	**2,775**	**(2,540)**	**(14,826)**

4.32 This limit does not apply to development capital schemes undertaken for financial reasons (i.e., those that will be undertaken for economic growth and regeneration) as these schemes are defined as those which are anticipated to have a neutral or positive impact on the GF revenue account. This means that annual savings or additional income achieved from a development capital schemes is greater than its financing costs over a range of scenarios and will generate a positive benefit to the financial sustainability of the Council. The approval of these schemes will be made on a case-by-case basis following submission of an outline business case however, in order to proceed the financial part of the business case will need to be able to demonstrate a neutral or positive direct net present value to the Council

HRA

4.33 The proposed capital expenditure on maintaining the existing stock is £24.5 million in 2022-23. Changes in legislation now require significant investment in the stock to bring it up to standard, and we have been carrying out and updating the condition surveys on all of our properties to bring them up to the decent homes standard in addition to which there continue to be changes in legislation and standards particularly around building safety and we are working to ensure on going compliance. This will likely result in a large investment over the next few years, with 2022-23 being the most significant. The proposed budget can be seen in Appendix 3.

4.34 There are four strands forming our HRA capital programme under the self-financing regime. The four strands are:

- replacing ageing components such as roofs and kitchens
- improving and enhancing existing properties – for example, installing double glazing
- stock rationalisation
- expansion – the provision of new additional affordable homes.

4.35 The ongoing covid situation has had an impact on the way in which the Council has been able to undertake planned investment in a number of areas for a range of reasons. In order to continue to meet targets for these planned programmes we will be expanding these programmes to ensure we remain on track with these programmes.

4.36 This will include work on our programmes for:

- Kitchens and bathrooms
- Structural works
- Pitch roof replacement

4.37 In addition to these areas there is also now a need to review our approach to ensuring the safety of residents and this approach is now being influenced by new legislation and regulatory standards which include the Fire Safety Act, Building Safety Bill. The Council has already started work on the development of our approach to ensure compliance with the changing requirements and relevant standards.

4.38 Specific projects identified include reviewing Fire Risk Assessments for all relevant blocks that reflect both changing legislation and good practice that has developed and continues to develop over the last few years. This will be accompanied by increasing our investment over the coming year to help improve the safety of our accommodation, this will include:

- upgrading and improving fire alarms in communal blocks
- upgrading fire doors to meet increasing standards
- structural improvements to blocks to reflect current good practice and to meet the standards of our enhanced Fire Risk Assessments
- Improving the provision of CCTV to help monitor fly tipping and ASB which are creating fire risks

4.39 We have also developed a programme to increase the frequency of our electrical testing regime to support a 5-year rolling programme of inspections and this in turn will identify work that we will need to undertake. We are also upgrading and improving the communal electrical supplies to our blocks.

4.40 The Government also announced on the 23 November 2021 that regulations for smoke alarms and carbon monoxide alarms are to change, in response we are accelerating our programme to provide hardwired alarms and detectors to all properties which will form part of the wider programme of improvements.

4.41 Remodelling of the data and planned works will means that for a number of areas we are in fact bringing forward planned expenditure and this will mean that whilst the programme is increasing for the coming year overall levels of planned investment over the life of the Business Plan will generally remain consistent.

4.42 This additional investment represents a significant increase in the planned programme for next year and will mean that the homes that the Council manages meet not only the legislative requirements but also reflect good practice in ensuring the health and safety of residents.

4.43 Work has continued to bring forward a number of affordable housing schemes and it is proposed that these are included within the approved programme. A number of these schemes had previously been included within the pipeline bid but have now progressed, and further details of these schemes are set out below:

1. *Foxburrows Av, Park Barn* – This scheme, for the development of 40 units, has an allocation of £533,000 within the approved programme, with further funds available in the provisional programme. Work has now progressed, and it is proposed that the scheme moves to the approved programme with an initial allocation of £10.174 million.
2. *Roundhill Way, Park Barn* – This scheme is for the redevelopment of 2 blocks of flats which have extensive structural problems. The properties are unsuitable for occupation and work has progressed on their decanting and work can now progress on the development of the site.
3. *Rear of Manor House Flats, Tongham* – This scheme is expected to deliver 11 additional affordable and energy efficient homes on land that is adjacent to existing HRA properties. This scheme has been part of the Pipeline Bid but can now progress to the approved programme.
4. *Clover Road* – This scheme is for 8 affordable and energy efficient homes on a previous garage site. This scheme has been part of the Pipeline bid but can now progress to approved programme.
5. *Rapleys Field, Pirbright* – This scheme is for the replacement of Airey house types and for 2 additional homes. In common with other schemes this scheme has been part of the pipeline bid but it can now progress to the approved scheme.
6. *Garden Land, Dunmore* – This is an infill site and will provide for 2 new affordable homes. Previously part of the pipeline bid this scheme can now be part of the approved plan.
7. *Banders Rise, Guildford* – Redevelopment of a bedsits which are not suitable and garden area to provide new house and convert bedsit's into single dwelling. Previously part of pipeline bid this scheme can now be moved to approved plan.
8. *Land adjacent to 27 Broomfield* – Development of new 3 bedroomed affordable home, on unused land on existing development. Previously part of pipeline bid this scheme can now be moved to approved plan.
9. *Garden Land, Wharf Lane, Send* - This is an infill site and will provide a new affordable 3 bed home. Previously part of the pipeline bid this scheme can now be part of the approved plan.
10. *Garden Land, 108 Georgelands, Ripley* - This is an infill site and will provide a new affordable 3 bed home. Previously part of the pipeline bid this scheme can now be part of the approved plan.

4.44 Additional details including proposed budget details are set out within Appendix 3, and it is proposed that these schemes now be included within the approved development programme.

4.45 In addition to these schemes work is also progressing on other schemes which already form part of the programme. This includes:

- *Guildford Park* – This scheme is being delivered by the Capital Programmes Team and is one element of the wider Major Projects Portfolio Boards work.

  The design team is in a place and work is progressing well. The scheme is included within the approved programme, however since original inclusion the scope of the scheme has developed and it is proposed that the number of homes to be delivered has increased. In addition to which consideration is now being given to meeting the Council's Zero carbon target and enhanced building safety standards.

  Work to established revised costings is currently underway, and once available it is proposed that full details of the schemes and proposals for its development are brought to members for consideration which will also reflect revised financial projections.

- *Brighthill* – The scheme is included within the approved budget and work is progressing on scheme development and no revision to the provision is currently planned.

- *Weyside* – Provision of affordable homes on this site is included within the approved budget and work is underway to progress this scheme and no revision to the provision is currently planned.

Replacement Housing and Asset Management IT System

4.46 The current housing management IT and the HRA Property Asset IT are both coming to the end of their life and will be unsupported by their developers whilst they also use outdated Microsoft support systems. In order to ensure that the suitable alternative options are consider proposals are being considered that will lead to the upgrading or replacement of these systems as part of the wider ICT Forward Plan and the ICT Capital Programme. The cost of the solution and its development are to be meet by the HRA.

4.47 The new system could offer the following improvements:

- Web browser-based Cloud solution which is flexible with a spatial element to make use of the spatial data held in existing GIS systems as well as new GIS capabilities
- Mobile Application that can be used by staff to improve efficiencies but also provide resilience for the team
- A new interface for other existing systems such as Salesforce to ensure that the Council has a consistent approach to all customer web interfaces and provide self-service options
- Ability to generate workflows and easily create and amend the schedule of rates to prevent duplicating works

- Integration with wider Council and contractor systems such as Business World
- Perform a clean-up of Orchard data.

4.48 In order to progress this work and to provide resources to support this work the work need to be included within the approved programme. Estimates of Costs without procurement exercise cannot be specific on system costs, so estimates have been provided below:

- Upgrade of systems would need to be developed as part of the initial project development however, if moved soon after upgrade, then this would be an unrecoverable cost.
- ROM Startup costs for new system, to develop, establish the system costs are expected to be in excess of £1 million
- Annual license and support costs these are expected to be in the region of £150,000
- Additional Resourcing for duration of project (based on 24 months) as highlighted in section 11 - £300,000 pa
- Additional Hardware to facilitate agile working £20,000 including tablets for off-site working such as inspections, surveys
- Internal experts will be required at key points in the project which is likely to be an impact to BAU. This will be minimised to use at key points due to their knowledge and skill sets. The impact in time and estimated resource costs will be looked later in the project.

4.49 It is proposed that an initial project budget is established for £1.9 million for the next 2 years.

Prudential Indicators

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

4.51 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 in the future. The CFO therefore needs to be satisfied that the proposed capital programme is prudent, affordable and sustainable. This will be by looking at the overall gearing ratio's, local indicators and affordability ratios / indicators.

4.52 Indicators we are required to calculate, and monitor are detailed below.

Estimates of Capital Expenditure

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

CAPITAL EXPENDITURE SUMMARY	2021-22 Approved £000	2021-22 Outturn £000	2021-22 Variance £000	2022-23 Estimate £000	2023-24 Estimate £000	2024-25 Estimate £000	2025-26 Estimate £000	2026-27 Estimate £000
General Fund Capital Expenditure								
- Main Programme	92,790	49,088	(43,702)	106,198	7,738	2,705	2,000	2,000
- Provisional schemes	53,533	6,937	(46,596)	40,666	110,916	40,634	38,383	24,642
- Schemes funded by reserves	1,975	3,541	1,566	910	500	0	0	0
- S106 Projects	0	171	171	58	0	0	0	0
- New Bids (net cost)	0	0	0	4,089	1,948	2,500	5,000	3,000
Total Expenditure	**148,298**	**59,736**	**(88,562)**	**151,921**	**121,102**	**45,839**	**45,383**	**29,642**
Financed by :								
Capital Receipts	(95)	(448)	(353)	0	0	0	(21,641)	(24,642)
Capital Grants/Contributions	(51,415)	(18,138)	33,277	(48,626)	(15,315)	(2,954)	0	0
Capital Reserves/Revenue	(2,195)	(4,263)	(2,068)	(1,130)	(720)	(220)	0	0
Borrowing	(94,593)	(36,887)	57,706	(102,165)	(105,067)	(42,665)	(23,742)	(5,000)
Financing - Totals	**(148,298)**	**(59,736)**	**88,562**	**(151,921)**	**(121,102)**	**(45,839)**	**(45,383)**	**(29,642)**
Housing Revenue Account Capital Expenditure								
- Main Programme	17,988	15,761	(2,227)	8,041	9,253	1,400	400	0
- Provisional schemes	34,117	0	(34,117)	19,339	54,270	24,200	18,515	49,575
- New bids	0	0	0	32,550	950	0	0	0
Total Expenditure	**52,105**	**15,761**	**(36,344)**	**59,930**	**64,473**	**25,600**	**18,915**	**49,575**
Financed by :								
- Capital Receipts	(13,914)	(2,595)	11,319	(8,472)	(11,964)	(6,288)	(400)	(13,200)
- Capital Reserves/Revenue	(38,191)	(13,166)	25,025	(41,459)	(42,509)	(9,313)	(8,515)	(26,375)
- Borrowing	0	0	0	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
Financing - Totals	**(52,105)**	**(15,761)**	**36,344**	**(59,930)**	**(64,473)**	**(25,600)**	**(18,915)**	**(49,575)**

4.54 The table shows that most of our GF capital expenditure at this stage will be financed from borrowing due to the availability of known capital receipts and reserves. This is the most prudent assumption. Any future capital receipts, grants or contributions will be taken account of when they are known. Regular monitoring throughout the year will identify these, and the updated underlying need to borrow will be presented to Councillors.

Estimates of the CFR, Gross Debt and the Liability Benchmark

4.55 The CFR is the cumulative balance of unfinanced capital expenditure ("debt") less the provision made for the repayment of debt (MRP).

4.56 The Council is required to make reasonable estimates of the total CFR over at least the forthcoming year and following two years. Because we use our CFR projections as part of our liability benchmark, we project over a longer period, and present in the report at least the five-year time frame in line with the time frame presented in the capital programme.

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

Guildford BC Balance Sheet Summary and Projections in £'000 - last updated 11 Jan 2022							
31st March:	2021	2022	2023	2024	2025	2026	2027
Loans Capital Financing Req.	327,847	363,915	462,885	573,609	612,637	621,932	645,520
Less: External Borrowing	(310,935)	(192,435)	(192,435)	(182,435)	(172,435)	(162,435)	(152,435)
Internal (Over) Borrowing	**16,912**	**171,480**	**270,450**	**391,174**	**440,202**	**459,497**	**493,085**
Less: Usable Reserves	(191,043)	(155,204)	(159,888)	(119,621)	(117,936)	(123,267)	(98,278)
Plus: Working Capital Required	15,558	15,558	15,558	15,558	15,558	15,558	15,714
(Investments) / New Borrowing	**(158,573)**	**31,834**	**126,120**	**287,111**	**337,825**	**351,789**	**410,521**
Net Borrowing Requirement	152,362	224,269	318,555	469,546	510,260	514,224	562,956
Preferred Year-end Position	45,000	45,000	45,000	45,000	45,000	45,000	45,450
Liability Benchmark (year-end)	**197,362**	**269,269**	**363,555**	**514,546**	**555,260**	**559,224**	**608,406**

4.58 The Gross Debt compared to the CFR is key in ensuring debt is only for a capital purpose. The table shows that debt is expected to remain below the CFR during the period shown.

4.59 The CFR is then further split between the GF and the HRA

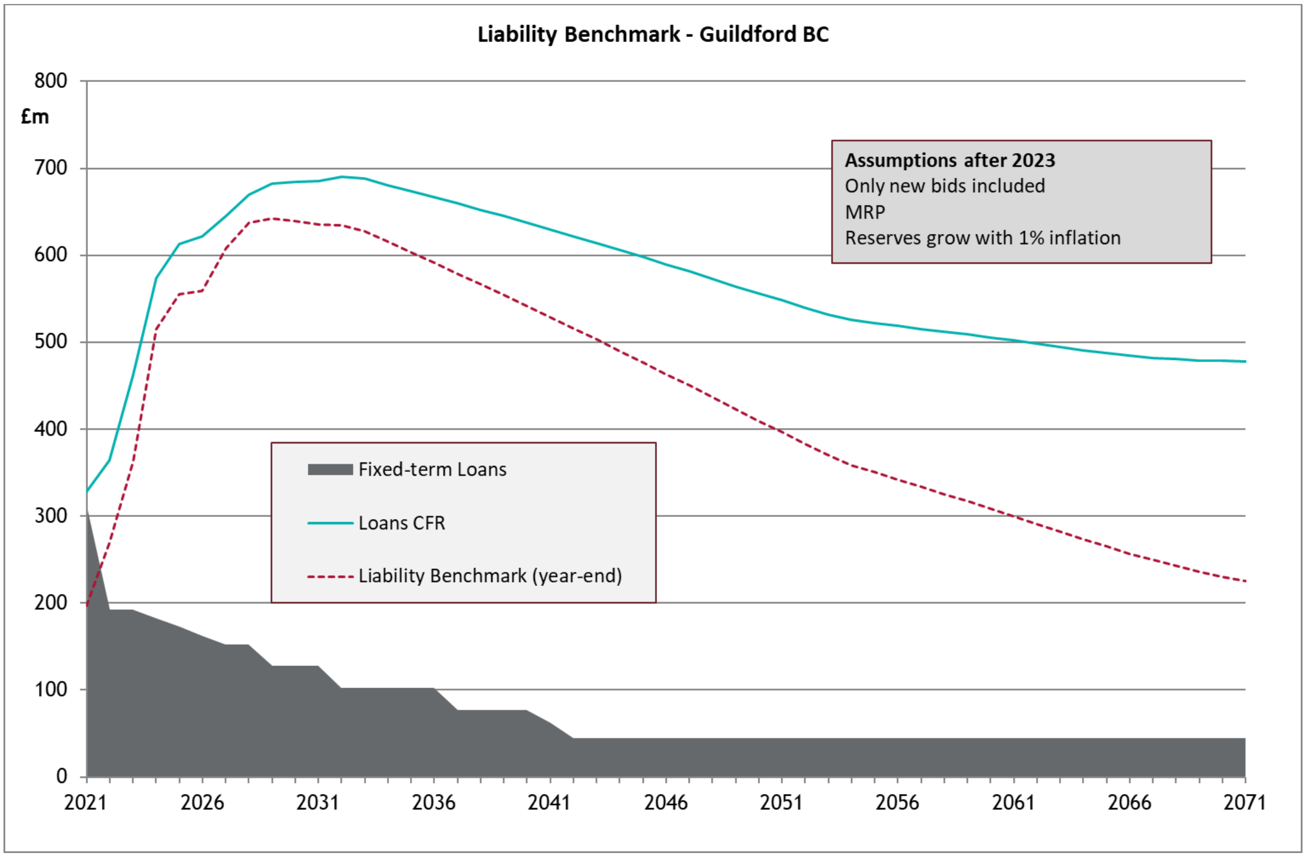
Housing Revenue Account - Summary and Projections in £000							
31st March:	2021	2022	2023	2024	2025	2026	2027
HRA Loans CFR	199,204	207,024	217,024	227,024	237,024	237,024	237,024
HRA Reserves	(120,991)	(85,023)	(90,827)	(51,367)	(49,649)	(54,947)	(29,925)
HRA Working Capital	0	0	0	0	0	0	0
HRA Borrowing	(192,435)	(192,665)	(192,665)	(182,665)	(172,665)	(162,665)	(152,665)
HRA Cash Balance	**(114,222)**	**(70,664)**	**(66,468)**	**(7,008)**	**14,710**	**19,412**	**54,434**

General Fund - Summary and Projections in £000							
31st March:	2021	2022	2023	2024	2025	2026	2027
GF Loans CFR	128,643	156,891	245,861	346,585	375,613	384,908	408,496
GF Reserves	(70,052)	(70,181)	(69,061)	(68,254)	(68,287)	(68,320)	(68,353)
GF Working Capital	15,558	15,558	15,558	15,558	15,558	15,558	15,714
GF Borrowing	(118,500)	230	230	230	230	230	230
GF Cash Balance	**(44,351)**	**102,498**	**192,588**	**294,119**	**323,114**	**332,376**	**356,087**

4.60 The GF CFR is forecast to increase by £318 million over the period, as capital expenditure financed by borrowing is greater than resources put aside for debt repayment.

4.61 The HRA CFR is also forecast to rise as the Council undertakes its house building programme funded by borrowing. We are currently only showing the refinancing of the loan maturing in 2021-22 to show the most prudent position in terms of not refinancing the remaining HRA loans that are maturing. This shows that there is an underlying need to borrow for the HRA capital programme as a result of the development schemes they are undertaking.

4.62 This is then shown in graphical format identifying the liability benchmark. The liability benchmark is the lowest risk level of borrowing – borrowing only when your reserves reach your set minimum level (we have set at £45 million). We have adopted this policy for a number of years and propose to continue doing so.



4.63 The graph shows that while the CFR is stable, the liability benchmark reducing. It is worth pointing out that in the past, we have assumed a £25 million level of GF capital expenditure in future years. The guidance in the draft prudential (or treasury) code is that only known expenditure should be included in the liability benchmark, so therefore only the expenditure shown in app 2 to 12 are included.

Operational boundary and authorised limit for external debt

4.64 The Council is legally obliged to set an annual affordable borrowing limit (termed authorised limit for external debt). 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.

4.65 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.

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

4.67 We are required to set a limit for other long-term liabilities, for example finance leases. We have included £26 million for items that could be classed as finance leases, particularly with the introduction of IFRS16 in April 2022.

Operational Boundary of External Debt	2021-22 Approved £000	2021-22 Revised £000	2022-23 Estimate £000	2023-24 Estimate £000	2024-25 Estimate £000	2025-26 Estimate £000	2026-27 Estimate £000
Borrowing - General Fund	234,166	161,886	250,856	351,586	380,616	389,906	413,496
Borrowing - HRA	217,024	207,024	217,024	227,024	237,024	237,024	237,024
Other Long Term Liabilities	26,000	26,000	26,000	26,000	26,000	26,000	26,000
Total	**477,190**	**394,910**	**493,880**	**604,610**	**643,640**	**652,930**	**676,520**

4.68 The authorised limit gives headroom for significant cash-flow movements. 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.

Authorised Limit for External Debt	2021-22 Approved £000	2021-22 Revised £000	2022-23 Estimate £000	2023-24 Estimate £000	2024-25 Estimate £000	2025-26 Estimate £000	2026-27 Estimate £000
Borrowing - General Fund	288,066	214,786	309,556	412,286	448,116	460,606	485,996
Borrowing - HRA	217,024	207,024	217,024	227,024	237,024	237,024	237,024
Other Long Term Liabilities	26,000	26,000	26,000	26,000	26,000	26,000	26,000
Total	**531,090**	**447,810**	**552,580**	**665,310**	**711,140**	**723,630**	**749,020**

Ratio of financing costs to net revenue stream

4.69 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.

4.70 Although capital expenditure is not charged directly to the revenue account, interest payable on loans and MRP are charged. 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 for the GF and for the HRA its income).

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

	2021-22 Approved	2021-22 Outturn	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
General Fund	6.47%	0.60%	8.42%	20.26%	25.24%	53.75%	74.41%
HRA	30.13%	31.46%	32.49%	32.63%	31.64%	31.65%	32.83%

4.72 The HRA is remaining consistent due to the stable income, and assumption there will be interest costs on the whole £193 million PWLB debt.

4.73 For the GF external borrowing costs and MRP costs are increasing due to the cost of the capital programme, with stable investment income.

5. Minimum Revenue Provision

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

5.2 The Guidance requires local authorities to approve an annual MRP statement each year and recommends options but does not preclude locally determined prudent methods.

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

5.4 The aim of the guidance is to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.

5.5 It 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.

5.6 MRP becomes chargeable in the financial year after the expenditure is incurred or when the asset becomes operational – whichever is the latter.

5.7 Based on the Council's estimate of its CFR on 31 March 2022, and unfinanced capital expenditure in 2021-22 of £363.915 million, the budget for MRP for 2022-23 and future years is:

2022-23	£1.545 million
2023-24	£2.246 million
2024-25	£4.136 million
2025-26	£4.294 million

5.8 Profiling of capital expenditure is key in determining the impact of MRP on the revenue account because it forms part of the annual Council Tax Requirement.

MRP Policy

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

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

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

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

5.13 Where loans are made to other bodies for their capital expenditure, where the loans are repaid in at least annual instalments of principal, there will be no MRP, but we will apply the capital receipts to reduce the CFR. Where there is no repayment, MRP will be charged in accordance with the MRP policy for assets funded by the loan.

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

5.15 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.

5.16 Generally, the asset life for MRP will be matched to the life used for depreciation purposes. Estimated life periods will be determined under delegated powers to the CFO.

5.17 Where former operating leases have been brought onto our balance sheet on 1 April 2022, due to the adoption of IFRS16 leases accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and / or discounts, then the annual MRP charge will be adjusted so the total charge to revenue remains unaffected by new standard.

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, which 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 decisions are made daily and therefore delegated to the CFO 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 and are responsible for scrutinising treasury management decisions.

6.4 The Council currently has £192.4 million long-term borrowing which is all related to the HRA at an average rate of 3.32% with a cost of £5 million in interest. Short-term borrowing, falling on the GF, is expected to cost £0.36 million at an average rate of 0.16%. The Council’s average investment portfolio is £200 million at an average rate of 1.3%, generating £1.4 million of interest.

Borrowing strategy

6.5 The Council’s main objective when borrowing is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which the funds are required.

6.6 Statutory guidance is that debt should remain below the capital financing requirement, except in the short term. The liability benchmark in paragraphs 4.55 to 4.63 show we are meeting the statutory guidance.

6.7 The detailed borrowing strategy can be found in Appendix 1, Section 5.

Investment strategy

6.8 The CIPFA Code requires local authorities to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the higher rate of return, or yield.

6.9 The Council’s objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

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

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

6.12 The Council has identified the proportion of income from these types of investments against gross service expenditure. This income is part of the net service cost and therefore makes a positive contribution to the Council Tax Requirement. We have an interest rates movement earmarked reserve to cover any loss in investment income in the year, and for lower investment property income we have an earmarked reserve.

	2022-23 Budget £000	2023-24 Budget £000	2024-25 Budget	2025-26 Budget
Gross Service Expenditure	105,878	105,681	105,499	107,589
Investment property income	7,664	7,692	7,692	7,692
Treasury management income	1,141	1,074	1,174	1,228
Investment income %	8%	8%	8%	8%

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

7. Service and Commercial 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 of underperforming assets
- for all buildings to be held to a high standard of repair, by undertaking regular conditions 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 for 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 complaint with statutory requirements including health and safety and energy efficiency regulations

Investments for service purposes

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

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

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

7.5 Accounting standards require the Council to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures in the Statement of Accounts will be shown net of this loss allowance. However, the Council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

7.6 The Council invests in and has purchased shared in Guildford Holdings Company (40% equity then transferred into North Downs Housing). A small amount has been used to purchase shares in the Surrey and Sussex 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.

Commercial Activities

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

7.8 Investment property is valued at £152 million as per the 2020-21 statement of accounts, with rent receipts of £7.8 million.

7.9 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, in order to ensure proportionality of investments across the Council.

7.10 With financial return being the main objective, the Council accepts higher risk on commercial investment than treasury investments. The principal risk exposures include fluctuating capital values, vacancies, tenant defaults and risking 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 in para 7.1, 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 Internal Rate of Return (IRR) of the investment, in line with the approved asset investment strategy.

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

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

7.13 Performance is also reviewed regularly throughout the year and an investment fund portfolio report submitted annually to the Property Review Group and as part of the Capital and Investment Strategy annual report.

7.14 In accordance with the Council's Constitution, the Director of Strategic Services is authorised to acquire property up to £1 million, in consultation with the relevant lead councillor, where budget provision exists in the approved capital programmes. Purchases must be in consultation with the CFO in line with the criteria set in the asset investment strategy. Where there isn't an approved budget in the capital programme, committee approval will be sought in line with the financial regulations.

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

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

7.17 The, then MHCLG, when it published the latest investment guidance, suggests indicators authorities can calculate, these will be included in a future version of the report.

Liabilities

7.18 Although not strictly counted as investments, since no money has changed hands yet, loan commitments and financial guarantees carry similar risks to the Council and are included here for completeness.

7.19 The Council is committed to making future payments to cover its share of the pension fund deficit, on the face of the Council's balance sheet, there is £143 million of other long-term liabilities which relates to the Pension Fund liability.

7.20 We have also put aside £6 million to cover risks of Business Rates appeals plus other smaller provisions. We have not allowed for any financial guarantees but have identified two. One relates to the Electric Theatre pension payments, and another is a tax guarantee we have provided to Thames Water for the WUV project.

7.21 The Council is also at risk of having to pay for levies relating to our liability for asbestos but has not put aside money into a provision because it is not yet certain.

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

7.23 A new accounting standard, IFRS16 – accounting for leases, comes into effect from 1 April 2022. The key change is that accounting for leases (i.e., leasing in assets) will change, and there will no longer be a distinction between finance and operating leases. The Council is currently working through the implications, but it will mean an increase in the assets and liabilities on our balance sheet.

8. Knowledge and Skills

8.1 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Director of Resources and Lead Specialist Finance (s151 and deputy s151 respectively) are both qualified accountants with many years' post qualification experience, and other senior members of the finance team have good operational experience. The Head of Asset Management, and Deputy Head are qualified chartered surveyors and members of the Royal Institution of Chartered Surveyors (RICS) as are other members of the asset management team. The Council pays for junior staff to study towards relevant professional qualifications including CIPFA, ACT (treasury) and RICS.

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

8.3 Under the MiFID regulations, for the Council 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.

9. Consultations

9.1 The Lead Councillor for Resources supports the recommendations in this report.

10. Key Risks

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 liquidity 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 work together 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 and 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. To help mitigate this, the Council has a capital contingency fund budget of £2 million each year (reduced from £5 million to reflect the improved governance procedures we have now introduced) acting as an additional budget included in the borrowing calculations across the programme as a whole. Each scheme also has contingencies built into the individual budgets.

10.5 Many of the larger schemes in the programme have external funding attached to them. Generally, as part of this funding, when the bids for funding are made, a time frame for spend needs to be agreed. If schemes are delayed, there is a risk that the funding will either have to be repaid or the funding will no longer be available to us. This will increase the cost of borrowing to the Council.

10.6 If we do not deliver new housing schemes, we are at risk of having to repay housing capital receipts back to the Government. It is therefore important we have a planned programme of development schemes to be able to monitor future expenditure with reasonable certainty to help avoid the risk of having to return money plus interest.

Treasury Management Risks

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

10.8 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.

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

10.10 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.

10.11 Risk indicators relating to treasury management are in Appendix 1.

Risks relating to Commercial investments

10.12 There are some identifiable risks of investing in property.

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

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

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

11. Financial Implications

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

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

11.3 The budget for treasury management investment income in 2022-23 is £1.14 million, based on an average investment portfolio of £70 million, at a weighted average rate of 1.69%. The budget for debt interest paid of £5.74 million, of which £5 million relates to the HRA. If actual levels of investments and borrowing, and actual interest rates differ from that forecast, performance against budget will be correspondingly different.

11.4 Income from investment property is estimated to be £8 million in 2022-23.

11.5 The MRP budget is £1.7 million in 2022-23.

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

Flexible use of capital receipts

11.7 The Government has extended the ability for Council's to use capital receipts to fund revenue costs of transformation programmes, and officers are recommending to Councillors the policy is approved to enable the flexibility to fund the costs relating to the Guildford and Waverley Collaboration and any other transformations, restructures or efficiency changes that may be incurred during 2022-23. The policy can be found at appendix 17.

Risk Indicators

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

Total risk exposure

11.9 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	2020-21 Actual £000	2021-22 Forecast £000	2022-23 Forecast £000
Treasury management investments	95,628	54,783	38,498
Service investments: Loans	11,142	14,107	20,698
Service investments: Shares	7,433	9,410	13,803
Investment property	152,130	152,130	152,130
Total Investments	**266,333**	**230,430**	**225,129**

How investments are funded

11.10 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, investments in loans and shares (North Downs Housing and Guildford Holdings) could be described as being funded by borrowing – as they are part of the Capital programme and therefore forms part of the underlying need to borrow for a capital purpose. The remainder of the Council's investments are funded by usable reserves and income received in advance of expenditure.

Rate of return achieved

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

Investments net rate of return	2020-21 Actual £000	2021-22 Forecast £000	2022-23 Forecast £000
Treasury management investments	1.89%	0.82%	0.94%
Service investments: Loans	5.10%	5.10%	5.25%
Service investments: Shares	0.00%	0.00%	0.00%
Investment property	6.30%	5.50%	5.50%

12. Legal Implications

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

- the Local Government Act 2003 ("the 2003 Act"), provides the statutory powers to borrow and invest and prescribes controls and limits on these activities, and in particular within the Local Authority (Capital Finance and Accounting) (England) Regulations 2003

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

13. Human Resource Implications

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

14. Equality and Diversity Implications

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

15. Climate Change/Sustainability Implications

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

16. Joint Executive Advisory Board comments

16.1 At its meeting on 10 January 2022, the Joint Executive Advisory Board considered the report, including the new bids. They Board made the following comments:

Guildford Economic Regeneration (GER) Programme

This programme, which consisted of the delivery of a proactive strategy incorporating a master plan for the comprehensive economic and physical regeneration of Guildford town centre, involved expenditure in the region of £3 million over a two year period. In response to some expressed concern, the Joint EAB was assured that full consultation would be undertaken in respect of each element of this long term scheme, such as flooding, transportation, and delivery of homes. Early work was likely to involve flood remediation measures. Once the current work in this regard had been progressed to a sufficient stage with evidence of the intention to pursue the programme, available grants would be applied for to provide the necessary funding.

Stoke Park Paddling Pool

This bid sought capital funding to replace the Stoke Park paddling pool rubber crumb surface during April 2022 to enable the paddling pool to be operated for the next season and beyond. Full support was expressed for the safe and hygienic continuation of this service which was highly valued by many families. A query as to whether the service would be open from the commencement of the season for use of the pool would be referred back to relevant officers for a response.

Albury Closed Burial Grounds

There was a statutory obligation and health and safety reasons to maintain the heritage boundary wall of the closed burial ground at the old parish church of St Peter and St Paul, Albury. Whilst these were recognised, some concern regarding the related level of expenditure, involving the engagement of specialist architects, was expressed in the light of the Council's Savings Strategy. It was confirmed that the burial ground was closed to new burials and not to visitors of the existing burials. Queries around the timing of the bid to undertake the maintenance work and the estimated cost of the wall repairs could be referred to relevant officers for a response and explanation of the amount of the budget bid.

Chilworth Gunpowder Mills

Recent renovation and repair work at the Gunpowder Mills had led to the discovery of a significant defect with a stone culvert and spillway beneath the main access path into the site. The possibility of temporarily or permanently closing this site was suggested in reflection of the Council's financial constraints which limited its ability to address the related health and safety liability which would render the Council culpable in the event of any injuries. Councillors were reminded of the outcome of the recent public consultation which had indicated that investment in respect of the Borough's heritage was the lowest priority for residents. However, owing to the numerous points of access to the site, it was not possible to close it to the public and therefore the investment in securing health and safety measures was considered unavoidable. The historic artefacts at the site were felt to be incidental to visitors to the site who were mainly walkers.

Fleet Replacement Programme

Whilst acknowledging the environmental benefits of replacing fleet vehicles with new electric models that contributed to climate change targets, the possibility of delaying the replacement of refuse vehicles was raised in view of the significant purchase cost of £2.5 million.

The Joint EAB was advised that the Fleet Team historically operated on the basis of a rolling programme of vehicle replacement, and it was unfortunate that vehicles due for replacing in the next financial were costly refuse lorries. It was suggested that the Council did not need to continue the rolling programme and should consider alternatives such as retaining vehicles for longer and adopting a maintenance plan to extend their life. Although new vehicles would be less costly to maintain, their value depreciated rapidly. There was also the question of what style and power source of refuse vehicles would be required in the future as refuse and recycling circumstances changed and it was suggested that further research should be undertaken prior to expending funds in respect of vehicle purchases.

One councillor was of an opposing view and advised that this process aimed to earmark a capital provision which did not necessitate the expenditure of funds if the exacting tests were not met. As environmental circumstances and technologies were constantly changing, it was difficult to identify a correct time to purchase new vehicles. Although the Council's financial pressures lay in its Revenue Account and new vehicle purchases would be funded from the Capital Programme, the expenditure of capital would have revenue implications. Any borrowing would not be sought until the Council had fully established its borrowing needs. It was recognised that there was a market in respect of second-hand reconditioned refuse vehicles which was possibly an economic alternative to purchasing new vehicles.

Another factor was whether this Council continued an in-house waste and recycling collection service or formed a closer collaboration in this area with Waverley Borough Council which operated an outsourced approach. However, it was advised that it would be approximately six years before Waverley's contract expired and there was doubt that this Council's current refuse vehicles could be operated for that length of time without replacement.

The Lead Councillor assured the Joint EAB that, in order for expenditure of this amount to be approved, challenges and rigorous justification tests would be undertaken. The Joint EAB thanked the Lead Councillor for his assurances and confirmed the need for more research, understanding and rigorous testing prior to any expenditure commitment being made.

YMCA Lighting

The present lighting at the YMCA steps was poor and the Joint EAB indicated its support for this proposal to improve the lighting on health and safety and public access grounds.

Millmead House Lifts

The present lifts at New Millmead House, which with some past upgrading were in the region of 40 years old, were failing and in need of further upgrade. Under the Equalities Act, the Council was required to provide safe and reliable lifts. The Board questioned whether it would be possible to continue without upgrading the existing lifts for a further period of time to delay incurring the significant associated costs, particularly in view of the number of staff currently working from home and the resulting diminished use of the lifts.

The Board was advised that the Council was obliged to ensure that disabled people were not disadvantaged by inoperable lifts. Also, as the Council was actively seeking to lease office floorspace to new tenants as a form of income, malfunctioning lifts were not a feasible option. These factors were acknowledged by the Joint EAB, and it was suggested that communications with the public should stress that, whilst the Council was seeking to avoid unnecessary expenditure, investment in some projects such as this was required.

Yorkies Bridge Lighting

Yorkies Bridge and the approaches to it were currently lit by poor and constantly failing lighting. Therefore, this bid to improve the lighting at Yorkies Bridge, which was heavily used by students and local residents, was supported and would be appreciated by users.

Memorial Wall

This mandate sought a capital bid to complete a Memorial wall and garden, landscaping, and associated ground works at Guildford Cemetery. Whilst the Joint EAB was reluctant to endorse this level of spending in respect of memorial facilities, it supported the bid to avoid the distress that may be caused to bereaved people in the absence of such facilities.

Cemetery Tarmacking

Funding to undertake tarmacking and curbing in two cemeteries, namely, The Mount and Stoke Cemetery, was sought. This bid was supported in the interests of health and safety, meeting statutory obligations and improving the journey for loved ones travelling to the cemeteries.

Castle Multi-Storey Car Park / Car Park Lighting

It was hoped that maintenance repairs to the architectural ‘turrets’ on each corner of the above Car Park structure and car parking lighting schemes relating to Castle, York Road, Leapale Road and Farnham Road Car Parks could be funded from the Car Park Maintenance Reserve, and possibly from Salix Government funding in the case of the latter.

The same officer would pursue all the lighting schemes to achieve a co-ordinated approach in the interests of efficiency in the event that the related bids were approved. It was not anticipated that Surrey County Council would be in a position to contribute funding towards the lighting projects and would only provide and maintain street lighting for new residential developments.

HRA Maintenance Programme

Councillors noted the details of the HRA Maintenance Programme, which totalled £24.5 million to be funded from HRA resources, and that the Table in Appendix 15 to the report would be updated to reflect additional funds for development projects to be added.

The Joint EAB's comments in respect of the bids would be added to the report and the Board indicated its support for the recommendations to the Executive and Council contained in the report, including the deletion of some named schemes from the Capital Programme.

Mandate Proposal to Upgrade or Replace Housing Management and Asset Software Management Systems

The Head of Housing introduced the proposal advising that the mandate had been developed around the replacement of the ICT system currently utilised for managing the Council's housing stock of approximately 5,200 properties. The existing system consisted of two elements, namely, Orchard, the current and main Housing Management System which had been operated by the Council for more than 20 years, and Keystone, which was utilised in tandem with Orchard as the Housing Property Asset Management System. This mandate covered both systems which worked independently of each other.

The strategic options available to the Council to deliver a solution were:

Option 1 – Pursue a new combined solution procurement exercise to either replace existing systems with a new combined housing and asset management system or undertake a full upgrade of both current systems with innovative solutions.

Option 2 - Upgrade the Orchard system in the short term and replace Keystone with Cx Asset Management entering both onto the Council's new network. Such an upgrade would require data clean-up data and information together with further updates / upgrades which would make ready the system in preparation for any future procurement exercise to update the system later.

Option 3 – Do nothing leading to use of unsupported and obsolete systems and processes without compliance with the General Data Protection Regulation or procurement guidance.

Based on consideration of the information available, the mandate recommended Option 1 as the Option to be progressed.

In response to a councillor's query regarding the alignment of the proposed ICT systems with others within the Council, the Joint EAB was advised that it was the intention to introduce a system which interfaced with a range of other systems, including those of the Council and its contractors, in areas including gas, electricity, and property repair and maintenance. This would enable the transfer of data and information between systems to provide a single integrated approach.

Whilst the Joint EAB did not express any particular view regarding the options contained in the mandate, it was generally supportive of the proposal to move towards a new modern integrated system.

17. Corporate Governance and Standards Committee comments

17.1 At its meeting held on 20 January 2022, the Corporate Governance and Standards Committee considered this report and endorsed the recommendations to the Executive and full Council. The Committee made the following points during the debate on the matter:

1. Whether the spending objectives for evaluating the benefits of capital schemes should include 'impact on the environment' in the context of the Council's Climate Emergency declaration. In response, officers indicated that this would be taken on board for future consideration. The Committee would also like to see more capital projects coming forward that addressed issues relating to the Climate Emergency.

2. In response to an enquiry as to the risks associated with increasing inflation, especially with regard to affordability, borrowing, and the effects of slippage in the capital programme, officers acknowledged that inflation was a real concern and that provision for this should be made in the Council's Corporate Risk Register. The Council did not inflate its capital schemes as a matter of course, but it was noted that the tendering process mitigated some of the impact of inflation.

3. In response to an enquiry as to why it was proposed to fund the upgrade/ replacement Housing Management and Asset Software Management Systems from the HRA, it was explained that these systems were used to administer properties within the HRA.

4. In noting that the interest receivable had been calculated before base rates had increased, a question arose as to whether interest payable and the affordability of the Council's borrowing had been factored into the future cost of borrowing. In response, officers drew attention to the fact that most of the Council's borrowing would theoretically come from the Government's Public Works Loan Board, which was based on gilts that fluctuated. However, the majority of the borrowing was currently fixed on the HRA, with an assumption of a higher interest rate of 2.5% for the GF element.

5. It was noted that the Council did not have a dedicated officer responsible for identifying possible sources of grant funding. Although the Council had signed up to GrantFinder, with limited success, external funding towards major projects had been sourced on a project-by-project basis mainly from government – for example via the LEP and housing infrastructure funds.

6. In response to continuing concerns over delays progressing schemes in the HRA Capital Programme, officers acknowledged the slippage in both the GF and HRA Capital Programmes, which had been monitored over a number of years. The Committee was reminded of the measures the Council had put in place to address this matter including the introduction of the PPM governance framework for projects, and the new Major Projects team introduced following Future Guildford. In relation to the HRA Capital

Programme, officers had sought to develop a broad portfolio of schemes of varying types, size, and structure in order to overcome this issue.

7. Query as to whether the proposed capital expenditure of £24.5 million in 2022-23 on maintaining the existing housing stock was absolutely necessary given that most bathrooms, kitchens, and roofs normally functioned beyond a ten-year life cycle, and whether the Council should have a process of looking at what actually needed to be replaced. In response, officers advised that decisions were based on data gathered from stock condition surveys, together with guidance following changes in legislation post Grenfell. In addition, there was an urgent need to address requirements for smoke detection, fire alarm, and carbon monoxide systems. The Committee also noted that the Council followed the Decent Homes Standards in managing its housing stock, which required certain elements to be replaced after a specified period of time. Finally, it was noted that due to the age of the stock and given that a number of elements had been undertaken 30 years ago, it was now necessary to undertake these replacement works.

8. In response to a request for clarification on "pipeline bids", officers confirmed that the Council had a long list of schemes that over a period of time had been reviewed and, following further discussions with Planning officers, viability work had been carried out. Following that work, some schemes had been brought forward for implementation.

18. Summary of Options

18.1 Officers have detailed the options within each new capital bid / mandate

18.2 The CIPFA TM Code does not prescribe any particular treasury management strategy for local authorities to adopt. The CFO, 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

Alternative	Impact on Income / Expenditure	Impact on risk management
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

19. Conclusion

19.1 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.

19.2 If all schemes proceed within the timescales indicated, there will be an underlying need to borrow of £315 million by 31 March 2026.

19.3 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.

20. Background Papers

None

21. Appendices

Appendix 1: Detailed capital and investment strategy
Appendix 2: Schedule of new GF capital bids for 2022-23 to 2026-27
Appendix 3: Detailed bids
Appendix 4: Schedule of approved GF capital programme
Appendix 5: Schedule of provisional GF capital programme
Appendix 6: Schedule of reserves funded capital schemes
Appendix 7: Schedule of s106 funded schemes
Appendix 8: Summary of resources and financial implications
Appendix 9: Capital vision
Appendix 10: HRA approved capital programme
Appendix 11: HRA provisional capital programme
Appendix 12: HRA summary of resources
Appendix 13: Treasury Management Policy Statement
Appendix 14: Money Market Code Principles
Appendix 15: Arlingclose Economic and Interest Rate Forecast
Appendix 16: Credit rating equivalents and definitions
Appendix 17: Flexible use of capital receipts policy
Appendix 18: Glossary