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Contact Officer:

John Armstrong,
Democratic Services and Elections Manager
Tel: 01483 444102

16 August 2021

Dear Councillor

Your attendance is requested at a meeting of the **EXECUTIVE** to be held in the Council Chamber, Millmead House, Millmead, Guildford, GU2 4BB on **TUESDAY, 24 AUGUST 2021** at 7.00 pm.

Yours faithfully

James Whiteman
Managing Director

MEMBERS OF THE EXECUTIVE

Chairman:

Councillor Joss Bigmore
(Leader of the Council and Lead Councillor for Service Delivery)

Vice-Chairman:

Councillor Jan Harwood
(Deputy Leader of the Council and Lead Councillor for Climate Change)

Councillor Tim Anderson, (Lead Councillor for Resources)
Councillor Tom Hunt, (Lead Councillor for Development Management)
Councillor Julia McShane, (Lead Councillor for Community and Housing)
Councillor John Redpath, (Lead Councillor for Economy)
Councillor John Rigg, (Lead Councillor for Regeneration)
Councillor James Steel, (Lead Councillor for Environment)

WEBCASTING NOTICE

This meeting will be recorded for live and/or subsequent broadcast on the Council's website in accordance with the Council's capacity in performing a task in the public interest and in line with the Openness of Local Government Bodies Regulations 2014. The whole of the meeting will be recorded, except where there are confidential or exempt items, and the footage will be on the website for six months.

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QUORUM 3

THE COUNCIL'S STRATEGIC FRAMEWORK

Vision – for the borough

For Guildford to be a town and rural borough that is the most desirable place to live, work and visit in South East England. A centre for education, healthcare, innovative cutting-edge businesses, high quality retail and wellbeing. A county town set in a vibrant rural environment, which balances the needs of urban and rural communities alike. Known for our outstanding urban planning and design, and with infrastructure that will properly cope with our needs.

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

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

Values for our residents

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

A G E N D A

ITEM NO.

1 APOLOGIES FOR ABSENCE

2 LOCAL CODE OF CONDUCT - DISCLOSABLE PECUNIARY INTEREST

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

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

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

3 MINUTES (Pages 5 - 8)

To confirm the minutes of the meeting of the Executive held on 20 July 2021.

4 LEADER'S ANNOUNCEMENTS

5 AMENDMENTS TO PRIVACY & DATA PROTECTION POLICY (Pages 9 - 24)

6 HIGHWAY AND TRANSPORT SCHEMES CRITICAL LOCAL PLAN DELIVERY (Pages 25 - 46)

7 CAPITAL AND INVESTMENT OUTTURN REPORT 2020-21 (Pages 47 - 116)

8 HOUSING REVENUE ACCOUNT FINAL ACCOUNTS 2020-21 (Pages 117 - 128)

9 REVENUE OUTTURN REPORT 2020-21 (Pages 129 - 162)

Key Decisions:

Any item on this agenda that is marked with an asterisk is a key decision. The Council's Constitution defines a key decision as an executive decision which is likely to result in expenditure or savings of at least £200,000 or which is likely to have a significant impact on two or more wards within the Borough.

Under Regulation 9 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, whenever the Executive intends to take a key decision, a document setting out prescribed information about the key decision including:

- the date on which it is to be made,
- details of the decision makers,
- a list of the documents to be submitted to the Executive in relation to the matter,
- how copies of such documents may be obtained

must be available for inspection by the public at the Council offices and on the Council's website at least 28 clear days before the key decision is to be made. The relevant notice in respect of the key decisions to be taken at this meeting was published as part of the Forward Plan on 27 July 2021.

EXECUTIVE

20 July 2021

- * Councillor Joss Bigmore (Chairman)
- * Councillor Jan Harwood (Vice-Chairman)

- | | |
|----------------------------|---------------------------|
| * Councillor Tim Anderson | * Councillor John Redpath |
| Councillor Tom Hunt | * Councillor John Rigg |
| * Councillor Julia McShane | * Councillor James Steel |

*Present

Councillors Chris Blow, Angela Gunning, Ramsey Nagaty, and Paul Spooner, were also in attendance.

EX1 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Tom Hunt.

EX2 LOCAL CODE OF CONDUCT - DISCLOSABLE PECUNIARY INTEREST

There were no disclosures of interest.

EX3 MINUTES

The minutes of the meeting held on 20 April 2021 were confirmed as correct record. The Chairman signed the minutes.

EX4 LEADER'S ANNOUNCEMENTS

The Leader commented that having spent some time in Guildford High Street yesterday, both shopping and dining, he had been reassured to see most people still adhering to behaviour limiting the spread of Coronavirus. As at 16 July, Guildford had 235 Covid cases per 100,000 people – which was lower than the Surrey average of 294 and the national average of 386. Hospital admissions remained low but were increasing - averaging 7 admissions per day in the county over the last week.

As announced last week, the vaccination centre at G Live would close on 31 July having vaccinated 170,000 people; a temporary facility would open at George Abbot School before the opening of a new centre at the Artington Park and Ride site in August.

The Leader urged everyone to be vaccinated, as it was our best defence against the virus, and noted that there were still drop-in slots available.

The Leader reported that the Council was asking all residents to submit the names of loved ones who lost their lives in active service since the end of WWII to go on a special Memorial for Guildford. Further information could be obtained from civicsecretary@guildford.gov.uk.

MyGuildford was the new one-stop-shop to access a range of our services in one place on our website. Subscribers can make requests, track progress, view bills and update details. Over 5,500 resident had joined already. Information on how to register was available via my.guildford.gov.uk.

Our Park Barn Community Centre had been relaunched as The Hive and everyone was welcome – it was noted there was a fantastic café and amazing cakes, a Community Fridge with free fresh food, and our 'Thrive at the Hive' service had pre-loved clothes, toys and homeware available to buy. Further details were available via our Community Wellbeing Team on social media, call 01483 444150 or email Community.Wellbeing@guildford.gov.uk.

The Leader also informed councillors that Keep Britain Tidy's 'Love Parks Week' would begin on 23 July and, as schools break up, and residents were encouraged to use our award-winning parks and green spaces to enjoy the good weather and help their physical and mental health, but were requested to ensure that they either use the litter bins provided or take their rubbish home.

EX5 COMMUNITY SPONSORSHIP PROGRAMMES

The Executive considered a report seeking authorisation to progress community sponsorship applications under the Community Sponsorship Scheme as introduced by the Home Office. The intention of the Scheme was to support local community groups to take responsibility to welcome and resettle refugees from Syria and the surrounding region directly into their communities. This initiative complemented the resettlement work undertaken by local authorities as part of the Vulnerable Persons Resettlement Scheme (VPRS) that was designed to support refugee families resettle in the UK within a 5-year support window.

A local community group, Resettle@Guildford, had prepared an application to the Home Office for Community Sponsorship of one household and sought the Council's support in line with Home Office requirements to resettle a vulnerable family. Consent was required from both Surrey County Council (SCC) and Guildford Borough Council for any community sponsorship scheme's application. SCC had given their consent to the community sponsors Resettle@Guildford's application via delegation to the Executive Director of Children, Families and Lifelong Learning.

The Executive was in unanimous support of the recommendations and it was hoped the application would be swiftly expedited.

RESOLVED

- (1) To delegate authority to the Director of Service Delivery in consultation with the Lead Councillor for Housing and Community to give consent to future community sponsorship applications as part of the vulnerable persons resettlement scheme, subject to them meeting Home Office criteria.
- (2) To authorise the Head of Community Services to progress arrangements for consented community sponsorship with the Home Office and with Resettle@Guildford.

Reasons:

- The resettlement of refugee households in Guildford adds to the diversity of the area and the household will have the opportunity in the long term to contribute to the local economy through employment and voluntary work. This results in a vibrant local economy with thriving towns and villages. The VPRS and Community Sponsorship Scheme present opportunities to promote community spirit, to encourage individuals and families to welcome and support refugee households and to be more resilient in times of need.
- In granting delegated authority to the Director of Service Delivery in consultation with the Lead Member to give consent to community sponsors (such as Resettle@Guildford) alongside authorisation to the Head of Community Services to progress applications

with the Home Office, this process can work efficiently and swiftly for the benefit of our communities.

EX6 PRIORITY LIST OF HIGHWAY AND TRANSPORT SCHEMES CRITICAL TO LOCAL PLAN DELIVERY

A report was submitted to the Executive setting out five highway and transport schemes highlighted by the Council's Corporate Programmes Team as likely to be critical to the Local Plan maintaining its housing trajectory.

The Lead Councillor, following consultation with the Leader and other Executive colleagues requested that consideration of the report be deferred to the next meeting of the Executive on 24 August 2021 to enable the report to be considered by the Strategy and Resources EAB possibly on 9 August.

RESOLVED:

That consideration of this matter be deferred to the next meeting of the Executive to be held on 24 August 2021.

Reason:

To enable the matter to be considered by the Strategy and Resources EAB on 9 August 2021.

EX7 ANNUAL GOVERNANCE STATEMENT 2020-21

The Executive considered the draft Annual Governance Statement (AGS) that was required under the Accounts and Audit Regulations 2015. The AGS detailed the governance framework and procedures that had operated at the Council during the year, a review of their effectiveness, significant governance issues that had occurred and a statement of assurance. The AGS was supported by the Annual Opinion Report (April 2020 to March 2021) as prepared by KPMG, the Council's internal audit managers. The draft AGS would be included in the Council's statement of accounts for 2020-21. The report would be considered by the Corporate Governance and Standards Committee at its meeting on 29 July 2021, and any comments from the Executive would be reported to that meeting. The Corporate Governance and Standards Committee had the authority to approve the AGS.

It was noted that 2020-21 had been an extraordinary challenging year for the Council in terms of addressing the Covid Pandemic, implementing Future Guildford with significant staff structural changes and an ongoing budgetary shortfall. The challenges had affected the governance of the Council which was reflected in the internal audit report's recommendation of 'partial assurance with improvement's required'. The Leader of the Council reflected on the reasons for improvement and with close monitoring looked forward to an improved audit report next year. The Leader requested that there be an interim report halfway through the year to provide an indication of progress and improvement.

The matter of email signature guidance as referred to the Corporate Governance and Standards Committee Task Group would be considered by that Committee in the near future. It was proposed that reference be made in the table setting out the principles of good governance within the AGS to the Council's petition scheme, which enabled anyone who lives, works, or studies in the borough to create paper petitions, or use the e-petition facility, to ask the Council to take action in respect of any matter on which we have functions, powers, or duties.

RESOLVED:

That the Council's Annual Governance Statement for 2020-21, as set out in Appendix 1 to the report submitted to the Executive, be commended to the Corporate Governance and Standards Committee for adoption at its meeting on 29 July 2021, subject to the following comments:

- (a) In Part A of the table in Section 3 of the AGS, the Corporate Governance & Standards Committee does not appear to have considered the Email Signature Guidance for Councillors proposed by the Corporate Governance Task Group.
- (b) In Part B of the table in Section 3 of the AGS, add the following:
 - "The Council has a petition scheme to enable anyone who lives, works, or studies in the borough to create paper petitions, or use the e-petition facility, to ask the Council to take action in respect of any matter on which we have functions, powers, or duties."
- (c) The Corporate Governance and Standards Committee to receive a mid-year update report on significant governance issues that arose in the financial year relating to the AGS.

Reason:

To comply with the Accounts and Audit Regulations 2015, the Council must prepare, approve, and publish an Annual Governance Statement.

The meeting finished at 7.24 pm

Signed

Chairman

Date

Executive Report

Ward(s) affected: Not applicable

Report of Strategic Services Director

Author: Ciaran Ward, Information Governance Officer

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Lead Councillor responsible: Joss Bigmore

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Date: 24 August 2021

Amendments to Privacy & Data Protection Policy

Executive Summary

This proposal seeks to amend the Council's Privacy & Data Protection Policy (last amended 2018) in the form of an additional section to cover electronic payment procedures, to promote Payment Card Industry Data Security Standards (PCI-DSS) compliance, to reflect new protocols around ICT usage and security and a number of other minor changes.

Recommendation to Executive

That the Executive approves the amendments to the Council's existing Privacy and Data Protection Policy, as set out in Appendix 1 to this report.

Reason for Recommendation:

To ensure compliance with Payment Card Industry Data Security Standards (PCI DSS), thereby reducing risk of financial and/or reputational damage.

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

1. Purpose of Report

- 1.1 This report seeks to amend the Council's Privacy & Data Protection Policy (last amended 2018) in the form of an additional section to cover electronic payment procedures, to promote Payment Card Industry Data Security Standards (PCI-DSS) compliance and to reflect new protocols around ICT usage and security.
- 1.2 Approval is sought from the Executive for the changes to be implemented.

2. Strategic Priorities

- 2.1 To promote secure financial transactions and compliance with applicable legislation.

3. Background

- 3.1 The Information Commissioner's Office (ICO) General Data Protection Regulation (GDPR) [guidelines](#) set out compliance standards required for electronic debit or credit card payments.
- 3.2 The Payment Card Industry Data Security Standards ([PCI-DSS](#)) outlines a number of specific technical and organisational measures that the payment card industry considers applicable whenever such data is being processed.
- 3.3 If an organisation processes card data and suffers a personal data breach, the ICO will consider the extent to which it has implemented measures that PCI-DSS requires - particularly if the breach relates to a lack of a particular control or process mandated by the standard.
- 3.4 It was therefore agreed that Council should as a minimum set out such measures in a formal document. In the absence of a stand-alone policy, it was decided that the measures should be outlined within the Council's Privacy and Data Protection Policy.
- 3.5 The PCI DSS is a set of requirements designed to ensure that organisations which process, store or transmit credit/debit card information maintain a data secure environment. Payment cards and transactions will contain confidential personal data which can include but is not limited to the name on the face of the card, the Primary Account Number (PAN), Card Validation Code (CVC, CVV2, CVC2), and any form of magnetic stripe data from the card (Track 1, Track 2).
- 3.6 Card payment transaction data stored, processed or transmitted by the Council and/or its authorised contractors/service providers must be protected. Security controls must conform to the PCI DSS standard. All individuals or organisations involved in storing, processing or transmitting personal data through payment cards must therefore comply with the Council's Privacy and Data Protection Policy to ensure the security of this information associated with payment cards and transactions.
- 3.7 The proposed amendments to the policy (see Appendix 1 section 6, page 10) section will oblige any officer of the Council commissioning goods and/or services on the Council's behalf to notify the Procurement Team if the procurement will result in payment transactions in addition to the payment for the goods/services. The Procurement Team and/or the Data Protection Team may require any contractor/service provider to undertake a Data Privacy Impact Assessment (DPIA) to ensure that such transactions are PCI DSS compliant.
- 3.8 The added section would therefore act as the lead-in point for the Procurement team to ensure the necessary questions are asked at Selection Questionnaire stage and ensure a DPIA is completed. Similarly, the Legal team must ensure

the contracts are amended to require PCI DSS compliance on an “as required” basis.

- 3.9 A number of other changes have also been added, including how the policy relates to the Council’s Corporate Plan 2021-25, the measurement and impact of the policy through the annual report to Corporate Governance & Standards Committee and hyper-links to related documentation.

4. Consultations

- 4.1 Following recommendations from Legal and subsequent consultations with the Council’s Information Risk Group, it was agreed to formalise the policy amendments.

5. Key Risks

- 5.1 The proposed amendments will reduce the risk to the Council of suffering financial penalties and/or reputational damage in the event of a data breach related to card payment transactions.

6. Financial Implications

- 6.1 Not applicable

7. Legal Implications

- 7.1 [Article 32](#) of the GDPR obliges the controller and the processor of the data to implement appropriate technical and organisational measures to ensure a level of security appropriate to the risk. The additional sections in the policy aim to comply with this.

8. Human Resource Implications

- 8.1 Not applicable

9. Equality and Diversity Implications

- 9.1 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.’

10. Climate Change/Sustainability Implications

- 10.1 Not applicable.

11. Summary of Options

- 11.1 Not implementing the proposed changes to the policy would put the Council in a dangerous situation in the event of a data breach related to electronic card payment information if no clear measures are set out in a policy document which binds officers of the Council and/or the Council’s contractors.

- . The absence of a written policy may therefore constitute a breach of the GDPR.

12. Conclusion

- 12.1 It is proposed to add an additional section to the existing Privacy and Data Protection Policy for the reasons outlined above.

13. Background Papers

None.

14. Appendices

Appendix 1: Copy of Privacy and Data Protection Policy with additional sections included as tracked changes



Guildford Borough Council

Privacy and Data Protection Policy

Origination/author:	Ciaran Ward, Information Governance/Data Protection Officer
Policy Owner – Service:	Strategy and Communications
This document replaces:	Privacy and Data Protection Policy 2018-2021
Committee approval:	Tbc
Last Review Date:	2021
Next Review Date:	2025

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- 7) [Links with Other Policies](#)
- 8) [Measurement and Impact](#)
- 9) [Appendix 1: Reference Guide for Guildford Borough Council employees, councillors and contractors](#)

1) Introduction

Guildford Borough Council is committed to fulfilling its obligations under Data Protection law, namely the General Data Protection Regulation (GDPR) and has produced this policy to provide assurance to customers and residents and, along with associated practice notes to assist officers and councillors.

The Council's mission within its Corporate Plan 2021-2025 is to be "an efficient, innovative and transparent Council that listens and responds quickly to the needs of our community." This policy will contribute to the council's strategic priorities by ensuring we handle personal information securely and efficiently.

This document is one of a group of policies falling under the Council's Information Security Framework and is subject to ongoing review in the light of changes in the law and Information Commissioner's guidance.

This policy applies to all employees, councillors, volunteers, and contractors of Guildford Borough Council.

Key definitions:

- A **controller** determines the purposes and means of processing personal data.
- A **processor** is responsible for processing personal data on behalf of a controller
- A **data subject** means an individual who is the subject of personal information
- **Personal data** means any information relating to an identifiable person who can be directly or indirectly identified in particular by reference to an identifier.
- A **personal data breach** means a breach of security leading to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to, personal data. This includes breaches that are the result of both accidental and deliberate causes.

Corporate Technical and Legal Guidance which forms part of this policy includes (but is not limited to):

1. CCTV
2. Council Tax information
3. Councillors and Elected Officials
4. Electoral Register information
5. Information sharing and information sharing protocols
6. International Transfers
7. Marketing
8. Personal contact lists
9. Personal information online and use of cookies
10. Photographs and Photographers
11. Privacy Impact Assessments (PIAs)
12. Publicising legal action against individuals
13. Sensitive personal information
14. Use of appropriate privacy notices.

A quick reference guidance for staff is included at Appendix 1 of this policy.

2) Our commitment to Data Protection

In order to provide services, Guildford Borough Council needs to collect and use certain types of information. This includes information relating to members of the public, clients and customers, current, past and prospective employees, suppliers (such as sole traders) and other individuals.

The Council must also collect and use certain types of information to comply with the law – examples would include Council Tax and Electoral Register information.

Guildford Borough Council will use personal information properly and securely regardless of the method by which it is collected, recorded and used and whether it is held on paper, on a computer or network or recorded on other material such as audio or visual media such as CCTV.

Guildford Borough Council regards the lawful and good management of personal information as crucial to the successful and efficient performance of the Council's functions, and to maintaining confidence between residents, customers and ourselves. We ensure that our Council treats personal information lawfully and correctly and respects privacy.

To this end, Guildford Borough Council fully endorses and adheres to the principles of Data Protection, as set out in Article 5 of the GDPR.

In addition, Guildford Borough Council will ensure that:

- there is someone who monitors internal compliance, informs and advises the Council on its data protection obligations and acts as a contact point for the public and the supervisory authority (Information Commissioner's Office, ICO). This person is the Data Protection Officer (DPO);
- everyone managing and handling personal information understands that they are contractually responsible for following good data protection practice;
- everyone managing and handling personal information is appropriately trained to do so;
- everyone managing and handling personal information is appropriately supervised;
- anyone wanting to make enquiries about handling personal information, whether a member of staff or a member of the public, knows what to do;
- queries about the handling of personal information are promptly and courteously dealt with;
- methods of handling personal information are regularly assessed and evaluated.

3) The GDPR Data Protection Principles

The following legally binding good-practice principles govern the way the Council manages personal information.

Personal information:-

1. processed lawfully, fairly and in a transparent manner in relation to the data subject ('lawfulness, fairness and transparency');
2. collected for specified, explicit and legitimate purposes and not further processed in a manner that is incompatible with those purposes; further processing for archiving purposes in the public interest, scientific or historical research purposes or statistical purposes shall, in accordance with [Article 89\(1\)](#), not be considered to be incompatible with the initial purposes ('purpose limitation');
3. adequate, relevant and limited to what is necessary in relation to the purposes for which they are processed ('data minimisation');
4. accurate and, where necessary, kept up to date; every reasonable step must be taken to ensure that personal data that are inaccurate, having regard to the purposes for which they are processed, are erased or rectified without delay ('accuracy');
5. kept in a form which permits identification of data subjects for no longer than is necessary for the purposes for which the personal data are processed; personal data may be stored for longer periods insofar as the personal data will be processed solely for archiving purposes in the public interest, scientific or historical research purposes or statistical purposes in accordance with Article 89(1) subject to implementation of the appropriate technical and organisational measures required by this Regulation in order to safeguard the rights and freedoms of the data subject ('storage limitation');
6. processed in a manner that ensures appropriate security of the personal data, including protection against unauthorised or unlawful processing and against accidental loss, destruction or damage, using appropriate technical or organisational measures ('integrity and confidentiality').

4) The Standards Adopted

Guildford Borough Council will, through appropriate local management and application of corporate criteria and controls:

- fully observe regulations and codes of practice regarding the fair collection and use of personal information (this includes but is not limited to codes of practice issued by the Information Commissioner);
- specify the purposes for which personal information is or will be used through registration with the Information Commissioner and through appropriate use of privacy notices on application forms, web pages and via telephone, in other words, through whatever means personal information is collected;
- only collect and process appropriate information to the extent needed to fulfil operational or service needs or to comply with any legal requirements;

- check and maintain the quality of information used;
- apply checks to determine the length of time information is held regardless of its format. This will be addressed by a corporate Data Retention Policy and local procedures to establish and keep to appropriate retention periods;
- ensure that the rights of people about whom information is held can be fully exercised under the Act;
- take appropriate technical and organisational security measures to safeguard personal information specifically by means of an Information Security Framework supported by each service's local procedures;
- ensure that personal information is not transferred abroad without suitable safeguards.

5) Overview of Roles and Responsibilities

All Staff will:

- (a) ensure they understand how this policy, its associated guidance notes and their local working procedures affect their work.
- (b) assess the kind of information they use whilst carrying out their work and whether they have responsibility for any personal information.
- (c) make sure that they use personal information in accordance with this policy, its associated guidance notes and their local working procedures.

Heads of Service will:

- (a) identify the services they provide and any specific processes they are responsible for that involve the use of personal information.
- (b) appoint at least one Privacy and Information Security Champion for their Service.
- (c) appoint one or, where appropriate, more information asset owners (sometimes referred to as "Responsible Officers") who will be responsible for each information asset or system within the service.
- (d) make the Information Governance Officer (via their Privacy and Security Champion(s)) aware of all of their systems that use personal information, This is so that the Information Governance Officer may notify the Information Commissioner, as required by law.
- (e) carry out a [Data Privacy Impact Assessment](#) (DPIA) in relation to each new project or proposal that will involve the use of personal information or affect privacy. This must be carried out at the beginning and at any review of the project, not "bolted on" at the end. The Information Governance Officer must be informed at an early stage.
- (f) document local working procedures to ensure staff (including temporary staff) who have access to personal information systems are aware of the steps they must take to

comply with the data protection legislation. (Bear in mind staff vetting requirements required by the Information Security Framework).

- (g) train or arrange training for staff in relation to local working procedures.

HR Services will ensure the following arrangements are in place:

- (a) baseline personnel checks at recruitment, to ensure that new members of staff are made aware of this policy document at induction stage and also that a specific condition is included in contracts of employment;
- (b) (the Data Protection team must be informed of new starters and leavers, temporary/contract staff who require training are provided with the relevant policies and procedures before being given access to personal data; and
- (c) For managers to ensure all new starters with an email account undertake and pass the GDPR E-Learning module within their first month of employment.

Data Protection Team

This team comprises:

- Senior Information Risk Owner (SIRO)
- Data Protection Officer (DPO)
- Information Assurance Manager (IAM)
- Information Governance Officer (IGO)

The Senior Information Risk Owner will:

- (a) establish an information risk strategy which allows assets to be exploited and manages risks effectively
- (b) identify business-critical information assets and set objectives, priorities and plans to maximise the use of information as a business asset
- (c) establish and maintain an appropriate risk appetite with proportionate risk boundaries and tolerances.
- (d) establish an effective Information Governance Framework
- (e) act as the champion for information risk within the Council, being an exemplar for all staff and encouraging CMT to do likewise
- (f) build networks with peers and organisations that can provide essential support and knowledge exchange services
- (g) ensure compliance with regulatory, statutory and organisational information security policies and standards
- (h) ensure all staff are aware of the necessity for information assurance and the risks affecting the Council's corporate information
- (i) establish a reporting and learning culture to allow the Council to understand where problems exist and develop strategies (policies, procedures and awareness campaigns) to prevent data related incidents in the future.

The Data Protection Officer

- (a) is independent
- (b) reports to Senior Management
- (c) monitors the Council's compliance with the GDPR;
- (d) is the Council's representative to the Information Commissioner's Office.

You can report a personal data breach to the DPO at DPO@guildford.gov.uk.

The Information Assurance Manager will:

- (a) support the Service Assurance function in implementing the Information and Communications Technology (ICT) security vision, model and principles across all of Guildford Borough Council, ensuring compliance with Payment Card Industry Data Security Standard, General Data Protection Regulation and other appropriate industry standards, to support the organisational strategy.
- (b) work with the ICT department to guide the selection and deployment of appropriate technical controls to meet specific security requirements and define processes and standards to ensure that security configurations are maintained. The Information Assurance Manager is also responsible for managing Guildford Borough Council's information security systems through the implementation of ISO27001.

The Information Governance Officer will

- (a) ensure that the Data Protection Policy and associated documents are kept up to date and communicated to staff in an appropriate manner.
- (b) provide technical and legal guidance on specific sectors and issues and will keep such guidance up to date.
- (c) arrange for the provision of advice and training to staff on request.
- (d) be responsible for notification of the Council's processing to the Information Commissioner.

Privacy and Information Security Champions will:

- (a) co-ordinate Data Protection matters for the Service they represent.
- (b) ensure that decisions, guidance and policy matters are communicated to service management teams and the relevant staff in the service they represent.
- (c) inform the Information Governance Officer of specific matters within the Service that require specialist advice or guidance.

The above objectives are facilitated by the Privacy Information Group, which is chaired monthly by the Information Governance Officer and consists of representatives from each service area.

Information Risk Group (IRG)

The IRG is chaired monthly by the Council's SIRO and includes the ICT Manager, DPO, IAM and IGO. The IRG's role is to identify risk and provide advice on the effective management of all Council-held information by ensuring compliance with relevant legislation and effective risk management.

6) PCI DSS Compliance

The Payment Card Industry Data Security Standard (PCI DSS) is a set of requirements designed to ensure that all organisations who process, store or transmit credit or debit card information maintain a data secure environment. Payment cards and payment transactions will contain sensitive personal data. Sensitive card/payment data can include but is not limited to the name on the face of the card, the Primary Account Number (PAN), Card Validation Code (CVC, CVV2, CVC2), and any form of magnetic stripe data from the card (Track 1, Track 2).

Payment card and/or payment transaction data stored, processed or transmitted by officers of Guildford Borough Council and/or its authorised contractors/service providers must be protected and security controls must conform to the Payment Card Industry Data Security Standard (PCI DSS). All persons/organisations involved in storing, processing or transmitting personal information through payment cards must comply with the Council's Privacy and Data Protection Policy to ensure the security of the personal information associated with payment cards and/or payment card transactions.

Any officer of Guildford Borough Council commissioning goods and/or services on behalf of the Council must notify the Procurement Team if the procurement will result in payment transactions in addition to the payment for the goods/services. The Procurement Team and/or the Data Protection Team may require any contractor/service provider to undertake a Data Privacy Impact Assessment in order to ensure that such transactions are PCI DSS compliant.

7) Links with Other Policies

This Privacy and Data Protection Policy, as well as the more detailed working procedure documents issued locally, will have an impact on the following policy areas:

- Information Security Framework
- ICT Security Policy
- Acceptable Use of Council ICT Equipment
- Covert Surveillance and use of informants
- Disciplinary Procedures
- Equality and Diversity
- Fraud and Corruption
- Freedom of Information
- Grievance Procedures
- Health & Safety
- ICT Security Policy
- Training and Development
- Violence at Work
- Whistle Blowing.

These policies can be found on the Council's [intranet here](#).

8) Measurement and Impact

We will measure the success of this policy through the annual Data Protection and Information Security Update Report presented to the Corporate Governance and Standards Committee.

Appendix 1: Reference Guide for Guildford Borough Council employees, councillors and contractors

Breaches of the Data Protection Act

All breaches (suspected breach of confidentiality) should be reported to the Data Protection Team as soon as they occur. Please refer to the [breach notification procedure](#) for full details.

The Information Governance Officer reports breaches to the Corporate Governance Group on a quarterly basis.

CCTV

Follow the corporate procedure note on authorising CCTV.

Collecting/obtaining personal information

Individuals have a right to know (1) that the Council is using their information, (2) a description of the personal information the Council is using, (3) the purposes for which the information is being used and (4) the recipients (or classes of recipients) to whom the personal information may be disclosed. Whichever means is used by a Council service to collect personal information, the service must provide a privacy notice to the affected individual(s) and this must meet the standards set out in the Information Commissioner's [guidance](#).

Councillors

In terms of Data Protection, Councillors have three distinct roles:

- (1) as a member of a Council committee. In this role, they act for the Council and have the same access rights as a member of staff, subject to the "need to know principle".
- (2) Political: they act for their political party or, where independent, their own political agenda, and not for the Council. In this role, the Councillor's access rights are the same as for a political party.
- (3) as a representative of one or more constituents: In this role they are acting for the member of the public and not for the Council (in a comparable way to, say, the Citizen's Advice Bureau). The Councillor has the same access rights as the constituents he or she is acting for but must demonstrate that the constituent(s) has given consent for them to act for them.

Couriers

Take care when sending protected information via courier. Encrypted email may be safer. If you cannot avoid using a courier, please follow the procedural guidance on the use of photographers.

Information Security

All staff are responsible for ensuring that personal data, which they use, or process is kept securely and is not disclosed to any unauthorised person or organisation. Access to personal data should only be given to those who have and can show a business need for access to the data for the purpose of their duties and the principle of least privilege should be applied.

Please refer to the Council's IT Policies and Procedures which includes the Acceptable Use (of ICT systems and equipment) Policy for the Council's detailed requirements and arrangements.

Information Sharing

Staff will generally share personal data of a customer where the Council is performing tasks that are necessary and carried out in the public interest and also in the exercise of various public functions. For example, the Council's Benefits service will share personal data with the DWP or other public bodies and third parties.

There will also be occasions when it will be necessary for staff to share personal data of a customer to comply with a legal obligation. For example, it may be necessary to share the information to assist the police with a criminal investigation.

If you are ever in doubt about a request to share information please contact the Data Protection team for advice at DPO@guildford.gov.uk.

The Council must only share personal data if it has a lawful basis to do so, where it is necessary to achieve a clear purpose and, with that purpose in mind, it is fair and proportionate to do so. Personal information shared with any Surrey agency must comply with the Surrey Multi Agency Information Sharing Protocol ("Surrey MAISP").

If information is regularly shared with third parties who are not one of the Surrey agencies, Data Sharing Agreements should be in place. However, they are not needed when information is shared in one-off circumstances, but a record of the decision and the reasons for sharing information should be kept. The Data Protection Officer, who will keep a register of all Data Sharing Agreements, must sign off all Data Sharing Agreements.

International Transfers

Before entering into any agreement whereby personal information will be processed on behalf of the Council by another agency, check whether the agency is confined to the European Economic Area. Disclosures to international companies could amount to an international transfer of personal information and this must be accounted for in the written agreement.

Notification

The Council must register with the Information Commissioner its use of personal information and the purposes it uses the information for (this is called "Notification"). Services must therefore inform the Information Governance Officer of any new purposes for which they use personal information (for example if they begin to provide a new service for customers).

Photographs and Photographers

Photographs of people are personal information and can be used in ways detrimental to the subject's privacy. The Council has special procedural rules on the use of photographs and photographers and anyone using this kind of information must comply with them.

Press releases about court cases and other action against individuals

Information about the commission or alleged commission of any offence and any proceedings relating to the alleged or actual offence are subject to special safeguards. Officers must complete a special privacy impact assessment form (see below) for publicising legal action against individuals before they issue any press release. The Information Governance Officer will keep a central record.

Data Privacy Impact Assessments

Project Managers must conduct a [Data Privacy Impact Assessment](#) (PIA) before undertaking any new project or new way of working, which will have a bearing on how personal information is used. This is obligatory under Article 35 of the GDPR and will help to ensure that any benefits brought about by the change, is proportionate to the impact on privacy.

Such instances may include, but are not limited to:

- 1.1.1 Introduction of new technologies;
- 1.1.2 Systematic and extensive processing activities;
- 1.1.3 Large scale processing of special categories of data or personal data relating to criminal convictions or offences;
- 1.1.4 Large scale, systematic monitoring of public areas, such as CCTV; and
- 1.1.5 Before entering a data sharing agreement.

Retention of records

The Council has a [Records Retention and Disposal Policy](#) which should be referred to when considering how long to keep records for.

Staff (information about)

HR and anyone handling personal information about staff must comply with the Information Commissioner's [Employment Practices Code](#).

The rights of data subjects

Subject to the provisions of the legislation, councillors, staff and members of the public have the following 'information rights' in relation to their personal data:

- to be informed about how and why their personal data is processed;
- to access their data;
- to rectification of their data;
- to erasure of their data;
- to restrict processing of their data;
- to data portability;
- to object to processing of their data; and
- not to be subject to fully-automated decision-making including profiling.

The Data Protection Officer will ensure appropriate processes are in place to ensure the Council enables the exercise of these rights, according to the provisions of the legislation.

Any information rights requests are processed by the Information Governance Officer. Individuals will be expected to submit requests in writing and provide any necessary proof of identification as part of the request.

The Council aims to respond promptly to these information rights requests and, in any event, within the statutory time limit (normally 30 days). Requests will be managed and tracked by the Information Governance Officer.

This policy will take effect from (date to be confirmed following approval)

Executive Report

Ward(s) affected: All Wards

Report of Strategic Services Director

Author: Martin Knowles

Email: Martin.Knowles@guildford.gov.uk

Lead Councillor responsible: John Rigg

Tel: 07870 555784

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Date: 24 August 2021

Priority List of Highway and Transport Schemes Critical to Local Plan Delivery

Executive Summary

Infrastructure interventions require a holistic approach to highways and transport. This requires a plan to address the existing problems and to accommodate any future growth. It will need to recognise changes in society, travel patterns, congestion, pollution and health and in most respects should put health first.

In looking at the borough of Guildford, the plan needs to have regard to growth in traffic, worsening pollution, accident rates, the need for modal shift – buses/trains, the need for better active travel – cycling/walking, and should take into account the existing issues on the A3 and the emerging work and evidence from the Guildford Economic Regeneration (GER) Programme evolving town centre masterplan.

Addressing the above issues needs to be our overall priority for highway and transport schemes going forward. Further work will be carried out through the review of the Local Plan, the GER Programme.

Currently, available funding is likely to be directed towards housing delivery and growth in employment. It is therefore important that the Council aligns its priorities with those of other strategic bodies such as Surrey County Council, Highways England and Network Rail in order to develop deliverable business cases and bid for any available infrastructure funding to aid delivery of these schemes.

Corporate Programmes has highlighted five highway and transport schemes that are likely to be critical priorities to the delivery of the Local Plan maintaining its housing trajectory and continuing to be up to date. These five priorities are dependent on other agencies wholly or partly funding the projects and are where the Council will need to work with them to secure delivery. They have been named 'priority schemes' and are in no particular order in this report.

On 11 March 2020 the government published the Road Investment Strategy 2 (RIS2). These are prepared every five years and the latest strategy deals with funding for the period 2020-

2025 but also mandates Highways England to investigate schemes that could be funded in the period 2025-2030 (RIS3).

The RIS2 does not now include an A3 Guildford scheme but does include a requirement to develop a scheme for the RIS3 pipeline known as A3/A247 Ripley south. The details of this improvement have not been formulated by Highways England and officers assume that this scheme relates in part to potential new north facing slips at the A3/A247 junction at Burnt Common.

As the A3 through Guildford scheme no longer forms part of the Government's Road Strategy Local Plan Policy ID2(2) requires the Council to review its transport evidence base to investigate the consequent cumulative impacts of approved developments and Local Plan growth including site allocations on the safe operation and the performance of the Local Road Networks and the Strategic Road Network. The final sentence of the Policy is important in that it states that "*The outcome of this review will determine whether development can continue to be completed in accordance with the Local Plan trajectory or will determine whether there needs to be a review of the Local Plan.*"

The highway and transport Schemes that are likely to be critical to the Local Plan (in no particular order) are as follows:

- SRN2 – M25 Junction 10/A3 Wisley Interchange 'Road Investment Strategy' scheme
- NR2 and NR3 New rail stations at Guildford West (Park Barn) and Guildford East (Marrow)
- SMC 1-6 - Sustainable Movement Corridor
- SRN7 and SRN8 - A3 northbound on and off slip roads at A247 Clandon Road (Burnt Common)
- LRN19 – New road bridge and footbridge scheme to enable level crossing closure on A323 Guildford Road adjacent to Ash railway station

The Report sets out a commentary as to why we consider these schemes to be important. We have also highlighted some of the difficulties that the schemes may create in terms of wider issues that would need resolving as part of their future delivery. Some of the schemes have funding from various sources whilst other schemes have no funding.

We have also provided commentary on the highway and transport schemes that are likely to be delivered by the developers of the Strategic Sites.

We have had a meeting with Surrey County Council to discuss the priorities which they were very receptive to and supportive of and they are looking to align them with their own priorities moving forward.

We have not gone into any detail regarding the Guildford Economic Regeneration Project (GERP) in this report, but we note that there may be significant infrastructure requirements to achieve the transformational change that that Project is proposing.

The Executive Advisory Board considered the five priorities on 9 August 2021. They raised a number of comments and the main recommendations are included at Section 12 of this report.

The Executive is asked to approve the highway and transport infrastructure schemes set out in the Report that are considered to be priorities and therefore critical to Local Plan delivery as currently envisaged. The Executive is also asked to consider the Executive Advisory Board's recommendations set out in Section 12. Should the Local Plan be reviewed or amended, the list of schemes may also require amendment accordingly.

Recommendation to Executive

That the Executive approves the priority list of highway and transport schemes likely to be critical to Local Plan delivery as described in this report.

Reason(s) for Recommendation:

The approval of the five priority schemes will enable officers to set up regular discussions with Surrey County Council (SCC) and Highways England (HE) on transport infrastructure priorities so that progress can be made in terms of the delivery of the schemes as well as modelling the impact of the schemes in any future transport review likely to be undertaken by SCC. If SCC and HE agree to these priorities it will also assist in terms of lobbying central Government for funding towards these schemes as well as assuring that S106 contributions are made, when appropriate, as planning applications come forward, or that the Council can justify imposing a Grampian condition restricting the amount of development that can come forward in the absence of a particular scheme.

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

1 Purpose of Report

- 1.1 Corporate Programmes Team has highlighted five highway and transport schemes that are likely to be critical priorities to the Local Plan maintaining its housing trajectory and continuing to be up to date. They have been named 'priority schemes' and are in no particular order in this report.
- 1.2 The approval of the five priority schemes will enable officers to set up regular discussions with Surrey County Council (SCC) on transport infrastructure priorities so that progress can be made in terms of the delivery of the schemes as well as modelling the impact of the schemes in any future transport review likely to be undertaken by SCC. We have had a meeting with SCC to discuss these priorities and they were supportive of them. It will also assist in terms of lobbying central Government for funding towards these schemes as well as assuring that S106 contributions are made, when appropriate, as planning applications come forward, or that the Council can justify imposing a Grampian condition restricting the amount of development that can come forward in the absence of a particular scheme.

2. Strategic Priorities

- 2.1 Approval of this report will assist with delivering several fundamental themes of the Corporate Plan 2018-2023. In particular, under 'Place Making', approving the five priorities will assist with 'delivering the Guildford Borough Local Plan and providing the range of housing that people need, particularly affordable homes' and 'making travel in Guildford and across the borough easier'.

3 Background

- 3.1 The Guildford Borough Council Local Plan was adopted on 25 April 2019. The Plan covers the period 2015-2034. The section entitled Infrastructure and Delivery contains Policy ID2 which is named 'Supporting the Department for Transport's "Road Investment Strategy"'. The Policy states the following:

POLICY ID2: Supporting the Department for Transport's "Road Investment Strategy"

- (1) Guildford Borough Council is committed to working with Highways England to facilitate major, long-term improvements to the A3 trunk road and M25 motorway in terms of both capacity and safety, as mandated by the Department for Transport's "Road Investment Strategy". As such, promoters of sites close to the A3 and M25 and strategic sites will need to take account of any emerging proposals by Highways England or any other licenced strategic highway authority appointed by the Secretary of State under the Infrastructure Act 2015.
- (2) In the event that there is a material delay in the anticipated completion and or a reduction in scope of the A3 Guildford (A320 Stoke interchange junction to A31 Hog's Back junction) "Road Investment Strategy" scheme from that assumed in plan-making, or cancellation of the scheme, Guildford Borough Council will review its transport evidence base to investigate the consequent cumulative impacts of approved developments and Local Plan growth including site allocations on the safe operation and the performance of the Local Road Networks and the Strategic Road Network. In the case of material delay in the anticipated completion and or a reduction in scope in the A3 Guildford scheme, the review will consider the period up to the revised date of completion of the scheme. This review will be undertaken with input as appropriate from Surrey County Council and Highways England or any other licenced strategic highway authority appointed by the Secretary of State under the Infrastructure Act 2015. The outcome of this review will determine whether development can continue to be completed in accordance with the Local Plan trajectory or will determine whether there needs to be a review of the Local Plan.

- 3.2 The Reasoned Justification for the implementation of this Policy is set out below:

Reasoned justification

- 4.6.17 The implementation of the three RIS schemes during the Plan period, alongside other critical infrastructure, is required in order to be able to accommodate future planned growth both outside and within the borough. It is therefore important that the promoters of sites close to the A3 and M25 and strategic sites work closely with Highways England to ensure that their layout and access arrangement(s) are consistent with Highways England's emerging schemes.
- 4.6.18 The A3 Guildford scheme is subject to feasibility study and then progression through Highways England's Project Control Framework during Road Period 1. This may require consequential alterations or improvements to junctions that either connect with the Strategic Road Network or are affected by changes in traffic flows.
- 4.6.19 The evidence at the time of the Examination of the Local Plan was that, without the implementation of the A3 Guildford scheme, the cumulative impacts of the quantum and distribution of development in the Local Plan could be considered to become severe during the second half of the plan period. Nevertheless, the evidence also indicates that individually, site allocations may be able to be occupied in whole or substantial part without creating a severe impact on the Strategic Road Network as there are potential alternative transport measures that may reduce or limit the impact of additional traffic on the A3. A review will determine whether the proposed transport measures or additional transport measures can mitigate the cumulative impacts of development traffic on the A3 either during the period that the A3 Guildford scheme is delayed, in response to a reduction in its scope or in the event of its cancellation. If a review determines that transport measures are not able to mitigate a severe impact on the A3 then a review of the Local Plan is likely to be required.

- 3.3 The growth planned for in the Local Plan is contingent on the implementation of a range of major transport schemes which are set out in the Infrastructure Schedule in the Local Plan. However, some of the schemes are more important than others in terms of unlocking strategic sites.
- 3.4 At the time of the preparation of the Plan, the Road Investment Strategy 1 (RIS1) 2015-2020 had mandated Highways England to develop for the next road period an A3 Guildford scheme - improving the A3 in Guildford from the A320 to the Hogs Back junction with the A31, with associated safety improvements. The Council was not aware of the detail of the scheme at the plan preparation and it was agreed with Surrey County Council (SCC) that certain assumptions would be made in the supporting transport modelling work as to what the scheme could comprise. This included the widening of the A3 from two to three lanes in both directions from the A31 junction to the A320 junction.

What has Changed Since the Plan was Adopted?

- 3.5 On 11 March 2020 the government published the Road Investment Strategy 2 (RIS2). These are prepared every five years and the latest strategy deals with funding for the period 2020-2025 but also mandates Highways England to investigate schemes that could be funded in the period 2025-2030 (RIS3).
- 3.6 The RIS2 does not now include an A3 Guildford scheme but does include a requirement to develop a scheme for the RIS3 pipeline known as A3/A247 Ripley south. The details of this improvement have not been formulated by Highways England and officers assume that this scheme relates in part to potential new north facing slips at the A3/A247 junction at Burnt Common.
- 3.7 As the A3 through Guildford scheme no longer forms part of the Government's Road Strategy, Policy ID2(2) requires the Council to review its transport evidence base to investigate the consequent cumulative impacts of approved developments and Local Plan growth including site allocations on the safe operation and the performance of the Local Road Networks and the Strategic Road Network. The final sentence is key in that it states that "*The outcome of this review will determine whether development can continue to be completed in accordance with the Local Plan trajectory or will determine whether there needs to be a review of the Local Plan.*"
- 3.8 It is noted that Policy ID2(2) requires the Council to investigate both the impacts on the safe operation and the performance of the Local and Strategic Road Network.
- 3.9 In addition, the Government published on 6 August 2020 a White Paper entitled "Planning for the Future" which if it becomes legislation will have wide reaching impacts on the planning system.

Transport Evidence Base used for Local Plan

- 3.10 The three key transport documents that formed the evidence base for the Local Plan are as follows:

- Strategic Highway Assessment for the Guildford borough Proposed Submission: Strategy and Sites (SCC, June 2016);
<http://www.guildford.gov.uk/newlocalplan/CHttpHandler.ashx?id=21342&p=0>
- Addendum to Guildford Borough Proposed Submission Local Plan “June 2016” Strategic Highway Assessment Report: High level review of potential traffic impacts of key changes in the Guildford borough Proposed Submission Local Plan: strategy and sites “June 2017” Guildford Borough Council, June 2017;
<http://www.guildford.gov.uk/newlocalplan/CHttpHandler.ashx?id=24635&p=0>
- Study of Performance of A3 Trunk Road Interchanges in Guildford Urban Area to 2024 under Development Scenarios (Mott MacDonald, April 2018).
<http://www.guildford.gov.uk/newlocalplan/CHttpHandler.ashx?id=27376&p=0>
and
<http://www.guildford.gov.uk/newlocalplan/CHttpHandler.ashx?id=27505&p=0>

- 3.11 Highway and transport Schemes that are likely to be critical to the Local Plan (in no particular order).

PRIORITY - SRN2 – M25 Junction 10/A3 Wisley Interchange ‘Road Investment Strategy’ scheme

- 3.12 This scheme is currently at Development Consent Order (DCO) application stage and has been through an Examination and the Inspectors have submitted a report to the Secretary of State (SoS). However, the SoS has delayed the decision twice on the scheme with a revised decision date of 12 November 2021 as more information and clarification is sought on environmental matters.
<https://infrastructure.planninginspectorate.gov.uk/projects/south-east/m25-junction-10a3-wisley-interchange-improvement/>
- 3.13 At a high level, the scheme involves the widening of the A3 between Ockham and Painshill junctions to four lanes, the construction of an enlarged roundabout at the A3/M25 junction and the stopping up of the majority of the access points to the A3 along the section to be widened. This includes the closure of the Wisley Lane left-in/left-out junction which serves RHS Wisley. Wisley Lane will be served by a new road on the south side of the A3 known as the Wisley Lane diversion which will connect into the Ockham roundabout junction. A new bridge will be constructed over the A3 to connect the Wisley Lane diversion to Wisley Lane.
- 3.14 In addition, the Old Lane junction which connects onto the A3 southbound slip from the A3/M25 junction will be improved to a merge which should enhance road safety and provide more capacity.
- 3.15 The Council appeared at the Examination alongside SCC and raised concerns about a number of matters, but the key concerns were the impact of additional traffic flows on B2215 Ripley and through the various rural lanes surrounding the A3. The Council and SCC requested that the scheme funds a substantial package of measures to reduce the impact of the additional traffic on Ripley High

Street and we are waiting to see whether the Inspectors and the SoS agreed with the evidence submitted.

- 3.16 The proposals have been developed in part to accommodate the level of growth proposed in the Council's Local Plan. In particular, the former Wisley Airfield site is dependent on the improvements to widen the A3 northbound and improve the northbound slip from the Ockham roundabout. Also, the improvements to Old Lane to road safety and capacity will enable some southbound trips from the site to use this junction to access the A3 rather than routing through Ripley along the B2215 to access the south facing slips at Burnt Common.
- 3.17 If the DCO is not allowed by the SoS then it will bring into question the delivery of the former Wisley Airfield housing allocation. The only potential way that this scheme could come forward would be for the developer to fund substantial improvements to the northbound carriageway of the A3 between Ockham and the A3/M25 junction, as well as improving the A3/M25 roundabout junction. This could cost tens of millions and delay the housing delivery for the site. Also, it is not known how this additional cost would affect the viability of the site.
- 3.18 This is considered to be a high priority for the Local Plan proposed level of growth because of the strategic nature of the improvement and the amount of housing it will potentially unlock.

PRIORITY - NR2 and NR3 New rail stations at Guildford West (Park Barn) and Guildford East (Marrow)

- 3.19 In the absence of the A3 through Guildford scheme (SRN1), it will be critical to manage down the amount of traffic generated by the strategic sites at Blackwell Farm and Gosden Hill to make them sustainable communities that are not reliant on car-based trips using the A3. The Council and the developers will need to demonstrate to the satisfaction of Highways England that these allocations will not have a severe impact on the safe and efficient running of the A3, particularly the section between A31 and Stoke Interchange where there are only two running lanes in each direction and there is daily congestion and road safety issues.
- 3.20 Although detailed analysis has yet to be completed, anecdotally the new rail stations would not only serve the strategic sites at Blackwell Farm and Gosden Hill, thereby reducing their car borne trips but also serve the wider communities who either currently travel by car or use more distant rail stations potentially driving to park. In particular, the Guildford West station would serve the Royal Surrey County Hospital, the University of Surrey, the Surrey Research Park and the community of Park Barn which includes primary and secondary schools. Many visitors or employees of these sites use the car to access the sites and the main longer distance routes taken include the A3 through Guildford. The Guildford East Station would also serve the communities of Marrow and Burpham where the closest stations on the same line are at London Road and Clandon.
- 3.21 The land for the Council's preferred location for the Guildford West station is owned by Network Rail, Royal Surrey County Hospital (RSCH) with land on the

Park Barn side owned by GBC. It is considered that RSCH would benefit greatly from a new railway station at this location due to the numbers of staff that live in the Blackwater Valley area which would be served by the station.

- 3.22 The land for the Guildford East station is owned by Network Rail, the owner of Gosden Hill and Surrey County Council (if an access is to be provided from the Merrow Depot site side).
- 3.23 These stations are therefore considered to be more strategic than just serving the sites of Blackwell Farm and Gosden Hill.

PRIORITY - Sustainable Movement Corridor (SMC1-6)

- 3.24 This is also considered to be a high priority in the absence of the A3 through Guildford scheme (SRN1). Again, it will be critical to manage down the amount of traffic generated by the strategic sites at Blackwell Farm, Gosden Hill and Weyside Urban Village to make them sustainable communities that are not reliant on car based trips using the A3. The Council and the developers will need to demonstrate to the satisfaction of Highways England that these allocations will not have a severe impact on the safe and efficient running of the A3, particularly the section between A31 and Stoke Interchange where there are only two running lanes in each direction and there is daily congestion, road safety and environmental issues.
- 3.25 The Local Plan has requirements on Blackwell Farm, Gosden Hill and Weyside Urban Village to make proportionate contributions towards the delivery of SMC1 (west), SMC5 (north) and SMC6 (east). The reasoned justification for these schemes is set out in Local Plan Policy ID3:

“4.6.25 The planning process for new developments provides the opportunity to maximise the use of the sustainable transport modes of walking, cycling, and the use of public and community transport, and opportunities for people with disabilities to access all modes of transport. This is consistent with the NPPF. For the average person cycling has the potential to substitute for short car trips, particularly under five kilometres, and walking for trips under one kilometre.

4.6.26 The Sustainable Movement Corridor will provide a priority pathway through the urban area of Guildford for buses, pedestrians and cyclists, serving the new communities at Blackwell Farm, SARP and Gosden Hill Farm including the new Park and Ride site, the new Guildford West (Park Barn) and Guildford East (Merrow) rail stations, the Onslow Park and Ride, both of the University of Surrey’s campuses, the town centre and Guildford rail station. The aim is for journeys to be rapid and reliable by bus and safe and direct on foot and by bike. The Sustainable Movement Corridor will be implemented in sections during the plan period, largely on existing roads and with the urban extensions at Blackwell Farm, SARP and Gosden Hill Farm, and some sites in the town centre, required to make provision for the corridor. The route sections of the proposed Sustainable Movement Corridor are listed in Appendix 6. The Council will bring forward a Sustainable Movement Corridor Supplementary Planning Document.”

- 3.26 Although phases of the SMC have been developed or implemented by the Council with Local Economic Partnership (LEP) funding, the rest of the routes have not been developed in any detail, with some initial feasibility work undertaken several years ago. A note was prepared for the Local Plan Inspector setting out more detail on how the SMC could work.
<https://www.guildford.gov.uk/media/29537/GBC-LPSS-025-A-GBC-note-on-SMC-traffic-on-A3-and-Wisley-SNCI/pdf/GBC-LPSS-025-A-GBC-note-on-SMC-traffic-on-A3-and-Wisley-SNCI.pdf?m=636867962546200000>
- 3.27 The SMC has the potential to assist with managing down car usage both on the outskirts of the town where the A3 is used by local traffic but also within the town centre.
- 3.28 The SMC schemes within the town centre should be reviewed alongside the Guildford Economic Regeneration Project (GERP) as it is understood that changes to the highway network are being considered within the remit of this project and this may require the managing down of through traffic in the town centre which could be achieved in part through the SMC.

PRIORITY - SRN7 and SRN8 - A3 northbound on and off slip roads at A247 Clandon Road (Burnt Common)

- 3.29 This new infrastructure was requested by SCC as part of the Local Plan process primarily to manage the impact of the former Wisley Airfield development on B2215 through Ripley. The slip roads are proposed to remove the rat-running traffic that currently travels up to the Ockham interchange and put that traffic back on the A3 at the most appropriate point using the major road network to achieve it.
- 3.30 The scheme offers significant benefits to B2215 through Ripley and the adjacent lanes but as recognised during the examination for the Local Plan there is a potential increase in traffic through West Clandon as traffic diverts back onto the A247 rather than using the rat-running routes through the lanes. In order to mitigate this impact, the Council put forward a traffic management scheme for A247 at West Clandon known as LRN24 – A247 Clandon Road/The Street (West Clandon) traffic management and environmental improvement scheme.
- 3.31 In addition, scheme SRN2 – M25 Junction 10/A3 Wisley Interchange ‘Road Investment Strategy’ will have an impact on Ripley as RHS Wisley traffic accessing from the south is predicted to travel through Ripley. Other developments in the Send area such as Garlick’s Arch are likely to add to the traffic impact. Highways England predicted in the evidence for the DCO examination that without the Burnt Common slip roads traffic flows are likely to increase on B2215 Ripley High Street by 74% between 2015 and 2037. This is due to general growth outside of GBC, GBC Local Plan growth and the SRN2 DCO scheme (Table 4.1 of Highways England 9.16 Transport Assessment Supplementary Information Report). This is clearly a significant increase that officers consider needs to be managed through the provision of the Burnt Common slips.

- 3.32 An Option Agreement has been completed with the landowners where the new slip roads would be located which has a time limit.
- 3.33 There is within RIS2 a mandate for Highways England to develop a scheme for the RIS3 pipeline known as A3/A247 Ripley south. The details of this improvement have not been formulated by Highways England and officers assume that this scheme relates to potential new north facing slips at the A3/A247 junction at Burnt Common.

PRIORITY - LRN19 – New road bridge and footbridge scheme to enable level crossing closure on A323 Guildford Road adjacent to Ash railway station

- 3.34 This is a scheme that is currently being developed by the Council and received planning consent in January 2021. The purpose of the scheme is to draw traffic back onto the A323 locally that currently and will in the future be rat-running along unsuitable lanes in the absence of the scheme. It also enables the development sites to be properly planned so that development traffic uses the new road bridge rather than diverting onto unsuitable lanes and roads.
<https://www.guildford.gov.uk/ashroadbridge>
- 3.35 Importantly, it will enable the removal of a level crossing which if the sites had been developed without the bridge then the chance would have been lost, probably for good.
- 3.36 This scheme will enable the delivery of 1,750 homes in the early stages of the Local Plan.

4. Developer Led Infrastructure Schemes

- 4.1 Whilst this note picks up on the top five schemes that we consider needs intervention by the Council and which are potentially required for the delivery of the Local Plan and growth within the borough, there are a number of other schemes that should be delivered by developers as part of their strategic site allocations. In the absence of the SRN1 A3 Guildford scheme, these highway and transport infrastructure measures will be even more important to manage down as much as possible the vehicular impact from these developments. We deal with each site in turn:

Former Wisley Airfield – strategic allocation (A35)

- 4.2 The former Wisley Airfield site is likely to have the highest proportion of car users out of any strategic site due to its location next to the A3 and M25. However, there is still the opportunity to manage down the vehicular trips from the site using the requirements as set out in the Local Plan allocation:
- (5) A significant bus network to serve the site and which will also serve Effingham Junction railway station and/or Horsley railway station, Guildford and Cobham. This will be provided and secured in perpetuity to ensure that residents and visitors have a sustainable transport option for access to the site

- 4.3 A significant bus network BT2 and BT3 would provide residents with an alternative form of transport to using the car and therefore reduce the dominance of the car. The frequency of the bus services will be key to its success as will the funding mechanism and this is still under negotiation between the developer and SCC.

- (6) An off-site cycle network to key destinations including Effingham Junction railway station, Horsley railway station/Station Parade, Ripley and Byfleet to be provided with improvements to a level that would be attractive and safe for the average cyclist

- 4.4 An off-site cycle network to key destinations will also reduce the amount of car trips but this is very much seasonal and weather dependent.

Gosden Hill strategic site (A25)

- 4.5 This site is an edge of urban area site and has the potential if properly developed to be a sustainable extension to the town. The requirements in the Local Plan that will help this to be achieved are:

- An improved junction on the A3 comprising the relocated A3 southbound off-slip, a new A3 southbound on-slip and connection via a new roundabout to the A3100, with associated infrastructure on the A3100 corridor within Burpham

- 4.6 This would not only assist the development users but the community of Burpham and Merrow by providing a new southbound on-slip to the A3. Currently southbound traffic predominantly uses the Dennis' roundabout on the A25 some distance to the west of the site which means that traffic has to use the A25 and merge on the A3 where there is currently persistent congestion. Removing that merging traffic will offer a significant benefit to the A3. The only downside is that the new access to the A3 may encourage some traffic to 'junction hop' to the Stoke interchange to access Guildford.

- (2) Deliberative process of consideration to be undertaken as part of the development management process of the potential opportunity to provide an all-movements junction of the A3 trunk road with the A3100 London Road, the B2215 London Road and the A247 Clandon Road. Land could potentially be required to be safeguarded for the provision of a connector road to the B2215 London Road/A247 Clandon Road

- 4.7 A new connector road to A247 Burnt Common particularly if the north facing slip roads are built would divert a lot of traffic away from A3100 at Burpham as there would be an alternative route. However, this is likely to be a long-term strategy outside of the Local Plan period.

- (3) Land and park and ride facility of a sufficient scale as required by projected demand and in order to operate without public subsidy in perpetuity

- 4.8 This would not only serve the site and therefore reduce car usage away from the site with destinations in the town centre, but it would also capture traffic heading

into the town centre from the north on the A3 which is potentially significant. The park and ride could reduce the demand for parking in the town centre and help free up the A3100 and A25 traffic corridors.

- (4) The provision of the eastern route section of the Sustainable Movement Corridor on-site, and a necessary and proportionate contribution to delivering the eastern route section off-site, having regard to the Sustainable Movement Corridor Supplementary Planning Document

4.9 This has previously been discussed under SMC benefits.

- (5) The provision of extended and/or new bus services to serve the site and which will also serve the eastern suburbs of Guildford and the town centre

4.10 This has previously been discussed under SMC benefits.

- (6) Permeability for pedestrians and cyclists into and from the development

4.11 This has previously been discussed under SMC benefits.

- (7) Land made available for Guildford East (Marrow) railway station, and necessary and proportionate contribution towards the provision of the station

4.12 This has previously been discussed under Guildford stations.

- (8) Other off-site highway works to mitigate the impacts of the development

4.13 Until the Transport Assessment has been completed, we do not know where the improvements would be located. However, the Local Plan transport assessment showed that there may need to be highway improvements along the A3100 corridor but that depends on whether Opportunity 1 is progressed.

- Opportunity – (1) Potential to provide a through route within the site to divert the B2234 to form a more direct link to the A3 at the improved junction

4.14 In the Strategic Sites SPD this is now a requirement to provide a southern access. Whilst it is considered by the Council and SCC to be essential for any planning application for the site, some of the wider benefits are that having an access from the south not only provides sustainable route options but also diverts traffic that is currently using New Inn Lane and A3100 to egress the A3 to a route through the site.

Weyside Urban Village strategic site (also known as Slyfield Area Regeneration Plan A24)

- 4.15 This site is being promoted by GBC and has a current planning application registered with GBC for determination.

Blackwell Farm strategic site (A26)

- 4.16 This site is similar to Gosden Hill in that it is an edge of urban area site and has the potential if properly developed to be a sustainable extension to the town. However, the site is adjacent to the most congested section of the A3. The requirements in the Local Plan that will help this site proposal to be achieved are:

- (1) Vehicular access to the site allocation will be via the existing or a realigned junction of the A31 (see Policy A27), and from the site to Egerton Road, preferably via Gill Avenue

- 4.17 See the comments on requirement (3) below.

- (3) A through vehicular link which will be controlled is required via the above accesses between the A31 Farnham Road and Egerton Road to provide a new route for employees and emergency services to the Surrey Research Park, the University of Surrey's Manor Park campus and the Royal Surrey County Hospital, as well as a choice of vehicular access for the new residents/occupiers. This will reduce impact on the A31/A3 junction, in advance of the delivery of Highways England's A3 Guildford scheme

- 4.18 The benefits of the through vehicular link between A31 Farnham Road and Egerton Road are set out in the requirement above. This link has the potential to remove several hundred vehicles an hour from the section of the A3 between A31 and Egerton Road which is the most congested part of the A3 network. The removal of this traffic will also occur on Egerton Road and Gill Avenue providing some headroom to accommodate development traffic from Blackwell Farm.

- (4) The provision of the western route section of the Sustainable Movement Corridor on-site, and a necessary and proportionate contribution to delivering the western route section off-site, having regard to the Sustainable Movement Corridor Supplementary Planning Document

- 4.19 This has previously been discussed under SMC benefits.

- (5) The provision of extended and/or new bus services to serve the site and which will also serve the western suburbs of Guildford and the town centre

- 4.20 This has previously been discussed under SMC benefits.

- (6) Permeability for pedestrians and cyclists into and from the development

- 4.21 This has previously been discussed under SMC benefits.

- (7) Necessary and proportionate contribution towards the provision of the Guildford West (Park Barn) railway station
- 4.22 This has previously been discussed under Guildford stations.
- (8) Other off-site highway works to mitigate the impacts of the development
- 4.23 These are not known yet but would likely include improvements to Gill Avenue, Egerton Road, and the A31 Farnham Road.

Other infrastructure schemes

- 4.24 The above discussion does not include a number of schemes in the Infrastructure Schedule. They are schemes that will be the responsibility of stakeholders such as Network Rail, Highways England, or Surrey County Council.
- 4.25 Some of the smaller schemes may be delivered through S106 contributions or through the Community Infrastructure Levy when it is adopted.

5. Consultations

- 5.1 The Lead Councillor, John Rigg has been consulted as have Corporate Management Team and Executive/Management Team Liaison Group. A report was also taken to Executive Advisory Board on 9 August 2021. The schemes are in the Infrastructure Schedule for the Local Plan and therefore are publicly available already. No public consultation has taken place on the priorities set out in this report.

6. Key Risks

- 6.1 The key risks are that funding is not currently available for some of the schemes being prioritised in this report and stakeholders may not support the priorities although one of the purposes of this report is to gain support from Executive so that discussions can begin with stakeholders.
- 6.2 In addition, no transport modelling work has been undertaken to determine whether delivering these priority schemes will allow the amount of growth proposed in the Local Plan to be delivered.

7. Financial Implications

- 7.1 It is considered that approval of this report will not have financial implications as the costs of producing this report and liaison with stakeholders will be met by the existing budget. However, with the exception of the M25/A3 J10 and Ash Road Bridge schemes each project will have significant financial implications for the Council, as there is no capital budget for any of the projects and the Council will need to apply for external funding to deliver them.
- 7.2 In addition, there is currently no revenue budget to undertake the feasibility work on the remaining SMC phases, Burnt Common slip roads and Guildford East (Marrow) station.

- 7.3 If the Council wishes to pursue and fund the delivery of these schemes then a project mandate and outline business case will be required for each scheme which will act as the 'bid' to the Council to be considered for funding as part of the Council's budget setting process for 2022-23. Given the current financial situation of the Council and the fact officers are currently projecting a medium term budget gap of £6million any revenue bid for feasibility funding will require additional savings to be made under the Council's savings strategy to fund the project feasibility work.

8. Legal Implications

- 8.1 As there is currently no budget allocated to this, Full Council decision may be required if budget is to be allocated to the matter prior to the next Budget Council meeting.
- 8.2 Contracts for the feasibility study work will need to be procured in line with the Public Contract Regulations 2015 and the Council's Procurement Procedure Rules. Contracts should be put in place to deliver the studies.
- 8.3 Section 106 payments must be spent in accordance with the terms of the relevant Section 106 agreement. A full business case should be developed for each scheme prior to applying for external funding. If external funding is granted it must be spent in accordance with the relevant funding agreement
- 8.4 Surrey County Council and Highways England are the relevant highways authorities and their support is fundamental to bringing forward the highway infrastructure schemes. Network Rail and any third party landowners affected by the schemes should be engaged early. Title reviews will be required at an early stage so ownership issues and title restrictions are factored into the scheme.

9. Human Resource Implications

- 9.1 No HR implications apply.

10. Equality and Diversity Implications

- 10.1 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.

11. Climate Change/Sustainability Implications

- 11.1 The support for these improvements should assist with reducing carbon emissions, energy use and improving air quality although Environmental Impact Assessments may be required on a project by project basis to determine the specific impact.
- 11.2 Executive is reminded that a section of the A3 through Guildford exceeds air quality limits for Nitrogen Dioxide emissions. Any development that comes forward will have to demonstrate to the satisfaction of the relevant authorities that they will not significantly exacerbate emissions.

12. Executive Advisory Board comments

12.1 A similar paper to this Executive Report was taken to Executive Advisory Board (EAB) on 9 August 2021. In conclusion, it was agreed that the Executive be advised that:

- the EAB supports the five priority highway and transport schemes critical to the delivery of the Local Plan in principle.
- Guildford West station should be prioritised over Guildford East station.
- Local Plan infrastructure project AM2 (Comprehensive Guildford Borough Cycle Network) should be included as an additional priority scheme.

13. Summary of Options

13.1 The options available to the Executive are as follows:

1. Support the five priorities;
2. Not support the five priorities;
3. Wait until further transport modelling has been undertaken to demonstrate with a higher degree of evidence and therefore confidence what the key priorities are.

13.2 Supporting the five priorities now will enable officers to engage with stakeholders to gain their support and will enable discussions to commence regarding how potential funding of these schemes can be achieved. Support for these schemes will also assist with future transport modelling of them as there is a risk that the highway authorities (Surrey County Council and Highways England) will not support modelling highway and transport schemes that do not have stakeholder support and an outline funding plan.

14. Conclusion

14.1 Corporate Programmes Team has highlighted five highway and transport schemes that are likely to be critical priorities to the Local Plan maintaining its housing trajectory and continuing to be up to date. They have been named 'priority schemes' and are in no particular order in this report.

14.2 As the A3 through Guildford scheme no longer forms part of the Government's Road Strategy Local Plan Policy ID2(2) requires the Council to review its transport evidence base to investigate the consequent cumulative impacts of approved developments and Local Plan growth including site allocations on the safe operation and the performance of the Local Road Networks and the Strategic Road Network.

14.3 The highway and transport Schemes that are likely to be critical to the Local Plan (in no particular order) are as follows:

- SRN2 – M25 Junction 10/A3 Wisley Interchange 'Road Investment Strategy' scheme

- NR2 and NR3 New rail stations at Guildford West (Park Barn) and Guildford East (Merrow)
- SMC 1-6 - Sustainable Movement Corridor
- SRN7 and SRN8 - A3 northbound on and off slip roads at A247 Clandon Road (Burnt Common)
- LRN19 – New road bridge and footbridge scheme to enable level crossing closure on A323 Guildford Road adjacent to Ash railway station

- 14.4 The report sets out a commentary as to why we consider these schemes to be important. We have also highlighted some of the difficulties that the schemes may create in terms of wider issues that would need resolving as part of their future delivery. Some of the schemes have funding from various sources whilst other schemes have no funding.
- 14.5 Executive Advisory Board supported the five priorities but recommended that an additional priority be added which is cycling improvements across the borough to improve accessibility. We would comment that we have no problem with adding a sixth priority to the recommendations but would advise that for the Local Plan strategic sites cycling improvements are part of the policy requirements anyway and that these are included in the Infrastructure Schedule. In addition, the SMC will include cycling improvements.
- 14.6 We have had an initial meeting with Surrey County Council to discuss the five priorities which they were very receptive to and supportive of and they are looking to align them with their own priorities moving forward.
- 14.7 The Executive is asked to approve the highway and transport infrastructure schemes set out in this report that are considered to be priorities and therefore critical to Local Plan delivery as currently envisaged. Should the Local Plan be reviewed or amended, the list of schemes may also require amendment accordingly.

15. Background Papers

None.

16. Appendices

Appendix 1: Extract from the Local Plan Infrastructure Schedule highlighting highway and transport schemes.

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Appendix 1 – Extract from the Local Plan Infrastructure Schedule highlighting highway and transport schemes

Infrastructure Type Infrastructure Project		Delivered when	Delivered by	Likely cost (where known) and funding source
1	Transport			
NR	Rail			
NR1	Guildford rail station capacity and interchange improvements	Between 2024 and post plan period	Network Rail	£100m Network Rail and developer funded
NR2	New rail station at Guildford West (Park Barn)	Between 2022 and 2029, with earliest opening from 2024	Network Rail, Surrey County Council, Royal Surrey County Hospital, Guildford Borough Council and developer(s)	£10m Developer funded
NR3	New rail station at Guildford East (Marrow) (to principally serve Gosden Hill Farm site)	Between 2024 and 2029	Network Rail, Surrey County Council and developer	£10m Developer funded
NR4	Electrification of North Downs Line, facilitating increased service frequency	Between 2019 and 2029	Network Rail	£30m Network Rail
NR5	Portsmouth Direct Line improvements (together with South West Main Line Peak Demand improvements), facilitating increased service frequency	Between 2029 and post plan period	Network Rail	£5m Network Rail
NR6	North Downs Line (Great Western Railway) service frequency and timetable improvements	2018	Network Rail and Great Western Railway	Budgeted for in Great Western Railway franchise

Infrastructure Type	Infrastructure Project	Delivered when	Delivered by	Likely cost (where known) and funding source
SRN	Strategic Road Network			
SRN1	A3 Guildford (A320 Stoke interchange junction to A31 Hog's Back junction) 'Road Investment Strategy' scheme (E31)	Between 2024 and 2027	Highways England	£100-250m Highways England and developer funded
SRN2	M25 Junction 10/A3 Wisley interchange 'Road Investment Strategy' scheme (E16)	Between 2020 and 2023	Highways England	£100-250m Highways England and developer funded
SRN3	Improved A3/A3100 Burpham junction with relocated A3 southbound off-slip and new A3 southbound on-slip (to principally serve Gosden Hill Farm site)	Between 2021 and 2023	Highways England and/or developer	£10m Developer funded
SRN4	M25 Junctions 10-16 'Road Investment Strategy' scheme (E15)	Between 2020 and 2023	Highways England	£100-250m Highways England
SRN5	A3 northbound off-slip lane widening at University Interchange (approaching Tesco roundabout) improvement scheme	Between 2019 and 2020	Highways England	Committed funding: Department for Transport £1.6m
SRN6	A3 southbound off-slip lane widening to A320 Stoke Interchange improvement scheme	Between 2019 and 2020	Highways England	Committed funding: Department for Transport £2.5m
SRN7	A3 northbound on-slip at A247 Clandon Road (Burnt Common)	Between 2021 and 2027	Highways England and/or developer	£10m Developer funded
SRN8	A3 southbound off-slip at A247 Clandon Road (Burnt Common)	Between 2021 and 2027	Highways England and/or developer	£10m Developer funded

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Infrastructure Type Infrastructure Project	Delivered when	Delivered by	Likely cost (where known) and funding source
LRN	Local Road Network		
LRN1	<p>Guildford Town Centre Transport Package</p> <p>Component schemes:</p> <ul style="list-style-type: none"> Walnut Tree Close experimental closure scheme: experimental closure for up to 18 months to inform decision on a potential permanent closure Replacement Walnut Bridge scheme: a wider structure to cater for higher flows of pedestrians plus usage by cyclists Guildford College Link + scheme: a new pedestrian and cycle route linking Walnut Bridge (scheme 2) to Guildford College Millbrook car park junction improvement scheme: to remove requirement for exiting vehicles to circuit the Guildford gyratory A25 cycle corridor scheme: widening sections of this existing corridor to create a shared use path for pedestrians and cyclists up to 3m in width A25/A320 Stoke cross roads improvement scheme: improved provision for pedestrians and cyclists, bus priority, and reduced number of pedestrian and cyclist casualties A3100 London Road to Boxgrove roundabout corridor improvement scheme: bus stop facilities including RTP1 and creating an off-road shared use path for pedestrians and cyclists up to 3m in width 	2016/17–2019/20, which encompasses the delivery of the various component schemes	<p>Surrey County Council for highway schemes, Guildford Borough Council for replacement Walnut Bridge</p> <p>£9.260m Committed funding package: Local Growth Fund £6.55m Guildford Borough Council £1.403m Developer funded £0.314m Surrey County Council £0.993m</p>
LRN2	A3/Egerton Road Tesco Roundabout improvement scheme	Between 2020 and 2026	<p>Surrey County Council and/or Highways England</p> <p>£5m Highways England and developer funded</p>

Infrastructure Type Infrastructure Project	Delivered when	Delivered by	Likely cost (where known) and funding source
LRN3	New signalised junction from Blackwell Farm site to A31 Farnham Road (to principally serve Blackwell Farm site)	Between 2021 and 2027	<p>Developer</p> <p>£5m Developer funded</p>
LRN4	Access road at Blackwell Farm site with through link to Egerton Road (to principally serve Blackwell Farm site)	Between 2021 and 2027	<p>Developer</p> <p>£20m Developer funded</p>
LRN5	Interventions to address potential highway performance issues resulting from development at Blackwell Farm site	Between 2021 and 2033	<p>Highways England and/or developer</p> <p>£5-10m Developer funded</p>
LRN6	Interventions to address potential highway performance issues resulting from development at Gosden Hill Farm site	Between 2021 and 2033	<p>Highways England and/or developer</p> <p>£5-10m Developer funded</p>
LRN7	<p>Interventions to address potential highway performance issues resulting from development at Land at former Wisley airfield site. To include mitigation schemes to address issues:</p> <ul style="list-style-type: none"> on the A3 and M25 and at the M25 Junction 10/A3 Wisley interchange on B2215 Ripley High Street at the junctions of Ripley High Street with Newark Lane/Rose Lane at junction of Old Lane with A3 on-slip (Guildford bound) at junctions of Old Lane, Forest Road and Howard Road 	Between 2021 and 2033	<p>Highways England and/or developer</p> <p>£25m Developer funded</p>
LRN8	Interventions to address potential highway performance issues, including on A320 Woking Road, resulting from development at SARP site	Between 2023 and 2033	<p>Highways England and/or developer</p> <p>£5-10m Developer funded</p>
LRN9	A323 Ash Road, Ash Street and Guildford Road (Ash) traffic management and environmental improvement scheme	Between 2018 and 2026	<p>Surrey County Council</p> <p>£1m Developer funded</p>
LRN10	B3411 Ash Hill Road (Ash) traffic management and environmental improvement scheme	Between 2018 and 2026	<p>Surrey County Council</p> <p>£0.5m Developer funded</p>

	Infrastructure Type Infrastructure Project	Delivered when	Delivered by	Likely cost (where known) and funding source
LRN11	B3411 Ash Hill Road/A323 Guildford Road (Ash) junction improvement scheme	Between 2017 and 2026	Surrey County Council	£0.5m Developer funded
LRN12	B3411 Ash Vale Road (Ash Vale) environmental improvement scheme	Between 2018 and 2026	Surrey County Council	£0.8m Developer funded
LRN13	A323 Aldershot Road/A331 Blackwater Valley Route (Ash) junction improvement scheme	Between 2018 and 2026	Surrey County Council	£2m Developer funded and Local Growth Fund
LRN14	A331 Blackwater Valley Route with A31 Hog's Back (Tongham) junction improvement scheme	Between 2018 and 2026	Surrey County Council	£0.5m Developer funded and Local Growth Fund
LRN15	The Street (Tongham) environmental improvement scheme	Between 2018 and 2026	Surrey County Council	£0.5m Developer funded
LRN16	A31 Hog's Back (Tongham to Puttenham) road safety scheme	Between 2018 and 2026	Surrey County Council	£2.5m Developer funded
LRN17	B3000 Puttenham Hill/A31 Hog's Back junction (Puttenham) improvement scheme	Between 2021 and 2026	Surrey County Council	£1m Developer funded
LRN18	A247 Send Road/Send Barns Lane (Send) traffic management and environmental improvement scheme	Between 2018 and 2026	Surrey County Council	£1.5m Developer funded
LRN19	New road bridge and footbridge scheme to enable level crossing closure on A323 Guildford Road adjacent to Ash railway station	Between 2019 and 2024	Surrey County Council	£15m Developer funded and Network Rail
LRN20	East Horsley and West Horsley traffic management and environmental improvement scheme	Between 2019 and 2023	Surrey County Council	£1m Developer funded
LRN21	A322 Onslow Street, Laundry Road, A322 Woodbridge Road and A246 York Road junctions improvement scheme involving new and modified signalised junctions	Between 2020 and 2025	Surrey County Council	£10m Developer funded

	Infrastructure Type Infrastructure Project	Delivered when	Delivered by	Likely cost (where known) and funding source
LRN22	A323 Guildford Road/A324 Pirbright Road junction improvement scheme	Between 2019 and 2025	Surrey County Council	£0.5m Developer funded
LRN23	A281 Horsham Road/A248 Kings Road/A248 Broadford Road junction improvement schemes	Between 2021 and 2023	Surrey County Council	£2.5-5m Developer funded
LRN24	A247 Clandon Road/The Street (West Clandon) traffic management and environmental improvement scheme	Between 2020 and 2025	Surrey County Council	£1m Developer funded
P&R	Park and Ride			
P&R1	Gosden Hill Farm Park and Ride (to principally mitigate traffic impact of Gosden Hill Farm site)	Between 2021 and 2023	Developer	£7.5m Developer funded
SMC	Sustainable Movement Corridor			
SMC1	Sustainable Movement Corridor: West	Between 2019 and 2034	Surrey County Council, Guildford Borough Council and developer(s)	£20m Developer funded and Local Growth Fund
SMC2	Sustainable Movement Corridor: Yorkie's Bridge	Between 2019 and 2034	Surrey County Council, Guildford Borough Council, Network Rail and developer(s)	£10m Developer funded and Local Growth Fund
SMC3	Sustainable Movement Corridor: Town Centre Phase 1	Between 2019 and 2022	Surrey County Council and Guildford Borough Council	£5-10m Developer funded and Local Growth Fund

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	Infrastructure Type Infrastructure Project	Delivered when	Delivered by	Likely cost (where known) and funding source
SMC4	Sustainable Movement Corridor: Town Centre Phase 2	Between 2019 and 2034	Surrey County Council, Guildford Borough Council, Network Rail and developer(s)	£5-10m Developer funded and Local Growth Fund
SMC5	Sustainable Movement Corridor: North	Between 2019 and 2034	Surrey County Council, Guildford Borough Council and developer(s)	£20m Developer funded and Local Growth Fund
SMC6	Sustainable Movement Corridor: East	Between 2019 and 2034	Surrey County Council, Guildford Borough Council and developer	£20m Developer funded and Local Growth Fund
BT	Bus Transport			
BT1	New Guildford town centre bus facilities	Between 2018 and 2022	Surrey County Council and/or Guildford Borough Council and/or developer(s)	£5-10m Developer funded
BT2	Bus interchange at Effingham Junction rail station (or alternatively Horsley rail station) (to principally serve Land at former Wisley airfield site)	Between 2021 and 2025	Developer	£0.25m Developer funded
BT3	Extended and/or new bus services to serve the Land at former Wisley airfield site and which will also serve Effingham Junction railway station and/or Horsley railway station, Guildford and Cobham to be provided and secured in perpetuity	Between 2021 and 2022	Developer	To be confirmed Developer funded

	Infrastructure Type Infrastructure Project	Delivered when	Delivered by	Likely cost (where known) and funding source
BT4	Extended and/or new bus services to serve the Gosden Hill Farm site and which will also serve the eastern suburbs of Guildford and the town centre to be provided	Between 2021 and 2022	Developer	To be confirmed Developer funded
BT5	Extended and/or new bus services to serve the Blackwell Farm site and which will also serve the western suburbs of Guildford and the town centre to be provided	Between 2021 and 2022	Developer	To be confirmed Developer funded
AM	Active Modes			
AM1	Guildford Wayfinding signage system – Phase 2	Between 2019 and 2034	Surrey County Council, Guildford Borough Council and developers	£0.22m Developer funded, Local Growth Fund and Surrey County Council
AM2	Comprehensive Guildford borough cycle network, excluding AM3	Between 2019 and post plan period, which encompasses the delivery of various component schemes	Surrey County Council, Guildford Borough Council and developers	£20m Developer funded, Local Growth Fund and Surrey County Council
AM3	Off site cycle network from the Land at former Wisley airfield site to key destinations including Effingham Junction railway station, Horsley railway station/Station Parade, Ripley and Byfleet, with improvements to a level that would be attractive and safe for the average cyclist	Between 2021 and 2025	Surrey County Council, Guildford Borough Council and developers	£6.5m Developer funded

Executive Report

Ward(s) affected: n/a

Report of the Director of Resources

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Date: 24 August 2021

Capital and Investment outturn report 2020-21

Executive Summary

This annual outturn report includes capital expenditure, non-treasury investments and treasury management performance for 2020-21.

Capital programme

In total, expenditure on the General Fund capital programme was £29.4 million against the original budget of £171.5 million, and revised budget of £28.8 million. Details of the revised estimate and actual expenditure in the year for each scheme are given in **Appendix 3**.

The budget for Minimum Revenue Provision (MRP) was £1.64 million and the outturn was £1.29 million. This was due to slippage in the capital programme in 2019-20.

Councillors will be aware that one of the strands of the Council's savings strategy is to review the projects in the capital programme. There are three schemes that officers are recommending are removed due to the length of time they have been in the programme, and as such the original proposal is no longer relevant and a new business case will need to be prepared if any of the schemes are to come forward in the future. These are:

- Guildford Gyratory and Approaches - £10.967 million on the provisional capital programme in 2024-25
- Stoke Park Office Accommodation - £665,000 on the provisional programme in 2024-25
- Stoke Park – Home Farm redevelopment - £4 million on the provisional programme in 2024-25

Non-treasury investments

The Council's investment property portfolio stood at £155 million at the end of the year. Our rental income was £8.1 million, and our income return 5.8% against the benchmark of 4.6%.

Treasury management

The Council's cash balances have built up over several years, and reflect our strong balance sheet, with considerable revenue and capital reserves. Officers carry out the treasury function within the parameters set by the Council each year in the Capital and Investment Strategy. As at 31 March 2021, the Council held £159.1 million in investments, £310.5 million in long-term borrowing of which £118.5 million is short-term borrowing, and £192 million is long term borrowing (related to HRA) so net debt of £151.4 million.

We borrowed short-term from other local authorities for cash flow purposes and aim to minimise any cost of carry on this. We did not take out any additional long-term borrowing during the year.

This report (section 8) confirms that the Council complied with its prudential indicators, treasury management policy statement and treasury management practices (TMPs) for 2020-21. The policy statement is included and approved annually as part of the Capital and Investment Strategy, and the TMPs are approved under delegated authority.

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

	Estimate %	Actual %	Estimate (£000)	Actual (£000)
General fund Capital Financing Requirement (CFR)			207,109	116,524
Housing Revenue Account CFR			217,024	199,204
Total CFR			424,133	315,728
Return on investments	2.18	1.05	1,685	2,435
Interest paid on external debt			5,650	5,274
Total net interest paid			3,965	2,839

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

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

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

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

This report was considered by the Corporate Governance and Standards Committee at its meeting on 29 July 2021. The Committee commended the report to the Executive and endorsed the recommendations set out below.

Recommendation to the Executive

The Executive is asked to approve the removal of the following schemes from the General Fund Capital Programme:

- (1) Guildford Gyratory and Approaches
- (2) Stoke Park office accommodation
- (3) Stoke Park – Home Farm redevelopment

The Executive is also asked to recommend to Council (5 October 2021):

- (1) That the Treasury Management Annual Report for 2020-21 be noted.
- (2) That the actual prudential indicators reported for 2020-21, as detailed in **Appendix 1** to this report, be approved.

Reason for Recommendation:

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

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

1. Purpose of Report

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

- 1.5 Treasury management is a highly complex, technical, and regulated aspect of local government finance. We have included a glossary of technical terms (**Appendix 10**), to aid the reading of this report.

2. Strategic Priorities

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

3. Background

- 3.1 Treasury management is defined by CIPFA as:

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

- 3.2 The Council has overall responsibility for treasury management. Treasury management contains a number of risks. The effective identification and management of those risks are integral to the council's treasury management objectives, as is ensuring that borrowing activity is prudent, affordable and sustainable.
- 3.3 The Council has a statutory requirement, under the Local Government Act 2003, to adopt the CIPFA Prudential Code and produce prudential indicators.
- 3.4 The objectives of the prudential code are to ensure, within a clear framework, that capital investment plans are affordable, prudent and sustainable, and the treasury management decisions are taken in accordance with good professional practice.
- 3.5 The Council has a large capital programme and a large investment property portfolio on its balance sheet. These, together with treasury management, are the management of the Council's cash and assets.
- 3.6 The Council operates its treasury management function in compliance with this Code and the statutory requirements.
- 3.7 This annual report, and the appendices attached to it, set out:
- a summary of the economic factors affecting the approved strategy and counterparty updated (sections 4 and 5 with details in **Appendix 5**)

- a summary of the approved strategy for 2020-21 (section 6)
- a summary of the treasury management activity for 2020-21 (section 7 with detail in **Appendix 1**)
- compliance with the treasury and prudential indicators (section 8 with detail in **Appendix 1**)
- non-treasury investments (section 9)
- capital programme (section 10)
- risks and performance (section 11)
- Minimum Revenue Provision (MRP) (section 12)
- details of external service providers (section 13)
- details of training (section 14)

4. Economic Environment

4.1 This section includes the key points of the economic environment for 2020-21, to show the treasury management activity in context. **Appendix 5** contains more detail.

- Coronavirus dominated 2020-21, leading to vastly reduced economic activity across the world.
- Bank of England cut bank rate to 0.1%
- UK Government provided a range of fiscal stimulus measures
- A Brexit trade deal was agreed
- Quantitative easing extended by £150 billion in November 2020 to £895 billion
- Unemployment rose, despite furlough
- Inflation has remained low

4.2 The key points relevant to investment property are:

- Industrial sector remained resilient
- Office supply declining in Guildford, there has been a departure of key corporate occupiers, which has not helped the office market
- There has been a shift in the demand for High Street retail premises, leading to declining rents and increased vacancy levels.
- Retail was the weakest category going into lockdown and is anticipated to be the worst affected.

5. Regulatory Changes

5.1 A new accounting standard – IFRS16 – accounting for leases was due to be implemented on 1 April 2020. This means that the Council needs to account for its leases differently, as operating leases are no longer an applicable category for lessees. This will impact on the Council's CFR and asset base as all these assets will need to be included on the Council's balance sheet. The Government decided to delay the implementation until 1 April 2021.

6. Approved strategy and budgets for 2020-21 – a summary

- 6.1 Council approved the Capital and Investment strategy for 2020-21 in February 2020.
- 6.2 The strategy showed an underlying need to borrow in 2020-21 for the General Fund (GF) capital programme of £145.8 million.
- 6.3 The strategy set out how we would manage our cash. It allowed for internally managed investments for managing cash flow and externally managed and longer-term investments for our core cash (cash not required in the short or medium term). See **Appendix 9** for background.
- 6.4 It highlighted the need to continue to diversify our investment portfolio to reduce credit risk. The approved strategy set the minimum long-term credit rating of A- (or equivalent) for investments in counterparties to be determined as 'high credit' using the lowest denominator principal for the three main credit rating agencies.
- 6.5 Investment property risks were examined in the strategy.

7. Treasury management activity in 2020-21

- 7.1 The treasury position at 31 March 2021, compared to the previous year is:

		31 March 2020 (£'000)	Average Rate	31 March 2021 (£'000)	Average Rate
Fixed Rate Debt	PWLB	147,665	3.22%	147,435	3.22%
	Market	0	0.00%	0	0.00%
Variable Rate Debt	PWLB	45,000	0.96%	45,000	0.48%
	Market	0	0.00%	0	0.00%
Long-term	LAs	0	0.00%	0	0.00%
Temporary borrowing	LAs	44,000	0.83%	118,500	0.51%
Total Debt		236,665	2.43%	310,935	2.00%
Fixed Investments		(66,600)	1.40%	(94,100)	1.02%
Variable Investments		(28,023)	0.82%	(47,545)	0.23%
Externally managed		(12,988)	4.17%	(17,728)	3.94%
Total Investments		(107,611)	1.56%	(159,372)	1.05%
Net Debt / (Investments)		129,054		151,563	

- 7.2 PWLB is the Public Works Loans Board and is a statutory body operating as an executive of HM Treasury. Its function is to lend money from the National Loans Fund to local authorities and other prescribed bodies.
- 7.3 The above table shows investments have increased by £51.7 million and loans by £74 million. Therefore, net debt has increased by £22.5 million. Short-term borrowing has increased due to uncertain cash flows during the year, and to fund the capital programme. We were able to take advantage of some very low borrowing rates from other authorities in the year. We have a range of maturities in 2021-22 to keep cash flows smooth.

- 7.4 We budgeted a return of 2.18% for the year and achieved 1.08%.
- 7.5 The Council's budgeted investment income was £1.68 million, and actual interest was £2.17 million (£490,000 higher). This is mostly due to interest received as a result of paying 3-year pension contributions upfront and a reduction in the amount of interest on investments payable to the HRA due to the very low interest rate environment.
- 7.6 Our budgeted debt interest payable was £5.6 million. £5.05 million relates to the HRA. The outturn was £5.23 million (£4.9 million for the HRA).
- 7.7 All our external funds are distributing funds, and they achieved an overall weighted average return of 4.17%, split as follows:

Fund	Balance at 31 March £000	Average return	Type of fund
M&G	3,528,656	4.45%	Equity focussed
Schroders	697,631	7.04%	Equity focussed with at least 80% on FTSE all share companies
Funding Circle	504,603	6.51%	Investments in SMEs up to a max of £2,000
UBS	2,203,598	3.95%	Multi asset
RLAM	2,332,194	2.19%	Global bond fund
Fundamentum	1,970,000	0.85%	Supported housing
CCLA	6,491,179	4.81%	Property

- 7.8 The only movements in fund value in the year is the change in fair value
- 7.9 Our external fund portfolio is diverse, and we invest in a range of products and markets. The capital value of the funds can go up as well as down. Across all funds still held at the end of the year, there was a capital gain of £424,000 recovering part of the £1.4 million lost at the end of March 2020 due to the Coronavirus.
- 7.10 We are invested in bond, equity, multi-asset, and property funds. During the initial phase of the pandemic in March 2020, the sharp falls in corporate bond and equity markets had a negative impact on the value of the Council's pooled fund holdings and was reflected in the 31 March 2020 fund valuations with every fund / most funds registering negative capital returns over a 12-month period. Since March 2020 there has been improvement in market sentiment which is reflected in an increase in capital values of these short-dated, strategic bond, equity and multi-asset income funds in the Authority's portfolio. The recovery in UK equities has lagged those of US and European markets.
- 7.11 Similar to many other property funds, dealing (i.e. buying or selling units) in the CCLA Local Authorities' Property Fund was suspended by the fund in March 2020 and lifted in September. There was also a change to redemption terms for the CCLA Local Authorities Property Fund; from September 2020 investors are required to give at least 90 calendar days' notice for redemptions.
- 7.12 Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in

meeting the Authority's medium to long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three to five-year period total returns will exceed cash interest rates.

- 7.13 Following the cut in Bank rate from 0.75% to 0.1% in March 2020, the Authority had expected to receive significantly lower income from its cash and short-dated money market investments, including money market funds in 2020-21, as rates on cash investments are close to zero percent. Income from most of the Authority's externally managed funds will also be lower than in 2019-20 and earlier years. Whilst the arrival and approval of vaccines against COVID-19 and the removal of Brexit uncertainty that had weighed on UK equities were encouraging developments, dividend and income distribution was dependent on company earnings in a very challenging and uncertain trading environment as well as enforced cuts or deferral required by regulatory authorities.
- 7.14 The Council also invested more in our subsidiaries and now holds £10.157 million of equity investment in Guildford Borough Council Holdings Ltd and £8.418 million of loans in North Downs Housing Ltd.
- 7.15 The Council agreed an interest rate of base rate plus 5% (currently 5.1%) on the investment in North Downs Housing Ltd. This is higher than the treasury investments held as it reflects the risk associated with holding such investments. The interest is currently rolled up in the loan of the company.
- 7.16 The equity investment in Guildford Borough Council Holdings Ltd will be subject to a dividend if a profit is achieved.
- 7.17 The Council has received various grants from Government related to Covid-19. Those not spent at the end of the financial year have been invested as part of our overall investment portfolio.

Capital programme

- 7.18 The actual underlying need to borrow for the year, and the amount of internal borrowing actually taken, for the GF capital programme was £13.05 million, which is lower than budgeted of £102.8 million because of slippage in the capital programme, and also unbudgeted for capital contributions received. We will continue to support service managers with the scheduling of schemes in the capital programme to ensure it is kept up to date when project timescales change.
- 7.19 The Council must charge a Minimum Revenue Provision (MRP) on its internal borrowing, which is setting aside cash from council tax to repay the internal borrowing. MRP charged to the revenue account for the year was £1.288 million, against an original budget of £1.639 million.
- 7.20 Our overall underlying need to borrow, as measured by the Capital Financing Requirement (CFR) was £315.7 million (£116.5 million relates to the GF).

Benchmarking and performance indicators

- 7.21 Arlingclose also provide benchmarking data across their clients (“client universe”). It highlights the effect of changes in our investment portfolio and compares the basis of size of investment, length of investment and the amount of credit risk taken.
- 7.22 The benchmarking shows a snapshot of our average running yield on all investments, also split between internally managed and externally managed. The latest benchmarking data (at 31 March 2021), shows our average rate of investments for our total portfolio as being 0.94% against the client universe of 0.90%. The table shows that we have outperformed our internally managed investments of the client universe by quite some margin.

Benchmark	Guildford	Client Universe
Internally managed return	0.54%	0.15%
Externally managed (return only)	3.37%	3.85%
Total Portfolio	0.94%	0.90%
% of investments subject to bail in	28%	63%
No. of counterparties/funds	42	13

- 7.23 The difference in our return as part of the benchmarking (0.94%) and our own return (1.08%) is due to a different calculation in the way Arlingclose put the benchmarking return together.
- 7.24 The table above shows how far the Council has come to mitigate bail in risk – closing the year at 28% of investments subject to bail in. This percentage will change during the course of the year depending on the level of cash we have and what we are invested in.
- 7.25 One of our key areas in our treasury strategy has been to increase diversification in the portfolio. The number of counterparties and funds we are investing in are far higher than the client universe and shows that we have achieved our aim. Again, this level of diversification will change at different points in the year.

8. Non-treasury investments

- 8.1 **Appendix 2** sets out the Council investment property fund portfolio report for 2020-21. The key points are summarised below.
- 8.2 The current portfolio is:

Sector	No. of assets	Sub-category	No. of assets
Office	9		
Industrial	134		
Retail	8	Shops Shopping centres	6 2

Sector	No. of assets	Sub-category	No. of assets
Leisure	6	Restaurants Nightclubs	5 1
Other Commercial	10	Educational Theatre Barn Petrol station Sui Generis Car Park Water treatment works	3 1 2 1 1 1 1
TOTAL	167		

8.3 Fund statistics are:

Fund Performance (total return) *					
Rental income					
	Industrial	Office	All Retail	Alternatives	All
2015/16	2,679,571	1,831,900	1,750,254	885,636	7,147,361
2016/17	3,057,302	1,858,638	1,447,672	1,062,137	7,425,749
2017/18	3,493,405	3,186,048	1,426,317	1,080,786	9,186,556
2018/19	3,619,808	3,038,548	1,459,048	1,129,361	9,246,765
2019/20	3,369,452	2,135,460	1,459,548	1,139,397	8,103,857
2020/21	3,565,449	2,112,620	1,284,638	1,139,397	8,102,104
Capital value**					
	Industrial	Office	All Retail	Alternatives	All
2015/16	39,077,755	19,227,500	34,270,000	11,233,500	103,808,755
2016/17	42,922,450	25,915,000	25,908,500	15,963,500	110,709,450
2017/18	51,509,000	49,574,000	26,065,000	17,471,500	144,619,500
2018/19	66,970,000	49,159,000	26,097,000	18,843,000	161,069,000
2019/20	72,295,790	35,609,000	26,097,000	18,143,000	152,144,790
2020/21	77,670,905	34,165,000	24,527,000	18,540,500	154,903,405
Income return					
	Industrial	Office	All Retail	Alternatives	All
2015/16	8.0%	7.5%	5.6%	7.5%	6.8%
2016/17	7.1%	7.2%	5.6%	6.7%	6.7%
2017/18	8.0%	7.4%	5.2%	5.8%	6.6%
2018/19	6.8%	6.6%	5.9%	5.8%	6.3%
2019/20	6.9%	5.3%	5.9%	5.9%	6.0%
2020/21	6.5%	5.4%	5.6%	5.8%	5.8%
Benchmark return					
	Industrial	Office	All Retail	Alternatives	All
2015/16	6.1%	4.7%	5.4%	4.7%	5.2%
2016/17	5.4%	4.1%	5.0%	5.5%	4.8%
2017/18	4.9%	4.1%	5.1%	5.3%	4.8%
2018/19	4.4%	4.0%	5.1%	5.0%	4.6%
2019/20	4.4%	4.0%	5.4%	5.1%	4.7%
2020/21	4.4%	4.0%	5.6%	4.8%	4.6%

* Excludes Finance leases
**Capital Values as at 31/01/2020

- 8.4 The performance shows that our portfolio has performed better than our benchmark.
- 8.5 In response to the PWLB's new rules we have amalgamated the asset investment fund into the strategic acquisition fund and will be assessing all potential acquisitions against the strategic property acquisition procedure approved by the Executive in January 2021. We are only looking to invest in the Borough as per our policy.

9. General Fund Capital programme

- 9.1 **Appendix 3** sets out the actual expenditure on capital schemes, compared to the updated estimates, together with reasons for variances. Overall, we spent £142 million (83%) less on capital schemes than we originally estimated and £164 million (85%) less than the revised estimate, the schemes with more than £1 million variance to budget relate to:

- Vehicle replacement (they are on order and being delivered in 2021-22),
- Museum and Castle development (now cancelled),
- investment in NDH and Guildford Borough Council Holdings – (slightly fewer purchases in year),
- Midleton Industrial Estate (delays due to Covid),
- Strategic property purchases (delayed due to Covid),
- Westfield/Moorfield Road resurfacing (links in with WUV and new timescale to be arranged),
- Guildford West (feasibility study delayed due to resources being allocated to other projects) and
- Guildford Gyratory and Approaches (recommended for cancellation).

There are significant variations on other approved schemes under £1 million, as detailed in the appendix.

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

	Original estimate (£m)	Revised estimate (£m)	Actual (£m)	Variance to revised (£m)
GF approved programme	84.2	102.3	27.7	(92.6)
GF provisional programme	83.3	64.3	0.0	(64.3)
GF Schemes financed from reserves	4.0	8.9	1.7	(7.2)
Total	171.5	193.5	29.4	(164.1)

- 9.3 Councillors will recall that the Executive, at its meeting held on 26 January 2021, approved the removal of the following schemes from the capital programme:

- Museum £18.26 million
- Public realm £1.6 million

- Bike Share £530,000
- Town centre gateway regeneration £3.473 million

9.4 As part of the Council's savings strategy, one of the strands is to review the schemes on the capital programme. The cost of capital schemes on the general fund revenue account include borrowing costs – interest and debt repayment and potential ongoing maintenance costs (for example). Whilst reviewing the schemes on the capital programme is an ongoing exercise, there has been a lot of change with the new governance processes the Council has implemented, and a change in the Corporate Plan and strategic priorities. Officers recommend the following schemes are removed from the GF capital programme because the original business case is either no longer relevant, is being included in a wider scheme, or is no longer coming forward. If the schemes are reinvigorated in future, a new mandate and business case will be produced and resubmitted for approval. These schemes are below. Please note that they were all re-profiled into 2024-25 because we were uncertain as to whether they were going to be delivered and we did not want to overinflate the impact of the capital programme in the short-term:

- P14(p) Guildford Gyrotory and Approaches (£10.967 million on the provisional programme) – in the programme since 2016-17. The aim was to remove the gyrotory and open up the riverside to the town centre. This project will now be part of the GER project with this business case no longer applicable in its own right.
- PL41(p) Stoke Park office accommodation (£665,000 on the provisional programme) – in programme since 2016-17 – review of storage facilities and office accommodation. As a result of Future Guildford, the structure of the service has changed, and the requirements covered in this bid are under review.
- PL51(p) Stoke Park – Home Farm redevelopment (£4 million on the provisional programme) – bid put in for 2013-14 financial year for a 2015-16 main start. Was for infrastructure improvements to maximise potential funding and opportunities to maximise the attractiveness of the Park. The Stoke Park Masterplan superseded this project but did not progress. The original business case is therefore no longer relevant. If a scheme is to progress in future, it will need to follow the new governance process and be re-submitted for approval.

10. Compliance with treasury and prudential indicators

- 10.1 The CIPFA prudential code and treasury management code of practices require local authorities to set treasury and prudential indicators.
- 10.2 The objectives of the Prudential Code, and the indicators calculated in accordance with it, provide a framework for local authority capital finance that will ensure

- capital expenditure plans are affordable
 - all external borrowing and other long-term liabilities are within prudent and sustainable limits
 - treasury management decisions are taken in accordance with professional good practice and
 - in taking the above decisions, the Council is accountable by providing a clear transparent framework
- 10.3 The Prudential Code requires the Council to set a number of prudential indicators for the following and two subsequent financial years, and to monitor against the approved indicators during the year. We can revise these indicators during the year but need full Council approval.
- 10.4 Officers can confirm that the Council has complied with its prudential indicators for 2020-21, (see **Appendix 1** for the outturn figures), its treasury management policy statement and its treasury management practices.
- 10.5 Section 6 outlines the approved treasury management strategy. We have adhered to the strategy by:
- financing of capital expenditure from government grants, usable capital resources, revenue contributions and cash flow balances rather than from external borrowing
 - taking a prudent approach in relation to the investment activity in the year, with priority given to security and liquidity over yield
 - maintaining adequate diversification between counterparties
 - forecasting and managing cash flow to preserve the necessary degree of liquidity

11. Risk and performance

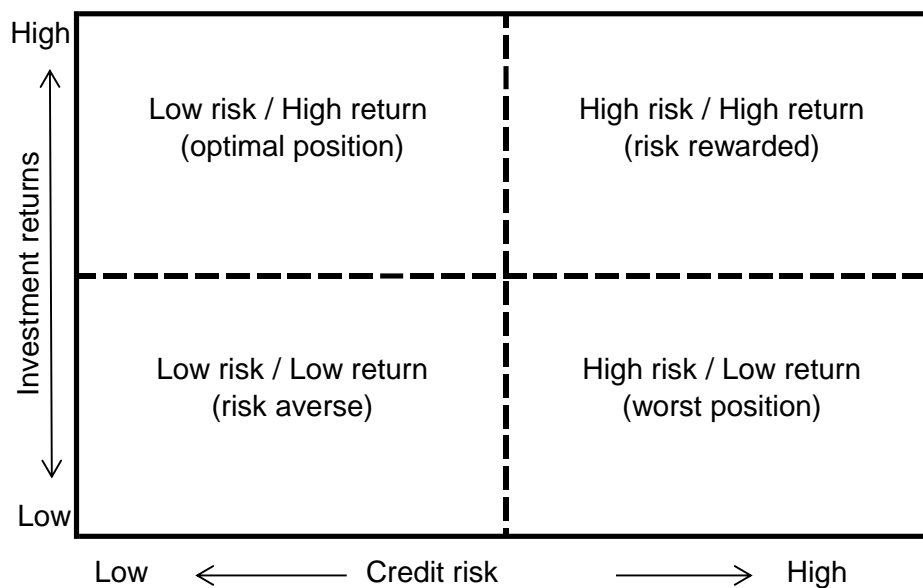
- 11.1 The Council considers security, liquidity, and yield, in that order, when making investment decisions.
- 11.2 The Council has complied with all the relevant statutory and regulatory requirements, which limit the level of risk associated with its treasury management activities. In particular, its adoption and implementation of both the prudential code and treasury management code of practice means our capital expenditure is prudent, affordable and sustainable, and our treasury practices demonstrate a low-risk approach.
- 11.3 Short-term interest rates and likely movements in these rates, along with our projected cash balances, determine our anticipated investment return. These returns can be volatile and whilst, loss of principal is minimised through the annual investment strategy, accurately forecasting future returns can be difficult.
- 11.4 If the Council were to lose any of its investments, the GF will carry the loss, even if the cash lost is HRA cash. Therefore, to compensate the GF for this, we apply a credit risk adjustment to the rate of interest we apply on the HRA balances and reserves and SPA reserves. Therefore, a lower interest rate is applied than the

weighted average investment return for the year. For 2020-21 this is the DMO (Debt management office investment with the Government and is the base “risk-free” investment rate) which is 0.01%

- 11.5 The Council invests in externally managed funds. These are more volatile than cash investments but can come with a higher return. Officers continually review our funds to ensure they still have a place in the portfolio. We view most of our funds over a three to five-year time horizon to take account of their potential volatility – they are not designed to be short-term investments, despite being able to get the money from them quickly.

Credit developments and credit risk management during the year

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



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

- 11.10 The table below shows that at each quarter date, the weighted average score of our investment portfolio, on a value weighted and a time weighted basis is well within our definition of high credit quality, ending the year at 3.95 (AA-) and 2.04 (AA-).

Date	Value Weighted Avg Credit Risk Score	Value Weighted Avg Credit Rating	Time Weighted Avg Credit Risk Score	Time Weighted Avg Credit Rating	Average Life (days)
31-03-20	3.95	AA-	2.04	AA+	261
30-06-20	4.04	AA-	2.46	AA+	292
30-09-20	4.20	AA-	2.82	AA	185
31-12-20	4.50	A+	2.90	AA	146
31-03-21	4.63	A+	4.06	AA-	199

- 11.11 We have maintained security throughout the year within the portfolio on a value weighted basis. We also have a lower risk score on the time weighted average than the Arlingclose client universe (4.63/AA- and 4.53/A+). We do, however, have a much longer duration (ours is 199 days compared to the universe of 14 days) and this is due to us having a large portion of investments of covered bonds in the portfolio, which can be sold on the secondary market if required. The longer duration is with AAA rated covered bonds, so this has enhanced the security of the portfolio.

12. Minimum Revenue Provision (MRP)

- 12.1 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2003 (SI 2003 No 414) place a duty on local authorities to make a prudent provision for debt redemption. Making an MRP reduces the Capital Financing Requirement (CFR) and leaves cash available to replenish reserves used for internal borrowing or making external debt repayments. There are three options for applying MRP available to us:

- asset life method
- depreciation method
- any other prudent method

- 12.2 Any other prudent method means we can decide on the most appropriate method depending on the capital expenditure.

- 12.3 The latest MRP policy was approved by Council in February 2020, and stated that:

- the Council will use the asset life method as its main method, but will use annuity for investment property
- in relation to expenditure on development, we may use the annuity method starting in the year after the asset becomes operational
- where we acquire assets ahead of a development scheme, we will charge MRP based on the income flow of the asset or as service benefit is obtained, and will not charge MRP during construction, refurbishment or redevelopment

- We will apply a life of 50 years for the purchase of land and schemes which are on land (for example transport schemes)
- Where loans are made to other bodies for their capital expenditure, no MRP will be charged, where the other body is making principal repayments of that loan as well as interest. However, the capital receipts generated by the loan principal repayments on those loans will be put aside to reduce the CFR
- For investments in shares classed as capital expenditure, we will apply a life related to the underlying asset in which the share capital has been invested

12.4 The unfinanced capital expenditure in 2020-21 of £13.05 million related to Weyside Urban Village project and loan/equity to North Downs Housing Ltd.

13. External service providers

13.1 The Council reappointed Arlingclose as our treasury management advisers in March 2015. The contract is for a period of 7 years and will be re-tendered during 2021-22 for a new contract starting 1 April 2022. The Council is clear what services it expects and what services Arlingclose will provide under the contract.

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

14. Training

14.1 CIPFA's revised treasury management code of practice suggests that best practice is achieved by all councillors tasked with treasury management responsibilities, including scrutiny of the treasury management function, receiving appropriate training relevant to their needs and that they should fully understand their roles and responsibilities.

14.2 The MHCLG's revised investment guidance also recommends that a process is in place for reviewing and addressing the needs of the Council's treasury management staff for training in investment management.

14.3 Following the revised CIPFA code of practice and the stated requirement that a specified body be responsible for the implementation and regular monitoring of the treasury management policies, we use the Corporate Governance and Standards Committee to scrutinise the treasury management activity of the Council.

14.4 Training on treasury management will be given to new councillors and in particular the group leaders and members of the Corporate Governance and Standards Committee.

14.5 Officer training is undertaken on a regular basis, by attending workshops held by Arlingclose, and seminars or conferences held by other bodies, such as CIPFA. On the job training and knowledge sharing are undertaken when required. Those

involved in treasury management are either a fully qualified accountant, or AAT qualified. The Lead Specialist for Finance, and Deputy s151 officer holds the 'Certificate in International Treasury Management for Public Finance' qualification, which is a joint qualification between the ACT (Association of Corporate Treasurers) and CIPFA.

- 14.6 Certain officers of the Council are deemed professional by the financial industry and therefore demonstrate the level of skill and expertise in the treasury function to ensure the Council retains professional status under the MiFID II regulations.

15. Consultations

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

Corporate Governance & Standards Committee – 29 July 2021

- 15.2 This report was considered by the Corporate Governance and Standards Committee at its meeting on 29 July 2021. The Committee commended the report to the Executive, subject to the comments below and endorsed the recommendations set out in this report:
- (a) In response to a request for an explanation as to the reasons why the short-term debt at the end of the year had been substantially higher than the end of the previous year, the Deputy Chief Finance Officer confirmed that the Council had substantial internal borrowing for the capital programme, which had been externalised by way of short-term borrowing, which was why borrowing had increased. Officers were also aware that we were going to need to use our reserves for Covid expenditure. The Council had also been required to borrow from the PWLB in the current financial year through the local infrastructure rate funding subsidy which would start the long-term borrowing for capital programme in 2021-22.
 - (b) Officers clarified that the rental income referred to in the report, which had been the same as the previous year, was rental income due. It was expected that, as most tenants paid their rent promptly and there had been very few repayment plans, the Council would receive a substantial proportion of the rent due.
 - (c) In response to a question as to the impact of a possible increase in inflation on the capital and investment programme, it was not anticipated that any increase in inflation would have much impact on returns on the Council's investment portfolio.
 - (d) In response to a question as to the benefits of a strategy of holding £160 million of investments and increasing borrowing, which costs £1.5 million, the Deputy Chief Finance Officer confirmed that the fixed rate debt of £147 million and the variable rate debt of £45 million related to the Housing Revenue Account, the cost of which was charged directly charge to the Housing Revenue Account. For the remainder of the investment portfolio,

the Council yielded 1.08% and the temporary borrowing was 0.51% so there was no cost of carry on that short-term borrowing overall.

- (e) In response to an enquiry as to the impact on the Council and associated costs of the slippage in the capital programme over the last four or five years, the Committee noted that the main financial impact was the Minimum Revenue Provision, which was the repayment of internal borrowing which impacted on the General Fund and Council Tax. It was also noted that a review of the Council's balance sheet and capital programme had been undertaken approximately four years ago and we identified over the previous three years that although there had been a consistent 64% slippage in the capital programme, it had generally been the same schemes that had been delayed, for example, the Weyside Urban Village scheme. Part of the reason for this was that at the time, the Council did not have some of the delivery mechanisms in place that we have now. This was being addressed and new governance procedures and project management tools had been introduced. The Leader of the Council acknowledged that there had been issues in programme management and that a 64% slippage rate was not acceptable. Whilst a number of the schemes had been particularly complex, the Council was determined to improve performance.
- (f) It was confirmed that the rental income from investment property was £3.1 million and expenditure on repairs and maintenance of £600,000, and in relation to industrial estates we had expenditure of £210,000 against £4.7 million income.

16. Equality and Diversity Implications

- 16.1 There are no equality and diversity implications

17. Financial Implications

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

18. Legal Implications

- 18.1 A variety of professional codes, statutes and guidance regulate the Council's treasury management activities. These are:
- the Local Government Act 2003 ("the Act") provides the powers to borrow and invest. It also imposes controls and limits on these activities
 - the Act permits the Secretary of State to set limits on either the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken. There are no current restrictions
 - statutory instrument 3146 (2003 ("The SI"), as amended, develops the controls and powers within the Act
 - the SI requires the council to undertake any borrowing with regard to the prudential code. The prudential code requires indicators to be set – some of which are limits – for a minimum of three forthcoming years

- the SI also requires the council to operate the treasury management function with regard to the CIPFA treasury management code of practice
- under the terms of the Act, the Government issued “investment guidance” to structure and regulate the council’s investment activities. The emphasis of the guidance is on the security and liquidity of investments.

19. Human Resource Implications

- 19.1 There are no human resource implications arising from this report other than the training discussed in section 14, which is already in place.

20. Summary of Options

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

21. Conclusion

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

22. Background Papers

- CIPFA Treasury Management in the Public Services – Code of Practice and Cross Sectoral Guidance Notes (2018 edition)
- CIPFA Treasury Management in the Public Services – Guidance Notes for Local Authorities including Police Authorities and Fire Authorities (2018 edition)
- CIPFA the Prudential Code for Capital Finance in Local Authorities (2018 edition)
- CIPFA the Prudential Code for Capital Finance in Local Authorities – Guidance Notes for Practitioners (2018 edition)
- Treasury management annual strategy report 2020-21

23. Appendices

Appendix 1: Treasury management activity, treasury and prudential indicators 2020-21
Appendix 2: Investment property fund portfolio report 2020-21

Agenda item number: 7

Appendix 3: capital programme

Appendix 4: schedule of investments at 31 March 2021

Appendix 5: economic background – a commentary from Arlingclose

Appendix 6: benchmarking graphs

Appendix 7: credit score analysis

Appendix 8: credit rating equivalents and definitions

Appendix 9: background to externally managed funds

Appendix 10: glossary

Treasury Management activity and treasury and prudential indicators 2020-21

1. Introduction

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

2. Treasury management activity

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

Investments

- 2.2 The Ministry of Housing, Communities and Local Government (MHCLG) Investment Guidance requires local authorities to focus on security and liquidity rather than yield.
- 2.3 Both the CIPFA Code and government guidance requires local authorities to invest funds prudently, and to have regard to the security and liquidity of investments before seeking the highest rate of return, or yield. The main objective, therefore, when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitable low investment income.
- 2.4 Continued downward pressure on short-dated cash rate brought net returns on sterling low volatility net asset value money market funds (LVNAV MMFs) close to zero even after some managers have temporarily lowered their fees. At this stage net negative returns are not the central case of most MMF managers over the short-term, and fee waivers should maintain positive net yields, but the possibility cannot be ruled out.
- 2.5 Security of capital remains our main objective when placing investments. We maintained this during the year by following our investment policy, as approved in our

treasury management strategy 2020-21, which defined “high credit quality” counterparties as those having a long-term credit rating of A- or higher.

2.6 Investments during the year included:

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

2.7 We divided our investments into three types

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

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

2.9 The table below shows our investment portfolio, at 31 March 2021, compared to 31 March 2020. **Appendix 4** contains a detail schedule of investments outstanding at the end of the year.

Investment details	Balance at 31-03-20 £m	Weighted Avg Return for Year	Balance at 31-03-21 £m	Weighted Avg Return for Year
Internally Managed Investments				
Fixed Investments < 1 year to cover cash flow	20.00	0.99%	57.50	0.89%
Corporate bonds	1.00	1.26%	2.00	0.17%
Long term bonds	18.10	1.06%	16.10	0.00%
Notice Accounts	8.00	0.90%	3.00	0.39%
Call Accounts	0.53	0.40%	0.33	0.07%
Money Market Funds	14.50	0.74%	39.22	0.13%
Revolving credit facility	5.00	1.26%	0.00	1.47%
Long term investments > 1 year	27.50	1.65%	18.50	1.21%
Externally Managed Funds				
Funding circle	0.53	6.35%	0.50	6.51%
CCLA	6.51	4.41%	6.49	4.81%
RLAM	2.23	2.42%	2.33	2.19%
M&G	1.13	2.54%	3.53	4.45%
Schroders	0.57	7.31%	0.70	7.04%
UBS	2.02	4.71%	2.20	3.95%
City Financials	0.00	0.00%	1.97	0.85%
Total Investments	107.61	1.03%	159.37	1.05%

2.10 Our level of investments increased during 2020-21, and we achieved a higher return than last year. Interest rates continue to be at an all time low.

- 2.11 The Councils also holds £10.157 million equity investments in Guildford Holdings Ltd and £8.418 million in North Downs Housing Ltd.
- 2.12 We are earning an interest return of base rate plus 5% (currently 5.10%) on the investment in North Downs Housing. This is higher than the return earned on treasury investments but reflects the additional risks to the Council of holding the investment.

Security of investments

- 2.13 Counterparty credit quality was assessed and monitored with reference to credit ratings; financial institutions analysis of funding structure and susceptibility to bail-in, credit default swap prices; financial statements; information on potential government support and reports in the quality financial press.
- 2.14 We also considered the use of secured investment products that provide collateral in the event that the counterparty cannot meet its obligations for repayment.
- 2.15 The minimum long-term counterparty credit rating for 'high quality counterparties' approved for 2020-21 was A-/A3 across all three main credit rating agencies (Fitch, S&P, and Moody's).
- 2.16 The overall minimum long-term credit rating in the treasury strategy is BBB+. The strategy set different limits for different counterparty credit ratings both in maximum duration and exposure in monetary terms.
- 2.17 We also can invest in non-rated institutions subject to due diligence.

Liquidity of investments

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

Yield of investments

- 2.20 The council sought to optimise returns commensurate with its objective of security and liquidity. The Bank of England base rate decreased to 0.10% in March 2020, and it has remained at that level throughout the year.
- 2.21 We invested in longer-term covered bonds, which increased the return of the portfolio and the duration. Bonds can be sold in the secondary market should we need the liquidity.
- 2.22 The council's budgeted investment income for the year was £1.684 million and actual interest was £2.376 million, at a weighted average yield of 1.08%.

Externally managed funds

- 2.23 We estimate to have cash balances over the medium-term (our “core” cash as identified in the Councils liability benchmark), and as such we have continued investing in pooled (cash-plus, bond, equity, multi-asset and property) funds. These funds have allowed us to diversify into asset classes other than cash without the need to own and manage the underlying investments. These funds operate on a variable net asset value (VNAV) basis offer diversification of investment risk, coupled with the services of a professional fund manager; they also offer enhanced returns over the longer term but are more volatile in the short term. All of our pooled funds are in the respective funds distributing share class, which pay out the income generated. They have no defined maturity date, but are available for withdrawal, some with a notice period.
- 2.24 We regularly monitor all our external funds’ performance and continued suitability in meeting our investment objectives.

Borrowing and debt management

- 2.25 The council’s debt portfolio is detailed in the table below. Our loan portfolio increased by £74 million due to more short-term loans at the end of the year.

Interest calc	Lender	Loan type	Principal £'000	Initial loan period (yrs)	Period remaining years	Maturity date	Rate
Long-term							
Variable	PWLB	Maturity	45,000	10	1.0	28/03/2022	0.48%
Fixed	PWLB	Maturity	10,000	12	3.0	28/03/2024	2.70%
Fixed	PWLB	Maturity	10,000	13	4.0	28/03/2025	2.82%
Fixed	PWLB	Maturity	10,000	14	5.0	28/03/2026	2.92%
Fixed	PWLB	Maturity	10,000	15	6.0	28/03/2027	3.01%
Fixed	PWLB	Maturity	25,000	17	8.0	28/03/2029	3.15%
Fixed	PWLB	Maturity	25,000	20	11.0	28/03/2032	3.30%
Fixed	PWLB	Maturity	25,000	25	16.0	28/03/2037	3.44%
Fixed	PWLB	Maturity	15,000	29	20.0	28/03/2041	3.49%
Fixed	PWLB	Maturity	17,435	30	21.0	28/03/2042	3.50%
Short-term							
Fixed	West Yorkshire CA	Maturity	10,000	0.76	0.0	06/04/2021	0.60%
Fixed	Cardif Pinnacle Insurance PLC	Maturity	5,000	0.83	0.0	15/04/2021	0.37%
Fixed	Hampshire Fire And Rescue Authority	Maturity	1,000	0.84	0.1	04/05/2021	0.29%
Fixed	PCC Hampshire & IOW - Winchester	Maturity	2,500	0.84	0.1	04/05/2021	0.29%
Fixed	Hampshire County Council	Maturity	1,500	0.84	0.1	04/05/2021	0.29%
Fixed	Cardif Pinnacle Insurance PLC	Maturity	5,000	0.83	0.1	06/05/2021	0.37%
Fixed	London Borough of Tower Hamlets	Maturity	5,000	0.88	0.2	28/05/2021	0.30%
Fixed	West Yorkshire CA	Maturity	5,000	0.75	0.2	02/06/2021	0.50%
Fixed	Local Government Assocoation	Maturity	1,500	1.00	0.2	08/06/2021	0.40%
Fixed	North of Tyne Combined Authority	Maturity	10,000	1.00	0.3	02/07/2021	0.78%
Fixed	London Borough of Newham	Maturity	5,000	1.00	0.3	02/07/2021	0.35%
Fixed	St Helens Metropolitan BC	Maturity	10,000	1.00	0.3	12/07/2021	0.40%
Fixed	Wokingham BC	Maturity	10,000	1.00	0.3	19/07/2021	0.40%
Fixed	North Yorkshire CC	Maturity	5,000	0.41	0.3	26/07/2021	0.10%
Fixed	Cambridge City Council	Maturity	5,000	0.50	0.4	09/08/2021	0.05%
Fixed	Merseyside Fire & Rescue	Maturity	2,000	1.00	0.4	18/08/2021	0.30%
Fixed	LB Wandsworth	Maturity	5,000	0.92	0.9	22/02/2022	0.12%
Fixed	North Yorkshire CC	Maturity	5,000	1.00	0.9	25/02/2022	0.15%
Fixed	Warwickshire CC	Maturity	10,000	1.00	0.9	28/02/2022	0.15%
Fixed	Sheffield CC	Maturity	10,000	1.00	1.0	15/03/2022	0.12%
Fixed	LB Wandsworth	Maturity	5,000	1.00	1.0	25/03/2022	0.20%
Total			310,935				

- 2.26 Our primary objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should our long-term plans change being a secondary objective.
- 2.27 The rate on the variable rate loan is the average for the year.
- 2.28 We also have short-term loans outstanding at the end of the year which we took out for cash flow purposes, from other local authorities. Temporary and short-dated loans borrowed during the year from other local authorities remained affordable and attractive.
- 2.29 Affordability and the “cost of carry” remained important influences on our long-term borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would be invested at rates of interest significantly lower than the cost of borrowing. As short-term interest rates have remained low, and are likely to remain low at least over the forthcoming two years, lower than long-term

rates, the council determined it was more cost effective in the short-term to use internal resources and borrow short-term to medium-term instead.

- 2.30 The Councils borrowing position is monitored regularly as to whether it is more beneficial to externalise borrowing now or whether to continue internal borrowing based on predicted future borrowing costs (which are likely to be higher). Arlingclose assist us with this 'cost of carry' and break-even analysis.
- 2.31 The PWLB raised the cost of the certainty borrowing rate by 1% to 1.8% above UK Gilt yields as HM Treasury were concerned about the overall level of local authority debt. PWLB borrowing remains available, but at a margin of 180bp above gilts appear expensive. Market alternatives are available and new products will be developed but the financial strength of individual authorities will be scrutinised by investors and commercial lenders.
- 2.32 The Chancellor's March 2020 Budget statement included significant changes to Public Works Loan Board (PWLB) policy and launched a wide-ranging consultation on the PWLB's future direction. Announcements included a reduction in the margin on new HRA loans to 0.80% above equivalent gilt yields. The value of this discount is 1% below the rate at which the authority usually borrows from the PWLB), available from 12th March 2020 and £1.15 billion of additional "infrastructure rate" funding at gilt yields plus 0.60% to support specific local authority infrastructure projects for England, Scotland and Wales for which there is a bidding process. We made a successful bid for access to the Local Infrastructure Rate for WUV and have a £100 million facility at gilts plus 0.60% to help fund the project.
- 2.33 In November 2020 the PWLB published its response to the consultation on 'Future Lending Terms'. From 26th November the margin on PWLB loans above gilt yields was reduced from 1.8% to 0.8% providing that the borrowing authority can confirm that it is not planning to purchase 'investment assets primarily for yield' in the current or next two financial years. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing. As part of the borrowing process authorities will now be required to submit more detailed capital expenditure plans with confirmation of the purpose of capital expenditure from the Section 151 officer. The PWLB can now also restrict local authorities from borrowing in unusual or large amounts.
- 2.34 Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management. Misuse of PWLB borrowing could result in the PWLB requesting that Authority unwinds problematic transactions, suspending access to the PWLB and repayment of loans with penalties.
- 2.35 Competitive market alternatives may be available for authorities with or without access to the PWLB. However, the financial strength of the individual authority and borrowing purpose will be scrutinised by commercial lenders

3. Treasury and prudential indicators

- 3.1 The Local Government Act 2003 requires local authorities to have regard to the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment

plans of local authorities are affordable, prudent and sustainable, and that treasury decisions are taken in accordance with good professional practice. To demonstrate the Council has fulfilled these objectives, the Prudential Code sets various indicators that must be set and monitored each year.

- 3.2 The CFO confirms that we have complied with our prudential indicators for 2020-21, which were approved in February 2020 as part of the treasury management strategy statement. The CFO also confirms that we have complied with our treasury management policy statement and treasury management practices during 2020-21.

Balance sheet and treasury position prudential indicator

- 3.3 The capital financing requirement (CFR) measures the council's underlying need to borrow for a capital purpose. Over the medium-term, borrowing must be only for a capital purpose, although in the short-term, we can borrow for cash flow purposes, which does not affect the CFR.
- 3.4 The Council's CFR for 2020-21 is shown in the following table

Capital Financing Requirement	2020-21 Approved Estimate £000	2020-21 Revised Estimate £000	2020-21 Actual £000
HRA			
Opening balance (01 Apr 20)	207,024	207,024	197,024
Movement in year: Unfinanced cap exp	10,000	10,000	2,180
Closing balance (31 Mar 21)	217,024	217,024	199,204
General Fund			
Opening balance (01 Apr 20)	130,464	105,100	106,939
Movement in year: Unfinanced cap exp	78,285	60,270	11,000
Movement in year: MRP	(1,640)	(1,640)	(1,288)
Closing balance (31 Mar 21)	207,109	163,730	116,651
Total			
Opening balance (01 Apr 20)	337,488	312,124	303,963
Movement in year: Unfinanced cap exp	88,285	70,270	13,180
Movement in year: MRP	(1,640)	(1,640)	(1,288)
Closing balance (31 Mar 21)	424,133	380,754	315,855
Balances and Reserves	(188,850)	(188,850)	(133,189)
Cumulative net borrowing requirement / (investments)	235,283	191,904	182,666

- 3.5 The GF unfinanced capital expenditure mainly relates to WUV and loan / equity to North Downs housing. This is lower than budgeted because of the slippage in the capital programme – we projected some slippage during the year, which is shown by the revised estimate (as in the strategy report presented to Council in February 2021).
- 3.6 We budgeted an underlying need to borrow of £42.8 million for 2020-21, and our actual underlying need to borrow was £13.1 million because of slippage in the capital programme and also a higher amount of capital receipts than anticipated.

- 3.7 We also appropriated the remaining 2/3 of land from the GF to the HRA for the Guildford Park Car Park project which has led to an increase in the HRA CFR and a reduction in the GF CFR. This land appropriation cannot be used against the 141 Right to Buy scheme.

Gross debt and the CFR

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

Gross Debt and the CFR	2020-21 Actual £000
General Fund CFR	116,651
HRA CFR	199,204
Total CFR (at 31 March)	315,855
Gross External Borrowing	(310,935)
Net (external) / internal borrowing position	4,920

- 3.9 Actual debt levels are monitored against the operational boundary and authorised limit for external debt, detailed in paragraph 3.20 to 3.25.
- 3.10 We are showing as being internally borrowed up to £5 million in at the end of March 2021.

Capital expenditure prudential indicator

- 3.11 This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits, and, in particular, to consider the impact on council tax or housing rent levels for the HRA.
- 3.12 The following table shows capital expenditure in the year, compared to the original estimate approved by the Executive in January 2020.

Projects	Original Estimate (£'000)	Actual (£'000)	Variance (£'000)
<u>Housing Revenue Account</u>			
HRA Capital Programme	27,387	12,685	(14,702)
Total Housing	27,387	12,685	(14,702)
<u>General Fund</u>			
Vehicles purchase	4,220	3,144	(1,076)
Museum project	1,020	0	(1,020)
Town centre gateway regeneration	3,480	0	(3,480)
SMC	2,975	374	(2,601)
A331 hotspots	3,146	82	(3,064)
Ash road bridge & Foorbridge	21,154	1,006	(20,148)
NDH/GHL	7,500	4,932	(2,568)
Midleton redevelopment	5,500	3,424	(2,076)
Strategic property	20,000	1,285	(18,715)
WUV	860	11,450	10,590
Provisional schemes	83,301	0	(83,301)
Other General Fund Projects	18,372	3,744	(14,628)
Total General Fund	171,528	29,440	(142,088)
Total Capital Programme	198,915	42,125	(156,790)

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

- provisional schemes were re-profiled during the year, and include:
 - various transport schemes
 - ash road bridge
 - Guildford park car park
 - Midleton redevelopment

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

CAPITAL EXPENDITURE - SUMMARY	Original Estimate (£'000)	Actual (£'000)
General Fund Capital Expenditure		
- Main programme	166,719	26,951
- Reserve & s106 Capital Schemes	3,984	1,730
- General Fund Housing	825	759
HRA Capital expenditure		
- Main programme	27,387	12,685
Total Capital Expenditure	198,915	42,125
CAPITAL EXPENDITURE - SUMMARY	Original Estimate (£'000)	Actual (£'000)
General Fund Capital Expenditure Financed by:		
- Borrowing/Use of Balances	(118,907)	(13,053)
- Capital Receipts	0	(6,295)
- Capital Grants/Contributions	(41,368)	(7,070)
- Capital Reserves/Revenue	(11,253)	(3,022)
HRA Capital Expenditure Financed by:		
- Capital Receipts	(6,783)	(2,607)
- Capital Reserves/Revenue	(20,604)	(8,479)
Financing - Totals	(198,915)	(42,125)

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

Ratio of financing costs to the net revenue stream prudential indicator

- 3.16 This is an indicator of affordability and highlights the revenue impact of capital expenditure by identifying the proportion of the revenue budget required to meet the financing costs associated with capital spending. Financing costs include interest on borrowing, MRP, premium or discount on loans repaid early, investment income and depreciation where it is a real charge.
- 3.17 Depreciation is not a real charge to the GF but has been to the HRA since April 2012.
- 3.18 The ratio is based on costs net of investment income.
- 3.19 The net revenue stream for the GF is the total budget requirement and for the HRA is total income. Where the figure is negative, it is because there is a net investment position (more investments than debt). The total budget requirement for the GF used is the 2020-21 budget.

	2020-21 Original Estimate	2020-21 Actual
General Fund	10.61%	-8.20%
HRA	33.09%	33.52%

- 3.20 The figure for the GF is negative because interest received is higher than financing costs (interest payable, debt management costs and MRP). The budget assumed a

large amount of external borrowing for the capital programme which was not required and was reported throughout the year as part of budget monitoring.

The authorised limit prudential indicator

- 3.21 The Local Government Act 2003 requires the council to set an affordable borrowing limit, irrespective of the indebted status. This is a statutory limit, which we cannot breach.
- 3.22 The limit is the maximum amount of external debt we can legally owe at any one time. It is expressed gross of investments and includes capital expenditure plans, the CFR and cash flow expenditure. It also provides headroom over and above for unexpected cash movements.
- 3.23 The limit was set at £531 million for the year and the highest level of debt was £311 million.
- 3.24 We measure the levels of debt on an ongoing basis during the year for compliance. The CFO confirms there were no breaches to the authorised limit in 2020-21.

The operational boundary prudential indicator

- 3.25 The operational boundary, based on the same estimates as the authorised limit, reflects the most likely, prudent but not worst case scenario. It does not allow for additional headroom included in the authorised limit.
- 3.26 The limit was set at £577 million for the year and the highest level of debt was £311 million.

Maturity structure of fixed rate borrowing treasury indicator

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

	Upper Limit	Lower Limit	Actual at 31 March 2021	Value of loans maturing
Under 12 months	15%	0%	44.56%	118,500,000
1-2 years	20%	0%	0.00%	0
3 to 5 years	25%	0%	3.76%	10,000,000
6 to 10 years	50%	0%	20.68%	55,000,000
11-15 years	100%	0%	9.40%	25,000,000
16-20 years	100%	0%	9.40%	25,000,000
21-25 years	100%	0%	12.20%	32,435,000
Over 26 years	100%	0%	0.00%	0

- 3.28 The above table shows the amount of debt maturing in each period and its percentage of total fixed rate loans. The targets were set to give us flexibility for drawing down new loans on a fixed or variable rate basis. If a lower upper limit for fixed rate debt were set, the council would be giving itself a greater exposure to interest rate changes by having more variable rate debt. The upper limit for under 12

months was set to cover any short-term borrowing for cash flow purposes and for allowing for the principal loan repayments falling in that period.

- 3.29 The limit for that maturing within 12 months is higher due to short-term borrowing levels. 69% of our fixed rate debt matures within the next 10 years, with the majority of long-term loans being in years 6-10. This gives the council stability in its interest payments over that time, and time to consider refinancing options. The first fixed rate loan matures in 2024.

Actual external debt treasury indicator

- 3.30 This indicator comes directly from our balance sheet. It is the closing balance for actual gross borrowing (short and long term) plus other deferred liabilities. It is measured in a manner consistent for comparison with the authorised limit and operational boundary.
- 3.31 Actual external debt (as per 3.7) stood at £311 million.

Upper limit for total principal sums invested over 1 year

- 3.32 The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the council having to seek early repayment of the sums invested.
- 3.33 Our limit was set at £50 million, we ended the year with exposure of £35 million.
- 3.34 As mentioned earlier in the report, many of our long-term investments are covered bonds, which can be sold on the secondary market. There could be a price differential if they were sold, but it is unlikely to be material.

GBC INVESTMENT PROPERTY FUND PORTFOLIO ANNUAL REPORT

Current Fund Summary – 2020/21

OBJECTIVE OF FUND

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

KEY POINTS – 31 MARCH 2021

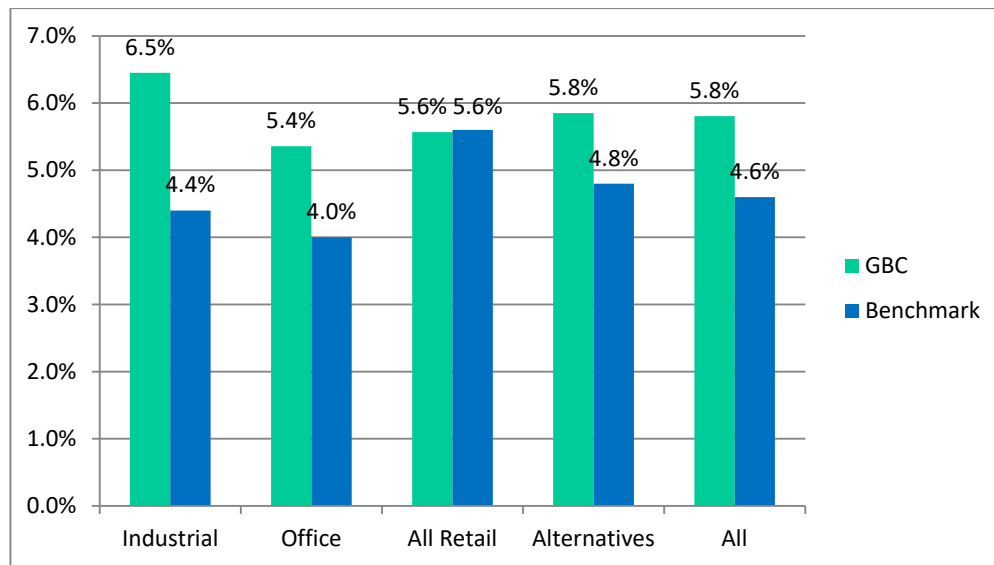
- Fund size c.£155 million.
- Rental income of £8.1 million pa.
- 168 properties over the 4 main sectors
- High yielding (5.8% net of costs/voids)
- Low vacancy rate (5.76%)
- Long average unexpired lease terms

TOP FIVE SINGLE INVESTMENTS

1. Wey House, Farnham Rd
2. The Billings, Walnut Tree Clse
3. Moorfield Point, Slyfield
4. Friary Street, West Side
5. Friary Centre



FUND PERFORMANCE AGAINST UK BENCHMARK 2020/21



KEY ACQUISITIONS/DISPOSALS 2020/21



1 Midleton Industrial Estate

Acquired in September 2020 for £500,000 this prominent motor trade property with frontage to the A25 Woodbridge Road, is the gateway to Midleton Industrial Estate and will allow GBC to erect signage up for the new development. Currently let on a short-term lease, representing a GIY of over 8% whilst planning redevelopment.



Aldershot Rd 121B (The Co-Op) (HRA account)

Long lease to Co-operative Group at £200pa, sold in August 2020 for £250,000 with a restrictive covenant requiring the provision a food retail store on the site with a net sales area of not less than 3,000 sq.ft.

Property Investment Fund – 2020/21

FUND STRATEGY

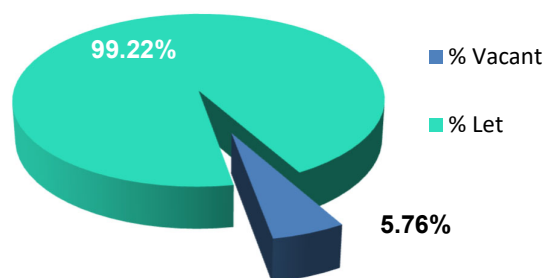
The Fund comprises the principal commercial property sectors: office, retail, industrial and alternatives (hotels, car showrooms, petrol stations, leisure, etc.).

Officers aim to achieve an above average income return by keeping vacancy and associated costs (such as empty rates, service charges, repairs and insurance) to a minimum and by generating income growth through rental increases, refurbishments, active asset management and new lettings. The vacancy rate is currently 5.76%¹.

VACANCY RATE

Based on days per property

Qtr 1	Qtr 2	Qtr 3	Qtr 4	Year
5.34%	7.02%	5.93%	4.70%	5.76%



PERFORMANCE

The fund was valued at c.£155 million at the beginning of 2020. This is up from last year by over £2.7million mainly due to the increase in industrial values across the portfolio and the acquisition of 1 Midleton (Fox's). Rental held level with a total rent roll of £8.1 million per annum, representing a total net return of 5.8%.

Factors that affected the portfolio in 2020/21 include:

- COVID-19** – The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, led to national and international lockdowns and impacted global financial markets. Market activity was impacted in many sectors. Despite this the impact on overall performance of the portfolio was minimal for several reasons. The Council's asset valuation date preceded the deepening of the Coronavirus epidemic and therefore only had a small impact on asset values. However, the Council's Valuers did report that given the unprecedented events it was felt that future impact that COVID-19 might have on the real estate market was unknown. The valuations were therefore reported on the basis of 'material valuation uncertainty'. Consequently, less certainty, and a higher degree of caution, should be attached to the valuation than would normally be the case.

In terms of income, in general only rent deferments were granted². In exceptional cases, for the worst affected commercial tenants, rent concessions were agreed but many of these have yet to be documented and, as such, did not affect the bottom line for 2020/21. Officers are taking steps to ensure that any knock-on effect in 2021/22 is minimised.

¹ Excluding intentional voids and Finance leases.

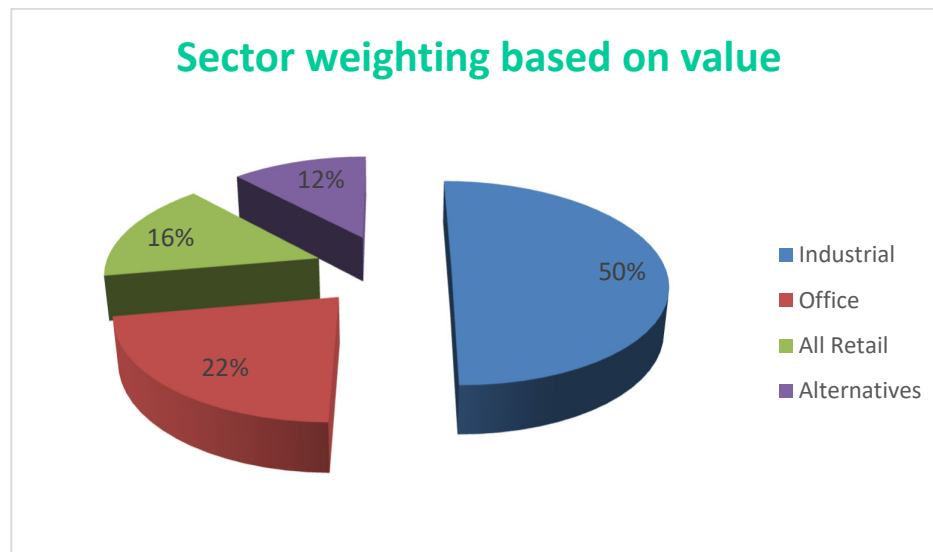
² As this report is based on a high-level snapshot view of performance rent deferments don't affect the bottom-line.

Fund Performance (total return) *					
Rental income					
	Industrial	Office	All Retail	Alternatives	All
2015/16	2,679,571	1,831,900	1,750,254	885,636	7,147,361
2016/17	3,057,302	1,858,638	1,447,672	1,062,137	7,425,749
2017/18	3,493,405	3,186,048	1,426,317	1,080,786	9,186,556
2018/19	3,619,808	3,038,548	1,459,048	1,129,361	9,246,765
2019/20	3,369,452	2,135,460	1,459,548	1,139,397	8,103,857
2020/21	3,565,449	2,112,620	1,284,638	1,139,397	8,102,104
Capital value**					
	Industrial	Office	All Retail	Alternatives	All
2015/16	39,077,755	19,227,500	34,270,000	11,233,500	103,808,755
2016/17	42,922,450	25,915,000	25,908,500	15,963,500	110,709,450
2017/18	51,509,000	49,574,000	26,065,000	17,471,500	144,619,500
2018/19	66,970,000	49,159,000	26,097,000	18,843,000	161,069,000
2019/20	72,295,790	35,609,000	26,097,000	18,143,000	152,144,790
2020/21	77,670,905	34,165,000	24,527,000	18,540,500	154,903,405
Income return					
	Industrial	Office	All Retail	Alternatives	All
2015/16	8.0%	7.5%	5.6%	7.5%	6.8%
2016/17	7.1%	7.2%	5.6%	6.7%	6.7%
2017/18	8.0%	7.4%	5.2%	5.8%	6.6%
2018/19	6.8%	6.6%	5.9%	5.8%	6.3%
2019/20	6.9%	5.3%	5.9%	5.9%	6.0%
2020/21	6.5%	5.4%	5.6%	5.8%	5.8%
Benchmark return					
	Industrial	Office	All Retail	Alternatives	All
2015/16	6.1%	4.7%	5.4%	4.7%	5.2%
2016/17	5.4%	4.1%	5.0%	5.5%	4.8%
2017/18	4.9%	4.1%	5.1%	5.3%	4.8%
2018/19	4.4%	4.0%	5.1%	5.0%	4.6%
2019/20	4.4%	4.0%	5.4%	5.1%	4.7%
2020/21	4.4%	4.0%	5.6%	4.8%	4.6%

* Excludes Finance leases
**Capital Values as at 31/01/2020

- **Sector Weighting** – Industrial was the strongest sector going into the lockdown and the sector expected to hold up best. Officers have worked hard over the years to ensure that the investment fund has a high weighting of industrial investments in comparison to and office retail and alternatives. This helped to mitigate the effect of the pandemic with industrial values increasing, enabling the portfolio as a whole to not only hold its value, but increase despite the fall in value on other sectors. Due to the increase in value, the weighting of industrial now represents 50% of the portfolio.
- **Midleton Redevelopment** – Whilst the increased demand for industrial property and lack of supply led to an increase in value for the Council's industrial assets across the board, sites required for the Midleton redevelopment were temporarily de-valued as they were vacated and demolished to make way for developments. This also affected

income; whilst some rent was collected for units in 2020/21 at the time of this snapshot report rent was recorded as nil return.



- **Revaluation of High Street Assets** – The shift away from High Street retailing was accelerated in 2020/21 due to COVID-19 lockdowns resulting in rents declining further and vacancy levels increasing in the market. This led to some of the assets having to be marginally de-valued. However, longer leaseholds with secure income retained their value. Income was affected on the High Street assets but elsewhere the Council managed to produce small uplifts in rent.
- **Rent reviews** – Several rents that were due for review during the pandemic were put on hold to assist tenants during this unprecedented time. These will be reviewed in 2021/22.
- **Voids/Lettings** – A number of properties that became void in 2019/20 remained so due to the pandemic, this included 126 High Street, two floors at 2 The Billings (one now under-offer), 2 Thornberry Way (now under-offer), 126 High Street (now re-let) and 40A Castle Street (moth balled for disposal - awaiting Museum review). However, these were off-set by successful new lettings despite the difficult market (see key 5 transactions).






Whilst the income of the portfolio has stayed level this year as a result of the above, due to mitigating income generation through rent reviews, new lettings and active asset management the fund continues to perform well and significantly above benchmark.

ASSET INVESTMENT FUND 2020-23

A new Asset Investment Fund of £40 million was approved by the Executive in January 2020 as part of the Capital and Investment Strategy 2020-21 to 2024-2025. The Asset Investment Strategy which was due to go to the Executive in March 2020 was delayed due to COVID-19 but finally approved by the Executive in September 2020. However, due to the pandemic there has been a lack of suitable stock in the market which resulted in only one acquisition taking place in 2020/21. It is hoped that with the relaxation of the COVID-19 restrictions the markets may open-up more in 2021/22 to allow further acquisitions. The Council's ability to source the right investment stock at the right price continues to be the biggest driver of performance.

GBC INVESTMENT PROPERTY FUND PORTFOLIO ANNUAL REPORT

KEY 5 TRANSACTIONS

	Property	Transaction
	10 Midleton	Void since 2019. New 15-year lease from 14/10/2020 at £326,729pa.
	The Hub, 1 Thornberry Way, Slyfield	Acquired in August 2019. New 10-year lease from 27/01/21 at £233,200pa.
	Fox's Garage, Midleton	Acquired in Sept 2020 for £500,000. New 5-year lease from 25/01/2021 at £40,600pa (GIY of 8%).
	1 North Moors, Slyfield	Surrendered at nil cost to Council in October 2019. New 20-year lease from 16/09/2020 at £40,000pa (100% increase in rental).
	23 Woodbridge Meadows	New 125-year lease from 26/10/2020 at £15,000pa to allow redevelopment of this and adjoining site.

LOCAL PROPERTY MARKET 2020/21 REVIEW

Activity across the UK commercial property sector ended a tumultuous year with capital values and rents becoming increasingly divergent at the sector level. Industrial uses strengthening while retail and office vacancy rates rose at record pace; a trend exacerbated by the response to the COVID-19 pandemic.

Industrial

Strong investment demand for industrial drove yields down to new levels. This was mainly due to the UK logistics market which witnessed a record year; the pandemic and ensuing lockdowns accelerated the shift to online. This led to a surge in demand from Ecommerce and Post & Parcel operators (e.g. Amazon). Despite not having a large logistics offering, industrial property within Guildford continued to perform well. A scarcity of supply, particularly for smaller sub-10,000 sq. ft. units, limited new build and strong levels of take up resulted in rental and capital value growth during the year.

The Council's redevelopment of Midleton (see section 'Major Projects' below) is one of very few pipeline developments in the Borough with the only other notable development being Aviva Investors' refurbishment of a 30,000 sq ft unit at Slyfield, to be launched in Q2 2021. Further news is awaited regarding land at Burnt Common which was released as employment land in the recent Local Plan and is the subject of a planning application.

Office

The trend for companies downsizing/reducing overheads, increasing tech / decreasing office numbers and increasing home working was intensified by COVID-19 and home working. Whilst many people started to return to the office in some form at the end of 2020/21, office

occupiers were (and still are) unsure about space requirements and what they may need going forward. As a result, the availability of office space rose, seeing the strongest rate of increase since the global financial crisis³. Take-up in Guildford was at an all-time low in 2020, reported to be under 50,000 sq. ft, less than half the annual average take-up level in Guildford since the 2008 crash and almost a third of the pre-2008 average. The largest recorded deal in 2020 was the acquisition of the 29,170 sq ft Riverworks office for educational purposes by Department for Education generating a sale of £12.7m.

The absence of transactional evidence suggests that top rents are unchanged yet increasing incentives could be masking the falling effective rental levels. That said, there has been a slow increase in requirements which will hopefully transition to take-up later in the year (e.g. Unit 2, The Billings which is under offer at full market rent).

On a positive note, there is more interest in prime office demand, especially at the smaller suite end, where companies are downsizing or seeking to extract themselves from the capital but looking more for quality. Guildford has proven popular with gaming companies; Wargaming let additional space in 2020 in order to establish their UK Headquarters.

Retail

Retail property was undoubtedly strongly affected COVID-19 but this simply accelerated the existing structural challenges around online and omni-channel retailing. The crisis gripping the high street saw more retailers filing for CVAs and administrations, with Debenhams and Arcadia among the most notable casualties. Multiple/chain retailers were relatively inactive with Landlords favouring independent retailers looking for opportunities to open. However, these occupiers have a maximum rent and Guildford saw a reduction in rental levels from over £300psf ITZA in 2018 to c.£175 psf ITZA in 2020/21. Unsurprisingly, the online sector continued to perform strongly. Out of town retail warehousing was arguably the most defensive part of UK retailing against the rise of online retail sales, driven by affordability and stronger demands from retailers. There continued to be occupational activity particularly at the value end of the market (e.g. Lidl, Aldi, The Range, Home Bargains, etc.).

PROPERTY MARKET – OUTLOOK

There continues to be a range of forecasts, but recovery is expected to be strong as the economy gets back in gear, bolstered by the UK's highly successful vaccination programme. That's not to dismiss the still significant challenges faced by some sectors though, with structural forces set to considerably impact the way office and retail space is utilised over the longer term.

It is felt the office market will have a greater emphasis on health & wellbeing with fewer desks (but more desk space) alongside a greater share of collaboration and meeting space. Outdoor areas, amenities and fit-out will be top priorities and investment in environmental, social and governance (ESG) will accelerate with smart building technology and net zero carbon upgrades.

The speed of recovery in retail will depend on how quickly consumers spend the savings amassed during the pandemic. The next months will also provide a gauge on the propensity of some consumers to keep shopping online post-lockdown. However, many within the industry continue to advocate a wider reform of the business rates system.

The re-purposing of retail assets, the future demand for offices, and the growing importance of ESG issues and the evolving impact of Brexit are likely to be key issues for 2021.

³ RICS UK Commercial Market Survey, Q4 2020

GBC INVESTMENT PROPERTY FUND PORTFOLIO ANNUAL REPORT

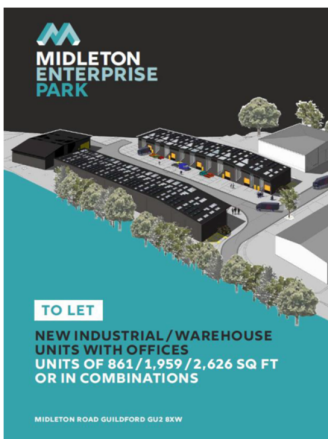
MAJOR PROJECTS

Midleton Industrial Estate Redevelopment

The Council progressed the phased redevelopment of Midleton Industrial Estate during 2020/21 despite the issues regarding the pandemic.



Phase 1 – This phase, the development of a pair of semi-detached industrial/warehouse units c. 10,000 sq.ft, with offices, was completed in 2020/21. Both units were let to a single tenant (new to Guildford) in April 2021 on a 10-year lease at £126,063pa.



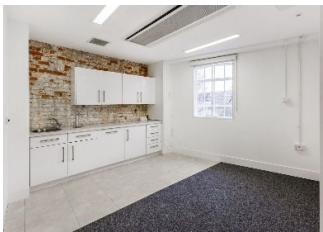
Phase 2/3 - Demolition works of plots 12-15 were completed in 2020/21 and construction works are progressing at pace. It is hoped works will be completed in Autumn with some units already under offer.



Phase 4 - Design work for plots 3-5 and 9 got underway and a planning application was submitted and has subsequently been approved. It is hoped that the Council will be going out to tender for the works in Summer 2021.



Unit 2, The Billings, Walnut Tree Close



During 2020 the Council undertook a full refurbishment of Unit 2, including full internal redecoration to first, ground and lower ground floors, communal area and roof works. The refurbishment works successfully attracted two good lettings in a very difficult market. The lower ground floor let in November 2020 at a rent of £39,500 pa; and the first-floor accommodation is under offer.

The Hub, 1 Thornberry Way, Slyfield

In 2020 a refurbishment of The Hub was completed which included, stripping out the mezzanine floor and full warehouse racking, undertaking repairs to the concrete slab where necessary, and a full refurbishment of the office and kitchen area. The property was then successfully let in January 2021 at £233,200 pa.



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Service Unit / Scheme	Original Estimate	Outturn Estimate	Actual	Variance
	£	£	£ p	(o/s = overspend) £
1. APPROVED CAPITAL PROGRAMME SCHEMES				
COMMUNITY DIRECTORATE				
Mandatory DFG	605,000	635,985	339,701.74	(296,282.90)
Better Care Fund	-	0	254,569.41	254,569.41
Home Improvement Grants (w.e.f. 2003)	-	0	8,199.79	8,199.79
Solar Energy Loans			6,000.00	6,000.00
BCF TESH project	-	0	0.00	-
BCF Prevention grant		0	27,513.70	27,513.70
SHIP: Equity Loans Scheme Imps	-	0		-
General	100,000	0		-
General	120,000	122,769		(122,768.82)
Bright Hill CP	0	0	35,063.20	35,063.20
Garage Sites - General	0	0	1,837.50	1,837.50
Japonica Court/Shawfield Day Centrw	0	1,633	1,633.24	-
Site B10b Feasibility	0	0	501.00	501.00
Redevelopment bid 13	0	0	83,733.88	83,733.88
Void investment property refurbishment works	170,000	0		-
Unit 2 The Billings void works (complete)	0	47,786	47,786.10	-
5 High Street void works	0	5,854	5,854.17	-
1 Midleton void works		5,619	5,618.50	-
10 Midleton void works		214,930	214,929.98	-
Energy efficiency compliance - Council owned properties	137,000	313	312.80	-
Bridges -Inspections and remedial works	0	4,433		(4,432.80)
Bridges - Millmead Lattice		0	3,112.80	3,112.80
Bridges - general			1,320.00	1,320.00
Electric Theatre - new boilers (complete)	0	120,000	120,000.00	-
The Billings roof	175,000	1,975	1,975.00	-
Broadwater cottage	0	206,271	206,270.92	-
Gunpowder mills - scheduled ancient monument(complete)	52,000	186,539	186,538.63	-
Guildford House Exhibition lighting	50,000	0	0.00	-
Rodboro Buildings - electric theatre through road and parking	280,000	10,135	10,134.78	-
Cladding of Ash Vale units (no longer reqd)	92,000	0	0.00	-
Tyting Farm Land-removal of barns and concrete hardstanding(complete)	0	135,378	135,378.39	-
Foxenden Tunnels safety works	0	5,601	5,600.64	-
Holy Trinity Church boundary wall	0	43,219	43,219.25	-
SMP Ph1 Calorifer replacement	28,000	0		-
SMP Main pavilion amenity club	50,000	3,135	3,135.00	-

Service Unit / Scheme	Original Estimate	Outturn Estimate	Actual	Variance
	£	£	£ p	(o/s = overspend) £
SMP cricket pavilion	120,000	3,740	3,740.00	-
COMMUNITY DIRECTORATE - Totals	1,979,000	1,755,314	1,753,680.42	-1,633.24
ENVIRONMENT DIRECTORATE				
Flood resilience measures (use in conjunction with grant funded schemes)	21,000	0		-
Vehicles, Plant & Equipment Replacement Programme	4,220,000	3,143,519	3,143,519.00	-
Flood resilience measures (use in conjunction with grant funded schemes)	0	100,000		(100,000.00)
Litter bins replacement (complete)	153,000	0		-
Marrow lane grille & headwall construction	57,000	0		-
Spectrum Roof replacement	0	102,985	102,985.29	-
Infrastructure works: Guildford Commons	0	836	836.00	-
Westnye Gardens play area (complete)	0	5,271	5,271.43	-
Redevelopment of Westborough and Park barn play area	295,000	0		-
Stoke cemetery re-tarmac	47,000	0		-
Woodbridge rd sportsground replace fencing(complete)	0	15,659	15,658.79	-
PB-sang costs	0	6,250	6,250.00	-
Museum and castle development (no longer reqd)	1,020,000	0	0.00	-
Parks and Countryside - repairs and renewal of paths,roads and car parks	0	29,529	29,529.31	-
Kings college astro turf (complete)	0	17,821	17,820.90	-
Shalford Common - regularising car parking/reduction of encroachments	99,000	4,300	4,300.00	-
Allen House Pavillion - Roof Works	0	30,000	30,000.00	-
Traveller encampments - Bellfields Green	10,000	20,000	20,000.00	-
Traveller encampments	5,000	0		-
Traveller encampments - Christchurch Spectrum	5,000	5,000		(5,000.00)
ENVIRONMENT DIRECTORATE - Totals	5,932,000	3,481,171	3,376,170.72	-105,000.00
FINANCE DIRECTORATE				
Capital contingency fund	5,000,000	0	0.00	-
FINANCE DIRECTORATE- Totals	5,000,000	0	0.00	0.00
DEVELOPMENT - INCOME GENERATING ETC				
Guildford Park - Housing for Private and infrastructure works (move to HRA)	3,462,000	-2,844,608	-2,844,607.80	-
Investment in North Downs Housing (60%)	4,500,000	2,958,627	2,958,627.01	-
Equity shares in Guildford Holdings Ltd (40%)	3,000,000	1,973,418	1,973,418.00	-
Middleton Ind Est Redevelopment	5,500,000	3,423,945	3,423,945.24	-
Property acquisitions	20,000,000	1,284,845	1,284,844.64	-

Service Unit / Scheme	Original Estimate	Outturn Estimate	Actual	Variance
	£	£	£ p	(o/s = overspend) £
Walnut Bridge replacement	1,593,000	1,279,857	1,279,856.98	-
Rebuild Crematorium	0	528,315	528,315.46	-
Internal Estate Road - CLLR Phase 1	0	342,724	342,724.21	-
Slyfield Area Regeneration Project (SARP)	700,000	3,217,486	3,217,486.03	-
WUV - Allotment relocation	160,000	454,118	454,118.49	-
WUV - New GBC Depot	0	59,142	59,141.98	-
WUV - Thames Water relocation	0	6,628,326	6,628,325.77	-
WUV - Land Purchase	0	1,090,590	1,090,589.75	-
North Street Development / Guild Town Centre regeneration	736,000	275,251	275,250.99	-
Town Centre Gateway Regeneration(no longer reqd)	3,480,000	0		-
SMC(West) Phase 1	2,975,000	374,371	374,371.00	-
A331 hotspots	3,146,000	81,788	81,788.20	-
Town Centre Approaches	816,000	446,436	446,435.59	-
Ash Road Bridge	20,654,000	976,584	976,584.19	-
Ash Road Footbridge	500,000	29,420	29,420.00	-
DEVELOPMENT INCOME GENERATING ETC - Totals	71,222,000	22,580,636	22,580,635.73	0
Approved programme total	84,133,000	27,817,120	27,710,486.87	-106,633
COMMUNITY DIRECTORATE				
Old Manor House - replacement windows (no longer reqd)	193,000	0		-
Guildford Museum (no longer reqd)	16,810,000	0		-
Methane gas monitoring system	150,000	0		-
Energy efficiency compliance - Council owned properties	950,000	0		-
Bridges	370,000	0		-
Westfield/Moorfield rd resurfacing	3,152,000	0		-
New House works (no longer reqd)	416,000	0		-
Energy & CO2 reduction in Council non HRA properties	268,000	0		-
COMMUNITY DIRECTORATE - Totals	22,309,000	0	0.00	0.00
ENVIRONMENT DIRECTORATE				
Vehicles, Plant & Equipment Replacement Programme	780,000	0		-
Stoke pk office accomodation & storage buildings	665,000	0		-
Stoke Park Masterplan enabling costs	100,000	0		-
Parks and Countryside - repairs and renewal of paths,roads and car parks	400,000	0		-
Sports pavillions - replace water heaters	28,000	0		-
Traveller encampments moved to approved as new named	115,000	0		-

Service Unit / Scheme	Original Estimate £	Outturn Estimate £	Actual £ p	Variance (o/s = overspend) £
ENVIRONMENT DIRECTORATE - Totals	2,088,000	0	0	0
DEVELOPMENT - INCOME GENERATING ETC				
Guildford Park - Housing for Private and infrastructure works	4,380,000	0	0.00	-
Redevelop Midleton industrial estate	5,557,000	0	0.00	-
North Street development	29,090,000	0	0.00	-
Bright Hill Development	500,000	0	0.00	-
Guildford West (PB) station	1,700,000	0	0.00	-
Property acquisitions	9,492,000	0	0.00	-
Guildford Gyratory & approaches	3,500,000	0	0.00	-
Bus station relocation	500,000	0	0.00	-
Ash Road Footbridge	4,300,000	0		-
DEVELOPMENT - INCOME GENERATION - Totals	59,019,000	0	0	0
Provisional total	83,416,000	0	0.00	0
3.0 PROJECTS FUNDED FROM RESERVES etc.				
ENERGY PROJECTS per SALIX RESERVE:(PR220)				
LED lighting	44,000	70,050		(70,050.00)
MILLMEAD HOUSE & FARNHAM ROAD CP - PV	0	70,050	70,273.39	223.39
Park Barn Day Centre - air source heat pump (complete)			2,884.66	
SMP - air source heat pump	28,000	320	0.00	(320.00)
ENERGY RESERVES - Totals	72,000	140,420	73,158.05	-70,146.61
BUDGET PRESSURES RESERVE				
Future Guildford implementation team	1,600,000	0		-
BUDGET PRESSURES RESERVE TOTAL	1,600,000	0	0	0
FINANCE DIRECTORATE				
IT Renewals				
Hardware / software budget	500,000	652,874		(652,874.24)
Hardware	0	0	13,491.90	13,491.90
Software	0	0	609,821.06	609,821.06
ICT infrastructure improvements	0	0		28,289.25
Hardware	0	0	1,272.03	1,272.03
Software	50,000	375	28,289.25	27,914.25

G. F. CAPITAL PROGRAMME - EXPENDITURE

2020-21

21.06.21

Service Unit / Scheme	Original Estimate £	Outturn Estimate £	Actual £ p	Variance (o/s = overspend) £
Future Guildford ICT	0	545,486	108,922.92	(436,563.08)
Salesforce			436,772.94	436,772.94
BUSINESS SYSTEMS - IT Renewals Reserve - Totals	550,000	1,198,735	1,198,570.10	28,124.11
CAR PARKS RESERVE				
- Deck Millbrook car park(no longer reqd)	1,000,000	0		-
Lift replacement (PR000293)	187,000	368,974	369,322.82	348.82
Additional barriers Farnham Rd	15,000	0		-
Deck surface replacement (stair cores)Farnham Rd	70,000	0		-
Deck surface replacement Leapale Rd	400,000	8,000	7,500.00	(500.00)
Signage replacement Leapale Rd(no longer reqd)	30,000	0		-
Structural repairs roof turret timbers Castle St	60,000	0		-
Car Park Reserves- Totals	1,762,000	376,974	376,822.82	-151.18
Reserves total	3,984,000	1,716,129	1,648,550.97	-42,174
4. PROJECTS FUNDED FROM S106				
ENVIRONMENT DIRECTORATE				
Gunpowder mills - signage, access and woodland imp	0	748	1,380.00	632.00
Chantry Wood Campsite	0	0		-
Foxenden Quarry	0	2,728	2,800.00	72.00
SMP outdoor gym equipment COMPLETE	0	395	395.00	-
Fir Tree Garden	0	1,235	587.93	(647.07)
Boardwalk Heathfield Nature Reserve	0	244		(244.00)
Albury Playground Equip (PC)	0	17,000	17,393.56	393.56
West Horsley Planters		6,748	6,748.00	-
Worplesdon Office accom		51,528	51,528.46	0.46
ENVIRONMENT DIRECTORATE - Totals	0	80,626	80,833	207
S106 total	0	80,626	80,833	207

G. F. CAPITAL PROGRAMME SCHEMES - EXPENDITURE

2020-21

SERVICE UNIT - SUMMARY	Original Estimate	Updated Estimate	Actual	Variance (o/s = overspend)
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G. F. CAPITAL PROGRAMME - EXPENDITURE

2020-21

21.06.21

Service Unit / Scheme	Original Estimate	Outturn Estimate	Actual	Variance (o/s = overspend)
	£	£	£ p	£
	£	£	£ p	£
GRAND TOTALS (INCL PROVISIONAL)				
COMMUNITY	24,288,000	1,755,314	1,753,680.42	(1,633)
ENVIRONMENT	8,020,000	3,561,797	3,457,003.67	(104,793.05)
FINANCE	5,000,000	-	0.00	-
DEVELOPMENT INCOME GENERATING ETC	130,241,000	22,580,636	22,580,635.73	-
ENERGY RESERVES	72,000	140,420	73,158.05	(67,261.95)
IT Reserve	550,000	1,198,735	1,198,570.10	(165.14)
Car Parks Reserve	1,762,000	376,974	376,822.82	(151.18)
Capital Reserve	1,600,000	-	0.00	-
TOTAL	171,533,000	29,613,875	29,439,870.79	-174,004.56

Agenda item number: 7
Appendix 3

Schedule of investments at 31 March 2021

Counterparty	Principal £	Rate	Start	End
Fixed investments				
LA - LB Islington	5,000,000	1.0000%	07-Apr-20	06-Apr-21
LA - Birmingham City Council	5,000,000	1.1000%	27-Apr-20	26-Apr-21
Metropolitan Housing Trust	2,000,000	1.5000%	28-May-20	28-May-21
LA - Plymouth Council	5,000,000	0.1200%	05-Jan-21	05-Jul-21
LA - Wokingham BC	5,000,000	0.2700%	10-Nov-20	09-Nov-21
LA - Thurrock Council	2,000,000	0.3800%	04-Jan-21	04-Jan-22
LA - Thurrock Council	4,000,000	0.3800%	13-Jan-21	12-Jan-22
LA - Aberdeen City	5,000,000	0.1000%	18-Jan-21	17-Jan-22
LA - IOW	5,000,000	0.1000%	20-Jan-21	19-Jan-22
LA - Thurrock Council	4,000,000	0.3800%	02-Feb-21	01-Feb-22
LA - Warrington BC	10,000,000	0.3000%	12-Mar-21	11-Mar-22
LA - PCC Sussex	4,000,000	0.0500%	30-Mar-21	28-May-21
	56,000,000			
Short-term Bonds				
London Stock Exchange	2,000,000	0.1720%	19-Jan-21	02-Nov-21
	2,000,000			
Long-term Covered bonds				
National Australia Bank	2,000,000	1.1250%	10-Nov-16	10-Nov-21
Commonwealth Bank of Australia	2,000,000	1.1250%	18-Jan-17	22-Dec-21
CIBC	2,000,000	1.1250%	17-Jul-17	30-Jun-22
Santander UK plc	1,000,000	0.3034%	16-Nov-17	16-Nov-22
Barclays Bank UK PLC	1,000,000	0.4771%	23-Oct-18	09-Jan-23
Nationwide	850,000	0.4729%	12-Apr-18	12-Apr-23
United Overseas Bank	1,000,000	0.3040%	01-Feb-19	28-Feb-23
Santander UK plc	1,000,000	0.7850%	12-Feb-19	12-Feb-24
Nationwide	1,500,000	0.6070%	10-Jan-20	10-Jan-25
Leeds BS	750,000	0.5967%	15-Jan-20	15-Jan-25
Coventry BS	500,000	0.5767%	15-Jan-20	15-Jan-25
Lloyds	1,500,000	0.4255%	03-Feb-20	03-Feb-23
National Australia Bank	1,000,000	0.5555%	04-Feb-20	04-Feb-25
	16,100,000			

Counterparty	Principal £	Rate	Start	End
Long-term investments				
Staffordshire Moorlands	1,500,000	1.3000%	20-May-20	20-May-22
LB Croydon	5,000,000	0.9500%	05-May-20	04-May-21
Highland Council	5,000,000	2.0000%	14-Apr-20	14-Apr-21
Rugby Borough Council	2,000,000	2.0500%	15-Apr-20	15-Apr-21
Southern Housing Group Ltd	6,000,000	1.4500%	09-Mar-21	09-Sep-21
Uttlesford DC - Saffron Walde	3,000,000	0.4500%	24-Nov-20	24-May-22
	22,500,000			
Notice Accounts				
Barclays	3,000,000			
	3,000,000			
Call Account				
HSBC	325,500			
	325,500			
Money market funds				
Aberdeen	7,029,000			
BNP	5,203,000			
Aviva	8,466,000			
CCLA	7,000,000			
Federated	11,521,000			
	39,219,000			
Total internally managed	139,144,500			
Externally managed				
CCLA	6,491,179			
Federated Cash Plus	5,000,000			
Royal London	2,332,194			
M&G	3,528,656			
Schroders	697,631			
Fundamentum (REIT)	1,970,000			
UBS	2,203,598			
Funding Circle	508,476			
Total Externally managed	22,731,734			
Total investments	161,876,234			

Economic background – a commentary from Arlingclose

Economic background: The coronavirus pandemic dominated 2020/21, leading to almost the entire planet being in some form of lockdown during the year. The start of the financial year saw many central banks cutting interest rates as lockdowns caused economic activity to grind to a halt. The Bank of England cut Bank Rate to 0.1% and the UK government provided a range of fiscal stimulus measures, the size of which has not been seen in peacetime.

Some good news came in December 2020 as two COVID-19 vaccines were given approval by the UK Medicines and Healthcare products Regulatory Agency (MHRA). The UK vaccine rollout started in earnest; over 31 million people had received their first dose by 31st March. A Brexit trade deal was agreed with only days to spare before the 11pm 31st December 2020 deadline having been agreed with the European Union on Christmas Eve.

The Bank of England (BoE) held Bank Rate at 0.1% throughout the year but extended its Quantitative Easing programme by £150 billion to £895 billion at its November 2020 meeting. In its March 2021 interest rate announcement, the BoE noted that while GDP would remain low in the near-term due to COVID-19 lockdown restrictions, the easing of these measures means growth is expected to recover strongly later in the year. Inflation is forecast to increase in the near-term and while the economic outlook has improved there are downside risks to the forecast, including from unemployment which is still predicted to rise when the furlough scheme is eventually withdrawn.

Government initiatives supported the economy and the Chancellor announced in the 2021 Budget a further extension to the furlough (Coronavirus Job Retention) scheme until September 2021. Access to support grants was also widened, enabling more self-employed people to be eligible for government help. Since March 2020, the government schemes have helped protect more than 11 million jobs.

Despite the furlough scheme, unemployment still rose. Labour market data showed that in the three months to January 2021 the unemployment rate was 5.0%, in contrast to 3.9% recorded for the same period 12 months ago. Wages rose 4.8% for total pay in nominal terms (4.2% for regular pay) and was up 3.9% in real terms (3.4% for regular pay). Unemployment is still expected to increase once the various government job support schemes come to an end.

Inflation has remained low over the 12 month period. Latest figures showed the annual headline rate of UK Consumer Price Inflation (CPI) fell to 0.4% year/year in February, below expectations (0.8%) and still well below the Bank of England's 2% target. The ONS' preferred measure of CPIH which includes owner-occupied housing was 0.7% year/year (1.0% expected).

After contracting sharply in Q2 (Apr-Jun) 2020 by 19.8% q/q, growth in Q3 and Q4 bounced back by 15.5% and 1.3% respectively. The easing of some lockdown measures in the last quarter of the calendar year enabled construction output to continue, albeit at a much slower pace than the 41.7% rise in the prior quarter. When released, figures for Q1 (Jan-Mar) 2021 are expected to show a decline given the national lockdown.

After collapsing at an annualised rate of 31.4% in Q2, the US economy rebounded by 33.4% in Q3 and then a further 4.1% in Q4. The US recovery has been fuelled by three major pandemic relief stimulus packages totalling over \$5 trillion. The Federal Reserve cut its main interest rate to between 0% and 0.25% in March 2020 in response to the pandemic and it has remained at the same level since. Joe Biden became the 46th US president after defeating Donald Trump.

The European Central Bank maintained its base rate at 0% and deposit rate at -0.5% but in December 2020 increased the size of its asset purchase scheme to €1.85 trillion and extended it until March 2022.

Financial markets: Monetary and fiscal stimulus helped provide support for equity markets which rose over the period, with the Dow Jones beating its pre-crisis peak on the back of outperformance by a small number of technology stocks. The FTSE indices performed reasonably well during the period April to November, before being buoyed in December by both the vaccine approval and Brexit deal, which helped give a boost to both the more internationally focused FTSE 100 and the more UK-focused FTSE 250, however they remain lower than their pre-pandemic levels.

Ultra-low interest rates prevailed throughout most of the period, with yields generally falling between April and December 2020. From early in 2021 the improved economic outlook due to the new various stimulus packages (particularly in the US), together with the approval and successful rollout of vaccines, caused government bonds to sell off sharply on the back of expected higher inflation and increased uncertainty, pushing yields higher more quickly than had been anticipated.

The 5-year UK benchmark gilt yield began the financial year at 0.18% before declining to -0.03% at the end of 2020 and then rising strongly to 0.39% by the end of the financial year. Over the same period the 10-year gilt yield fell from 0.31% to 0.19% before rising to 0.84%. The 20-year declined slightly from 0.70% to 0.68% before increasing to 1.36%.

1-month, 3-month and 12-month SONIA bid rates averaged 0.01%, 0.10% and 0.23% respectively over the financial year.

The yield on 2-year US treasuries was 0.16% at the end of the period, up from 0.12% at the beginning of January but down from 0.21% at the start of the financial year. For 10-year treasuries the end of period yield was 1.75%, up from both the beginning of 2021 (0.91%) and the start of the financial year (0.58%).

German bund yields continue to remain negative across most maturities.

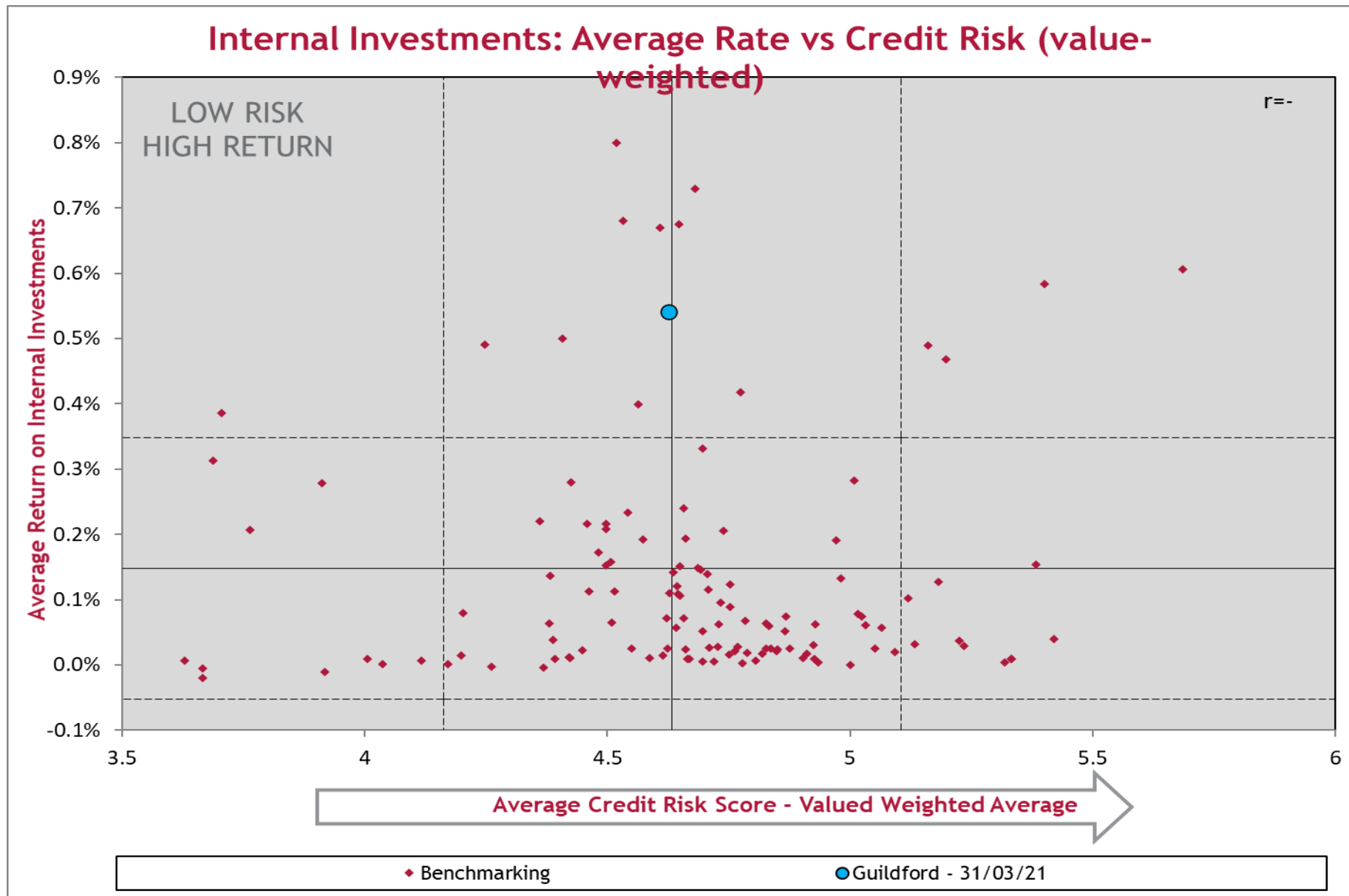
Credit review: After spiking in March 2020, credit default swap spreads declined over the remaining period of the year to broadly pre-pandemic levels. The gap in spreads between UK ringfenced and non-ringfenced entities remained, albeit Santander UK is still an outlier compared to the other ringfenced/retail banks. At the end of the period Santander UK was trading the highest at 57bps and Standard Chartered the lowest at 32bps. The other ringfenced banks were trading around 33 and 34bps while Nationwide Building Society was 43bps.

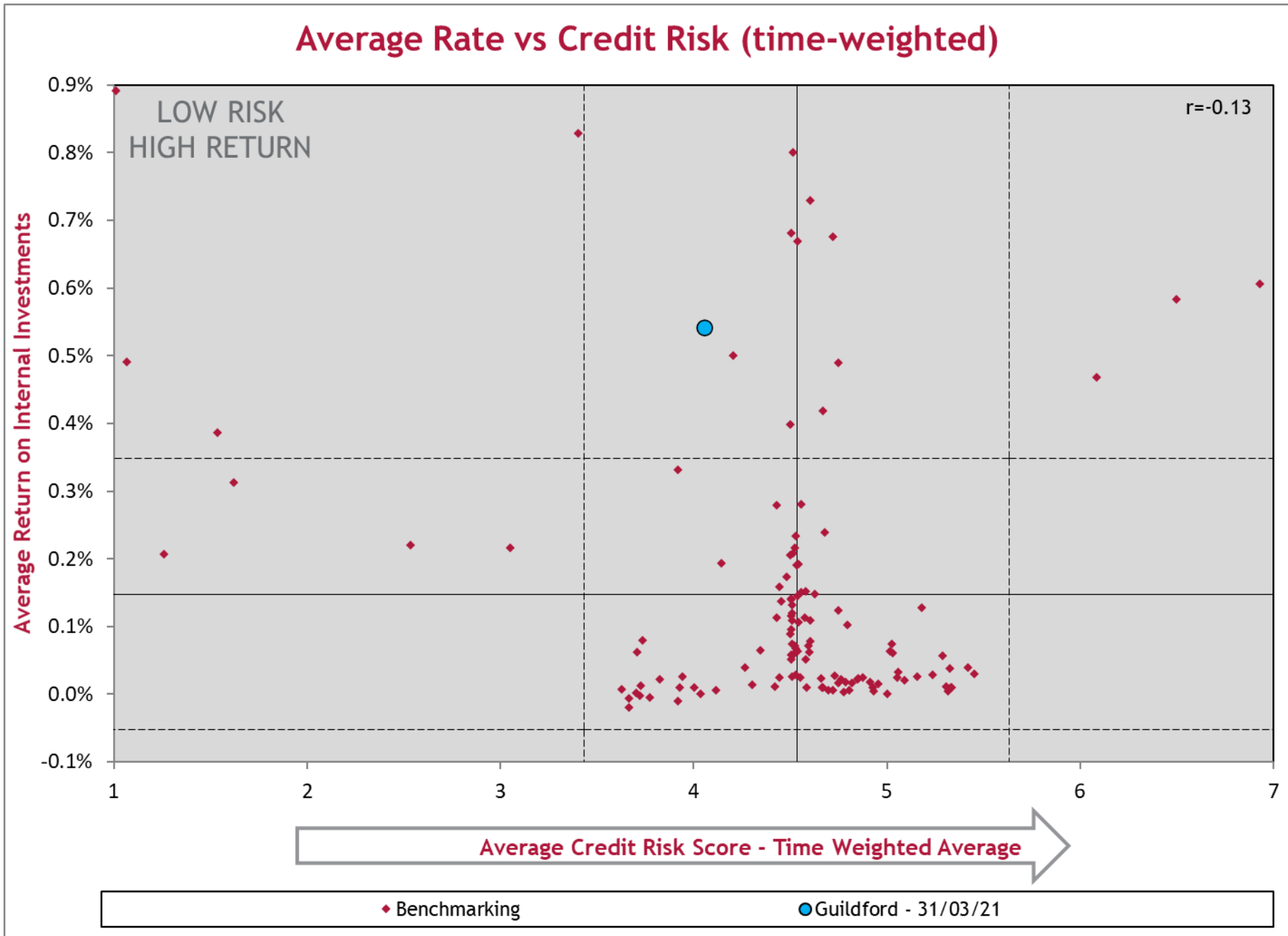
Credit rating actions to the period ending September 2020 have been covered in previous outturn reports. Subsequent credit developments include Moody's downgrading the UK sovereign rating to Aa3 with a stable outlook which then impacted a number of other UK institutions, banks and local government. In the last quarter of the financial year S&P upgraded Clydesdale Bank to A- and revised Barclay's outlook to stable (from negative)

while Moody's downgraded HSBC's Baseline Credit Assessment to baa3 whilst affirming the long-term rating at A1.

The vaccine approval and subsequent rollout programme are both credit positive for the financial services sector in general, but there remains much uncertainty around the extent of the losses banks and building societies will suffer due to the economic slowdown which has resulted due to pandemic-related lockdowns and restrictions. The institutions and durations on the Authority's counterparty list recommended by treasury management advisors Arlingclose remain under constant review, but at the end of the period no changes had been made to the names on the list or the recommended maximum duration of 35 days.

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Credit score analysis

Scoring:

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

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

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

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Credit Rating Equivalents and Definitions

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

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

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Background to externally managed funds

CCLA – The Local Authorities Property Fund

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

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

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

M&G Global Dividend Fund

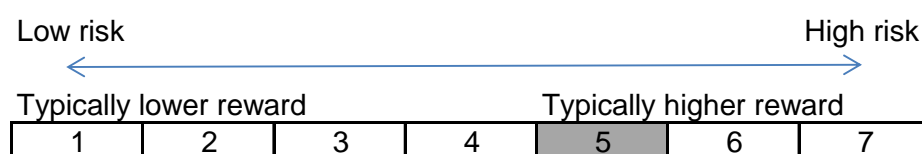
The fund aims to deliver a dividend yield above the market average, by investing mainly in a range of global equities. It aims to grow distributions over the long-term whilst maximising total return (a combination of income and growth of capital).

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

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

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

Risk and reward profile



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

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

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

Schroder Income Maximiser Fund

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

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

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

UBS Multi-Asset Income Fund

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

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

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

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

Risk profile

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

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

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

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

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

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

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

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Glossary

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

Arlingclose – the Council's treasury management advisors

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

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

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

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

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

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

Bank Rate – the Bank of England base rate

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

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

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

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

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

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

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

CCLA – the local authority property investment fund

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

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

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

CLG – department of Communities and Local Government

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

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

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

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

Counterparty – the organisation the Council is investing with

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

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

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

Creditworthiness – a measure of the ability to meet debt obligations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Housing Grants – see Affordable Housing Grants

Illiquid – cannot be easily converted into cash

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

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

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

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

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

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

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

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

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

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

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

Money Market - the market in which institutions borrow and lend

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

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

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

Money Market Rates – interest rates on money market investments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sovereign – the countries the Council are able to invest in

Specified Investments - Specified investments are defined as:

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

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

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

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

SWAP Bid – a benchmark interest rate used by institutions

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

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

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

Treasury net – the Council's cash management system

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

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

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

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

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Executive Report

Ward affected: all

Report of Director of Resources

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Date: 24 August 2021

Housing Revenue Account Final Accounts 2020-21

Executive Summary

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

This report sets out the actual level of revenue spending on day-to-day services provided to tenants recorded in the HRA in 2020-21.

The operating surplus for the HRA in 2020-21 was £345,000 less than the budgeted surplus of £10.999 million (Section 5). The outturn allows a contribution of £2.5million to the reserve for future capital and a contribution of £8.153million to the New Build reserve. The HRA working balance at year-end remains at £2.5 million.

The Chief Finance Officer, in consultation with the Leader of the Council and Lead Councillor for Community and Lead Councillor for Resources have used their delegated authority to make the transfers to reserves. This continues the policy adopted in previous years, whereby the year-end surplus is applied to each of the above two reserves.

This report was considered by the Corporate Governance and Standards Committee at its meeting on 29 July 2021. In commending the report to the Executive, the Committee made the following comments:

- (a) With the inclusion of the proposed transfer of £2.5 million, the balance in the reserve for future capital programmes was £38 million at the end of the financial year. The Council had not yet spent anything from that reserve. The Leader of the Council reminded the Committee of the current review of the Housing Strategy which included a review of investment levels in the Council's existing stock, particularly in terms of repairs and maintenance to extend the life of the existing stock. Work in respect of

bringing void properties back into use had been delayed due to the pandemic, but it was hoped that work could progress more speedily on this moving forward.

- (b) The Council had approximately 5,000 HRA properties, which yielded nearly £10m per annum, or £2,000 per property, which was not a huge amount of money to spend on refurbishment per unit.

Recommendation to Executive

That the Executive notes the final outturn position and endorses the decision taken under delegated authority to transfer £2.5 million to the reserve for future capital, and £8.15 million to the new build reserve from the revenue surplus of £10.65 million in 2020-21.

Reason for Recommendation

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

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

1 Purpose of Report

- 1.1 This report sets out the final position on the Housing Revenue Account for the 2020-21 financial year. It explains the major variances and reports how the available balance has been used.

2 Strategic Priorities

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

3 Revised timelines for Certification and Audit of the Accounts – COVID19

- 3.1 This report sets out the final position on the Housing Revenue Account.
- 3.2 Officers have included the impact of the final position in the statutory statement of accounts, which the Chief Financial Officer will publish on our website once they are available. There has been a delay in publishing the draft Statement of Accounts due to complexities in accounting for the COVID grants and some issues arising from the data migration and configuration of our new finance, HR and payroll system, Business World. The CFO informed the Leader of the Council, Lead Councillor for Resources and notified the auditors that the accounts have been delayed. The CFO has also published a statutory notice advising of the delay to the public inspection period on the Council's website. The public inspection period will commence as soon as practicable after the accounts have been published.
- 3.3 The HRA is an integral part of the Statement of Accounts.

4 Background

- 4.1 The Local Government and Housing Act require the Council to keep a HRA that records all revenue expenditure and income relating to the provision of council residential dwellings and related services. The use of this account is heavily prescribed by statute and the Council is not allowed to fund any expenditure for non-housing related services from this account.
- 4.2 Since April 2012, the HRA has operated independently of the previous national income redistributive system. The Council made a one-off payment to the Government of £192.3 million as part of the settlement, this was funded through a portfolio of loans from the Public Works Loan Board.
- 4.3 The HRA Business Plan seeks to maximise the advantages of the new financial environment and the associated flexibility it offers.
- 4.4 The business plan objectives are set out below.
- operate a sound, viable housing business in a professional and cost-effective manner
 - provide good quality homes in settled communities for as long as needed by tenants, consistent with our Tenancy Strategy
 - increase the supply of affordable homes, including by direct provision where it is appropriate and viable to do so
 - continue to strengthen communities by making our estates places people value and want to live
 - value and promote tenant involvement in decision making
 - widen the range of housing options open to tenants, ensuring they can make informed choices.

The 2020-21 budget reflected these objectives and priorities.

5 Summary

- 5.1 The operating surplus for the HRA account in 2020-21 is approximately £10.65million. This is different to the £10.2million shown in Appendix 1 due to the reversal of statutory pension (IAS19) costs and capital items which are shown in the transfers to the pensions reserve and the capital adjustment account. The operating surplus is represented by the contributions to the Reserve for Future Capital and the New Build Reserve.
- 5.2 The table below shows the main variances between the budgeted and actual operating surplus for 2020-21 under the key headings.

	£000
Budgeted HRA outturn (surplus) / deficit 2020-21	(10,999)
<i>Represented by the <u>budgeted</u> contribution to the Reserve for Future Capital and the New Build reserve [£2.500m + £8.43m]</i>	
Variance from budgeted position (major variances)	
Employee related [incl. write out of added years and pension strain costs]	(419)
Investment Income and Interest charge payable	347

Capital adjustments (depreciation, revaluation, REFCUS)	80
Premises (Repairs & maintenance, utilities, cleaning etc)	295
Supplies and Services and other variances	110
Rental income	(68)
Total	345
Operating (surplus)/deficit available to transfer to reserve in 2020-21	(10,654)
<i>Represented by the proposed contribution to the Reserve for Future Capital and the New Build reserve (£2.500m + £8.153m)</i>	

- 5.4 Officers propose to transfer £2.5 million to the reserve for future capital, with the balance of £8.153 million transferred to the new build reserve.

6 Outturn position and major variances

Revenue

- 6.1 Gross expenditure on services was 102.13% of the budgeted level, whilst income receivable totalled 99.91% of the budgeted level. The reasons for this are set out in paragraphs 6.4 to 6.10 below and summarised in **Appendix 1**.
- 6.2 The operating surplus for the HRA account in 2020-21 is approximately £10.65 million, which is significantly better than would have been the case under the previous redistributive regime. This surplus, however, makes no provision for the repayment of debt principal; in line with the approach set out in the HRA business plan approved by the Executive.
- 6.3 The HRA would still have an operating surplus if we had made provision to repay the debt over the 30-year plan period. To repay the debt over the 30-year plan period a sum in the region of £6.4 million would need to be set aside from the operating surplus each year, reducing the level of available capital to invest to a figure in the region of £3.8 million. This is an overly simplistic representation designed to highlight the underlying surplus. It ignores the impact of any premium and discounts arising on the early redemption of debt, and more significantly the impact inflation would have on the debt, which is fixed in cash terms and would erode in real terms as the result of inflation.
- 6.4 Rental income from dwellings was £32,295,620 (0.09%) below the estimate (Appendix 1). The service has seen rent loss due to voids but rent collection levels on occupied property remains good.
- 6.5 Employee related expenditure was £419,000 lower than estimated and includes the in-year benefit of writing out accrued added years and pension strain costs.
- 6.6 Each year the Ministry of Housing, Communities and Local Government (MHCLG) sets a formula rent for each Council to apply to its housing stock along with a guideline rent increase/decrease. When our rents are higher than the prescribed "limit rent" then rent rebate subsidy limitation (RRSL) applies. RRSL is a mechanism that ensures that councils do not simply increase rents above the guideline level in the knowledge that the cost of doing so would fall on the Department of Work and Pensions (DWP) in higher

housing benefit costs. The actual average rent for 2020-21 was below the prescribed limit rent; consequently, no RRSI charge has been applied to the HRA.

- 6.7 Expenditure on repairs & maintenance exceeded the budget by £295,000 or 4.89%. The budget provides for both planned and responsive repairs, so an element of demand driven cost is inherent in the expenditure. The service has seen expenditure on void properties increase in 2020-21. Void units typically incur additional repair and improvement expenditure in order to prepare them for reletting and these costs are often significant.
- 6.8 Total investment in the stock, including both revenue and capital funded maintenance and improvement works was £9.993 million.
- 6.9 Rent arrears remain at consistent levels, in contrast to the overall housing sector, which is experiencing an increase in the level of arrears. Although a number of welfare reform changes have now taken effect, migration delay in the roll out of universal credit has deferred any potential impact on arrears levels. As a result, a contribution of £66,700 has been made to the provision for bad debt in 2020-21. The budgeted contribution for 2020-21 was £300,000. This approach equates to a provision coverage ratio of 75%.
- 6.10 The table below sets out the outturn for the headline categories across the HRA.

Account	Budget £	Draft Actual £	Variance £
Employee related	3,113,920	3,167,840	53,920
Premises related	6,034,690	6,329,730	295,040
Supplies and services	1,199,820	1,275,934	76,114
Support services	1,392,960	1,417,581	24,621
Transport related	75,930	57,647	(18,283)
Expenditure	11,817,320	12,248,732	431,412
Income (including recharges)	(33,142,260)	(33,209,844)	(67,584)
Net Expenditure/(Income)	(21,324,940)	(20,961,112)	363,828

Comparison to net cost of services in Appendix 1			
Depreciation	5,525,000	5,686,291	161,291
Recharge to general fund for Housing Advice service	256,800	284,690	27,890
IAS 19 pension adjustment	-		-
			-
Revaluation and other capital items	-	(143,347)	(143,347)
Sub Total - Net Cost of Services	(15,543,140)	(15,133,479)	409,661
Comparison to budgeted reserve contribution variance			
Investment income	-598,260	-11,546	586,714
Interest payable	5,142,230	4,902,208	-240,022
Transfer from reserve: Revaluation	0	143,347	143,347
Transfer from reserve: REFCUS	0		0
Transfer from reserve: Pension contribution	0	-473168.06	-473,168
Transfer from reserve: Intangible assets	0		0
Transfer from reserve: Income from sale of assets	0	-64,567	-64,567
Revenue funded from capital (REFCUS – specific item)	65,666	-16,050	-81,716
Total Operating Surplus	(10,933,504)	(10,653,254)	280,250

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

- 6.11 **Right to Buy (RTB) sales and one-for-one receipts:** Under the Government's one-for-one homes replacement scheme, the Council is able to retain an element of the RTB capital receipt to invest in the provision of new dwellings (the amount retained in 2020-21 is shown in the table in paragraph 6.16).
- 6.12 A maximum of 30% of the overall cost of new home provision could be funded from the one-for-one receipts reserve before March 2021 (40% from 1 April 2021). If the Council is unable to deliver new homes within the timeframe set by Government, the receipt must be returned with interest. As a result, the first source of funding for new homes provision will be the one-for-one receipt reserve, with the balance (70%) being funded from the new build reserve or the reserve for future capital.
- 6.13 9 properties were sold under RTB in 2020-21. In relation to the number of properties held by the HRA, this is not a material number. However, a continuation or acceleration in RTB sales, without the addition of new stock replacing RTB losses is cause for concern. Over a sustained period, net stock losses will increase the fixed overhead costs attributable to each unit of stock. This would reduce our ability to generate operating surpluses to support our development programme.
- 6.14 Councillors will be aware that the expenditure on the provision of new homes has been less than it should have been in the past and as such, we have had to previously repay the Government 141 RTB receipts. This money has been recycled by the Government to others who have been able to spend the capital money. A summary of RTB for 2020-21 is in the table below

	£
Receipts in year	1,749,729.58
Admin costs	-11,700.00
Gross receipts	1,738,029.58
Pooled in year	-689,475.52
Net receipts before 141 repay	1,048,554.06
141 repaid to Govt	0
Total retained in 2020-21	1,048,554.06

Based on us selling 20 properties each year and spending £18.2 million by March 2025 we will not start having to repay 141 receipts until 2028-29.

- 6.15 **Reserves:** The HRA holds a number of reserves each for a specific purpose. They allow the Council to fund peaks in future years projected expenditure and will be a key funding source for the Council's development programme.
- 6.16 The table below shows the balance on each reserve at the start of 2020-21, along with the expenditure financed in year and the proposed transfers arising from the appropriation of the revenue surplus in 2020-21.

	Balance 1 April 20	Transfer in 20-21	Used in 20-21	Balance 31 March 2021	Proposed tfr from revenue surplus 20-21	Closing balance 20-21
	£000	£000	£000	£000	£000	£000
Reserve for future capital	35,828	-	-	35,828	2,500	38,328
New build reserve	56,113	-	- 4,817	51,296		51,296
Major repairs reserve	9,852	5,686	- 3,661	11,877	-	11,877
Total Earmarked Reserves	101,793	5,686	- 8,478	99,001	2,500	101,501

	Balance 1 April 20	Transfer in 20-21	Used in 20-21	Balance 31 March 2021	Proposed tfr from revenue surplus 20-21	Closing balance 20-21
	£000	£000	£000	£000	£000	£000
Usable capital receipts (HRA debt)	4,216			4,216		4,216
Usable capital receipts (141 receipts)	6,004			6,004		6,004
Usable capital receipts (housing & regen) pre 2013-14	3,618	-	- 3,618	-	-	-
Usable capital receipts (housing & regen statutory) post 2013-14	-			-		-
Total capital receipts reserves	13,838	-	- 3,618	10,220	-	10,220
Total of all Housing reserves						

- 6.17 **Use of operating surplus:** An operating balance of £2.5 million will be retained. This is a prudent approach and provides a degree of in-year flexibility.
- 6.18 The Council has clearly stated its ambition to increase the number of affordable homes in the borough and work is underway to bring forward a number of development opportunities. A combination of useable one-for-one receipts, and capital receipts have been used to finance capital expenditure on the new build programme which in 2020-21.
- 6.19 With this in mind, officers are proposing that £8.153 million is transferred to the new build reserve.
- 6.20 It is critical that we properly maintain our asset base to secure future income streams. A depreciation charge based on the value of the housing assets employed is made in the HRA. The 2020-21 depreciation charge was £5.686 million and the cost of maintaining the stock £3.661 million. We would normally expect to fully utilise this depreciation charge in the year with an additional contribution from the reserve for future capital to

fund the difference, but in 2020-21, we used £2.025 million less than the calculated charge, leaving a balance of £11.877 million in the major repairs reserve, as shown in the table in paragraph 6.16. The major repairs reserve (MRR) is ring fenced for improvements to existing stock.

- 6.21 The outcome of recent stock condition surveys indicates, in the short term, the level of depreciation charge will significantly exceed the level of investment Orequired in the existing stock. This will result in an increased balance on the MRR, which could be used to repay debt. Any recommendation to repay debt would be considered in the context of an updated HRA business plan, as well as by treasury management considerations at that time.
- 6.22 As a result of changes in the legislative and regulatory framework particularly in connection to the housing stock and the health and safety of residents the Council is reviewing the impact of these changes and it is expected that as result of these there will need to change to the current programme of work to reflect these issues. These will however be reported through the normal budgetary reporting framework.

7 Financial implications

- 7.1 The report covers the financial implications.

8 Legal implications

- 8.1 The Accounts and Audit (England) Regulations 2015 state that the Council must prepare, in accordance with proper practices in relation to accounts, a statement of accounts for each year, which must include such of the following accounting statements as are relevant to the functions of the relevant body:
- Housing Revenue Account
 - Collection Fund
 - any other statements relating to each and every other fund in relation to which the body is required by any statutory provision to keep a separate account
- 8.2 The proper practice referred to above is the Code of Practice on Local Authority Accounting in the United Kingdom: a Statement of Recommended Practice (the Code).
- 8.3 The Code is based on International Financial Reporting Standards (IFRSs) and has been developed by the CIPFA/Local Authority Scotland Accounts Advisory Committee (LASAAC) Code Board under the oversight of the Financial Reporting Advisory Board (FRAB). It constitutes a proper accounting practice under the terms of section 21(2) of the Local Government Act 2003.
- 8.4 The Chief Finance Officer will sign the Statement of Accounts on or before 31 August. Our external auditors, Grant Thornton will then audit the accounts before they are presented to the Corporate Governance and Standards Committee for consideration and approval on 23 September 2021. Specifically the role of the committee is to “ review the annual statement of accounts with specific emphasis on whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council”.
- 8.5 The Accounts and Audit (England) Regulations 2015 require the Chief Financial Officer to re-certify the accounts before approval and for the person presiding at the meeting (i.e.

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the chairman of Corporate Governance and Standards Committee) to sign and date them after approval. We must then publish the Statement of Accounts, together with any certificate, opinion or report issued by the external auditor.

9 Human Resource Implications

9.1 There are no human resource implications.

10 Summary of Options

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

11 Conclusion

11.1 The HRA delivered an operating surplus of £10.6 million. No provision for the repayment of debt principal is included in this figure.

11.2 The HRA is better placed under the new financial regime than it was under the old national redistributive system.

11.3 The outturn is broadly in line with the assumptions set out in the approved 2015-45 HRA Business Plan. The HRA can support the initial development programme outlined in the development strategy and has the capacity to support material contributions to both the new build reserve and the reserve for future capital programmes.

12 Background Papers

HRA Budget Report 2020-21 and 2015-2045 HRA Business Plan
Accounts and Audit (England) Regulations 2015
Code of Practice on Local Authority Accounting
Accounts and Audit (Coronavirus) (Amendment) Regulations 2020

13 Appendices

Appendix 1: HRA Summary statement: Actual 2020-21

HRA Summary statement: Actual 2020-21

HOUSING REVENUE ACCOUNT SUMMARY				
2018-19	2019-20	Analysis	2020-21	2020-21
Actual	Actual		Revised Estimate	Actual
£	£	Borough Housing Services	£	£
738,104	793,019	Income Collection	689,870	727,467
1,036,217	1,164,320	Tenants Services	888,100	1,158,150
81,030	122,998	Tenant Participation	148,900	125,133
69,865	107,717	Garage Management	101,710	98,978
59,064	41,744	Elderly Persons Dwellings	75,280	20,474
584,036	575,851	Flats Communal Services	360,200	354,387
423,867	414,254	Environmental Works to Estates	434,860	452,607
5,676,678	6,265,983	Responsive & Planned Maintenance	5,858,670	6,000,709
121,665	137,128	SOCH & Equity Share Administration	96,820	107,084
8,790,527	9,623,015		8,654,410	9,044,988
		Strategic Housing Services		
419,543	485,497	Advice, Registers & Tenant Selection	366,800	459,797
217,026	201,203	Void Property Management & Lettings	212,360	187,927
9,700	5,120	Homelessness Hostels	(203,270)	(61,131)
155,194	175,717	Supported Housing Management	159,720	167,083
426,311	527,717	Strategic Support to the HRA	356,070	484,040
1,227,774	1,395,255		891,680	1,237,716
		Community Services		
938,878	883,927	Sheltered Housing	902,420	828,759
		Other Items		
5,638,889	5,640,147	Depreciation	5,525,000	5,686,291
(45,515)	5,059,974	Revaluation and other Capital items	0	(143,347)
163,276	160,590	Debt Management	150,000	217,061
343,578	36,359	Other Items	402,380	5,985
17,057,407	22,799,267	Total Expenditure	16,525,890	16,877,451
(31,991,396)	(32,532,978)	Income	(32,325,830)	(32,295,620)
(14,933,989)	(9,733,711)	Net Cost of Services(per inc & exp a/c)	(15,799,940)	(15,418,169)
258,720	251,530	HRA share of CDC	256,800	284,690
(14,675,269)	(9,482,181)	Net Cost of HRA Services	(15,543,140)	(15,133,479)
(456,206)	(598,260)	Investment Income	(598,260)	(11,546)
5,159,240	5,131,995	Interest Payable	5,142,230	4,902,208
(9,972,235)	(4,948,446)	Deficit for Year on HRA Services	(10,999,170)	(10,242,816)
0	67,919	REFCUS - Revenue funded from capital	65,666	0

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Appendix 1

2,500,000	2,500,000	Contrib to/(Use of) RFFC	2,500,000	2,500,000
7,849,699	2,380,528	Contrib to/(Use of) New Build Reserve	8,433,504	8,153,254
(421,229)	0	Tfr (fr) to Pensions Reserve	0	(473,168)
0	0	Tfr (from)/to CAA re: Voluntary Revenue Provision	0	0
76,058	0	Tfr (from)/to CAA re: Revaluation	0	143,347
0	0	Tfr (from)/to CAA re: REFCUS	0	(64,567)
(30,543)	0	Tfr (from)/to CAA re: Intangible assets	0	0
(1,750)	0	Tfr (from)/to CAA re: rev. inc. from sale of asset	0	(16,050)
0	0	HRA Balance	0	(0)
(2,500,000)	(2,500,000)	Balance Brought Forward	(2,500,000)	(2,500,000)
(2,500,000)	(2,500,000)	Balance Carried Forward	(2,500,000)	(2,500,000)

2018-19	2019-20	Analysis	2019-20	2019-20
Actual	Projection		Estimate	Projection
£	£	Borough Housing Services	£	£
(29,236,342)	(29,570,473)	Rent Income - Dwellings	(29,975,150)	(28,993,277)
(208,349)	(208,349)	Rent Income - Rosebery Hsg Assoc	0	0
(206,530)	(225,551)	Rents - Shops, Buildings etc	(316,830)	(456,414)
(718,083)	(753,058)	Rents - Garages	(759,740)	(731,091)
(30,369,304)	(30,757,431)	Total Rent Income	(31,051,720)	(30,180,782)
(140,122)	(113,577)	Supporting People Grant	(134,370)	(202,608)
(1,023,033)	(1,098,353)	Service Charges	(1,087,270)	(1,089,288)
(9,144)	(15,339)	Legal Fees Recovered	(28,840)	45
(51,614)	(53,277)	Service Charges Recovered	0	0
(398,179)	(495,001)	Miscellaneous Income	(23,630)	(822,987)
(31,991,396)	(32,532,978)	Total Income	(32,325,830)	(32,295,620)

Executive Report

Ward(s) affected: All

Report of Chief Financial Officer

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Lead Councillor responsible: Tim Anderson

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Date: 24 August 2021

Revenue Outturn Report 2020-21

Executive Summary

General Fund (GF) Revenue Account

Overall, the outturn for 2020-21 on the General Fund was £6,315,531 more than we originally budgeted, which reflects our continued efforts to deal with the pandemic. The report sets out the major reasons for the variance. In line with the strategy set out in the report to Executive on 24 November 2020 the overspend will be financed from the following reserves:

Reserve	Balance at 31 March 2021*	Used to fund Overspend	Revised Balance at 31 March 2021
Budget Pressures	-1,426,415	1,426,415	0
Legal actions	-812,223	812,223	0
Car Parks Maintenance	-4,427,536	861,158	-3,566,378
Carried Forward Items	-828,028	828,028	0
New Homes Bonus	-3,134,506	2,387,708	-746,798
		6,315,532	

Our net income from interest receipts is £1.416 million higher than estimated and the minimum revenue provision (MRP) for debt repayment is £351,107 lower than estimated.

The general fund summary is set out at **Appendix 1** and reasons for the major variances by service are set out in **Appendix 2** (which excludes depreciation and capital charges). **Appendix 3** provides additional analysis of how the position on the general fund and each service has moved between the period 10 monitoring report presented to the Corporate Governance and Standards Committee (CGSC) in March 2021 and the final outturn now being reported in this report to the Executive. At period 10 officers were predicting an overspend of £14million, this has now reduced to £6.3million, mainly due to additional grant income received after the year end from Surrey CC and the government in respect of the COVID pandemic. A draft outturn was reported by officers to the CGSC at its meeting on 29 July 2021. The draft outturn for 2020-21 reported to CGSC was an

overspend of £6.4million which has now been amended to £6.3million due to adjustments to the accounting treatment for COVID grants.

The Chief Finance Officer, in consultation with the Leader of the Council and the Lead Councillor for Resources will use their delegated authority to deal with the overspend and transfer the necessary resources from reserves as set out above.

Earmarked reserves

The closing balance on each of the Council reserves are set out in **Appendix 4**, before appropriations to resolve the overspend, together with the ongoing policy for each.

Collection Fund

The Business Rates balance on the Collection Fund is particularly susceptible to movements in the number and value of appeals those businesses have made against their rateable values. We have no control over these appeals and have limited information from the Valuation Office to help us assess the potential impact.

The Collection Fund revenue account for the year is set out in **Appendix 5**. There is an overall deficit on the Collection fund of £62.394 million. This is expected because the Council has granted a significant amount of rate relief to business rate payers during the year under the various COVID rate relief schemes from government. The Guildford share of the deficit is £24.958 million which will be recovered from the general fund in 2021-22. The government has compensated the council for the loss of income to the collection fund through a Section 31 grant which has been transferred to the business rates equalisation fund to offset the business rates collection fund deficit which will be charged to the general fund in 2021-22.

The outturn position will be included in the Statement of Accounts which will be signed by the Chief Financial Officer which will be subsequently audited by Grant Thornton.

This report was considered by the Corporate Governance and Standards Committee at its meeting on 29 July 2021. The Committee commended the report to the Executive.

Recommendation to Executive

That the Executive notes the Council's final outturn position for 2020-21 and endorses the decisions taken under delegated authority to transfer the amounts set out in Section 5 of the report to or from the relevant reserves.

Reasons for Recommendation:

- To note the final outturn position and delegated decisions taken by the Chief Financial Officer which will be included within the statutory accounts.
- To facilitate the ongoing financial management of the Council.

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

1. Purpose of Report

- 1.1 This report gives the final position on the General Fund and the Collection Fund revenue accounts for the 2020-21 financial year. It explains the major variances from the General Fund revised estimate.
- 1.2 The outturn position on the General Fund Capital Programme and the Housing Revenue Account has been included in separate reports within the agenda papers.

2. Strategic Priorities

- 2.1 Good financial management underpins the achievement of the council's strategic framework.

3. Background

- 3.1 This report sets out the final position on two revenue accounts – General Fund and Collection Fund.
- 3.2 Officers will include the impact of the final position in the statutory statement of accounts, which the Chief Financial Officer will sign and publish on our website once they are available. There has been a delay in publishing the draft Statement of Accounts due to complexities in accounting for the COVID grants and some issues arising from the data migration and configuration of our new finance, HR and payroll system, Business World. The CFO has informed the Leader of the Council, Lead Councillor for Resources and notified the auditors that the accounts have been delayed. The CFO has also published a statutory notice advising of the delay to the public inspection period on the Council's website. The public inspection period will commence as soon as practicable after the accounts have been published.

4. General Fund Revenue Account

Summary of Outturn Position

- 4.1 The overall variance on the General Fund is net expenditure £6,315,531 greater than budget. The variance from revised budget arises from four areas; an overspend on expenditure by the Directorates, offset by additional external interest received, a reduction in the Minimum Revenue Provision and an increase in non-specific government grants. A summary is set out in the table below, with further detail on the variances at service level set out in **Appendix 2**:

	Revised	Actual	Variance
	Estimate		
	£000	£000	£000
Directorate Level Expenditure	27,135	48,405	21,269
Capital Charges and Depreciation	-8,814	-28,193	-19,380
Transfers to reserves (excluding business rates equalisation fund)	-797	6,093	6,890
Sub-Total Directorates incl. capital charges and reserve transfers	17,524	26,304	8,780

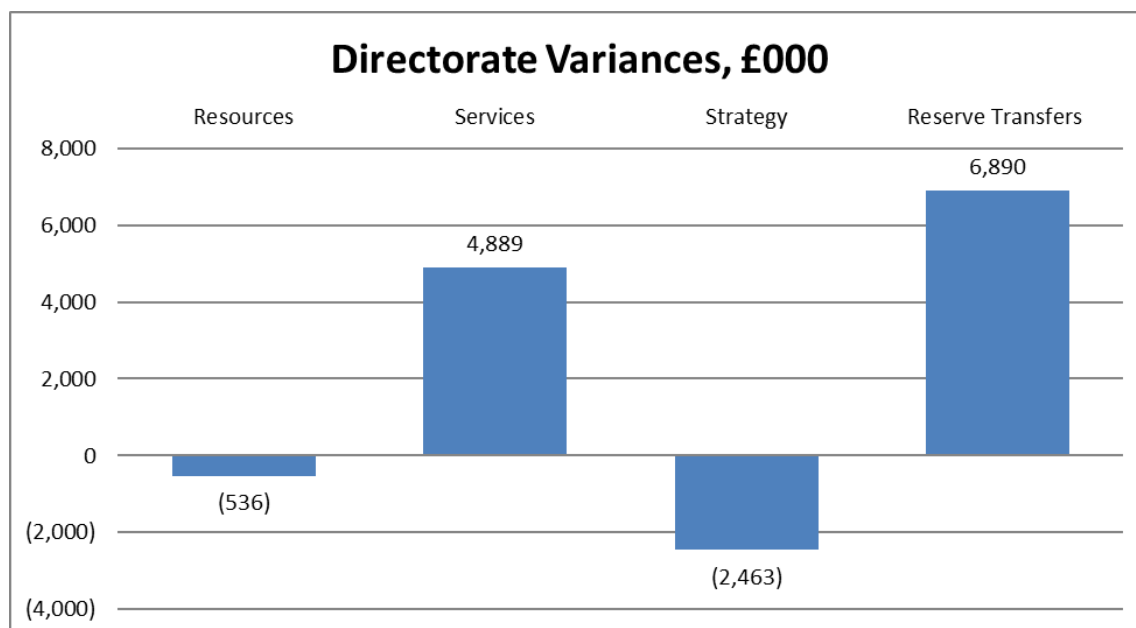
Interest receivable	-641	-2,058	-1,416
Minimum Revenue Provision	1,639	1,288	-351
Government grants and parish precepts	1,377	668	-708
Business rates Retention Scheme	-7,829	-7,818	11
TOTAL Council Tax requirement	12,069	18,385	6,316

- 4.2 The overspend is significantly less than forecasted at period 10 monitoring (reported to the CGSC in March 2021), principally due to additional grant income received after the end of the financial year from Surrey County Council in respect of the Council's costs in dealing with the pandemic and additional income claimed after the year end from the government under the sales, fees and charges compensation scheme for income lost during lockdown 3. In addition, there have been adjustments to the transfers to/ from reserves on final reconciliation of the COVID grants and Future Guildford costs. An analysis of how the position has changed since period 10 monitoring is shown in the table below, with further analysis in **Appendix 3**:

	Period 10	Actual	Variance
	Forecast		
	Outturn	Outturn	
	£000	£000	£000
Directorate Level Expenditure	44,282	48,405	4,122
Capital Charges and Depreciation	-8,814	-28,193	-19,380
Transfers to reserves (excluding business rates equalisation fund)	-175	6,093	6,268
Sub-Total Directorates incl. capital charges and reserve transfers	35,293	26,304	-8,989
Interest receivable	-110	-2,058	-1,948
Minimum Revenue Provision	1,288	1,288	0
Government grants and parish precepts	1,171	668	-503
Business rates Retention Scheme	-10,046	-7,818	2,228
TOTAL Council Tax requirement	27,597	18,385	-9,212
Revised Budget Adjustment			1,519
Movement in overspend			-7,693

Directorates

- 4.3 The directorates, excluding capital charges and before reserve transfers, are approximately £8.78 million over budget overall. However, there are differences in the position of each directorate, as shown in the chart below.



- 4.4 The main reason for the large variance in the strategy directorate is mainly due to year end capital charge adjustments for revaluation gains and losses on investment properties and writing off capital expenditure funded from revenue under statute (REFCUS). Capital charges adjustments shown within the directorates are then reversed on the depreciation line within the general fund summary. The cost of dealing with the pandemic and loss of income are the main causes of the variances in the resources and the services directorate.
- 4.5 **Appendix 2** provides explanations of any service variances above £100,000 within each directorate. In addition, **Appendix 3** provides an explanation as to how the variances have changed between what was reported to CGSC in March 2021 as part of period 10 monitoring and the final actual outturn reported in this report. As expected, a significant amount of the variances within services are related to dealing with the pandemic and an associated loss of income. The major variances across services are listed in the table below.

	Budget (£)	Outturn (£)	Variance (£)
Off Street Parking	(4,678,475)	(2,959,134)	1,719,341
On Street Parking	(336,250)	203,998	540,248
Development Control	830,460	1,570,645	740,185
Countryside and Parks	2,153,720	3,169,589	1,015,869
Leisure Management	1,344,180	1,557,249	213,069
Refuse and Recycling	3,976,430	4,700,757	724,327
Town Centre Management	(216,840)	814	224,964
Investment Property	(4,327,250)	665,193	4,991,217
Industrial Estates	(2,587,580)	(6,197,701)	(3,645,473)
Net costs of COVID (see paragraph 4.17 below)	0	1,244,457	1,244,457
Other minor variances and reserve transfers			1,011,581
			8,779,785

Interest receivable

- 4.6 The weighted average interest rate achieved on our investment portfolio was 1.42% against a budget, which was 1.61%. We had higher balances than we estimated when we set the budget and therefore net interest received (after paying interest on external loans) was £1,416 million more than revised estimate. The higher balances come from having more cash than estimated at the start of the year and slippage in the 2019-20 capital programme.
- 4.7 The General Fund pays interest to the Housing Revenue Account (HRA) on its balances. The 2020-21 interest to the HRA was £520,111 lower than budgeted because the Council gives the HRA interest on balances at the risk-free debt management office rate which was 0.01% during the year.
- 4.8 Overall, net interest received by the General Fund was £1.416 million more than estimated.

Minimum Revenue Provision (MRP)

- 4.9 Minimum Revenue Provision is a charge to the revenue account for unfinanced capital expenditure. The 2020-21 budget was based on the estimated capital-financing requirement (CFR) at the end of the previous year (31 March 2020) and was £1,639,171 based on an estimated CFR of £149.5 million. The actual General Fund CFR at 31 March 2020 was £124.36 million, which generated a minimum revenue provision of £1,288,064 (£351,107 lower than the revised budget).

Transfers to reserves

- 4.10 Many transfers to and from reserves are opposite accounting entries to either Revenue Contributions to Capital Outlay (RCCO) or items within the service accounts (and therefore do not affect the overall position). The variances between the budgeted and actual transfers to reserves are detailed in appendix 3 and use of reserves is set out in section 6.
- 4.11 **Appendix 4** gives a full list of the balances on earmarked reserves and the purpose for which they were established.

COVID-19

- 4.12 COVID19 has continued to impact the Council in 2020-2021. The Council continues to have a vitally important role in responding locally to COVID19, having a duty to ensure that crucial council services continue to operate under these unprecedented circumstances.
- 4.13 The council has received Covid grants from Central Government for wide range of purposes. Some of these grants will go directly to individuals or businesses with little control by the council over what amount can be awarded. Where this is the case, the council is seen to be acting as an agent for Central Government and these must be excluded from the Authorities accounts. Any unspent grant is shown within the receipts in advance on the council's balance sheet.
- 4.14 Where the council has more control over the award of a grant (award based on certain criteria such as business rates banding), the council is dealing as a principal and these grants, and the expenditure associated with them must run through the council's financial accounts. Where the authority is acting as principle but there is a

requirement to repay any unspent grant or, where the authority needs to carry forward grant income to offset future expenditure, the Council is required to carry forward the unspent grant monies in an earmarked reserve. Each grant must be considered carefully to establish whether the relationship is that of Agent or Principal. The accounting treatment has led to the recognition of more grant income in the Council's accounts than anticipated and has led to an increased level of earmarked reserves the Council has at the end of the financial year. It is important to note however, that this additional income and higher level of reserves is not generally available to support expenditure on council services. Reserves related to the covid grants must be spent on the purpose for which the grant was received.

- 4.15 The government recognised that Covid-19 has impacted councils' ability to generate income across many services because of lockdowns, government restrictions and social distancing measures. The government devised a scheme that partly compensates for irrecoverable and unavoidable losses in relation to income (sales, fees and charges) in the financial year 2020-21.
- 4.16 The indirect costs associated with the pandemic are reflected in the services forecasting and final year position. Central government has compensated the council for a proportion of losses suffered in income (under tranche 1 and 2), resulting in support of £4.511 million. Compensation for tranche 3 will result in a further £3 million coming to the council. The total of this compensation (£7.5 million) has been reflected across those services affected.
- 4.17 Additional costs incurred in the 2020-21 financial year total £3.8 million with more expenditure in 2021-22 anticipated. The expenditure incurred is broken down in the table below.

Description	£000
Leisure (Spectrum), Heritage and Tourism	2,557
Personal Protective Equipment	236
Shielding	735
Lockdown compliance and enforcement	57
Health	(52)
Emergency accommodation	186
ICT	56
Expenditure	3,775
Covid grant income from government and SCC to be used to offset direct council costs	2,531
Net cost of COVID to GBC	1,244

Overall Position

- 4.18 The overall position on the General Fund was £6,315,531 more than originally budgeted.

5. Treatment of overspend

- 5.1 Council, at its meeting of 5 May 2020 approved an emergency budget to deal with the impact of Covid-19 should government support fall short of the final costs of the pandemic. At its meeting in November 2020, the Executive agreed the use of specific reserves to finance the overspend. In line with that report the Chief Financial Officer, under delegated authority in consultation with the Leader of the Council and the Lead Councillor for Resources has utilised earmarked reserves to balance the general fund as set out in the table below:

Reserve	Balance at 31 March 2021*	Used to fund Overspend	Revised Balance at 31st March 2021
Budget Pressures	-1,426,415	1,426,415	0
Legal actions	-812,223	812,223	0
Car Parks Maintenance	-4,427,536	861,158	-3,566,378
Carried Forward Items	-828,028	828,028	0
New Homes Bonus	-3,134,506	2,387,708	-746,798
		6,315,532	

*balance set out in paragraph 6.4

6. Major earmarked reserves

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

	Balance at 31 March 2020	Receipts in Year	Transfers out in Year	Balance at 31 March 2021
	£000	£000	£000	£000
General Fund				
Interest Rate Movements	-1,196,970	0	0	-1,196,970
New Homes Bonus	-3,490,087	-851,019	1,206,600	-3,134,506
Carried Forward Items	-1,654,219	0	826,192	-828,028
Invest to Save	-4,265,882	-250,000	2,096,187	-2,419,696
Spectrum	-1,823,017	-188,843	0	-2,011,860
Car Parks Maintenance	-4,235,964	-649,950	458,378	-4,427,536
Park & Ride	-1,650,000	0	0	-1,650,000
Business Rates equalisation	-5,715,527	-26,481,086	8,144,816	-24,051,797
Special Protection Areas (SPA) sites	-9,768,207	-472,069	46,733	-10,212,548
Budget Pressures	-1,754,415	0	328,000	-1,426,415
BR Covid discount	0	-2,384,747	0	-2,384,747
Other reserves	-8,342,944	-2,036,424	2,073,822	-8,305,546
TOTAL	-43,897,232	-33,314,139	15,180,727	-62,049,648

Following the use of reserves to finance the overspend of £6,315,532 the balance on reserves will be £55,734,116 however of this balance £10.2million relates to SPA reserves which cannot be used by the Council to support general spending and £42million relates to reserves to offset future expenditure that would need to be replaced and so is not available for general spending. Therefore, the balance of reserves that can be used to support the revenue and capital budgets going forward is only £3.5million. This is significantly lower than in previous years.

Budget pressures reserve

- 6.5 This reserve was set up as part of closing the 2014-15 accounts to help manage unforeseen expenditure pressure during the year. £328,000 was financed from this reserve in the year to fund action at Stoney Castle and Future Guildford. The remaining balance will be utilised to fund the Covid overspend.

Business Rates Equalisation reserve

- 6.6 This reserve was set up in 2013-14 to help accommodate the potential volatility of the Business Rate Retention Scheme and to mitigate the effects on our business rates income of any town centre redevelopment. The significant transfer to the reserve in 2020-21 relates to the Section 31 grant received for the COVID related business rates relief.

Carried forward items (within other earmarked reserves)

- 6.7 This reserve is shown as part of 'other reserves' and allows the budget for items that we have not completed in the year to be carried forward so they can be finalised in later years without affecting that years' budget. In 2020-21, the Council used £826,000 of the reserve relating to items carried forward at the end of 2019-20. The balance on the reserve as at 31 March 2021 is £828,000 which will be fully utilised to fund the Covid overspend.

Car Parks Maintenance and Improvement

- 6.8 This reserve funds repairs, maintenance, and improvements in the Council's off-street car parks. The Council approves its use annually as part of the Car Parks Business Plan. £861,158 of the balance will be used to fund the Covid overspend.

Invest to Save Reserve

- 6.9 This reserve funds investment opportunities (that will allow us to achieve ongoing savings) and short-term increases in revenue costs during periods of transition. We made a budgeted contribution of £250,000. We financed revenue expenditure of £2.096 million from the reserve, mainly relating to redundancy and pension fund strain costs resulting from the Future Guildford transformation programme.

New Homes Bonus

- 6.10 New Homes Bonus (NHB) is a general grant that we receive from the government. It is not ring fenced for any specific purpose and is financed nationally mainly by reductions in revenue support grant. We financed expenditure of £1.2 million, £774,000 on Guildford Gyratory – Walnut Bridge and £433,000 on the town centre masterplan in line with the Council's NHB policy. The closing balance is £3.135 million of which £400,000 is committed to the town centre masterplan, £120,000 to the Ripley Village Hall homes building and £177,000 to other infrastructure and regeneration projects. The Council's policy is to transfer any increase in NHB to reserve to fund specific short to medium term projects or capital projects as identified in the approved capital programme. The Council approved the New Homes Bonus Policy in February 2016, which informs the allocation of this grant during the budget setting process to specific projects each year. The reserve will be used to finance the final overspend on the general fund.

Park and Ride

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

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

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

Spectrum

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

7. Collection Fund

- 7.1 Appendix 5 shows the final figures for the Collection Fund. Because of the introduction of the Business Rates Retention Scheme (BRRS), we now show the transactions for Council Tax and National Non-Domestic Rates (NNDR) separately.

National Non-Domestic Rates (NNDR) or Business Rates

- 7.2 With the introduction of the BRRS, we have a balance on the fund that we will have to take account of when setting future year's budgets, in the same way that we do for Council Tax.
- 7.3 The collection rate for the 2020-21 financial year was 95.48% as at 31 March 2021 (97.84% for 2019-20).

Council Tax

- 7.4 The Local Council Tax Support Scheme (LCTSS), introduced by the government in 2013-14, continues to make it difficult to estimate our Council Tax income. Some people who had previously received housing benefit now receive a reduction in their Council Tax instead and some now pay at least some Council Tax where they did not under the Housing Benefit system. These reliefs can change throughout the year as people move in and out of employment.
- 7.5 The final figure for Council Tax receivable was lower than the original estimate resulting in a reduction in the collection fund position to leave a closing deficit balance of £2.451 million.
- 7.6 The collection rate for the 2020-21 financial year was 97.53% at 31 March 2021 (98.60% for 2019-20).

Balance on Collection Fund

- 7.7 The overall balance carried forward on the Collection Fund Revenue Account, is a deficit of £62.39 million. In relation to Business Rates the deficit (£59.94 million) is shared between the relevant major preceptors and Central Government (Business Rates only) as part of setting the 2021-22 budget.

8. Consultations

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

Corporate Governance & Standards Committee – 29 July 2021

- 8.2 This report was considered by the Corporate Governance and Standards Committee at its meeting on 29 July 2021. The Committee commended the report to the Executive and noted that the Council had initially estimated the likely deficit caused by the pandemic to be between £10 million and 15 million, which assumed minimal assistance from central government. However, there were various government schemes through the year that compensated the Council for some losses in revenue and also some grant funding for some of the increased costs. The Council was now exploring a number of initiatives within the savings strategy to address the ongoing deficit.

9. Equality and Diversity implications

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

10. Financial implications

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

11. Legal implications

- 11.1 The Accounts and Audit (England) Regulations 2015 state that the Council must prepare, in accordance with proper practices in relation to accounts, a statement of accounts for each year, which must include such of the following accounting statements as are relevant to the functions of the relevant body:

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

12. Human Resource Implications

- 12.1 There are no human resources implications.

13. Summary of Options

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

14. Conclusion

- 14.1 2020-21 has continued to be a year of continuing challenge and change for the Council and it is pleasing that we have maintained our strong record of financial management throughout.

15. Background Papers

Accounts and Audit (England) Regulations 2015
Accounts and Audit (Amendment) Regulations 2021

16. Appendices

Appendix 1: General Fund Summary

Appendix 2: General Fund Variances by Service

Appendix 3: General fund and service variances from P10 monitoring and draft outturn

Appendix 4: List of earmarked reserve balances

Appendix 5: Collection Fund Revenue Account

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GENERAL FUND SUMMARY 2020 - 2021

Actual 2019-20 £	GENERAL FUND SUMMARY	Original Estimate 2020-21 £	Latest Estimate 2020-21 £	ACTUAL Outturn 2020-21 £
	0 Strategy Directorate	0	2,117,202	14,563,951
	0 Services Directorate	0	17,127,612	24,570,453
	0 Resources Directorate	0	7,890,365	9,270,235
3,850,231	Community Services	-314,990	0	0
17,680,547	Planning and Regeneration	3,142,170	0	0
12,557,225	Environment	11,556,920	0	0
3,579,422	Management Directorate	783,410	0	0
6,221,257	Finance	11,820,880	0	0
43,888,682	Total Directorate Level	26,988,390	27,135,179	48,404,639
	Growth to be allocated to services	964,000	0	0
	Savings to be allocated to services	-2,471,425	0	0
-26,601,575	Depreciation (contra to Service Unit Budgets)	-8,813,830	-8,813,830	-28,193,497
17,287,107	Directorate Level excluding depreciation	16,667,135	18,321,349	20,211,142
-1,180,245	External interest receivable (net)	-1,172,935	-1,172,935	-2,069,200
356,027	Housing Revenue Account	531,550	531,550	11,539
926,640	Minimum Revenue Provision	1,639,171	1,639,171	1,288,064
	Fund mvt in fair value	0	0	313,003
	Statutory override	0	0	-323,003
-30,417	Revenue income from sale of assets	0	0	0
	Revenue Contributions to Capital Outlay (RCCO)			
893,630	Met from: Capital Schemes reserve	0	0	599,781
2,299,990	Other reserves	537,000	537,000	2,421,949
0	General Fund	0	0	0
20,552,732	Total before transfers to and from reserves	18,201,921	19,856,135	22,453,275
	Transfers to and from reserves			
	Capital Schemes reserve			
-893,630	Funding of Revenue Contribution to Capital Outlay	0	0	-599,781
	<u>Contribution in year</u>			
-174,269	Budget Pressures reserve	0	0	-328,000
-2,103,206	Business Rates Equalisation reserve	-946,454	-946,453	18,336,270
-469,494	Car Park Maintenance reserve	272,950	272,950	191,572
-124,268	Election Costs reserve	62,500	62,500	62,500
-15,177	Insurance reserve	0	0	0
-538,252	IT Renewals reserve	542,710	542,710	-122,679
-1,721,421	Invest to Save reserve	-10,000	-10,000	-1,846,187
-36,904	New Homes Bonus reserve	351,019	351,019	-355,581
31,563	Energy Management reserve	0	0	41,442
109,467	On Street Parking reserve	-260,070	-260,070	0
-5,495,884	Pensions reserve (Statutory)	0	0	2,929,168
-150,000	Recycling reserve	0	0	0
185,140	Spectrum reserve	188,843	188,843	188,843
-206,110	Carry Forward Items	0	-1,654,214	-826,192
0	Covid Reserve	0	0	2,384,747
3,234,252	Other reserves	-477,090	-477,090	1,005,458
12,184,540	Total after transfers to and from reserves	17,926,329	17,926,331	43,514,856
	Business Rates Retention Scheme payments			
31,332,993	Business Rates tariff payment	33,119,290	33,119,290	31,843,510
1,383,117	Business Rates levy payment to / (safety net from) MHCLG	810,933	810,933	-272,656
0	Business Rates tariff payment from MHCLG	0	0	0
0	Business Rates pilot gain from Surrey Pilot Pool	0	0	0
	Non specific government grants			
-2,401,199	s31 grant re BRR scheme	-1,959,000	-1,959,000	-18,870,985
-24,170	s31 grant re council tax	0	0	0
-25,587	New Burdens grant	0	0	-1,640
0	Other government grant	0	0	0
-1,039,201	New Homes Bonus grant	-851,019	-851,019	-851,019
41,410,493	GUILDFORD BOROUGH COUNCIL NET BUDGET	49,046,533	49,046,535	55,362,066
1,740,697	Parish Council Precepts	1,876,544	1,876,544	1,876,544
43,151,190	TOTAL NET BUDGET	50,923,077	50,923,079	57,238,610
-34,941,330	Business Rates - retained income	-34,713,245	-34,713,245	-34,713,245
1,493,170	Collection Fund Deficit - Business Rates	-4,140,430	-4,140,430	-4,140,430
85,997	Collection Fund Surplus - Council Tax	0	0	0
9,789,027	COUNCIL TAX REQUIREMENT	12,069,402	12,069,404	18,384,935
	Projected (under)/over spend			6,315,531
	Movement in MRP and External Interest			(1,247,372)
	Underlying (under) / overspend on services			7,562,903

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Services Detail Summary

Service	Original Budget	Revised Budget	Actual Spend YTD	Variance	Commentary
AUDIT - Audit Management	-41,990	2,240	-69,009	-71,249	
BUSIMP - Business Improvement	-81,240	-81,430	4,425,574	4,507,004	Costs related to GBC tranformation programme - Future Guildford.
CASEWRK - Resources Caseworker	-227,310	-174,738	290,760	465,498	Salaries including agency staff, Recharges, Printing
CORFIN - Corporate Financial	277,390	277,380	286,131	8,751	
CORSER - Corporate Services	1,016,010	985,905	1,430,897	444,992	Consultancy and Audit Fees
FEASTU - Feasibility Studies	40,470	40,470	26,847	-13,623	
FINAMN - Lead Specialist - Finance	-46,020	-47,290	207,130	254,420	Overspend as a result of higher Agency and consultancy costs than budgeted for
HR - Lead Specialist - HR	-176,120	-176,750	-21,551	155,199	Agency, IAS adjustment and Staff costs higher than budget
ICT - Lead Specialist - ICT	42,840	42,200	962,242	920,042	Contribution to reserves, Telephones & Broadband, Software
INSREV - Insurance Revenue Account	0	0	0	0	
ITREV - ICT Investment and Renewal Fund	21,190	21,190	-77,976	-99,166	
LEGAL - Lead Specialist - Legal	-224,400	-208,487	73,894	282,381	Underachievement of income in relation to Covid and consultancy costs.
MISEXE - Miscellaneous Expenses	897,890	920,617	644,820	-275,798	Costs of Covid and grant income are included in this service.
OTHEMP - Other Employee Costs	99,950	99,690	50,903	-48,787	
PARISH - Parish Liasion	195,540	195,540	266,627	71,087	
UNALLO - Unallocatable Central Overhead	6,237,660	5,737,660	772,975	-4,964,686	Pension fund strain and backfunding and contribution to provision
RESOURCE - Resources Directorate	8,031,860	7,634,197	9,270,263	1,636,065	
ARTDEV - Arts Development	118,030	125,420	92,617	-32,803	
BUICON - Building Control	366,890	365,830	462,889	97,059	
BUIMAI - Building Maintenance	48,120	47,870	333,740	285,870	Superannuation Adj £180,535, Services £176,061 overspent, which are offset against Fees (£36,560) & Recharges (£51,371) not received.
BUSRAT - Business Rates	-22,040	-22,920	-77,629	-54,709	
CARSIT - Traveller Caravan Sites	-103,010	-78,040	-72,023	6,017	
CCTV - Town Centre CCTV	100,700	100,700	91,553	-9,147	
CEMETE - Cemeteries	213,240	244,024	165,529	-78,495	
CIVEMS - Civil Emergencies	61,470	61,440	66,141	4,701	
CREMAT - Crematorium	-829,060	-816,860	1,063,481	1,880,341	Additional income of £95,000 and government grant of £572,200 . Irrecoverable VAT budget not needed so saving of £159,600. Superannuation adj of £51,800. Unbudgeted capital charges of £2,571,900.
CTAX - Council Tax	533,360	532,410	606,235	73,825	
CUST - Customer Services	-67,520	-67,950	144,392	212,342	Agency costs, IAS adjustment & contribution to provision.

DAYSER - Day Services	559,360	558,360	833,792	275,432	Salaries £192k under-estimated (Inc. overtime). Superannuation adj £79,254, Agency costs £90,224 overspent
DEVCON - Development Control	800,610	830,460	1,570,645	740,185	Employee related expenditure £92,170 over budget due to agency staff costs. Consultancy over budget by £152,200 but some that is recovered through PPA income. Income is under budget by £208,300 but government grant of £59,290.. Superannuation adj £314,800.
DIGITAL - Digital Services	238,850	238,770	314,672	75,902	
EMECOM - Emergency Communications	-123,650	-123,790	-20,827	102,963	Less income achieved through recharges (£54,000) & Grants (£53,015). Superannuation adj £26,649
EMISER - EMI Services	111,400	111,370	223,760	112,390	Salaries (Inc. Superannuation adj, Overtime)
ENGTRA - Engineering and Transportation	-41,470	-41,570	80,562	122,132	There are salary savings of £95,480 and a subsequent recharge shortfall of £177,400. Superannuation adj £29,400
ENVHEA - Environmental Health	453,930	453,680	530,034	76,354	
FAMSUP - Family and Refugee Support Pro	106,470	106,270	169,771	63,501	
FLEMAN - Fleet Management	15,130	15,120	18,771	3,651	
FOODSF - Food Safety	375,280	375,070	307,832	-67,238	
GLIVE - G Live	1,722,570	1,722,570	1,798,724	76,154	
GUIHOU - Guildford House	400,040	399,961	295,663	-104,298	Salary savings due to vacancies
GUILDH - Guildhall	146,560	146,632	110,318	-36,314	
HBEN - Housing Benefits	438,150	436,250	456,141	19,891	
HEASAF - Corporate Health and Safety	9,310	9,200	27,955	18,755	
HOMLES - Homelessness Support	858,000	857,890	425,623	-432,267	£725k additional grant Income received. Offsetting overspends Emergency Accommodation £135,704, Grants and Subscriptions £126,983
HOUADV - Housing Advice	350,160	350,160	316,790	-33,370	
HOUASS - Affordable Housing	114,220	114,190	107,122	-7,068	
HOUSURV - Housing Surveying	0	-240	218,431	218,671	Less income achieved through recharges £131,918. Salaries (Inc. superannuation adj £107,368)
LANCHA - Land Charges	-13,630	-13,670	-32,661	-18,991	
LANDRA - Land Drainage	294,970	294,970	90,763	-204,207	The service is mostly reactive which has resulted this year in savings in both contractor payments and the engineers recharge.
LEICOM - Leisure and Community	115,360	115,805	116,468	663	
LEIMAN - Leisure Management Contract	1,299,210	1,344,180	1,557,249	213,069	Covid cost and closed venues.
LEIPLY - Leisure Play	215,910	215,790	142,954	-72,836	
LEIRAN - Leisure Rangers	231,260	231,260	226,205	-5,055	
LEISPO - Leisure Sports	101,720	101,610	62,593	-39,017	
LICENS - Licensing	162,480	162,140	189,740	27,600	
MILLH - Millmead House	-271,280	-231,096	-267,599	-36,503	
MOTBAY - MOT Bay	2,220	2,210	35,621	33,411	
MOWTPT - Community Meals and Transport	196,850	196,700	139,064	-57,636	

MUSEUM - Guildford Museum	528,780	630,225	774,677	144,452	Repairs and maintenance are over budget and there is a superannuation adj too.
NDH - North Downs Housing	0	0	-99,066	-99,066	
OFFSTR - Off Street Parking	-4,682,080	-4,678,475	-2,959,134	1,719,341	Superannuation adj £115,300. There are repairs and maintenance and depreciation savings of £117,600 and £94,300 respectively. There is an income shortfall of £6.999 m but government grant of £4.996m
ONSTR - On Street Parking	-335,450	-336,250	203,998	540,248	Superannuation adj are £159,800. The income shortfall was £812,000 but government grant of £209,190. Savings in agency agreement costs of £186.800
OSMAP - Ordnance Survey and Mapping	8,070	8,070	4,915	-3,155	
PARKS - Countryside and Parks Services	2,122,660	2,153,720	3,169,589	1,015,869	There are salary savings of £95,700. The superannuation adj is £293,800. Asset maintenance and building expenses are £265,300 over budget as is grounds maintenance by £84,300 but these are off set by recharge income of £404,820. Income is under budget by £487,500 but there is a government grant of £29,870.. There are savings in Parks Countryside Management that off set other budget overspend as the two services were treated as one in 2020-21, before the Future Guildford re-structure.
PARKSCS - Parks Countryside Management	1,663,780	1,798,380	1,300,449	-497,931	There are salary savings of £68,900. The superannuation adj is £68,725. Income is under budget by £42,500. There are other savings in this service that off set expenditure in Countryside and Parks Services as the two services were treated as one in 2020-21, before the Future Guildford re- structure.
PARRID - Park and Ride Service	843,620	844,655	612,375	-232,280	The contribution to SCC for the running of bus services is reduced By £170,650 as Onslow P & R was used as a Covid testing centre.
PESCON - Pest Control	1,000	990	-14,798	-15,788	
PRIHOU - Private Sector Housing Maintenance	98,410	97,850	93,261	-4,589	
PRIHOUS - Private Sector Housing	305,350	305,010	893,140	588,130	Capital charges £635,985 offset by some savings on salaries.
PUBCON - Public Conveniences	351,230	351,454	279,350	-72,104	
PUBHEA - Public Health	384,720	384,210	622,132	237,922	Salaries £318,034 (Inc. Superannuation adj £75,784) overspent. Fees underachieved £67,952
REFYCL - Refuse and Recycling	3,976,680	3,976,430	4,700,757	724,327	Although there are salary savings of £36,250, agency costs are over budget by £219,000. Vehicle operating costs are higher than budgeted. Superannuation adj is £384,300.
RIVCON - River Control	27,240	27,240	25,598	-1,642	
ROAFOO - Roads and Footpaths	109,690	109,690	73,593	-36,097	
SNOICE - Snow and Ice	-21,120	-21,120	18	21,138	

SPASIT - SPA Sites	24,550	24,550	-300,783	-325,333	Income is dependant on the commencement of third party developments which cannot be easily budgeted for and 2020-21 saw unbudgeted income of £517,400. Capital charges are £113,400 over budget.
STRCLE - Street Cleansing	2,316,710	2,316,560	2,208,836	-107,724	There are salary savings, including agency, of £273,100. Supplies and services are £60,000 under budget (mainly due to savings in the use of outside contractors). Superannuation adjustments are £212,870.
STRFUR - Street Furniture	111,390	111,390	85,152	-26,238	
TAXLIC - Taxi Licensing	92,900	92,660	85,577	-7,083	
TIC - Tourist Information Centre	256,170	255,280	262,760	7,480	
VEHMAI - Vehicle Maintenance	5,390	5,360	78,043	72,683	
WASDEV - Waste and Fleet Business Development	-628,670	-628,690	-529,618	99,072	Salaries including agency are over budget by £69,300. Vehicle repair costs are £96,700 over budget. Trade income is £293,600 under budget although garden waste income exceeds budget by £206,200. Superannuation adj of £32,000.
WRD - Woking Road Depot	106,350	103,250	210,750	107,500	Repairs and maintenance are over budget (£71,000) and there is a superannuation adj too.
WRDSTO - Woking Road Depot Stores	-40	-110	-13,753	-13,643	
Service Delivery Directorate	16,957,500	17,404,505	24,690,920	7,286,415	
BUSFOR - Business Forum	26,820	26,820	27,829	1,009	
CITADV - Citizens Advice Bureau	284,710	284,710	284,793	83	
CIVEXP - Civic Expenses	256,360	256,110	176,878	-79,232	
CLIMAT - Climate Change	100,080	100,030	-213,914	-313,944	Income £145 and Consultancy £183k costs under-estimated
COMDEV - Community Development	150,910	175,770	175,055	-715	
COMGFD - About Guildford	51,910	51,900	8,981	-42,919	
COMLOT - Community Lottery	-100	-100	-1,923	-1,823	
COMOUB - Public Relations	321,810	321,630	355,045	33,415	
COMSAF - Community Safety	163,620	163,520	50,330	-113,190	Salaries £102,236 underspent. Grants & Subscriptions underspent £16,268
COMSUP - Council and Committee Support	425,750	425,190	398,033	-27,157	
CORPRO - Corporate Programmes	1,573,950	1,461,432	478,646	-982,786	Asset maint - budget is vired across services at year end. Expenditure down as a result of covid.
DEMREP - Democratic Representation	818,990	818,820	776,691	-42,129	
ELECTI - Elections	94,910	94,800	92,552	-2,248	
ELECTO - Electoral Registration	276,430	275,670	182,229	-93,441	
EVENTS - Events	6,450	6,450	4,752	-1,698	
GRANTH - Grants to Voluntary Organisations	483,550	483,540	394,591	-88,949	
GRANTL - Leisure Grants to Voluntary Organisations	393,060	393,060	378,088	-14,972	

INDEST - Industrial Estates	-2,587,580	-2,552,228	-6,197,701	-3,645,473	Revaluation Gains/Losses unbudgeted £3,878,742. Business Rates £136,797, Utilities £45,292, Valuers Fees £48,702, Services £17,947, Enforcement £30,357, Telephones & broadband £21,802 overspent
INFORO - Lead Specialist - Information Governance	4,370	4,330	21,528	17,198	
INVPRO - Investment Properties	-4,327,250	-4,326,024	665,193	4,991,217	Revaluation Gains/Losses unbudgeted £4,859,386, Asset Maint overspent £41,350, Building Expenses overspent £66,266, REFCUS unbudgeted £128,623
MAJPRO - Major Projects	670,710	2,106,646	13,861,332	11,754,686	Capital charges of £12.5 million and consultancy less than anticipated
MARKET - Markets	-3,590	-3,600	-5,702	-2,102	
OSHRA - Housing Outside the HRA	59,630	59,630	85,422	25,792	
OTHPRO - Other Property	-580,920	-473,413	776,110	1,249,523	Revaluation Gains/Losses unbudgeted £1,195,000
POLICY - Policy, Community and Events	1,316,970	1,430,199	1,051,271	-378,928	Employee related savings of £259,020 due to vacancies- Savings in printing and consultancy costs in Policy (CIL) and Local Plan of £194,100. There is a superannuation adj of £117,400
PROASP - Project Aspire	0	0	22,038	22,038	
SAFGUI - Community Wellbeing	325,880	324,800	367,341	42,541	
TOUDEV - Tourism & Development	400,990	403,615	340,140	-63,475	
TOWMAN - Town Centre Management	-216,830	-216,840	8,124	224,964	Sponsorship £190,130, Rent income £46,874 underachieved
YOUCOU - Youth Council	10	10	199	189	
STRATEGY - Strategy Directorate	491,600	2,096,477	14,563,951	12,467,475	

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Variance Analysis between Actual Outturn and P10 Monitoring

Appendix 3A

GENERAL FUND SUMMARY	Original Estimate	Latest Estimate	ACTUAL OUTTURN	Period 10 reported to CGSC March 2021	Actual outturn to P10 Monitoring Variance	comments on variance
	2020-21 £	2020-21 £	2020-21 £	2020-21 £		
Strategy Directorate	0	2,117,202	14,563,951	7,197,123	7,366,828	
Services Directorate	0	17,127,612	24,570,453	25,080,721	-510,268	
Resources Directorate	0	7,890,365	9,270,235	12,004,636	-2,734,401	
Total Directorate Level	26,988,390	27,135,179	48,404,639	44,282,480	4,122,159	
Growth to be allocated to services	964,000	0	0	0	0	
Savings to be allocated to services	-2,471,425	0	0	0	0	
Depreciation (contra to Service Unit Budgets)	-8,813,830	-8,813,830	-28,193,497	-8,813,830	-19,379,667	Year adjustments for REFCUS, Reval gains / losses & amortisation of intangible assets.
Directorate Level excluding depreciation	16,667,135	18,321,349	20,211,142	35,468,650	-15,257,508	
External interest receivable (net)	-1,172,935	-1,172,935	-2,069,200	-641,385	-1,427,815	Additional interest due to higher than anticipated cash balances in year
Housing Revenue Account	531,550	531,550	11,539	531,550	-520,011	interest charged at 0.01% (risk free DMO rate) rather than 0.5% as per budget
Minimum Revenue Provision	1,639,171	1,639,171	1,288,064	1,288,064	0	
Fund mvt in fair value	0	0	313,003	0	313,003	year end IFRS adjustments
Statutory override	0	0	-323,003	0	-323,003	year end IFRS adjustments
Revenue income from sale of assets	0	0	0	0	0	
Revenue Contributions to Capital Outlay (RCCO)						
Met from: Capital Schemes reserve	0	0	599,781	0	599,781	year end recognition of receipts and financing of capital spend
Other reserves	537,000	537,000	2,421,949	1,951,000	470,949	final spend on capital schemes from car parks maintenance and ICT renewals lower than anticipated at year end. Offset by increased spend from schemed funded from Salix and NHB reserves.
General Fund	0	0	0	0	0	
Total before transfers to and from reserves	18,201,921	19,856,135	22,453,275	38,597,879	-16,144,604	

(from)	Transfers to and from reserves						
to	Capital Schemes reserve						
	<i>Funding of Revenue Contribution to Capital Outlay</i>	0	0	-599,781	0	-599,781	year end recognition of receipts and financing of capital spend
	<u>Contribution in year</u>						
	Budget Pressures reserve	0	0	-328,000	-448,000	120,000	£120k spend anticipated from reserve on stoney castle in 2020-21 now occurring in 2021-22
	Business Rates Equalisation reserve	-946,454	-946,453	18,336,270	-3,491,013	21,827,283	transfer to Brates equalisation fund revised at year end to ensure that the S31 grant (see below) is carried forward to 2021-22 to offset the 2020-21 GBC share of the collection fund deficit which will be charged to the GF in 2021-22. Reserve transfer also adjusted for change to tariff payment, collection fund deficit contribution and safety net grant.
	Car Park Maintenance reserve	272,950	272,950	191,572	-275,884	467,456	lower transfer from reserve due to lower than anticipated spend on car parks capital schemes and R&M
	Election Costs reserve	62,500	62,500	62,500	62,500	0	
	Insurance reserve	0	0	0	0	0	
	IT Renewals reserve	542,710	542,710	-122,679	-383,290	260,611	lower transfer from reserve due to lower than anticipated spend on ICT renewals capital programme (mainly lower Future Guildford ICT costs)
	Invest to Save reserve	-10,000	-10,000	-1,846,187	-2,229,900	383,713	lower than anticipated transfer from reserve due to lower than anticipated spend on future guildford
	New Homes Bonus reserve	351,019	351,019	-355,581	281,019	-636,600	additional transfer from reserve to part-finance the walnut bridge capital project (this approved in 2017-18 but unused until 2020-21)
	Energy Management reserve	0	0	41,442	42,199	-757	
	On Street Parking reserve	-260,070	-260,070	0	0	0	
	Pensions reserve (Statutory)	0	0	2,929,168	0	2,929,168	Adjustment to pensions costs made under accounting standard IAS19
	Recycling reserve	0	0	0	0	0	
	Spectrum reserve	188,843	188,843	188,843	188,843	0	
	Carry Forward Items	0	-1,654,214	-826,192	0	-826,192	At P10 we did not anticipate transferring funds from reserve for project spend (as budgeted) as initial indications during the year were that projects were not moving forward and so the reserve was earmarked to be used to fund COVID instead. However, a number of projects funded from this reserve have finally moved forward in 2020-21 and so spend has been financed from the reserve as budgeted.

Covid Reserve	0	0	2,384,747	0	2,384,747	transfer of the unused Additional Restrictions Grant (ARG) and local council tax support covid hardship grants to reserve to be used in 2021-22. This reserve is not available for GBC spend.
Other reserves	-477,090	-477,090	1,005,458	917,121	88,337	
Total after transfers to and from reserves	17,926,329	17,926,331	43,514,855	33,261,474	10,253,381	

Business Rates Retention Scheme payments

Business Rates tariff payment	33,119,290	33,119,290	31,843,510	33,119,290	-1,275,780	Outturn position reflects the final LGFS issued in Feb 2020, difference wasn't reflected in monitoring reports as we thought there was a 'multiplier adjustment' that needed to be made but this turned out not to be the case
Business Rates levy payment to / (safety net from) MHCLG	810,933	810,933	-272,656	810,933	-1,083,589	Final position from NNDR 3. budget and P10 reflected the NNDR1 position of needing to pay a Brates levy to government. Final NNDR3 position is safety net payment is due to GBC from government due to lower collection rates in year.
Business Rates tariff payment from MHCLG	0	0	0	0	0	
Business Rates pilot gain from Surrey Pilot Pool	0	0	0	0	0	

Non specific government grants

s31 grant re BRR scheme	-1,959,000	-1,959,000	-18,870,985	-1,959,000	-16,911,985	S31 Brates Covid grant for Retail, Leisure, Hospitality and nursery reliefs not included at P10
s31 grant re council tax	0	0	0	0	0	
New Burdens grant	0	0	-1,640	0	-1,640	
Other government grant	0	0	0	0	0	
New Homes Bonus grant	-851,019	-851,019	-851,019	-851,019	0	
GUILDFORD BOROUGH COUNCIL NET BUDGET	49,046,533	49,046,535	55,362,065	64,381,678	-9,019,613	

Parish Council Precepts	1,876,544	1,876,544	1,876,544	1,741,000	135,544	Error on parish precepts in original budget was amended on the order paper for Feb 2020 Council but not reflected in monitoring reports
TOTAL NET BUDGET	50,923,077	50,923,079	57,238,609	66,122,678	-8,884,069	
Business Rates - retained income	-34,713,245	-34,713,245	-34,713,245	-34,713,245	0	

Collection Fund Deficit - Business Rates	-4,140,430	-4,140,430	-4,140,430	-3,812,870	-327,560	Final BRATES collection fund deficit following NNDR1 completion for 2020-21 was amended on the order paper for Feb 2020 budget council but not reflected on the monitoring reports
Collection Fund Surplus - Council Tax	0	0	0	0	0	
COUNCIL TAX REQUIREMENT	12,069,402	12,069,404	18,384,934	27,596,563	-9,211,629	

Projected (under)/over spend			6,315,530	14,008,489	-7,692,959	please note that this was against a revised budget of £13,588,074 which has since been updated. Variance to final revised budget of £12,069,404 would be £15,527,1259
Movement in MRP and External Interest			-1,247,372	180,443	-1,427,815	
Underlying (under) / overspend on services			7,562,902	13,828,046	-6,265,144	

Service Summary Variance between P10 monitoring and Actual Outturn					Appendix 3B
Service	Revised budget	Actual outturn	P10 Monitoring Net Projected Outturn	Variance Actual to P10	Comments
<u>Resources Directorate</u>					
					Over expectation of non controllable costs £155,000. Salary costs were pro-rated from August 2020 giving a pressure of £85,000. Employment of casuals and agency £67,000. IAS19 adjustment carried out at year end £97,000. £72,000 contribution to reserves. £40,000 over on the equipment budget.
Resources Caseworker	-£ 174,738	£ 290,760	-£ 246,178	£ 536,938	
Corporate financial	£ 277,380	£ 286,131	£ 331,297	-£ 45,166	
					There was a salary reallocation to take account of miscodings in the past period, due to Phase A the salary budgets are not in the correct areas.
Corporate Services	£ 985,905	£ 1,430,897	£ 1,327,027	£ 103,870	
Feasibility Studies	£ 40,470	£ 26,847	£ 4,487	£ 22,360	
Lead Specialist - Finance	-£ 47,290	£ 207,130	£ 240,896	-£ 33,766	
Lead Specialist - HR	-£ 176,750	-£ 21,551	£ 1,938	-£ 23,489	
					IAS19 adjustment £144,000. £302,000 contribution to provisions. Use of agency staff longer than expected totalling £214,000
Lead Specialist - ICT	£ 42,200	£ 962,242	£ 452,271	£ 509,971	
Lead Specialist - info governance	£ -	£ -	£ 22,092	-£ 22,092	moved to strategy directorate
Insurance revenue account	£ -	£ -	£ 691,157	-£ 691,157	recharged out across other services
ICT investment and Renewal fund	£ 21,190	-£ 77,976	£ 21,190	-£ 99,166	
Lead Specialist - legal	-£ 208,487	£ 73,894	-£ 131,112	£ 205,006	
					Lower than anticipated expenditure as we received additional income from SCC for the Contain Outbreak management fund and other grants at the year end which we were able to utilise to offset the spend.
Miscellaneous expenses	£ 920,617	£ 644,820	£ 2,112,707	-£ 1,467,887	
Other Employee costs	£ 99,690	£ 50,903	-£ 163,832	£ 214,735	
Audit management	£ 2,240	-£ 69,009	£ -	-£ 69,009	Service was under strategy at P10
Parish Liaison	£ 195,540	£ 266,627	£ -	£ 266,627	Service was under strategy at P10
Business Improvement	-£ 81,430	£ 4,425,574	£ -	£ 4,425,574	Service was under strategy & in audit management at P10
Unallocatable central overheads	£ 5,737,660	£ 772,975	£ 7,340,697	-£ 6,567,722	Pension cost has been incurred for 3 years, there is a below the line transfer from reserves to cover this cost.
	£ 7,634,197	£ 9,270,264	£ 12,004,637	-£ 2,734,373	
<u>Service Delivery Directorate</u>					
Arts Development	£ 125,420	£ 92,617	£ -	£ 92,617	under strategy at P10
Building Control	£ 365,830	£ 462,889	£ 624,045	-£ 161,156	Government grant of £168,750
Building Maintenance	£ 47,870	£ 333,740	£ 21,607	£ 312,133	IAS adj £180,535. Service underestimated by £176,061
					Unbudgeted Grant income of £227,979, Business Rates unbudgeted £120,467. IAS adj £32,086
Business Rates	-£ 22,920	-£ 77,629	£ 181,239	-£ 258,868	
Traveller Caravan Sites	-£ 78,040	-£ 72,023	£ 28,804	-£ 100,827	Asset maint £37,639, Utilities £63,233 P12 catchup postings

Town Centre CCTV	£ 100,700	£ 91,553	£ 86,052	£ 5,501	
Cemetries	£ 244,024	£ 165,529	£ 187,757	-£ 22,228	
Civil Emergencies	£ 61,440	£ 66,141	£ 59,122	£ 7,019	
Crematorium	-£ 816,860	£ 1,063,481	-£ 411,781	£ 1,475,262	Government grant of £572,200 and unbudgeted capital charges of £2,255,500. IAS adj £51,800. Net expenditure was over estimated by £333,160
Council Tax	£ 532,410	£ 606,235	£ 701,895	-£ 95,660	
Customer Services	-£ 67,950	£ 144,392	-£ 29,016	£ 173,408	
Day Services	£ 558,360	£ 833,792	£ 690,743	£ 143,049	IAS adj £79,254. Salix contribution £22,158. Other recahrges posted in P12
Development Control	£ 830,460	£ 1,570,645	£ 1,366,264	£ 204,381	IAS adj £314,800 and direct expenditure was overestimated in period 10.
Digital Services	£ 238,770	£ 314,672	£ 289,493	£ 25,179	
Emergency communications	-£ 123,790	-£ 20,827	-£ 115,608	£ 94,781	
EMI services	£ 111,370	£ 223,760	£ 207,817	£ 15,943	
Engineering & Transportation Services	-£ 41,570	£ 80,562	£ 22,145	£ 58,417	
Environmental health	£ 453,680	£ 530,034	£ 994,926	-£ 464,892	Salary allocations and expenditure being investigated as showing an overspend.
Family Support Programme	£ 106,270	£ 169,771	£ 192,340	-£ 22,569	
Fleet Management	£ 15,120	£ 18,771	£ 15,043	£ 3,728	
Food safety	£ 375,070	£ 307,832	£ 326,939	-£ 19,107	
Glive	£ 1,722,570	£ 1,798,724		£ 1,798,724	under strategy at P10
Guildford House	£ 399,961	£ 295,663	£ 336,233	-£ 40,570	
Guildhall	£ 146,632	£ 110,318	£ 116,896	-£ 6,578	
Housing Benefits	£ 436,250	£ 456,141	£ 590,250	-£ 134,109	Unbudgeted income £3,579,798
Corporate Health and Safety	£ 9,200	£ 27,955	£ 9,034	£ 18,921	
Homelessness Support	£ 857,890	£ 425,623	£ 282,405	£ 143,218	Unbudgtd grant income £725,369. Underestimated budgets salaries £25,739, Emergency Accommodation £135,704, Grans & subscriptions £126,983
Housing Advice	£ 350,160	£ 316,790	£ 350,177	-£ 33,387	
Affordable Housing	£ 114,190	£ 107,122	£ 137,476	-£ 30,354	
Housing Surveying	-£ 240	£ 218,431	£ 92,311	£ 126,120	Recharges underacheived by £131,918. IAS adj £107,368
Land Charges	-£ 13,670	-£ 32,661	-£ 41,780	£ 9,119	
Land Drainage	£ 294,970	£ 90,763	£ 167,530	-£ 76,767	
Leisure and Community	£ 115,805	£ 116,468	£ 94,740	£ 21,728	
Leisure Management Contract	£ 1,344,180	£ 1,557,249		£ 1,557,249	under strategy at P10
Leisure Play	£ 215,790	£ 142,954	£ 154,971	-£ 12,017	
Leisure rangers	£ 231,260	£ 226,205	£ 208,987	£ 17,218	
Leisure Sports	£ 101,610	£ 62,593	£ 60,910	£ 1,683	
Licensing	£ 162,140	£ 189,740	£ 246,632	-£ 56,892	
Millmead house	-£ 231,096	-£ 267,599	£ -	-£ 267,599	under resources at P10
Major Projects	£ -	£ -	£ 1,604,045	-£ 1,604,045	moved to strategy at year end
MOT Bay	£ 2,210	£ 35,621	£ 43,425	-£ 7,804	
Community Meals and transport	£ 196,700	£ 139,064	£ 117,636	£ 21,428	
Guildford Museum	£ 630,225	£ 774,677	£ 735,351	£ 39,326	
North Downs housing	£ -	-£ 99,066		-£ 99,066	
Off-Street Parking	-£ 4,678,475	-£ 2,959,134	£ 1,652,704	-£ 4,611,838	Government grant of £4.996m. Income at period 10 was overestimated by £220,000. Expenditure was under estimated by £164,000. Government grant of £209,190. Income was over projected at period 10

On-Street Parking	-£ 336,250	£ 203,998	£ 363,187	-£ 159,189	by £52,000
Ordnance Survey Mapping	£ 8,070	£ 4,915	£ 6,248	-£ 1,333	
Countryside and Parks Services	£ 2,153,720	£ 3,169,589	£ 4,075,417	-£ 905,828	At the time of period 10 monitoirng this service was amalganted with Parks Countryside Management. The total variance is therefore £394,600. The IAS adjustment is £362,900.
Parks and Countryside management	£ 1,798,380	£ 1,300,449	£ -	£ 1,300,449	At the time of period 10 monitoirng this service was amalganted with Countryside aand Parks Services. The total variance is therefore £394,600. The IAS adjustment is £362,900.
Park and Ride	£ 844,655	£ 612,375	£ 574,654	£ 37,721	
Pest Control	£ 990	-£ 14,798	£ 989,000	-£ 1,003,798	Income and expenditure fluctuates depending on the number of treatments requested.
Private Sector housing maintenance	£ 97,850	£ 93,261	£ 200,305	-£ 107,044	Salary underspend due to vacant post - private sector housing manager.
Private Sector housing	£ 305,010	£ 893,140	£ -	£ 893,140	Capital charges £636k and IAS19 £41k superannuation adjustment and removal of licences paid for future years
Public Conveniences	£ 351,454	£ 279,350	£ 292,499	-£ 13,149	
Public Health	£ 384,210	£ 622,132	£ 71,758	£ 550,374	
Refuse and recycling	£ 3,976,430	£ 4,700,757	£ 4,177,403	£ 523,354	Agency costs were underestimated in period 10. The IAS adj is £384,300
River Control	£ 27,240	£ 25,598	£ 136,071	-£ 110,473	Expenditure on weir repair move to balance sheet code at year end.
Roads and footpaths	£ 109,690	£ 73,593	£ 83,048	-£ 9,455	
Snow and Ice	-£ 21,120	£ 18	£ 36,527	-£ 36,509	
SPA Sites	£ 24,550	-£ 300,783	-£ 274,340	-£ 26,443	
Street Cleansing	£ 2,316,560	£ 2,208,836	£ 2,048,585	£ 160,251	IAS adj £212,870
Street Furniture	£ 111,390	£ 85,152	£ 85,732	-£ 580	
Taxi licensing	£ 92,660	£ 85,577	£ 79,441	£ 6,136	
Tourist Information Centre	£ 255,280	£ 262,760	£ 315,013	-£ 52,253	
Vehicle maintenance	£ 5,360	£ 78,043	£ 19,276	£ 58,767	
Waste and Fleet Business Development	-£ 628,690	-£ 529,618	-£ 613,374	£ 83,756	
Woking Road Depot	£ 103,250	£ 210,750	£ 4,288	£ 206,462	Additional depreciation charges of £41,460. IAS adjustment of £16,660.
Woking Road Depot Stores	-£ 110	-£ 13,753	£ 10,228	-£ 23,981	R&M underestimated at period 10
	£ 17,404,505	£ 24,690,919	£ 25,080,725	-£ 389,806	
<u>Strategy Directorate</u>					
Arts Development	£ -	£ -	£ 88,728	-£ 88,728	moved to service
Audit management	£ -	£ -	£ 3,950,556	-£ 3,950,556	moved to resources, mainly FG spend
Business Forum	£ 26,820	£ 27,829	£ 31,998	-£ 4,169	
Business Improvement				£ -	
Citizens Advice Bureau	£ 284,710	£ 284,793	£ 401,492	-£ 116,699	Expenditure overestimated in P10
Civic Expenses	£ 256,110	£ 176,878	£ 175,620	£ 1,258	
Climate change	£ 100,030	-£ 213,914	£ 3,289	-£ 217,203	Unbudgeted income of £119,779. Consultancy underestimated £172,357
Community development	£ 175,770	£ 175,055	£ 170,704	£ 4,351	
About guildford	£ 51,900	£ 8,981	£ 16,539	-£ 7,558	
Community Lottery	-£ 100	-£ 1,923	-£ 2,518	£ 595	
Public relations	£ 321,630	£ 355,045	£ 307,023	£ 48,022	
Community Safety	£ 163,520	£ 50,330	£ 72,846	-£ 22,516	
Council and Committee Support	£ 425,190	£ 398,033	£ 398,974	-£ 941	

Coaches and Committee Support	£ 729,239	£ 558,888	£ 558,888	£ 571	
Corporate Programmes	£ 1,461,432	£ 478,646	£ 1,649,938	-£ 1,171,292	Asset maint underestimated £1,228,182
Democratic Representation	£ 818,820	£ 776,691	£ 906,447	-£ 129,756	Expenses & catering underestimated in P10
Elections	£ 94,800	£ 92,552	£ 89,173	£ 3,379	
Electoral registration	£ 275,670	£ 182,229	£ 189,050	-£ 6,821	
Events	£ 6,450	£ 4,752		£ 4,752	
Glive	£ -	£ -	£ 1,562,415	-£ 1,562,415	moved to service directorate
Grants to voluntary organisations	£ 483,540	£ 394,591	£ 547,901	-£ 153,310	Grants & Subscriptions underachieved £69,883
Leisure grants to voluntary organisations	£ 393,060	£ 378,088	£ 431,100	-£ 53,012	
Industrial Estates	-£ 2,552,228	-£ 6,197,701	-£ 2,488,842	-£ 3,708,859	Revaluation Gains & Loses £3,878,742
Lead Specialist - info governance	£ 4,330	£ 21,528		£ 21,528	
Investment properties	-£ 4,326,024	£ 665,193	-£ 4,173,861	£ 4,839,054	Revaluation gains & Loses £4,859,386
Leisure Management Contract			£ 2,231,671	-£ 2,231,671	moved to service directorate
Major Projects	£ 2,106,646	£ 13,861,332		£ 13,861,332	Moved from Service Directorate. Projected spend at P10 was £1.6million. Year end additional spend due to REFCUS
Markets	-£ 3,600	-£ 5,702	£ 680	-£ 6,382	
Housing outside the HRA	£ 59,630	£ 85,422	£ 59,325	£ 26,097	
Other Property	-£ 473,413	£ 776,110	-£ 460,947	£ 1,237,057	Revaluation Gains & Loses £1,195,000
Policy, Community and Events	£ 1,430,199	£ 1,051,271	£ 989,000	£ 62,271	
Project Aspire	£ -	£ 22,038		£ 22,038	
Parish Liaison			£ 196,640	-£ 196,640	moved to resources
Pest Control			£ 9,088	-£ 9,088	moved to service
Community Wellbeing	£ 324,800	£ 367,341	£ 368,019	-£ 678	
Tourism and Development	£ 403,615	£ 340,140	£ 523,692	-£ 183,552	P10 Overestimated. Income underestimated £42,223. IAS Adj £46,172
Town Centre management	-£ 216,840	£ 8,124	-£ 59,617	£ 67,741	
Youth Council	£ 10	£ 199	£ -	£ 199	
	£ 2,096,477	£ 14,563,951	£ 8,186,123	£ 6,377,828	

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Summary of Reserves 2020-2021

	2019-20	2020-21			
	Closing balance, £000	Receipts in Year	Transfers out in Year	Closing balance, £000	Purpose of the Reserve / Policy on use
	31/03/2020	£000	£000	31/03/2021	
General Fund					
Election Costs	-94,440.26	-62,500.00	0.00	-156,940.26	Contributions are made in non election years to offset the additional costs in the year that borough elections are held.
Interest Rate Movements	-1,196,969.60	0.00	0.00	-1,196,969.60	To allow for changes in predicted interest rates after the budget for the year has been set.
Concurrent Functions Grant Aid	-88,774.55	-4,958.00	15,372.00	-78,360.55	Set up from Concurrent Function grant aid not required by Parish Councils, to allow urgent requests to be considered during the year.
HLS projects	-171,533.39	-40,417.40	32,105.00	-179,845.79	To receive grants from Natural England prior to financing approved schemes in parks and countryside.
New Homes Bonus	-3,490,087.09	-851,019.00	1,206,600.42	-3,134,505.67	To receive balance of new homes bonus grant received and not used in the year. Should be used in line with NHB Policy approved Council Feb 2016.
Capital Schemes	-599,780.63	0.00	599,780.63	0.00	Financing of General Fund capital schemes within approved programmes.
Carried Forward Items	-1,654,219.44	0.00	826,191.50	-828,027.94	To finance expenditure in future years that was budgeted for but not able to be progressed in the year and which is still required.
Collection Fund Balance	-150,000.00	0.00	0.00	-150,000.00	Use as appropriate to smooth out the effects on the General Fund of a surplus or deficit on the Collection Fund.
Insurance	-975,993.01	0.00	0.12	-975,992.89	Maintain at level recommended by professional advisors. Receives or pays out the balance on the revenue account in the year and finances un-insured claims and excesses.
Invest to Save	-4,265,882.09	-250,000.00	2,096,186.50	-2,419,695.59	To be used to fund investment opportunities in services that will allow ongoing savings to be achieved and accommodate short term increases in revenue costs during periods of
Salix	-357,676.98	-178,152.38	70,273.39	-465,555.97	Match funding for Salix (Carbon Trust) grant. Consists of two separate reserves in order to comply with the requirements of the Carbon Trust.
IT Renewals	-666,647.88	-1,075,891.06	1,198,570.10	-543,968.84	Receives repayments from services to fund expenditure as set out in the ICT Strategy.
LABGI	-214,521.67	0.00	0.00	-214,521.67	Set up with income received from Local Authority Business Growth Incentive grant. This money will be used to support schemes that will also benefit the businesses in the Borough.
Spectrum	-1,823,017.49	-188,843.00	0.00	-2,011,860.49	Maintained in order to provide funds for structural repairs and improvements. Under the Leisure Management contract responsibility for the fabric of the buildings remains with the Council.
Car Parks Maintenance	-4,235,964.01	-649,950.00	458,377.82	-4,427,536.19	Financing of repairs, maintenance and improvements in off street car parks.
Land Charges	27,240.00	-50,600.46	0.00	-23,360.46	Balance on the land charges account for the year. Legislation requires that the Land Charges service breaks even over a three year period.
Park & Ride	-1,650,000.00	0.00	0.00	-1,650,000.00	Created in 2008/09 in lieu of a s106 contribution from the Queen Elizabeth Park development used to fund park and ride expenditure at Merrow and Artington.
Slyfield Area Regeneration Project (SARP)	0.00	0.00	0.00	0.00	Receives contributions from partners involved in the SARP and finances partnership expenditure.
Ash Manor AWP	0.00	0.00	0.00	0.00	To provide for replacement of Ash Manor All Weather Pitch, as required by agreement with the Football Foundation.
Ash Manor Renewals	-2,520.04	0.00	0.00	-2,520.04	To receive one third of any operational surplus on Ash Manor sports centre, as part of the tri-partite agreement in place.
Ash Manor Facilities Development	-2,520.04	0.00	0.00	-2,520.04	To receive one third of any operational surplus on Ash Manor sports centre, as part of the tri-partite agreement in place.
Pension Reserve (GBC)	-975,000.00	0.00	0.00	-975,000.00	Set up as part of closing the 2010-11 accounts in order to provide for a potential backfunding liability for staff transferred under TUPE to the Leisure Management
G Live sinking fund	-100,000.00	-10,000.00	0.00	-110,000.00	Required by the G Live operator agreement.
Leisure Management Contract	-45,686.00	0.00	0.00	-45,686.00	Receives a minimum of 50 per cent of any surplus on the Leisure Management contract (excluding Ash manor) as required by the contract.
Legal actions	-812,223.00	0.00	0.00	-812,223.00	Available to finance legal costs and awards made because of actions taken against the Council, including judicial review.
Liongate rent top-up	0.00	0.00	0.00	0.00	To allow for the accounting treatment of an investment property where the purchase price was reduced by an amount for rental income compensation.
Family support programme	-181,867.22	0.00	132,798.65	-49,068.57	To hold the balance of funds supplied by Surrey County Council for the Family Support programme, prior to expenditure being incurred.

Local Plan	-234,083.00	0.00	0.00	-234,083.00	To fund communications support work on the Local Plan and a contribution to the University of Surrey for the International Music Festival. The transfer out in the year
Salix admin	-33,795.63	0.01	0.00	-33,795.63	
Energy Management Schemes	-131,628.36	-44,326.29	2,884.66	-173,069.99	Funding for energy management schemes similar to Salix schemes but for which match funding is not available.
Preventing Homelessness	-301,270.09	-449,607.69	0.00	-750,877.78	Received grant from Department of Communities and Local Government (DCLG) for use in partnership work across Surrey to prevent homelessness in future years.
Preventing Repossession	-621,346.39	0.00	0.00	-621,346.39	Received grant from DCLG to fund preventing repossession work in future years.
Civil Parking Enforcement - GBC/GLC shared contr	-0.00	0.00	0.00	-0.00	To receive net funds due to Guildford and finance expenditure as allowed under the Civil Parking Enforcement agreement with Surrey County Council. Controlled jointly by the
Business Rates equalisation	-5,715,526.79	-26,481,086.00	8,144,816.00	-24,051,796.79	To be used as appropriate to smooth out the effects of the Business Rates Retention Scheme, including those related to regeneration projects.
Job Evaluation	-300,000.00	0.00	0.00	-300,000.00	To accommodate the medium term effects of salary changes should the Council choose to implement Job Evaluation following completion of the Pay and Grading exercise in
Masterplan	-194,487.52	0.00	0.00	-194,487.52	To finance the preparation of a Master plan for the borough.
SPA - Effingham	-2,023,858.47	-409,222.42	0.00	-2,433,080.89	Receives s106 contributions for the Effingham SPA, prior financing expenditure on approved schemes.
SPA - Riverside	-923,570.15	-91.16	24,010.00	-899,651.31	Receives s106 contributions for the Riverside Park SPA, prior financing expenditure on approved schemes.
SPA - Chantry Wood	-4,355,880.73	-62,509.61	0.00	-4,418,390.34	Receives s106 contributions for the Chantry Wood SPA, prior financing expenditure on approved schemes.
SPA - Lakeside	-560,546.98	-55.87	3,719.00	-556,883.85	Receives s106 contributions for the Lakeside SPA, prior financing expenditure on approved schemes.
SPA - Parsonage Water	-1,904,350.92	-190.44	0.00	-1,904,541.36	Receives s106 contributions for the Parsonage Water SPA, prior financing expenditure on approved schemes.
SPA tying		0.00	10,576.00	0.00	
SPA Burpham		0.00	8,428.00	0.00	
Community Centres	-114,507.22	0.00	0.00	-114,507.22	To finance works on Community Centres
SCC Prevention partnership fund		0.00	0.00	0.00	To hold grants given by Surrey County Council prior to expenditure being incurred.
Capital movements reserve	-333,000.00	0.00	0.00	-333,000.00	To protect the revenue account against sale of investments at a capital loss.
Investment Property rent	-77,200.00	0.00	0.00	-77,200.00	To offset any shortfall in investment property rental income in the year.
Recycling	0.00	0.00	0.00	0.00	To protect the revenue account against adverse movement in the income generated from recyclable materials
Budget Pressures	-1,754,414.68	0.00	328,000.00	-1,426,414.68	To facilitate the management of pressure on the General Fund revenue budget.
Civil Parking - GBC control	-322,090.12	-5,055.28	0.00	-327,145.40	To receive income from on-street parking, as agreed under the Civil Parking Enforcement agreement with Surrey County Council and finance any approved expenditure.
Taxi Licensing	0.00	0.00	0.00	0.00	Previously included with the carry forward reserve. To receive or fund any balance on the Taxi Licensing services (except irrecoverable costs). Legislation requires that the service
Project Aspire	-94,508.09	0.00	22,037.53	-72,470.56	To finance the costs of Project Aspire.
BR Covid discount	0.00	-2,384,747.38	0.00	-2,384,747.38	New reserve 2020-21 - Grants carried forward to offset future expenditure
Refugee Support	-62,386.23	-114,915.62	0.00	-177,301.85	Reserve holds unspent specific grant monies awarded by government to the Council to spend on supporting families that the Council has housed through the national refugee
Prevention Partnership Fund		0.00	0.00	0.00	Reserve holds unspent specific grant monies awarded by government to the Council to spend on preventing extremism
Community Housing Fund	-60,962.00	0.00	0.00	-60,962.00	Reserve holds unspent specific grant monies received by the Council from Government for expenditure on supporting community housing projects
Planning Policy	-49,735.00	0.00	0.00	-49,735.00	
Covid Reserve	0.00	0.00	0.00	0.00	Grants carried forward to offset future expenditure
TOTAL	-43,897,232.76	-33,314,139.04	15,180,727.32	-62,049,648.49	

Collection Fund 2020-2021

2019-20 £000	2019-20 £000		2020-21 £000	2020-21 £000
Council Tax	Business Rates		Council Tax	Business Rates
		Income		
	87,917	Income from Business Ratepayers - Note 2		49,346.0
110,267		Council Taxes	115,246	
		Distribution of prior year estimated deficit:		
	5,986	Central Government	-	(6,208.0)
86		Surrey County Council	-	685.0
621		Surrey Police and Crime Commissioner	-	0.0
104	1,493	Guildford Borough Council	-	(4,140.0)
111,078	95,396	Total Income	115,246	39,683
		Expenditure		
		Precepts		
11,499		Surrey County Council	12,069	
82,552		Surrey Police and Crime Commissioner	87,129	
14,799		Guildford Borough Council	15,597	
		Payment of Business Rates shares:		
	43,677	Central Government		43,392
	8,735	Surrey County Council		8,678
	34,941	Guildford Borough Council		34,713
	(101)	Transitional Protection payments		87
	227	Charge to General Fund for collecting NDR		231
352		Provision for council tax bad debts	3,600	
	857	Provision for business rates bad debts		2,300
	(1,108)	Provision for business rates appeals		8,160
		Distribution of prior year estimated surplus:		
	6,492	Central Government		0
		Surrey County Council		0
		Surrey Police and Crime Commissioner		0
		Guildford Borough Council		0
109,202	93,720	Total Expenditure	118,395	97,561
		Collection Fund Balance		
(1,178)	(3,740)	Balance at the beginning of the year	698	(2,065)
1,876	1,675	Surplus/(deficit) for the year	(3,149)	(57,878)
698	(2,065)	Balance at the end of the year	(2,451)	(59,943)

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