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TO THE CHAIRMAN AND MEMBERS OF THE
EXECUTIVE

You are hereby summoned to attend a meeting of the Executive to be held on Thursday, 4 February 2021 at 7.00 pm. The meeting will be held virtually and webcast live through the Council's website in accordance with the Coronavirus Act 2020 and The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 (S.I.2020 No. 392).

Please note the meeting will be filmed and will be broadcast live and subsequently as an archive on the Council's website (www.woking.gov.uk). The images and sound recording will also be used for training purposes within the Council. By joining the meeting remotely, you are consenting to being filmed.

The agenda for the meeting is set out below.

RAY MORGAN
Chief Executive

AGENDA

PART I - PRESS AND PUBLIC PRESENT

1. Minutes

   To approve the minutes of the meeting of the Executive held on 14 January 2021 as published.

2. Apologies for Absence

3. Urgent Business

   To consider any business that the Chairman rules may be dealt with under Section 100B(4) of the Local Government Act 1972.

4. Declarations of Interest (Pages 5 - 6)

   (i) To receive declarations of interest from Members and Officers in respect of any item to be considered at the meeting.

   (ii) In accordance with the Members' Code of Conduct, Councillor A Azad declares a non-pecuniary interest in any items concerning the companies of which she is a Council-appointed director. The companies are listed in the attached schedule. The interests are such that speaking and voting are permissible.

(iii) In accordance with the Members' Code of Conduct, Councillor C S Kemp declares a non-pecuniary interest in any items concerning the companies of which he is a Council-appointed director. The companies are listed in the attached schedule. The interests are such that speaking and voting are permissible.

(iv) In accordance with the Members' Code of Conduct, Councillor D Harlow declares a non-pecuniary interest in any items concerning the companies of which she is a Council-appointed director. The companies are listed in the attached schedule. The interests are such that speaking and voting are permissible.

(v) In accordance with the Officer Employment Procedure Rules, the Chief Executive, Ray Morgan, declares a disclosable personal interest (non-pecuniary) in any items concerning the companies of which he is a Council-appointed director. The companies are listed in the attached schedule. The interests are such that Mr Morgan may advise the Executive on those items.

(vi) In accordance with the Officer Employment Procedure Rules, the Deputy Chief Executive, Douglas Spinks, declares a disclosable personal interest (non-pecuniary) in any items concerning the companies of which he is a Council-appointed director. The companies are listed in the attached schedule. The interests are such that Mr Spinks may advise the Executive on those items.

(vii) In accordance with the Officer Employment Procedure Rules, the Director of Legal and Democratic Services, Peter Bryant, declares a disclosable personal interest (non-pecuniary) in any items concerning the companies of which he is a Council-appointed director. The companies are listed in the attached schedule. The interests are such that Mr Bryant may advise the Executive on those items.

(viii) In accordance with the Officer Employment Procedure Rules, the Director of Finance, Leigh Clarke, declares a disclosable personal interest (non-pecuniary) in any items concerning the companies of which she is a Council-appointed director. The companies are listed in the attached schedule. The interests are such that Mrs Clarke may advise the Executive on those items.

(ix) In accordance with the Officer Employment Procedure Rules, the Director of Housing, Louise Strongitharm, declares a disclosable personal interest (non-pecuniary) in any items concerning the companies of which she is a Council-appointed director. The companies are listed in the attached schedule. The interests are such that Mrs Strongitharm may advise the Executive on those items.

(x) In accordance with the Officer Employment Procedure Rules, the Director of Community Services, Julie Fisher, declares a disclosable personal interest (non-pecuniary) in any items concerning the companies of which she is a Council-appointed director. The companies are listed in the attached schedule. The interests are such that Mrs Fisher may advise the Executive on those items.

(xi) In accordance with the Officer Employment Procedure Rules, the Director of Finance, Leigh Clarke, declares a disclosable personal interest (non-pecuniary) in any items concerning Woking Football Club and/or the GolDev Woking Limited development. The interest arises from (i) her husband having a small shareholding in Woking Football Club and (ii) being a Council-appointed director of Kingfield Community Sports Centre Limited. The interest is such that Mrs Clarke may advise the Executive on those items.

(xii) In accordance with the Officer Employment Procedure Rules, the Director of Legal and Democratic Services, Peter Bryant, declares a disclosable personal interest (non-pecuniary) in any items concerning Woking Football Club and/or the GolDev Woking Limited development. The interest arises from (i) him being a member of the Cards Trust (the supporters' club for Woking Football Club), (ii) providing occasional unpaid assistance to Woking Football Club, e.g. acting as returning officer at the election of directors and (iii) being a Council-appointed director of Kingfield Community Sports Centre Limited. The interest is such that Mr Bryant may advise the Executive on those items.

Questions

5. To deal with any written questions submitted under Section 3 of the Executive Procedure Rules. Copies of the questions and draft replies will be available electronically at the meeting.

Matters for Recommendation

6. General Fund, Service Plans, Budgets and Prudential Indicators 2021-22 EXE21-001 (Pages 7 - 40)

   Reporting Person – Leigh Clarke

7. Housing Revenue Account Budgets 2021-22 EXE21-002 (Pages 41 - 50)

   Reporting Person – Leigh Clarke

8. Investment Programme 2020-21 to 2024-25 EXE21-003 (Pages 51 - 90)

   Reporting Person – Leigh Clarke

9. Capital, Investment and Treasury Management Strategies EXE21-004 (Pages 91 - 154)

   Reporting Person – Leigh Clarke

10. Housing Management and Maintenance Service EXE21-009 (Pages 155 - 164)

    Reporting Person – Louise Strongitharm

Matters for Determination

11. Terms of Joint Study on the Future Infrastructure Requirements of the East of Woking EXE21-017 (Pages 165 - 178)

    Reporting Person – Douglas Spinks

Performance Management

12. Performance and Financial Monitoring Information

    Please bring to the meeting your copy of the Performance and Financial Monitoring Information (Green Book) December 2020.

13. Monitoring Reports - Projects EXE21-005 (Pages 179 - 188)

    Reporting Person – Ray Morgan

AGENDA ENDS

Date Published - 27 January 2021

For further information regarding this agenda and arrangements for the meeting, please contact Julie Northcote on 01483 743053 or email julie.northcote@woking.gov.uk

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Schedule Referred to in Declaration of Interests

Council-appointed directorships

Councillor A Azad	
Kingfield Community Sports Centre Limited	Thameswey Housing Limited
Thameswey Central Milton Keynes Limited	Thameswey Limited
Thameswey Developments Limited	Thameswey Maintenance Services Limited
Thameswey Energy Limited	Thameswey Solar Limited
Thameswey Guest Houses Limited	Thameswey Sustainable Communities Limited

Councillor C S Kemp	
Kingfield Community Sports Centre Limited	Thameswey Housing Limited
Thameswey Guest Houses Limited	Thameswey Limited

Councillor D Harlow	
Thameswey Guest Houses Limited	Thameswey Housing Limited
Thameswey Limited	

Ray Morgan, Chief Executive	
Export House Limited	Thameswey Limited
Rutland Woking (Carthouse Lane) Limited	Victoria Square Residential Limited
Rutland Woking (Residential) Limited	VSW Hotel Limited
Rutland (Woking) Limited	Victoria Square Woking Limited
Thameswey Maintenance Services Limited	Woking Shopping Limited

Douglas Spinks, Deputy Chief Executive	
Brookwood Cemetery Limited	Thameswey Energy Limited
Brookwood Park Limited	Thameswey Limited
Energy Centre for Sustainable Communities Limited	Thameswey Solar Limited
Export House Limited	Thameswey Sustainable Communities Limited
Thameswey Central Milton Keynes Limited	Woking Necropolis and Mausoleum Limited
Woking Shopping Limited	

Peter Bryant, Director of Legal and Democratic Services	
Brookwood Cemetery Limited	Thameswey Energy Limited
Brookwood Park Limited	Thameswey Guest Houses Limited
Energy Centre for Sustainable Communities Limited	Thameswey Housing Limited
Kingfield Community Sports Centre Limited	Thameswey Limited
Rutland Woking (Carthouse Lane) Limited (alternate for Ray Morgan)	Thameswey Maintenance Services Limited
Rutland (Woking) Limited (alternate for Ray Morgan)	Thameswey Solar Limited
Thameswey Central Milton Keynes Limited	Thameswey Sustainable Communities Limited
Thameswey Developments Limited	Woking Necropolis and Mausoleum Limited

Leigh Clarke, Director of Finance
Kingfield Community Sports Centre Limited

Louise Strongitharm, Director of Housing	
Thameswey Developments Limited	Thameswey Housing Limited
Thameswey Guest Houses Limited	Thameswey Limited

Julie Fisher, Director of Community Services
Victoria Square Woking Limited

EXECUTIVE – 4 FEBRUARY 2021

GENERAL FUND, SERVICE PLANS, BUDGETS AND PRUDENTIAL INDICATORS 2021-22

Executive Summary

The General Fund Estimates for 2021/22 are presented for recommendation to Council. The provisional local government settlement was announced on 17 December 2020. The base allocation of Business Rates and the removal of negative Revenue Support Grant (RSG) were consistent with the figures included in the November draft budget.

The current environment remains uncertain following almost a year of lockdowns and restrictions on social interactions. The Council has incurred spend in responding to the Covid-19 pandemic and has lost income through irrecoverable commercial rents and reduction in activity for Council services such as car parks. The government has provided support for the local government sector, but this has fallen short of the actual impact in 2020/21.

Whilst the roll out of the vaccine since the beginning of the year is positive and offers hope that activity can start to return to normal, it is expected that this will take some time. It is not clear how much activity will return and how quickly.

The Council's economic strategy is dependent on the success of Woking town centre. Both parking and commercial rents require the return of footfall to the town, retail, leisure, office workers and commuters. Business models are based on this activity. As 2021/22 progresses it will be necessary to consider the promotion of the town centre, including Victoria Place, post-Covid, recognising it may be necessary to invest to secure new tenants and alternative uses for some spaces.

The draft General Fund Budget for 2021/22 recommended for approval has been prepared with minimal impact on citizen outcomes. To maintain services requires a significant use of reserves in 2020/21 (£7.3m) and 2021/22 (£9.5m). This is less than forecast in the November draft budget but remains a significant call on resources which have been set aside to manage various medium term risks. Whilst it is possible to use reserves in this way, it reduces the funds available to manage future risks.

Protection of current service levels, therefore depends on a number of factors including the outcome of the Council's application to fund some 2020/21 losses from capital resources. There also needs to be increases in the Council's income streams during 2021/22 and continued support for pandemic related pressures during 2021/22.

It will be important to identify cost savings and efficiencies which can be secured, or called on if necessary, should the financial position not recover sufficiently quickly during the year. The base £100,000 savings target is retained in the budget for 2020/21. The budget also includes a specific Covid provision to cover the risk of lost income during the year. The normal risk contingency of £250,000 has been included in the budget to cover other risks.

The net budget for the General Fund is £10.1m and the resulting Band D Council Tax figure for 2021/22 of £250.46, an increase of £5.00 (2.04%) compared to 2020/21. The increase is within the referendum limit flexibilities of 2% or £5 proposed by the Government in December 2020. When assessing the resources available to the Council the government assumes that Council tax is increased by the maximum amount.

The draft budget position will be discussed at the Finance Task Group on 28 January 2020 and any matters raised will be brought to the Executive as appropriate.

The Medium Term Financial Strategy (MTFS) will be updated in March to incorporate these budget changes, reflect the updated cumulative impact of the pandemic and recommend further actions required during 2021/22 to protect the Council's medium term financial position.

Recommendations

The Executive is requested to:

RECOMMEND TO COUNCIL That

i) the Revenue Estimates and Human Resource requirements for 2021/22 be approved;

ii) a Band D Council Tax for the Borough of Woking for 2021/22 of £250.46 be approved; and

iii) the Prudential Indicators at Appendix 3 to the report be approved, subject to any changes arising from consideration of the Investment Programme, revenue budgets and Final Government Settlement.

Reasons for Decision

Reason: To recommend that Council approves the resources necessary to implement its Service Plans and objectives and raises the necessary revenue through the determination of Council Tax for 2021/22.

The item(s) above will need to be dealt with by way of a recommendation to Council.

Background Papers: None.

Reporting Person: Leigh Clarke, Finance Director
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Contact Person: Neil Haskell, Business Support Manager
Email: neil.haskell@woking.gov.uk, Extn: 3246

Portfolio Holder: Councillor Simon Ashall
Email: cllrsimon.ashall@woking.gov.uk

Shadow Portfolio Holder: Councillor Deborah Hughes
Email: cllrdeborah.hughes@woking.gov.uk

Date Published: 29 January 2021

1.0 Introduction

1.1 This paper sets out the draft General Fund budgets and reserves (Appendices 1-2) and Prudential Indicators for 2021/22 (Appendix 3). Service Plans will be presented to the Executive for consideration in March. They will be based on the 2020/21 plans and will be considered again once the future post pandemic is clearer.

1.2 Section 2 of this report sets out the impact of the Covid pandemic on the Council's financial position in 2020/21.

1.3 Section 3 sets out the details of the provisional settlement and other government announcements and policy changes.

1.4 Sections 4 to 13 set out the main assumptions made in preparing the budget. These sections also consider the most significant areas of risk within the 2021/22 budget and going forward. A savings target of £100,000 continues to be included in the annual budget as proposed in the Medium Term Financial Strategy (MTFS). The draft budget retains a risk contingency of £250,000 and makes specific provision for potential lost income as a result of the pandemic.

1.5 Sections 14 and 15 of this report consider the MTFS and the level of the Council's reserves.

1.6 Reserves have been used to meet the financial pressures due to the Covid pandemic in 2020/21 and 2021/22.

1.7 The forecast impact in 2020/21 is circa £7.3m as set out in paragraph 2.26 below. It may be possible to reduce this through in-year budget savings not related to Covid including savings on financing costs through the use of short term borrowing at lower rates.

1.8 The General Fund Summary in Appendix 1 shows the forecast use of reserves for 2021/22 as £9.5m. This includes a Covid specific provision of £6.6m to cover commercial rents, parking and leisure income not covered by the Sales, Fees and Charges compensation scheme.

1.9 The draft General Fund Budget for 2021/22 recommended for approval currently has minimum impact on citizen outcomes. However, the consequences of the pandemic have been significant on the Council. The financial position will need to be reviewed on an ongoing basis during 2021/22. It will not be possible to continue using this level of reserves beyond 2021/22 and it will be necessary to reduce reliance either through cost savings or the recovery of the income base.

1.10 The net budget for the General Fund is £10.1m and the resulting Band D Council Tax figure for 2021/22 is £250.46, £5 more than in 2020/21, and a 2.04% increase in Council Tax.

2.0 Covid-19 Pandemic and 2020/21 forecast

2.1 Since the draft budget prepared in November, the Covid-19 pandemic has continued to impact lives and businesses. There was a National lockdown during the month of November, a variety of Tier based restrictions during December, followed by the current National restrictions from 6 January.

2.2 Local businesses and the Council's income streams continue to be severely affected by the necessary 'Stay at Home' message. However, on the upside, the beginning of the vaccination programme provides hope that there is a path to recovery.

2.3 The budget for 2020/21 was approved in February before it became clear the impact that the pandemic would have. Consideration of the Medium Term Financial Strategy (MTFS) was deferred from March 2020 as it became apparent that the future would be very different from expectations. This report includes revised forecasts based on the first 9 months of 2020/21.

2.4 The financial impact in 2020/21 has been across a number of areas of the Council's budgets:

- Revenue expenditure in dealing with the response
- Some savings as activities have slowed down
- Income loss from fees and charges and commercial rents
- Government support grants
- Cost and timing of capital projects

2.5 The most significant areas of income and expenditure are set out in the sections below, updating the position reported to the Executive in November.

Housing

2.6 The Council secured the Woking Travelodge for temporary housing at the beginning of the crisis. The Woking Hotel was also used, together with the HG Wells centre which was adapted using pods to provide further accommodation. There were also additional costs for food and security. Some of these costs have been covered by income from other authorities, and businesses in need of accommodation, and by benefits payments. The current forecast for the year is a net cost of circa £903,000, a successful bid resulted in £275,000 grant income awarded towards these costs.

2.7 The Government has reconfirmed its commitment to the continuation of "Everyone In" during the current lockdown. Therefore, Woking Hotel/HG Wells will be required for this use until at least Spring 2021. The Council has scaled back its use of the Travelodge to 20 rooms. In addition to the above funding, the Government will reimburse the Council for £29,978 of these hotel costs through their Cold Weather Fund.

Leisure

2.8 From March 2020 the Council has provided support to Freedom Leisure as the business was initially closed completely, gradually re-opened and has had to close again in November. The Council originally also paid Freedom staffing costs, using the staff to assist in the response to the crisis and to complete welfare calls which cost £546k over the period to July 2020.

2.9 Support towards operational costs, including mobilisation costs to reopen, and the impact of the further lockdowns are forecast to be £900k for the year.

2.10 The Department for Digital, Culture, Media and Sport (DCMS) has launched the National Leisure Recovery fund which is being managed through Sport England. The fund is for local authorities with outsourced leisure providers affected by the pandemic. Woking has been allocated an indicative grant of £170,000 and has submitted a detailed bid for these funds. Allocations will be confirmed at the end of February.

Other

2.11 IT improvements have been required in the form of additional equipment to enable staff to work from home, and Zoom licenses to enable virtual meetings.

2.12 Other costs incurred include Personal Protective Equipment (PPE), sanitiser and communications materials. There has also been some expenditure on equipment and adaptations in Council properties.

Savings

2.13 Some activities, for example the Celebrate Woking programme of events, have slowed down. The extent of this is currently being established to ensure cost variations are savings and not a rescheduling of expenditure.

Income loss

2.14 The government launched an income compensation scheme in August and 2 claims have been submitted to date covering the period to 30 November. A further claim will be made after the end of the year for December to March 2021. The government has confirmed that this compensation scheme will continue until 30 June 2021 covering the first quarter of 2021/22.

2.15 The scheme requires local authorities to fund an initial 5% reduction in income, but losses in excess of this will be funded at 75% of the loss by the government. Associated cost savings have to be identified and offset from the amount claimed. Lost service income is eligible but not income generated through commercial activities such as commercial rents.

2.16 The submitted claims to date cover Off and On Street Car Parking and the Freedom Leisure management fee. In total, compensation of £3.163m.

2.17 Other service income losses may be included in the final return if there are further losses which exceed 5%.

Commercial Rents

2.18 The most significant area of income for the Council is Commercial Rents. Work continues with tenants to agree acceptable strategies.

2.19 Of the £21m commercial rent budget, £15.8m has been received to date. Up to £2.2m further income is expected during quarter 4, and arrangements have been made with tenants to recover a further £0.8m during 2021/22. There remains a balance of £3.2m commercial rents and service charges not paid which may not be recovered, a number of which are in the retail/hospitality sector.

2.20 The Coronavirus Act 2020 includes provisions to protect commercial tenants by not allowing landlords to forfeit leases and re-enter premises where tenants have failed to pay rent. Landlords are unable to secure possession of premises until at least 31 March 2021.

Government Support

2.21 The Government has provided support in the form of grant funding. The Council has been awarded the following funding over 4 tranches since the beginning of the crisis.

Local Authority	First Tranche of Covid-19 Funding (March)	Second Tranche of Covid-19 Funding (April)	Third Tranche of Covid-19 Funding[2] (July)	Fourth Tranche of Covid-19 Funding (October)	Total Covid-19 Additional Funding
Woking	£37,595	£998,732	£143,214	£139,758.00	£1,319,299

2.22 The Council has recently been awarded a further £380,000 revenue grant funding towards rough sleeper costs for 2020/21. Of this £275,000 can be allocated towards the Council's forecast housing costs, and £105,000 will fund additional expenditure/resource, some of which through the York Road Project.

2.23 The Contain Outbreak Management Fund (COMF) allocated £8 per head towards activities in managing the spread of the virus. This funding was distributed through the County Council and £302k was passed to Woking for local initiatives. Additional funds through this scheme should be received on moving to the current National restrictions.

2.24 The government has committed to additional 'New Burdens' funding to cover the Council's costs of new requirements such as administration of the Business Grants. Generally it has been possible to meet these requirements using existing resources.

2.25 The Council has been allocated £89k from the Reopening the High Street fund. This should cover some of the costs of changes in the town centre. Further specific grants have been allocated, either directly or through Surrey County Council, for Local Authority Emergency Assistance (foodbanks) £56k, Environmental Health support £79k, and £40k Covid Marshalls. All of these have associated direct expenditure so are not reflected in the summary below.

Summary

2.26 The following table sets out the overall impact of additional costs, lost income and forecast support.

Forecast Covid impact - 2020/21	**Total**
	£'000
Costs	
Commercial Rents & NNDR	4,645
Car Parks lost income	5,377
Homelessness & Rough Sleepers	938
Leisure Contract support	1,446
Leisure mgt fee & direct income	762
Woking News & Mail	137
Marketing, PPE & Sanitiser	240
Services covid specific spend	307
	13,852
Funding	
Covid Support Grant	-1,282
Sales, Fees, Charges (SFC) Claim Car Parks	-3,733
SFC Claim Leisure	-541
Leisure Recovery Fund (TBC)	-170
Housing Grant	-275
Contain Grant - allocated to housing costs	-303
New Burdens Funding	-219
	-6,523
Total	**7,329**

2.27 The forecast deficit has reduced compared to the November draft budget report which suggested a net cost of £10.8m. This reduction is predominantly due to the recovery of a greater proportion of commercial rents. The forecast 2020/21 deficit continues to be significant.

2.28 The Council holds reserves to mitigate the potential impact of a reduction in income, however the experience of this year, with almost all sectors affected, is unprecedented. The loss, and the forecast pressure in 2021/22 set out in this report, can be met by available reserves however this reduces significantly the resources available to manage in future years. It is unlikely that the economic consequences of the pandemic will recover in the short term, so the Council's reserves will be needed to support revenue budgets while income is restored or budgets are managed at a lower level.

2.29 Section 14 to 15 set out more detail on the Council's reserves and the Medium Term Financial Strategy.

2.30 The Council has commenced discussions with the Ministry of Housing, Communities, and Local Government (MHCLG) regarding 'exceptional support' to assist in managing the short term financial position. If approved it is proposed that commercial income losses are funded from capital resources protecting the Council's revenue reserves.

Covid beyond 2020/21

2.31 With the vaccine programme underway the future beyond Covid becomes a reality. It is reasonable to assume that as the current restrictions are gradually relaxed, the increasing numbers of the population protected from infection will reduce the likelihood of further lockdowns.

2.32 Whilst it is unlikely that economic activity will return quickly to pre-pandemic levels and habits may have changed permanently, the financial position should begin to move in a positive direction. At this stage it is not clear to what extent there will be a permanent move away from office working and, in the event that there is, how local workers no longer commuting out of Woking will contribute to the economy of the town.

2.33 The government has committed to some continued Covid-related support into 2021/22, both through general grant funding and the continued income compensation. Further support has not been assumed in the 2021/22 budget but it is hoped that the government would continue to provide funding to support local communities.

3.0 Government Funding and Policy

3.1 The provisional local government finance settlement was announced on 20 December. It confirmed funding for just one year, with any multi-year settlement postponed for 12 months while the government considers post-pandemic departmental spending allocations.

3.2 There has been further delay in the proposed reforms to Local Government funding. This includes the review of Fair Funding (where resources should be allocated) and a review of the Business Rates system (the mechanics of how income is distributed and to what extent any growth is retained).

3.3 A consultation on changes to the New Homes Bonus scheme, to be effective 2022/23, is expected imminently.

Core Government Funding

3.4 The provisional Business Rates and Revenue Support Grant (RSG) figures for 2021/22 announced on 20 December 2019 were consistent with those previously assumed in the November draft budget.

3.5 Any impact of 'negative RSG' has again been excluded from the funding provided for 2021/22. For Woking the risk is a reduction in support of approximately £1m.

3.6 A new Lower Tier Services Grant has been introduced which provides £90,907 additional funding.

Business Rates

3.7 During 2020/21 the government has awarded Business Rates relief to all businesses in the direct Retail, Leisure and Hospitality sectors as well as extended relief for small businesses and nurseries. The Council is funded through section 31 grants for the relief granted to businesses. This means the business rates being collected in 2020/21 is much less than expected at the beginning of the year, the effect is that the government has paid the business rates for all these businesses.

3.8 There has been no indication from the government that these reliefs will apply in 2021/22. Many business in these sectors will struggle to pay if restrictions on activity continue into 2021/22 or business is slow to return to previous levels.

3.9 Woking will not be part of the Surrey Business Rates pool in 2021/22. Given the uncertainty of any support arrangements and the continued difficult economic environment for businesses, being outside of any pooling arrangements, and therefore being protected individually by the government safety net, provides more stability for the Council. The maximum exposure to lost business rates income is therefore circa £165,000, the reduction compared to baseline, before the government safety net applies.

3.10 As in previous years the 2021/22 budget includes a further £200,000 assumed benefit from current or historic pooling surpluses which may not be achieved in year.

3.11 As well as Business Rates collected, the Council also pays Business Rates on its own properties. The Council's draft budgets have been adjusted for assumed changes in the Council's assets. In particular where it is likely that the Business Rates charge will become payable by the Council due to vacant commercial properties.

New Homes Bonus

3.12 The New Homes Bonus (NHB) scheme has match funded the additional Council tax for each new home and property in the Borough, above a baseline level, for four years after that home is built or brought back into use.

3.13 The government has been phasing out New Homes Bonus and in February 2020 set out the proposed approach for 2021/22. For 2021/22, the government has awarded the Council £280,504 under this scheme. This is significantly less than in previous years, over £2m was received in 2016/17, as the grant is phased out. The budget assumes £200,000 is used in-year and the remaining £80,504 is transferred to reserve.

3.14 New Homes Bonus has been used to repay the funds loaned by Enterprise M3 towards the Sheerwater Access Road project and supported investment in Brookwood Cemetery.

Total Government Funding

3.15 The total Government funding for 2021/22 and a forecast for the following 3 years is shown in the table below.

3.16 The most critical year will be when the government review of funding is concluded. This has been postponed for the last 2 years however the risk remains that Fair Funding, and Business Rates retention changes, could reduce funding to the Council by £1m. This has been the MTFS assumption for planning purposes, together with the further reduction of support until the Council receives no general support.

3.17 At this time government support to the sector is critical, however, in the medium term it is likely that the national government will need to make substantial savings in recovery from the pandemic. For planning purposes it is considered prudent to assume that funding will continue to be withdrawn.

3.18 The funding forecast does not currently include income from the New Homes Bonus replacement scheme. It is assumed that any income will not be guaranteed every year so will be transferred to reserves and used for one-off projects.

Future Government Funding

	Actual	Provisional	Estimated		
	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000
Business Rates	2,135	2,135	2,178	2,221	2,266
New Homes Bonus	676	281	14	0	0
Lower Tier Services Grant		91			
Adjustment post BR retention/FF review			-1,000	-1,500	-2,000
Total Funding	**2,811**	**2,507**	**1,192**	**721**	**266**
Reductions in funding	-470	-304	-1,315	-470	-456

4.0 Budget setting 2021/22

4.1 The General Fund Summary at Appendix 1 summarises the proposed budget and Council Tax levels. Appendix 2A details the general budget pressures and specific service budget changes across the 'People, Place and Us' service areas.

4.2 The proposed budget is based on the 2020/21 approved budget updated for contractual inflation, changes in funding and forecast income, agreed service changes and the impact of the draft investment programme which is also on this agenda.

4.3 The table below sets out a summary of the pressures and the following sections provide further details.

Budget variation 2020/21 to 2021/22	£'000
Investment Programme	1,458
Income from new properties	-1,229
Increase in service spend - Covid Provision	6,614
Increase in service spend - Other (mostly commercial rents)	2,166
Lower Tier Grand Funding	-91
Change in New Homes Bonus assumed in base budget	200
Council Tax Deficit (including 1/3 of 2020/21 forecast deficit)	54
Decrease in taxbase	304
Increase in Council Tax/decrease in Collection fund surplus	-202
Additional use of reserves required in 2021/22	9,274
Being:	
Use of Reserves for Covid Provision	6,614
Use of Reserves for base budget pressures	2,660

5.0 Staffing

5.1 The Executive has agreed that for budgeting purposes, the salaries budget will be controlled within two parameters of cost and average number of full time equivalent staff.

5.2 During 2020/21 Senior Managers and Corporate Management Group reviewed staffing levels and agreed the removal of a number of posts from the establishment to secure savings in response to the financial position. These savings have been reflected as an in-year budget variation and are reflected in the 2021/22 base salary budget.

5.3 Other variations to the 2021/22 are as set out in the November draft budget and shown again in the table below. There is a reduction in staffing due to the closure of the HG Wells Centre but also a reduction in existing posts which can be allocated to projects and instead must be met by revenue budgets.

5.4 The Medium Term Financial Strategy assumes an annual £400,000 increase in the staffing costs. This represents approximately 2.5% of the salary budgets. However, in the current financial environment no allowance will be made for pay increases in 2021/22.

5.5 The 2020/21 budget included a £468,000 'vacancy target'. The control total has been reduced by £100,000 for 2021/22 which will require a similar 'deflation' of total staffing costs to keep within the budget.

Pressures on staffing budgets	£'000
2020/21 savings target built into base budget	468
Further cost of pay progression and allowances 2020/21	365
New posts and structure changes 2020/21	112
People Restructure	115
HG Wells closure	-287
Reduction in investment programme funding	327
Remove posts per salary review approved CMG July 2020	-641
Add new posts externally funded	168
Changes in funding	-299
Pressure on staffing control total	328
Reduction in control total	100
2021/22 savings target built into base budget	428

5.6 The budget tracks those posts which are funded by Council Tax and the Housing Revenue Account. It is net of any posts which are funded externally or by Investment Programme projects. The table below shows the trend in the total staffing budget.

Year	Budget (in cash terms) £m	Average Number of FTE Staff
2014/15	12.400	345
2015/16	12.500	345
2016/17	12.600	335
2017/18	13.000	335
2018/19	13.575	340
2019/20	14.360	350
2020/21	15.690	365
2020/21 (in-year variation)	15.041	358
2021/22 (proposed)	14.941	340

5.7 The staffing totals and costs set out in the table above will be subject to adjustment when the transfer of staff that operate the Womens Centre is completed. Currently Women in Prison employ them and the Council meets the costs. This will be managed as an in-year variation in staffing numbers. There will be no effect on the overall General Fund Budget as the service is fully included in existing service plans.

5.8 Accounting rules require that these costs are allocated out to individual services to show the full cost of the service. The total Management and Administration budget includes salaries, and other overhead costs which need to be allocated across services such as ICT and expenditure relating to the Civic Offices. In total for 2021/22 the full Management and Administration budget is £22.7m which is allocated as set out in the table below.

	2021/22		2020/21		Difference	
	£'000	%	£'000	%	£'000	%
General Fund	19,363	85.2	19,372	85.4	-9	-0.2
HRA	3,165	13.9	3,088	13.6	77	0.3
Other (capital/reserves)	210	0.9	230	1.0	-20	-0.1
TOTAL	**22,738**	**100.0**	**22,690**	**100.0**	**47**	**0.0**

5.9 Those posts which are capitalised or funded from Investment Programme budgets are categorised as externally funded. Only posts directly working on projects are allocated, this position will continue to be reviewed including the opportunity to fund wider staffing costs from project budgets. For the base 2021/22 budget a number of previously project funded posts will be funded from revenue.

5.10 No allowance has been made for increases to Members Allowances for 2021/22.

6.0 Pensions

6.1 The triennial actuarial review of the pension fund was completed for the position of the fund at 31 March 2019 and set the employer's on going pension costs, and annual lump sum payment towards the pension fund deficit, for 2020/21 to 2022/23. A £60,000 increase in the lump sum funding is included for 2021/22 as part of the agreed approach.

7.0 Fees and Charges 2021/22

7.1 Council agreed the Fees and Charges for 2021/22 in December 2020 and the changes to the income budgets are incorporated into the budgets and detailed service plans. The increase in yield included in the Fees and Charges report, excluding Car Parks, was £136,000.

7.2 The projection for Car Parking income showed a reduction of over £3m for 2021/22. No changes have been made to the base car parking service income, so income will continue to be monitored against pre-Covid activity. A separate Covid specific provision is allowed in the budget to accommodate this reduction in income. The base budgets will be assessed for 2022/23 when it is clearer how activity is returning post Covid.

8.0 Commercial Rents 2021/22

8.1 Over recent years the Council has acquired a number of strategic properties within the Borough across a variety of property types and sectors. In many cases the properties have been enhanced or developed to attract employers or services to the Borough.

8.2 In 2021/22 new rental income is incorporated from Goldsworth Park Shopping Centre and from the new Industrial Units created at Kestrel Way. The additional rental income from properties acquired during the year is shown in the services variations (Appendix 2) whilst the financing costs are in the interest budget for 2021/22.

8.3 Budget reductions in rental income reflect agreed leases and current vacant space across the a number of properties including Wolsey Place, Midas House, the Red House and the Triangle Site which is now part of the HIF development.

8.4 The current crisis has affected almost all businesses. The National lockdown in March required businesses to close to the public, and staff to work at home. Even as restrictions were relaxed over the summer, social distancing requirements have meant that business has been very different. The lockdowns in November and in the new year will increase difficulties for a number of tenants, particularly the retail and hospitality sectors.

8.5 The Council's commercial income has been affected by non-payment of rents during 2020/21. As the pandemic continues, many businesses will have used reserves to survive. Some have adapted their business models and have been able to continue to trade. Others may not have been in a strong financial position to start with or have found that the restrictions undermine their entire business. It is possible that many businesses could fail as they cannot survive until the pandemic is over.

8.6 To reflect the risk to commercial income across the whole property portfolio a further allowance for irrecoverable rents and service charges of £3m has been incorporated into the draft 2021/22 budget. This is based on 2020/21 expected defaults and deferred income. This is in addition to a £1.3m reduction in rents due to known vacancies built into the 2021/22 figures, and additional management and Business Rates costs recognised.

8.7 Further information on the Council's approach to Strategic Property Investment can be found in the Capital and Investment Strategies, also on this agenda.

9.0 Investment Programme

9.1 The draft Investment Programme, also on this agenda, was considered by the Executive at its November meeting and has been reviewed by the Finance Task Group.

9.2 To preserve the Council's resources at this uncertain time, it has been necessary to temporarily suspend uncommitted projects within the Investment Programme. Further details can be found in the draft Investment Programme also on this agenda.

9.3 Projects which have been suspended are those either directly funded by the Council's revenue reserves or which are funded by borrowing with the associated financing costs. The risk of revenue losses in 2020/21, and going forward, require all revenue reserves to be protected to be able to fund these pressures until a sustainable budget position can be established.

9.4 The interest, repayment costs and investment income in the General Fund Summary relate to the draft Investment Programme excluding those suspended projects. For many projects funded by borrowing the saving is not immediate as forecasts assumed that interest would be capitalised during the construction phase. In addition it has been necessary to reduce the allocation of interest to projects where there had been initial costs incurred. This means a further £40k of interest will need to be funded by revenue costs in year.

9.5 The reduction in net financing costs includes £5m relating to the postponed acquisition of strategic property, previously approved for the economic regeneration of the town. Whilst still included in the Investment Programme, the borrowing costs and associated income have been removed from the 2021/22 base budget.

9.6 There is an increase in other interest costs (£1.76m), partly offset by the income from the Goldsworth Park Shopping Centre and the new Kestrel Way industrial units (£1.2m), which includes a half year the financing costs of the new Victoria Square car park (£737k).

9.7 The revenue impacts of the Investment Programme have been built into the draft General Fund budget. This includes interest and repayment costs for those projects funded by borrowing, and contributions from reserves for some revenue projects.

10.0 Thameswey Group

10.1 The Thameswey Group of companies provides direct service benefit as well as financial benefit to the Council. The financial benefit arises in a number of ways. There is a benefit from the loans and shares invested in the Thameswey group. Investment in Thameswey Housing Ltd is at a margin of 1.5% over the Council's borrowing costs. Investment in Thameswey Energy Ltd for the new Poole Road Energy Centre is at a margin of 1% over the cost of borrowing.

10.2 In addition, as part of the funding for Milton Keynes, the Council receives a 1% loan arrangement fee. Thameswey Ltd receives a project fee for its intellectual property in Milton Keynes of 4% of the capital expenditure on works in any one year. The project fee is being used to support energy and environmental initiatives in Woking. Utilising the companies can provide efficient ways of procuring services.

11.0 Robustness of the 2021/22 Budget and Risks

Covid Provision

11.1 An allowance has been made for lost income as a result of the ongoing Covid-19 pandemic. This provision has been funded by reserves.

Covid Specific Provision	£'000
Reduction in Car Park income	3,217
Allowance for irrecoverable Commercial Rents	3,810
Loss of Freedom Management Fee and other leisure income (half year)	402
SFC Compensation - Car Parks Q1	-529
SFC Compensation - Leisure Q1	-287
	6,614

11.2 It is hoped that the income compensation scheme will continue beyond 30 June, and that the government will allow capitalisation of commercial losses continuing into 2021/22, however to be prudent it is important to assume that reserves will need to be used to meet these losses.

Savings Target and Risk Contingency

11.3 A £100,000 savings target has been included in the budget as historically set out in the MTFS. The level of this savings target will be reassessed early in the financial year depending on the outcome of support discussion with the government, the 2020/21 outturn and ongoing pandemic impact and support.

11.4 There is a need to review the Council's services for productivity and procurement efficiencies, and a more fundamental review of the Council's services may be necessary.

11.5 The funded Risk Contingency has been kept at £250,000, the same level as in 2020/21. In addition to the areas already considered in this report, the following are identified as risks or pressures within the proposed budget for 2021/22.

HG Wells Centre

11.6 The HG Wells Centre has closed and is being used during 2020/21 to support the Council's housing services during the pandemic. The budget for 2020/21 reflected a part year of activity plus one-off costs of closing the facility. The operational income and expenditure service budgets have all been removed for 2021/22.

11.7 In addition, budgets for the Council and accredited user use of HG Wells have been removed as they are not currently required. In future years costs may be incurred on the use of alternative premises including the conference facilities in the new town centre hotel, part of the Victoria Square regeneration.

11.8 Any ongoing costs associated with the HG Wells Centre in 2021/22 will be due to the continued response to the Covid-19 pandemic.

Car Park income

11.9 As set out in the fees and charges section above the level parking activity is uncertain during 2021/22. Even once restrictions begin to be lifted it is not clear whether commuters and shoppers will return or how long it may take for them to return. The provision reflects a reduction of 38% compared to the 2020/21 budget.

11.10 The pilot change to the timing of the overnight rate for parking in the town centre will continue into 2021/22 as it will not have been possible to assess the impact during the pandemic. In commencing the pilot in 2020/21 it was acknowledged that there would be a cost of up to £250,000 in reduced income. The position will need to be further considered during 2021/22.

11.11 The red town centre car park is currently being rebuilt as part of the Victoria Square regeneration. Once complete the Council is due to acquire the car park element of the Victoria Square development. This is currently scheduled towards the end of 2021/22. The financial implications of this will be considered during the year and the transfer to Council ownership may be delayed further.

Town Centre and other Commercial Income

11.12 As set out above the base budget recognises current known variations in rental income and provides an allowance for irrecoverable debts during 2021/22. This is considered a prudent approach. However, it is possible that the scale of the economic impact exceeds that provided for and the Council experiences further losses due to ongoing restrictions and business failure.

11.13 Any losses would directly affect the level of the Council's reserves as the government will not cover commercial losses. In addition, as landlord, additional service charge and business rates costs may need to be met.

Leisure Contract

11.14 No allowance is made for ongoing support to Freedom Leisure for operating the Leisure Centre and Pool in the Park. Whilst provision is made for the loss of the management fee income for 6 months, it is assumed that during the year the facilities will be able to operate at such a capacity to be able to break even. The Council may incur further costs if national or tier restrictions require the facilities to close or operate at significantly reduced capacity.

Timing of Investment Programme and interest costs

11.15 Some projects have been funded by borrowing as an interim measure pending receipt of grants or contributions. Any delay in the funds being recovered will increase the Council's financing costs.

11.16 Net interest costs during the year are also affected by decisions on whether borrowing should be taken long or short term, and when the borrowing should be secured. During 2021/22 short term borrowing, taken during 2020/21 before the government reduced the margin on PWLB rates, will be replaced by long term borrowing.

Government Support

11.17 The government has provided support during 2020/21 through general and specific grants to fund the response to the pandemic. This hasn't covered the full costs, but has been a valuable contribution enabling the Council to provide support to the community.

11.18 The 2021/22 budget assumes that any Covid related costs incurred will be covered by additional funding from the government, and that any additional requirements of local government are fully funded.

Energy

11.19 Energy budgets have been held at 2020/21 levels with no inflation added. It is assumed that reduced activity in some services for at least part of the year will enable expenditure to be maintained within these allowances.

Grants

11.20 The community grants recommended by the Executive in December were approved subject to the level being affordable in setting the Council's budget for 2021/22. The forecast financial pressures have been reduced since the draft budget in November. It is recognised that the impact of reducing support to the community, particularly at this difficult time, would be considerable. It is therefore proposed that these approved grants are confirmed for 2021/22. However, it should be noted that if the Council needs to make significant savings to reduce reliance on reserves in 2022/23 it will not be possible to keep grants at the current level.

General Risks

11.21 No specific provision has been made in the Budget for abnormal events. However, as specific provisions have been made for known Covid risks, and the government can be assumed to continue to support local government with exceptional costs as it has in 2020/21, the proposed risk contingency and reserves should enable the Council to manage other changes in year.

12.0 Service Plans

12.1 Updated Service Plans are usually presented alongside the proposed budget for the next year. These translate the Council's strategic vision, objectives and priorities into operational plans that drive improvement. Each Service Plan identifies what needs to happen for each area of Council activity to achieve success, what resources will be required, the outputs and outcomes that are anticipated and any risks that might impact delivery.

12.2 With the disruption to operational plans in 2020/21 due to the pandemic, and the uncertain path to recovery from both the health and economic crisis in 2021/22, new Service Plans are not presented with this budget. Plans will be prepared for the March 2021 Executive based on the 2020/21 plans which are considered to appropriately articulate the intended priorities that will remain in place for 2021/22. These plans will be revisited when the immediate crisis is over and the future direction clearer.

13.0 Council Tax 2021/22

13.1 The amount to be raised from Council Tax, based upon the draft revenue estimates, and after taking account of the Revenue Support Grant Settlement and Collection Fund surplus, is £10,104,461. The recommended Band D Council Tax for 2021/22 for Woking Borough Council is £250.46, an increase of £5 or 2.04%. The referendum level for District Councils in 2021/22 is the higher of 2% or £5. In assessing the Council's core resources the government assumes that the maximum Council Tax increase is applied.

13.2 This proposal best protects the Council's medium term financial position and ability to maintain its service outcomes post pandemic.

Long Term Empty Properties

13.3 The government passed legislation during 2018/19 to enable councils to charge a long-term empty premium on top of the council tax payable, in respect of domestic properties that have been left empty and substantially unfurnished.

13.4 To encourage empty homes to be brought back into use, and to generate additional income to support the services of the County Council, the Police and Woking Borough Council, the premium for properties empty for over 2 years was implemented by the Council from 1 April 2019.

13.5 Legislation allows councils to charge a higher rate when properties are left empty and substantially unfurnished for longer periods from April 2020 and April 2021. In February 2020 the Council resolved to implement these changes from the applicable dates in line with the legislation.

Premium rate	Properties affected	Date from
100%	Properties empty for between two and five years	April 2019
200%	Properties empty for between five and ten years	April 2020
300%	Properties empty for over ten years	April 2021

13.6 Surrey County Council has introduced a scheme where any increased County element of Council Tax generated from changes to empty home policies can be claimed by the District and Borough Council's to support mutually agreed projects. In November 2020 the Executive resolved that officers should work with Surrey County Council to agree an acceptable use of this funding to support climate change initiatives. Proposals are currently being prepared for consideration.

Collection Fund deficit

13.7 The government requires that 2020/21 Collection Fund deficits, both Council Tax and Business Rates, be spread over 3 years. This means that only a third of any losses forecast for 2020/21 are taken into account when setting the Council Tax for 2021/22. In addition a compensation scheme similar to the sales, fees and charges compensation scheme will operate for the collection fund and mitigate irrecoverable balances up to 75%. It is assumed that a £68,041 deficit from 2020/21 will need to be met.

14.0 Medium Term Financial Strategy

14.1 The Medium Term Financial Strategy (MTFS) will be updated and reported to the Executive in March. As set out in the draft budget in November, the most significant factors to consider are:

- Removal of the use of reserves from 2022/23 onwards
- Rate of recovery of Parking and Commercial rent income
- Impact of Government Funding (Fair Funding review)

14.2 The indicative figures provided in November assumed a £12m use of reserves in 2021/22. This pressure was reversed in future years through recovery in income (£8m), and assumed savings and investment income (£4m). A further £5.5m saving remained to be secured over the period to 2024/25 (4 years).

14.3 Since the initial draft budget the use of reserves has reduced to £9.5m, a reduction in the MTFS requirement of £2.5m. The forecast position has therefore improved slightly, however there remains a significant deficit.

14.4 The critical assumption is around the rate of recovery 'back to normal' which is still uncertain. With the vaccine programme underway, the end of the health emergency may now be in sight. This allows a more positive view to be taken on recovery, but the impact of current lockdowns on businesses, the time taken for the economy to recover, and the extent to which habits have permanently changed remains unknown.

Exceptional Support

14.5 Recognising the risk of significant loss of reserves due to the impact of Covid over 2020/21 and 2021/22 the Council has started an application to government for exceptional support. This process will take a number of weeks and will involve the Ministry of Housing, Communities and Local Government (MHCLG) assessing the Council's position and need for the requested flexibility.

14.6 Revenue reserves have been built up over recent years to cover lost rent during redevelopment, to meet the risk of losing of key tenant and to provide flexibility to enable strategic decisions to be made which influence the business offer in the Borough.

14.7 Most importantly the Council has invested in a town centre fit for the future based on proposed new residential developments. This means the Council's assets, particularly the new car park, will initially be operating at a loss when financing costs are taken into account. It was forecast to take some time, as income gradually increased, for income to meet the Council's costs. It was planned that reserves would be used to mitigate losses during this period. In the current environment it is likely to take longer for income to be restored and net costs will need to be met for longer. The need for reserves to manage through this period is even more critical than prior to the pandemic.

14.8 To increase the likelihood of a successful outcome the proposal to the government will request the use capital receipts, rather than borrowing, to fund irrecoverable commercial rent over 2020/21 and 2021/22. The Council does not require government funding, simply the flexibility to use capital resources to meet exceptional losses and protect the medium term financial position.

14.9 An update on this process, if possible, will be included in the MTFS in March including the impact of any flexibility granted on the forecast reserves, and any ‘conditionality’ applied by the government.

Future Financial Position

14.10 In addition to the outcome of the Council’s application to the MHCLG set out above, the protection of current service levels depends on a number of factors:

- Rate of recovery of the Council’s income during 2021/22
- Continued government support for Covid related costs and reduced service income during 2021/22
- Outturn and final use of reserves in 2020/21

14.11 The Peer Review recommended an efficiency and savings review be undertaken. This will be even more important in the current environment and a process of service review will commence to identify options to be considered during 2021/22. Decisions on which options are progressed will depend on the factors set out above.

14.12 If it is not possible to secure sufficient efficiencies, and income levels do not recover, it will be necessary for services to be reduced as reserves cannot continue to be used to support the annual budget. The Council has managed to protect services throughout the period of austerity and also increase activity in many areas. This has been possible through the approach to local income generation. If this income is not sustained, the services which have been protected, and developed, will be at risk.

Town Centre recovery

14.13 The Council’s financial strategy is dependent on the success of Woking town centre. It has been possible over recent years to attract new retail and hospitality businesses to the town enhancing the facilities for local residents and visitors. Public realm improvements have transformed the town. Continued investment through the Victoria Square regeneration and the HIF infrastructure works at Victoria Arch will further improve the town centre and accessibility.

14.14 Future development, including residential units, in the town are necessary for the town centre strategy to be effective. New businesses will need the increased footfall, during construction and once operational, and increased customer bases to be sustainable. The Council assumes increased future parking activity and where rents are turnover based its income will be directly influenced by the success of businesses. The Council’s contribution to the HIF scheme and Integrated transport works are to be funded from future developer contributions.

14.15 During 2021/22 a number of businesses have closed and will not reopen post pandemic. It is likely that there will be further business difficulty during 2021/22, particularly in the retail sector. Investment will be required to repurpose town centre spaces for new tenants and diversity the offer. Consideration will need to be given to the extent of investment to protect existing income levels as well as restore those which may have been lost. As set out in the Investment Programme also on this agenda there will also need to be a programme of promotion once restrictions are lifted to encourage consumers back into the town.

15.0 Reserves

15.1 Forecasts of the Investment Strategy Reserve and the total Reserves are shown in Appendix 2B and 2C.

15.2 The use of reserves to cover revenue deficits in 2020/21 and 2021/22 are shown in a single line in the reserves forecast. It can be seen that these can be met from available resources but funds set aside for other purposes will need to be reallocated. This puts the Council at risk going forward of having insufficient funds available to meet identified risks.

15.3 The MTFS report in March, will provide further details on reserves to be used to meet deficits which are not covered by any agreed capitalisation directive, and the implications. Over time these reserves will need to be recovered.

15.4 Some items in the General Fund Summary (Appendix 1) are covered by the Council's revenue reserves. These tend to be variable or one off items which would otherwise cause the Council Tax requirement to vary significantly year on year.

15.5 The staffing structure will continue to be reviewed during 2021/22 where opportunities arise. An allowance of £250,000 to be met from reserves has been made for any resulting Management of Change costs.

15.6 Transfers are made from the Investment Strategy reserve to a number of specific reserves, for example the Group Company reserve, Community Fund and Wolsey Place reserves as shown in Appendix 2B. The reserves are used by the Council to manage and develop its ambitions as well as enabling one off investment.

15.7 The Council has a target to manage the Investment Strategy reserve to £3 million. Management of the level of reserves will be considered as part of the Medium Term Financial Strategy including which reserves should be used to meet 2020/21 and 2021/22 deficits.

15.8 The forecast reserves position shows sufficient reserves at 31 March 2022 which are being used in support of the business objectives of the Council. However, reserves are set aside for specific purposes and to cover identified risks and it will be necessary to review the long term levels necessary to support the Council's business including any further deficits as the economy recovers. As set out in the MTFS section above, protection of the revenue reserves through capitalisation of Covid losses would allow time for income to return.

16.0 Prudential Indicators

16.1 The Treasury Management, Capital and Investment Strategies elsewhere on this agenda set out the borrowing limits and the policies and practices to be followed in managing the Council's debts, capital spend and investments. The reports incorporate the Prudential Indicators which relate to borrowing and investment.

16.2 Allowance has been made in the borrowing limits for borrowing associated with the Thameswey Business plans. The limits allow for up to half of the following years Thameswey Housing Ltd (THL) allowances, as set out in the Investment Programme, to be drawn down in advance. The whole Victoria Square project cost, is allowed in the Prudential Indicators immediately to enable flexibility of funding.

16.3 Prudential Indicators for approval by the Council are set out in Appendix 3. These Prudential Indicators will be updated if necessary in the light of the Council's consideration of the Investment Programme and revenue budgets.

17.0 Chief Finance Officer

17.1 Taking into account all of the factors set out in this report and in accordance with the Local Government Act section 25, the Chief Finance Officer has confirmed that the 2021/22 estimates included within this paper are robust, and the level of reserves and provisions are adequate. However, it is recognised that there needs to be a substantial reduction in the reliance in reserves beyond 2021/22 either through recovery of income or reduction in costs.

17.2 Whilst the budget for 2021/22 is sound, there remains a risk in implementing the Council's agreed MTFS. It will be important that the March MTFS considers the uncertainties and timescales for decisions through the year.

18.0 Implications

Financial

18.1 The financial implications are explicit in the report.

Human Resource/Training and Development

18.2 The Council's Human Resource Requirement reflected in these estimates as detailed in section 5.

Community Safety

18.3 Service plans will take account of the Council's policies in respect of Community Safety.

Risk Management

18.4 As set out in the report the most significant financial risks relate to the financial consequences of the Covid-19 pandemic. In setting the budget for 2021/22 an allowance has been made for lost income or irrecoverable debts. This will need to be funded by reserves and has been taken into account when forecasting the Council's available resources going forward.

18.5 Expenditure which can be deferred, without impacting services, will be postponed until the exceptional support discussions with the government have concluded. If necessary budgets will be revisited at this stage, in light of the outcome and 2020/21 outturn.

18.6 Budgets have been amended where ongoing risks have been identified during 2020/21. One-off or short term variances are monitored against the Risk Contingency during the year. Specific service risks have been set out in the report.

Sustainability

18.7 Service plans will take account of the Council's policies in respect of Sustainability.

Equalities

18.8 Service plans will take account of the Council's policies in respect of Equalities.

Safeguarding

18.9 There are no specific safeguarding issues arising from this report.

19.0 Consultations

19.1 Members, including the Portfolio Holder, the Finance Task Group, and Officers, including Corporate Management Group, have been consulted in the preparation of the draft budget.

REPORT ENDS

APPENDIX 1

GENERAL FUND SUMMARY

	ESTIMATE 2020/21 £	ESTIMATE 2021/22 £
TOTAL PROGRAMME REQUIREMENTS	-2,802,978	3,649,603
Provision for lost income due to Covid-19		6,614,016
MTFS savings requirement	-100,000	-100,000
PROGRAMME REQUIREMENTS AND SAVINGS TARGETS	-2,902,978	10,163,619
Management of Change	250,000	250,000
Risk Contingency	250,000	250,000
New Homes Bonus	-676,239	-280,504
Business Rates Surrey Pool	-200,000	-200,000
PFI Unitary Charge and management	175,000	175,000
Investment Programme items funded from revenue	340,000	134,000
NET COST OF SERVICES	-2,764,217	10,492,115
INTEREST AND OTHER ITEMS		
- Interest costs	52,301,099	52,082,842
- Interest and Investment Income	-33,231,503	-36,712,374
NET OPERATING EXPENDITURE	16,305,379	25,862,583
USE OF RESERVES/BALANCES		
- Contribution to Investment Strategy Reserve	1,318,694	1,318,694
- Use of Reserves to cover Covid Provision		-6,614,016
- Use of MTFS and Other Revenue Reserves	-288,501	-2,948,214
- New Homes Bonus transferred to Reserve	276,239	80,504
- Contribution from Wolsey Place reserve	-1,003,347	-1,003,347
- Contribution from Capital Reserves	-3,647,946	-4,006,238
- Contribution from Reserves - Management of Change	-250,000	-250,000
- Contribution from Reserves - IP items funded from revenue	-340,000	-134,000
AMOUNTS TO BE MET FROM LOCAL TAXATION AND GOVERNMENT GRANTS	12,370,518	12,305,966
EXTERNAL FINANCE - SETTLEMENT FUNDING ASSESSMENT	-2,134,625	-2,134,625
- Lower Tier Services Grant	0	-90,907
PRECEPT ON COLLECTION FUND	10,235,893	10,080,434
FORECAST COUNCIL TAX LEVEL		
Precept on Collection Fund (from above)	10,235,893	10,080,434
Woking share of Collection Fund Surplus(-)/Deficit 31 March 2020	-29,508	-44,014
Woking share of Forecast Collection Fund Deficit 2020/21		68,041
	10,206,385	10,104,461
Council Tax Taxbase	41,580	40,343
Council Tax Requirement (£)	£245.46	**£250.46**
Year on year increase (£)	**£5.00**	**£5.00**
Year on year increase (%)	**2.08%**	**2.04%**

SUMMARY OF VARIATIONS

	People	Place	Us	Total
	£	£	£	£
Original Estimate 2020/21	10,309,442	-19,455,644	6,343,224	-2,802,978
General Budget Pressures				
Changes in Management and Administration costs	140,815	-256,351	99,882	-15,654
Changes in Capital Charges	-57,123	415,415	0	358,292
Contractual Inflation	0	609,562	0	609,562
Business Rates Changes	5,174	793,013	0	798,187
Changes in Insurance	4,436	32,283	818	37,537
Changes in Fees and Charges	43,217	-80	-30,640	12,497
Other Minor Variations	-35,533	3,514	-2,000	-34,019
Specific Service Issues				
Loss of Rent at Moorcroft	20,000			20,000
Grounds Maintenance Costs	10,572			10,572
Net rental Income from 121 Chertsey Road (excl borrowing costs)	-113,547			-113,547
Homelessness & Rough Sleeper Funding	-45,901			-45,901
Removal of Housing Standards Financial Penalties	37,631			37,631
Addition of Hale End Court	70,188			70,188
Net Increase in Meals Service income	-20,360			-20,360
Recharges for additional Handymen works (net of materials)	-14,026			-14,026
Environmental Maintenance Contract Oak Processionary Moth		50,000		50,000
Income from new leases and new Strategic Properties		-1,489,854		-1,489,854
Reduction in rents due to voids		1,189,139		1,189,139
Adjustments to existing leases		-510,298		-510,298
Reduction in rents due to redevelopments		421,327		421,327
Delay in acquisitions		5,085,583		5,085,583
Increase in management costs due to new assets		208,421		208,421
Saving on expired lease		-81,436		-81,436
Removal of estimated HG Wells budgets due to closure		123,240		123,240
Accredited Groups use of HG Wells	-195,000			-195,000
Corporate Management Hire of HGWells			-104,000	-104,000
Corporate Management Audit Commission Fee			44,500	44,500
Original Estimate 2021/22	10,159,985	-12,862,166	6,351,784	3,649,603

INVESTMENT STRATEGY RESERVE

APPENDIX 2B

	2020/21 Original £'000	2020/21 Revised £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Balance Brought Forward	**2,505**	**2,511**	**2,401**	**2,577**	**2,787**
Source of Funds					
Planned contribution from General Fund	1,319	1,319	1,319	1,319	1,319
New Homes Bonus	276	276	81	0	0
Transfer from Town Centre Management Reserve	150	150	150	150	150
Total Available Funds	4,250	4,256	3,951	4,046	4,256
Use of Funds					
Management of Change (GF only)	-250	-250	-250	-250	-250
Use of Selective Licensing Surplus					
Financing IP Revenue Items	-340	-460	-174	-140	-140
Celebrate Woking	-150	0	0	0	0
Flood Prevention schemes	-900	0	0		
Best Bar None	-14	0			
Sheerwater Social Support	-125	-125	-125	-125	-125
Countryside Management	-115	0	0	0	0
Sheerwater Football Club/Woking Football Club Ground Sharing	-100	0			
Queen Elizabeth Gardens Drainage, Landscaping & Lighting					
Total Use of Funds	-1,994	-835	-549	-515	-515
Transfer to Other Revenue Reseres					
Transfer to Wolsey Place reserve	-300	-300	-300	-300	-300
Transfer to New Homes Bonus Reserve	-276	-276	-81	0	
Transfer to Equipment reserve	-50	-50	-50	-50	-50
Transfer to Town Centre Management Account Reserve	-92	-92	-92	-92	-92
Transfer of On-street Parking to Surrey	-116	-116	-116	-116	-116
Transfer to Community Fund	-176	-176	-176	-176	-176
Transfer to Provision for Flexibility	-10	-10	-10	-10	-10
Total Transfer to Other Revenue Reserves	-1,020	-1,020	-825	-744	-744
Balance Carried Forward	**1,236**	**2,401**	**2,577**	**2,787**	**2,997**
Forecast use of reserves due to COVID		**-7,329**	**-9,562**		

INVESTMENT STRATEGY RESERVE

	2020/21 Original £'000	2020/21 Revised £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Group Company reserve					
balance b/f	750	750	750	750	750
in year movement	0	0	0	0	0
balance c/f	750	750	750	750	750
Wolsey Place reserve					
balance b/f	2,873	3,198	1,104	227	-676
Contribution to reserve	300	300	300	300	300
Under-recovery of rents/service charges	-1,003	-1,003	-1,003	-1,003	-1,003
Refurbishments	-200	-1,475	-200	-200	-200
Subtotal	1,970	1,020	201	-676	-1,579
Interest (included in GF Summary - Interest costs)	97	84	26	0	0
	2,067	1,104	227	-676	-1,579
New Homes Bonus reserve					
balance b/f	333	1,113	1,114	907	632
In year income	276	276	81	0	0
Sheerwater Access Road reserve repayment of loan funding					
Grant to Brookwood Cemetery	-500	-150	-150	-150	-150
Developing a Favourable Conservation Status Licence			-13		
Sheerwater Social Support		-125	-125	-125	-125
West Byfleet Play Area					
balance c/f	109	1114	907	632	357
Insurance reserve					
balance b/f	390	186	186	186	186
balance c/f	390	186	186	186	186
Equipment reserve					
balance b/f	390	430	451	431	481
Contribution to reserve	50	50	50	50	50
Planned use of reserve	-94	-29	-70	0	0
balance c/f	346	451	431	481	531

INVESTMENT STRATEGY RESERVE

APPENDIX 2B

	2020/21 Original £'000	2020/21 Revised £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Business Rates Equalisation Reserve					
balance b/f	3,151	4,025	4,025	4,025	4,025
Grant timing adjustments					
Contribution to reserve - pooling/pilot benefit					
balance c/f	3,151	4,025	4,025	4,025	4,025
Local Council Tax Support Scheme Hardship Fund					
balance b/f	48	48	48	48	48
Contribution to reserve	0	0	0	0	0
Planned use of reserve					
balance c/f	48	48	48	48	48
Town Centre Management Account Reserve (TCMA)					
balance b/f	224	470	412	354	296
Contribution to reserve	92	92	92	92	92
Planned use of reserve	-150	-150	-150	-150	-150
balance c/f	166	412	354	296	238
Medium Term Financial Strategy Reserve (MTFS)					
balance b/f	4,842	4,999	4,710	4,710	4,710
Contribution to/(Use of) reserve to support MTFS	-289	-289	0	0	0
2019/20 Forecast overspend (December Green Book incl contingency/savings)					
Brookwood Cemetery Grant (previously NHB Reserve)				0	0
balance c/f	4,553	4,710	4,710	4,710	4,710
Victoria Square Reserve					
balance b/f	2,253	1,985	3,632	4,470	4,470
Contribution to reserve 1% arrangement fee from 1 January 2017	1,725	1,972	838		
Financial modelling		-75			
#WeAreWoking	-250	-250			
balance c/f	3,728	3,632	4,470	4,470	4,470

RESERVES FORECAST

AT 31 MARCH	2020	2021	2022	2023	2024	2025
	£'000	£'000	£'000	£'000	£'000	£'000
REVENUE RESERVES						
Investment Strategy Reserve	2,511	2,401	2,577	2,787	2,997	3,207
Forecast use of reserves due to COVID		-7,329	-9,562	-	-	-
Housing Investment Programme Reserve	4,835	3,956	2,698	1,430	610	-
Medium Term Financial Strategy Reserve	4,999	4,710	4,710	4,710	4,710	4,710
Provision for Flexibility Reserve	130	130	130	130	130	130
Leased Car Relief Vehicle Reserve	-	-	-	-	-	-
Freda Ebel Bequest	5	5	5	5	5	5
Community Fund	421	421	421	421	421	421
Insurance Fund	186	186	186	186	186	186
Parking Reserve	-	-	-	-	-	-
Environmental (CO2) Reserve	35	35	35	35	35	35
Wolsey Place Reserve	3,198	1,104	227	-676	-1,579	-2,782
New Homes Bonus Reserve	1,113	1,114	907	632	357	82
Group Company Reserve	750	750	750	750	750	750
Woking Palace Reserve	35	35	35	35	35	35
Equipment Reserve	430	451	431	481	531	531
Peer grant Reserve	38	38	38	38	38	38
Business Rates Equalisation Reserve	4,025	4,025	4,025	4,025	4,025	4,025
Local Council Tax Support Scheme Hardship Fund	48	48	48	48	48	48
Westfield Common Reserve	82	82	82	82	82	82
PFI Reserve	2,739	2,739	2,739	2,739	2,739	2,739
Town Centre Management Agreement Reserve	470	412	354	296	238	88
Victoria Square Reserve	1,985	3,632	4,470	4,470	4,470	4,470
Sheerwater Reserve	71	-314	-700	-1,085	-1,470	-1,470
Off Street Parking Reserve	2,000	2,000	2,000	2,000	2,000	2,000
Syrian Refugee Reserve	535	535	535	535	535	535
Homelessness Support Reserve	264	264	264	264	264	264
Dukes Court Reserve	3,273	3,273	3,273	3,273	3,273	3,273
	34,178	24,703	20,678	27,611	25,430	23,402
CAPITAL RESERVES & OTHER RESOURCES						
Usable Capital Receipts	5,249	1,862	2,859	1,051	-2,304	0
Set Aside Capital Receipts	52,697	54,567	56,646	58,747	60,972	63,197
Major Repairs Reserve	0	8	8	8	8	8
Development Contribution Reserve	11,415	1,427	377	377	377	377
	69,361	57,864	59,890	60,183	59,053	63,582
WORKING BALANCES						
GF Working Balance	1,500	1,500	1,500	1,500	1,500	1,500
HRA Working Balance	500	500	500	500	500	500
	2,000	2,000	2,000	2,000	2,000	2,000
TOTAL RESERVES	105,539	84,567	82,569	89,794	86,483	88,984

PRUDENTIAL INDICATORS FOR 2020/21 TO 2024/25

1 Investment Programme Expenditure

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Non - Housing Revenue Account	589,145	344,432	167,210	164,964	530,971
Housing Revenue Account	18,629	13,855	10,963	18,139	7,200
Total	607,774	358,287	178,173	183,103	538,171

2 Ratio of Financing Costs to Net Revenue Stream

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Non - Housing Revenue Account	107%	94%	126%	149%	151%
Housing Revenue Account	27%	29%	29%	28%	28%

3 Capital Financing Requirement

	2020/21 Forecast £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m
General Fund Services	640	702	703	708	704
Council Housing (HRA)	142	149	154	163	165
Capital Investments	1,155	1,402	1,513	1,644	2,165
TOTAL CFR	1,938	2,253	2,369	2,515	3,034

EXECUTIVE – 4 FEBRUARY 2021

HOUSING REVENUE ACCOUNT BUDGETS 2021-22

Executive Summary

Following the end of the rent reduction period in April 2020 social housing rents are now increased by CPI + 1%. The budgeted rents have been prepared on this basis and rents have been increased by 1.5% (September CPI of 0.5% plus 1%).

On 13 February 2020 Council approved the full Sheerwater Regeneration Scheme under which the HRA will lose the rental income from the dwellings within the regeneration red line. As discussed later in the report, many dwellings within the Regeneration Red Line are now being held as vacant if they become void. This is necessary to minimise moving tenants and will allow the regeneration to be carried out efficiently. However the HRA is foregoing the rental income from these dwellings and the financial implications arising from the Regeneration continue to create an HRA deficit which will be funded by a transfer from reserves in 2021/22.

The Covid crisis has had a significant impact on HRA rent collection in 2020/21 with arrears estimated to increase by around 7% to 8.5%. However further lock downs may increase this percentage and reduce the scope to collect the arrears.

The working balance per property is forecast to be £100 at 31 March 2021. £100-£150 balance per property is considered to be necessary for prudent financial management.

Recommendations

The Executive is requested to:

RECOMMEND TO COUNCIL That

(i) the Housing Revenue Account budget for 2021/22 as set out in Appendix 1 to the report be approved; and

(ii) with effect from 5 April 2021, rents be increased by 1.5%.

Reasons for Decision

Reason: To recommend that the Council approves the resources necessary to implement its objectives and to enable the Council to determine charges to tenants for 2021/22.

The item(s) above will need to be dealt with by way of a recommendation to Council.

Background Papers:	None.
Reporting Person:	Leigh Clarke, Finance Director Email: leigh.clarke@woking.gov.uk, Extn: 3277
Contact Person:	Mike Stevens, Deputy Financial Services Manager Email: mike.stevens@woking.gov.uk, Extn: 3622
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Shadow Portfolio Holder:	Councillor Deborah Hughes Email: cllrdeborah.hughes@woking.gov.uk
Date Published:	29 January 2021

1.0 Introduction

1.1 This paper sets out the Council's Housing Revenue Account (HRA) budgets (Appendix 1) for 2021/22.

1.2 Detailed explanations of the changes and pressures within the different elements of the budget are set out in the sections below. The HRA is forecast to make an estimated deficit of £819,000 with a £827,000 contribution from reserves being required to maintain a working balance per property of £100. A range of £100 to £150 per property is considered prudent.

2.0 Forecast Outturn

2.1 At the end of the second quarter of 2020/21, the collection rate is approximately 6% down on the comparative period last year. This position is due to many tenants struggling with the financial impact of Covid-19. Work continues to ensure that those tenants who have stopped paying receive advice and support in accessing Universal Credit. Nevertheless, the overall arrears position is predicted to increase by around £200,000 - £250,000 per quarter. It is worth noting that following the embargo on taking recovery action to 23 August 2020, the courts have a considerable backlog and are prioritising the most serious cases (i.e. significant ASB, substantial rent arrears of more than 1 year, etc.).

2.2 It is unclear at this stage what the ongoing financial impact will be on the Housing Revenue Account. However, assuming there is no improvement in the collection rates, we would anticipate the projected increase in arrears, due to Covid-19, to be in the region of between 7% and 8.5% for 2020/21, which equates to a full-year rent arrears increase of between £0.8m and £1.1m.

2.3 When HRA properties within the Sheerwater Red Line become void they are being held as vacant to facilitate the commencement of the Sheerwater Project. The estimated full year effect of these properties remaining vacant to the financial year end is £670,000.

2.4 HRA interest costs are forecast to be £5,077,224 in 2021/22, against a budget of £5,237,927 providing an estimated saving of £160,703. This is due to PWLB rates being lower than forecast for half the year and expenditure on new build developments being slower than forecast.

3.0 Approach to Budget Setting 2021/22

<u>Assumptions</u>

3.1 The draft budgets in this paper should be considered alongside the draft Investment Programme report elsewhere on the agenda which will influence the overall budget position.

<u>Management and Administration</u>

3.2 Salary and other central costs have been allocated to the HRA in accordance with normal accounting rules to show the full cost of the service. The budgets are set and monitored in a pre-allocated format to make it possible to see the overall impact rather than just a proportion of the overall cost/variance which may be allocated to an individual service.

3.3 There has been a £100,000 reduction in the salary control total set by the Council, but this is offset by increases in other overhead costs and a slightly higher proportion of costs allocated to the HRA resulting in an overall increase of £77,000 for 2021/22.

4.0 Rents and Other Charges

4.1 On the 4th October 2017, the Department For Communities And Local Government (DCLG) and the Prime Minister's Office, announced that social housing rents will be increased by Consumer Price Index (CPI) plus 1% for 5 years from 2020 ending the four year rent reduction period. A rent increase of 1.5% (September CPI of 0.5% plus 1%) has been incorporated into the estimates.

Recovery of Charges

4.2 Service charges, including energy charges, are based on the cost of the service being provided. The Chief Finance Officer has delegated authority to vary service charges in line with external factors.

4.3 Energy charges are levied on a per block basis based on cost. This allows energy costs to be recharged to tenants on a more detailed basis. An energy charge review was carried out in 2020/21 and the Draft Budget incorporates the amended charges.

4.4 Housing Related Support charges were reviewed and the new charges introduced from April 2020. Up to 31st March 2018 Surrey County Council fully subsidised the Housing Related Support charges for council tenants in receipt of a means tested benefit. This £130,000 funding ceased in 2017/18. However under the new arrangements tenants in receipt of means tested benefit continue to receive the service free of charge.

Implementation Date

4.5 The new rents will be applied from the first Monday in April (i.e. 5 April 2021) and the service charge uplift with effect from 2 August 2021.

5.0 Prudential Borrowing

5.1 The HRA requires certainty and accuracy of costs wherever possible especially following government policy changes, rent reductions, and the impact of the Sheerwater regeneration project. HRA interest charges for pre 2016/17 borrowing are fixed at the Council's average borrowing rate at 31 March 2016. HRA borrowing from April 2017 onwards are charged at the annual average 50 year borrowing rate. This ensures that General Fund investment decisions made by the Council do not impact the HRA.

5.2 These HRA interest costs are forecast to be £5,077,224 in 2020/21 and £5,216,852 in 2021/22. These costs include the borrowing taken on to fund the new build development schemes included in the Housing Investment Programme elsewhere on the agenda. £16,483,000 additional borrowing is forecast over 2020/21 and 2021/22.

5.3 The 2021/22 Budget makes no allowance for repayment of the debt taken on for Self-Financing or for the repayment of the borrowing relating to the new build developments. The borrowing relates to long life assets which are fully maintained.

6.0 Robustness of the Budget and Risks

6.1 It is important to consider the robustness of the budget and the adequacy of reserves for the purpose of maintaining the financial health of the Housing Revenue Account. The key risks are set out in the following paragraphs.

Covid Crisis

6.2 The Covid Crisis is having a significant impact on HRA rent collection as tenants are faced with financial hardship and lockdown restrictions reduce the ability to collect monies owed. It is estimated arrears will increase by around 8% in 2020/21 and it is not yet known how much of this will be collectable. At this point it is not possible to estimate with any certainty the impact the virus will have in 2021/22. However an additional bad debt provision of £200,000 has been built into the 2021/22 Budget.

HRA New Build Developments

6.3 As detailed in the Affordable Housing Expenditure Update report, which was considered by the Executive in October 2018, Officers have reviewed the land assets held by the authority, and other potential development sites around the Borough, to identify suitable new build affordable housing sites in order to utilise retained one for one receipts and increase the local affordable housing supply.

6.4 The Draft Housing Investment Programme elsewhere on the agenda includes these new build development schemes. The Draft Budget assumes that the development at the corner of Rydens\Sundridge Road and Hale End Court (Old Woking Independent Living Scheme) will complete in 2021/22.

6.5 Historically HRA dwellings have been let at Social rent levels. Social rents are calculated using a prescribed complex formula which takes 70% of the national average rent and adjusts it based on how the property value and local earnings (using the relative county earnings) compare to the national average. Both the property value and relative county earnings are at 1999 levels and the outcome can only be adjusted by 5 or 10%. This formula is applied nationally and makes no further allowance for local circumstances. Therefore there is little flexibility within this formula to set a rent which is suitable for the relevant part of the borough, suitable for the type of accommodation, and ensures the financial sustainability of the HRA and affordability to tenants.

6.6 The additional rental income generated by the new build units is unlikely to cover the management, maintenance, and interest costs attributable to the new build dwellings. The net cost of these developments will therefore be subsidised by HRA surpluses. New build rents will be reviewed upon completion to ensure they are set at a level which guarantees the schemes are affordable. Under the Kingsmoor Park Development, a level of social rent which is suitable for Woking was determined. Where possible the new units will be let at or just below Kingsmoor Park rent levels (which are shown below) and capped at a LHA levels. To enable this new build units will be grouped into an Affordable (up to 80% of market rents inclusive of service charge) Rent Category within the HRA. Although developments which receive Homes England funding (such as Hale End Court) may be required under the funding agreement to be let at social rent. This will provide flexibility to set suitable rents.

6.7 The 2021/22 Kingsmoor Park rent levels are;

2021/22 Kingsmoor Park Rents	
Unit Type	**£**
Rents £ pw	
1 bed flat	**£127**
2 bed flat	**£145**
2 bed house	**£155**
3 bed house	**£179**
4 bed house	**£188**

Retained One for One Replacement Receipts

6.8 Local Authorities can retain an element of Right to Buy receipts locally to be used on one for one replacement housing. These receipts can currently be used to fund up to 30% of the cost of the replacement housing and must be used within 3 years or passed to the Government with interest charged at 4% above the base rate. A consultation proposing to alter these arrangements was issued on 14th August 2018. However no further announcements have been made. The proposed arrangements may provide flexibilities around holding the receipts for a longer period and passing them to a group company.

6.9 The HRA developments detailed in the Housing Investment Programme below will utilise all of the existing retained one for one receipts balance and there is a risk the HRA will not be able to build up enough receipts to fully finance 30% of the scheduled developments at the time of construction. If there is a short fall in retained receipts the HRA will have to borrow to fund 100% of the development until sufficient receipts have been received.

6.10 The Council has recently secured Homes England Investment Partner Status along with almost £2 million of capital grant funding towards Hale End Court. Officers will continue to work with Homes England to access grant for other affordable housing schemes to deliver this programme.

Repairs, Maintenance, and Management & Contractual Inflation

6.11 Minor changes to repairs, maintenance, and energy budgets have been made to align them with the actual level of expenditure being incurred. The NVH budget has been realigned to the level of the expenditure incurred in the current year. Due to the position of the current indices, contractual inflation is expected to be minimal. Insurance costs for the HRA has increased by £12,000 and grounds maintenance cost by £30,000.

6.12 Elsewhere on the agenda is a report regarding bringing the Housing Management and Asset Management services back in house. The estimates have been prepared on the basis that this will take effect from the 1st April 2022 at the earliest and no impact of the insourcing has been assumed in the 2021/22 budget.

Major Repairs Contribution

As per the 1 April 2017 Item 8 Determination, depreciation is to be charged to the HRA in accordance with proper accounting practices. The depreciation replaces the Major Repairs Contribution and is transferred to the Major Repairs Reserve to be used on capital works to the stock or repaying debt. HRA depreciation is calculated by dividing the total asset value of Council Dwellings by their average useful economic life. Based on the 31st March 2020 asset value the depreciation amount is estimated to be £3,700,000 in 2021/22.

Sheerwater Regeneration

6.13 On the 5th April 2018 Council authorised a loan facility of £26m, on terms previously approved by Council, to enable Thameswey Developments Limited (TDL) to implement the approved Leisure and Recreational facilities as a first stage of the full regeneration of Sheerwater. On the 4 April 2019 the Council approved a further short-term loan facility of £42m to TDL, on terms previously approved, to enable the first residential phase (Purple).

6.14 In February 2020 the full Sheerwater scheme and financing facilities were approved by Council. The Council approved use of Compulsory Purchase Order powers for the regeneration in July 2020. Following an update of the Sheerwater position presented by Thameswey, the Council has approved proceeding with the Red, Yellow and Copper phases of the regeneration.

6.15 Under the Sheerwater Regeneration approximately 397 HRA dwellings will be demolished. The vacant land will be transferred to Thameswey Developments Ltd and the replacement affordable housing dwellings transferred to Thameswey Housing Ltd. The HRA will therefore lose the rental income from these 397 dwellings. This places pressure on the HRA and an annual transfer from reserves is forecast to be required in order to sustain the HRA in the earlier years of the regeneration. The financial impact of the regeneration is already significant as dwellings which become void within the red line are being held as vacant. The HRA therefore loses the rental income from these dwellings but there is no offsetting saving on management costs or Depreciation etc. or a contribution from the project for the units being transferred.

6.16 Currently there are 193 void HRA dwellings within the red line. Where the phasing of the project allows, some of these units will be re-let as temporary accommodation. However it is likely any re-letting of properties will be offset by new voids in areas which are in the earlier phases on the scheme. The 2021-22 budget assumes that any dwellings currently void will not be re-let in future. It also assumes that there will be no income from dwellings due to be demolished within the first 36 months of the regeneration project and with no offsetting savings until 2022/23. This removes an estimated £1.5m income from the HRA Operating Account in 2021/22. This will increase if more properties within the red line become void and are not offset by additional re-lets.

6.17 The financing of the Sheerwater Regeneration Project allows for a capital receipt and other recharges to be made from the Project to the HRA to compensate it for the historic HRA debt relating to the demolished dwellings and other costs. However the timing will depend on the financial position of both the project and the HRA which will need to be reviewed over the course of the project.

Reserves and Balances

6.18 With the removal of the Revenue Contribution to Capital Outlay (RCCO) the total contribution to the Asset Management Programme reduces from £3,892,898 in 2020/21 to £3,700,000 in 2021/22.

6.19 The balance on the HIP Reserve is £4,834,000 as at 31 March 2020. It is likely that the remaining balance will need to be ring-fenced to be used to maintain an HRA Surplus during the construction phase of the Sheerwater Regeneration and to offset the rental income lost due to the Covid Crisis.

7.0 Conclusion

7.1 The 4 year rent reduction period had a significant impact on the financial position of the HRA. While the return to rent increases of CPI + 1% is welcomed the rental income over the HRA 30 Year Business Plan will be considerably less than that calculated under Self-financing.

7.2 The regeneration of Sheerwater has started meaning the HRA will forego the rental income on void and demolished dwellings within the red line. As detailed in the report it is estimated that the HRA will use reserves of £827,000 to maintain the working balance per property of £100 in 2021/22

8.0 Implications

Financial

8.1 The financial implications are explicit in the report.

Human Resource/Training and Development

8.2 There are no additional human resources or training and development implications arising as a direct result of this report.

Community Safety

8.3 No community safety implications noted

Risk Management

8.4 Risks to budgets have been identified throughout the year and will be reported in the Performance and Financial Monitoring Information booklet (the "Green Book"). Specific risks have been set out in the report.

Sustainability

8.5 No sustainability implications noted.

Equalities

8.6 No equalities implications noted.

Safeguarding

8.7 No safeguarding implications noted.

9.0 Consultations

9.1 No public consultations have been undertaken in preparing this report.

REPORT ENDS

HOUSING REVENUE ACCOUNT

		ORIGINAL ESTIMATE 2020/21 £		ORIGINAL ESTIMATE 2021/22 £
EXPENDITURE				
SUPERVISION & MANAGEMENT				
Estate Management		5,101,038		5,209,526
Rent Accounting/Collection		-41,265		-41,265
Home Support Service		749,944		683,294
Tenant Participation		12,598		24,599
Repairs Admin		59,387		60,131
Democratic Process		1,531,741		1,583,714
		7,413,443		7,519,999
DEPRECIATION		3,892,898		3,700,000
MAINTENANCE				
Day to Day Repairs	462,362		462,362	
Revenue Voids	688,131		688,131	
Planned Maintenance	1,111,102	2,261,595	1,104,979	2,255,472
Subsidy Limitation		0		0
Debt Management Expenses		36,000		36,000
TOTAL EXPENDITURE		**13,603,936**		**13,511,471**
INCOME				
GROSS RENTS & SERVICE CHARGES		18,599,315		18,137,062
Additional Bad Debt Provision For Covid Impact				-200,000
INTEREST COUNCIL HOUSE MORTGAGES		1,149		1,149
TOTAL INCOME		**18,600,465**		**17,938,211**
NET (COST)/SURPLUS OF SERVICES		**4,996,529**		**4,426,740**
Interest Payable and Similar Charges		5,237,927		5,216,852
Amortisation of Premiums and Discounts		29,817		29,817
Revenue Contribution to Capital Outlay		0		0
Surplus (Deficit) for Year		**-271,215**		**-819,929**
WORKING BALANCE STATEMENT				
Surplus (Deficit) brought forward		500,288		332,271
Surplus (Deficit) for Year		-271,215		-819,929
Interest on Working Balances		198		0
Surplus (Deficit) carried forward		229,271		-487,659
TRANSFER TO (FROM) RESERVES (HIP Reserve)		-103,000		-827,000
Surplus (Deficit) carried forward		332,271		339,341
No. of Dwellings @ 31 March		3,353		3,399
WORKING BALANCE PER PROPERTY		100		100

EXECUTIVE – 4 FEBRUARY 2021

INVESTMENT PROGRAMME 2020-21 TO 2024-25

Executive Summary

The Investment Programme sets out the capital and one off investments required to deliver the Council's key strategies and objectives. The Programme includes projects where the funding and consequent revenue implications have been incorporated into the General Fund and Housing Revenue Account budgets for 2021/22 which appear elsewhere on the agenda. Further detail on these projects is also provided.

The impact of the Investment Programme on revenue, capital and reserves are included in appendices attached to this report. Inclusion in the Investment Programme does not mean a project will proceed, only that the Council plans to undertake it if resources permit.

The Covid pandemic has had a considerable impact on local government finances. Whilst the government has provided support through a series of grant payments, these have not covered all the Council's costs nor does the income compensation scheme fully mitigate income losses. Into 2021/22 there is no guarantee that this government support will continue. Whilst the pandemic may ease, the economic consequences and the financial impact on the Council are likely to take much longer to recover. The Council is particularly affected by loss of commercial rents and the risk of potential further non-payment in the future due to business failure.

In preparing the draft Investment Programme for 2021/22 it has therefore been necessary to temporarily suspend projects which have not yet been committed but which would have revenue consequences through use of the Council's revenue reserves or financing costs of borrowing.

It is hoped that these can be re-instated once the financial position is more stable.

Appendix 8 provides a glossary explaining the technical terms used in this report.

Recommendations

The Executive is requested to:

RECOMMEND TO COUNCIL That

(i) the Investment Programme 2020/21 to 2024/25 be approved subject to reports on projects where appropriate;

(ii) the proposed financing arrangements be approved;

(iii) Thameswey Developments Ltd be authorised to take long term annuity funding, up to 50 years, for the Sheerwater project through its £115m facility with loans permitted to transfer to Thameswey Housing Ltd as the project progresses. The total long term loans drawn by the Thameswey Group for the Sheerwater project should not exceed the long term facility of £290m previously agreed (excluding THL revolving facility and TEL facility); and

(iv) a capital grant of £300,000 and revenue grant of £150,000 for 2021/22 be approved for Brookwood Cemetery.

Reasons for Decision

Reason: To recommend to the Council that it approves the capital resources for 2020/21 onwards considered necessary to support its service plans and objectives.

The item(s) above will need to be dealt with by way of a recommendation to Council.

Background Papers: None.

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1.0 Introduction

1.1 The Investment Programme sets out the capital and one off investment necessary to support the achievement of the Council's strategies and objectives. The Council recognises that its Investment Programme ambitions exceed the resources immediately available to finance all of these ambitions.

1.2 Appendix 8 provides a glossary explaining the technical terms used in this report.

2.0 Approach to updating the Investment Programme

2.1 The Covid pandemic has had a considerable impact on local government finances. Whilst the government has provided support through a series of grant payments, these have not covered all the Council's costs nor does the income compensation scheme fully mitigate income losses. Into 2021/22 there is no guarantee that this government support will continue. Whilst the pandemic may ease, the economic consequences and the financial impact on the Council are likely to take much longer to recover. The Council is particularly affected by loss of commercial rents and the risk of potential further non-payment in the future due to business failure.

2.2 In preparing the Investment Programme for 2021/22 it has therefore been necessary to temporarily suspend projects which have not yet been committed but which would have revenue consequences through use of the Council's revenue reserves or financing costs of borrowing. It is hoped that these can be re-instated once the financial position is more stable.

2.3 Since preparing the draft budget in November the government has reduced the margin charged on PWLB borrowing by 1%. This reduces the assumed cost of borrowing for the Council going forward. As set out within this report, it is still recommended that the Council seek access to PWLB borrowing at further reduced rates of interest, to assist in progressing the Council's committed regeneration schemes – Victoria Square, Sheerwater and the town centre HIF.

3.0 Overview of the Investment Programme

3.1 The Investment Programme lists all the Council's projects, the estimated costs of which are shown in total in Appendix 1 and in more detail in Appendices 5 and 6.

3.2 For each project a proposed source of funding is identified (for example capital receipts, grant, development contributions, borrowing or use of revenue reserves). Actual funding decisions will be taken at the end of the year to optimise use of resources. The Investment Programme in itself is not a source of funding; it is the list of projects together with a summary of the implications on the resources available.

3.3 The following appendices are attached to this report

Appendix	Title	Description
1	IP Summary	Sets out the total funded projects in the Investment Programme.
2	Financing summary	A summary of how the General Fund and Housing Investment Programme projects will be financed.
3	Reserves	A summary of the forecast reserves position.
4	Investment Strategy Reserve	A schedule of the movements on the Council's Investment Strategy Reserve. This is the Council's main 'usable' revenue reserve.
5	Housing Investment	A breakdown of the projects included in the Housing Investment Programme (HIP) where allowance will be

	Programme	made in the General Fund or HRA revenue budgets.
6	General Fund Projects	A list of projects included in the Investment Programme (allowance made in the General Fund budget).
6a	Asset Management Plan Wolsey Place/ Export House	A breakdown of the projects within the Wolsey Place/ Export House Asset Management Plan included in summary in Appendix 6.
6b	IT Programme	A breakdown of the IT programme line in Appendix 6.
7	Projects Temporarily Suspended	A list of projects which have been temporarily removed from the funded Investment Programme to protect the Council's revenue reserves due to the impact of the Covid-19 pandemic
8	Glossary	An explanation of the technical terms used in the IP.
9	PWLB Categories	Details of which category each project has been assigned to under the new PWLB borrowing rules.

4.0 General Fund Investment Programme

4.1 The current and committed project details are set out in Appendix 6.

4.2 Where external funding is expected towards the cost of a project this is indicated against each project in the programme. If the external funding is specific to a project or type of project those external resources cannot be made available to fund other Investment Programme projects.

4.3 Where the project is to be funded by revenue, this is indicated as this expenditure must be taken directly from revenue reserves in the year in which it is incurred. A forecast of the Investment Strategy Reserve balance is set out in Appendix 4.

5.0 Housing Investment Programme

5.1 Works on the Council's housing stock are managed by New Vision Homes (NVH). The breakdown of the Woking Borough Council Homes Section of the Housing Investment Programme (Appendix 3) is illustrative and priorities will be agreed between WBC Officers and NVH. The NVH Asset Management Plan is based on stock condition surveys and NVH will review and develop the Asset Management Strategy through the financial year.

5.2 Elsewhere on the agenda is a report regarding bringing the Housing Management and Asset Management services back in house. The estimates have been prepared on the basis that this will take effect from the 1st April 2022 at the earliest and no impact of the insourcing has been assumed in the 2021/22 budget. The Investment Programme assumes the total AMP budget will remain the same under the new management arrangements.

5.3 The total Asset Management Plan budget is £3,700,000 for 2021/22. This is funded by a contribution to the Major Repairs Reserve which is the value of depreciation charged on Council Dwellings.

5.4 The Mandatory Disabled Facilities Grants (DFG) item on the Housing Investment Programme is funded by a £1,093,000 grant provided as part of the Department of Health's Better Care Fund.

<u>Provision of New Housing</u>

5.5 Local Authorities can retain an element of Right to Buy receipts locally to be used on one for one replacement housing. Currently these receipts can be used to fund up to 30% of the cost of the replacement housing and must be used within 3 years or passed to the Government.

5.6 Officers have reviewed the land assets held by the authority, and other potential development sites around the Borough, to identify suitable new build affordable housing developments. The Housing Investment Programme lists these schemes which are mostly funded by 30% retained receipts and 70% HRA\General Fund Borrowing. The developments detailed in the Housing Investment Programme will utilise all of the existing retained one for one receipts balance and there is a risk the HRA will not be able to build up enough receipts to fully finance 30% of the scheduled developments at the time of construction. If there is a short fall in retained receipts the HRA will have to borrow to fund 100% of the development until sufficient receipts have been received.

5.7 The Council has recently secured Homes England Investment Partner Status. Officers will continue to work with Homes England to access grant for other affordable housing schemes to deliver this programme.

5.8 The HRA new build developments include Hale End Court (the Old Woking Independent Living Scheme, OWILS), Monument Way, Bonsey Lane, and Corner of Rydens Way\Sundridge Road sites. The OWILS, Bonsey Lane and Rydens Way\Sundridge Road projects are expected to complete in 2021/22.

5.9 A bid for Homes England funding for the OWILS Scheme has been successful with a contribution of almost £2m towards the scheme. This funding cannot be used in conjunction with retained Right to Buy receipts. For financing purposes the development will therefore be split into two elements; one to be funded by HRA borrowing\retained receipts and the other by HRA Borrowing\Homes England grant.

5.10 A bid for funding has also been successful for the purchase of 121 Chertsey Road providing additional temporary accommodation in the Borough.

<u>Sheerwater Regeneration</u>

5.11 In February 2020 the Council approved the updated Sheerwater Regeneration project and financing arrangements. It was clear that close monitoring and further work would be required to seek to improve the financial position of the project. The Council on 30 July 2020 authorised the use of Compulsory Purchase Order (CPO) powers for the scheme.

5.12 Following an update of the Sheerwater position presented by Thameswey, the Council has approved proceeding with the Red, Yellow and Copper phases of the regeneration. The next phase includes a £3m provision for the redevelopment of the St Michaels Church site as part of the community facilities within Sheerwater.

5.13 The project has not yet been updated to reflect a reduction in forecast interest rates following the removal of the additional 1% margin charged on PWLB borrowing by the government. It is expected that once the financial modelling is updated financial risks will remain in the current climate, however there may be more scope to bring forward the repayment of some costs incurred by WBC. It is therefore recommended that a reduction in PWLB financing costs is sought to facilitate this major housing regeneration project.

5.14 The Sheerwater loan facilities approved by Council in February 2020 are shown in the table below. During the construction period Thameswey Developments Ltd (TDL) has a facility for maturity loans of up to 5 years. On sale of any properties to rent, from TDL to Thameswey Housing Ltd (THL), THL can take long term funding (50 years) for the operational period.

	Facility £m	Term	Type	Rate	Arrangement fee
Thameswey Developments Ltd (during construction)	115	Up to 5 years	Maturity	relevant PWLB rate	No
Thameswey Housing Ltd (until constuction complete)	290	Up to 5 years	Maturity	relevant PWLB rate	No
Thameswey Housing Ltd Operational	290	50 years	Annuity	relevant PWLB rate	No
Thameswey Housing Ltd Revolving Loan facility	116	Up to 30 years	Maturity	relevant PWLB rate	No
Thameswey Energy Ltd	5.25	20 years	Annuity	relevant PWLB rate	No

5.15 Given the very low long term borrowing rates currently available, it is recommended that TDL be authorised to take long term annuity funding, up to 50 years, through its £115m facility with those loans transferring to THL as the project progresses. The total long term loans drawn by the Thameswey Group for the Sheerwater project should not exceed the long term facility of £290m previously agreed (excluding THL revolving facility and TEL facility).

5.16 The allowance for Sheerwater Social Support remains in the funded Investment Programme, recognising the critical need to support the community through this project.

6.0 Reserves Forecast and Resources Statements (Appendices 2-4)

6.1 The Council has a number of reserves which represent funds set aside to manage the Council through its Medium Term Financial Strategy, including the town centre regeneration. It is possible that a significant proportion of these accumulated reserves could be needed to cover revenue losses as a result of the Covid pandemic, national lockdown and ongoing social distancing requirements during 2020/21 and 2021/22. This would leave the Council without the ‘buffer’ it needed to manage the launch of these major projects, and with minimal scope to cope with continued losses beyond 2021/22.

6.2 The Reserves section of the Investment Programme shows the effect of the spending on HIP and GF Committed projects on the Council’s reserves. At the current time it is critical that reserves are maintained to meet the temporary, and potentially ongoing, reductions in income as a result of the Covid pandemic.

6.3 Forecast use of reserves is shown without allocation from existing earmarked reserve. The Medium Term Financial Strategy (MTFS) will consider which reserves should be used for this purpose, or where capital receipts can be reallocated if allowed by the government.

6.4 The Investment Programme contains some projects which are of a revenue nature. In accounting terms these projects do not produce an asset and so they cannot be funded from capital sources such as capital receipts or borrowing. The cost of these projects fall on revenue sources and are included in the Investment Strategy Reserve (General Fund) and HIP Reserve (Housing Revenue Account). Details of the General Fund and HRA impacts are included in other reports on the agenda. These impacts have been minimised through the temporary suspension of revenue projects where possible.

6.5 All of the costs relating to the Investment Programme are built into the General Fund and Housing Revenue Account estimates. However, given the ongoing pressures on revenue reserves and economic uncertainty, the Council’s financial position will be considered before projects commence, and delaying starting projects remains an option.

7.0 Priorities

7.1 The projects are included within the Investment Programme using the priorities established by the Capital Strategy. The use of capital resources are prioritised in the Capital Strategy as follows:

- schemes that are essential to comply with Health and Safety or security obligations;
- schemes that are essential to enable the Council to carry on its business with economy, efficiency and effectiveness, including electronic service delivery;
- schemes that are for essential maintenance of assets;
- schemes that enable the Council to further the objectives of the Community Strategy;
- schemes that secure or enhance the income base; and
- schemes that secure reductions in the cost base.

7.2 Prioritisation of the use of capital resources has regard to the Council's service priorities, as determined at least annually as part of the budget process.

8.0 Reporting of Project Progress

8.1 The Executive receives a quarterly report of progress on projects. The report focuses on active projects and shows the project progress and assesses overall project risk as well as the total cost of projects (including costs incurred in previous years).

8.2 When a project is planned, a project mandate is prepared and these mandates are used to update the Investment Programme. Spending should only commence on a project once it has been through an authorisation process and the budget released.

8.3 Further detail on active projects is reported to the Executive through the project monitoring process. Please see the 'Monitoring Reports – Projects' Report elsewhere on the agenda for further details.

9.0 New schemes included within the Financed Investment Programme

9.1 The Investment Programme includes the following new schemes which have been added since the Investment Programme was approved in February 2020. The items added to the programme are indicated below and further details can be found in Appendices 5 and 6.

- Green Homes Grant Local Authority Delivery scheme
- Victoria Square Financial Modelling
- Transit Site Project
- Goldsworth Park Shopping Centre
- Economic Regeneration
- 36 to 42 Commercial Way Purchase
- Loan Re Wolsey Place
- SEN School at Brookwood Farm
- Maybury Centre Café
- 121 Chertsey Road

<u>Woking Integrated Transport Plan (WITP)</u>

9.2 The Investment Programme includes the estimated level of spend on the WITP to be financed by the Council. Expenditure under the project is also to be charged to Victoria Square Woking Ltd, Thameswey Energy, and other third parties. These costs are not shown on the Investment Programme.

9.3 The WITP is to be financed by section 106 and Community Infrastructure Levy (CIL) contributions. Shortfalls in CIL income due to delays in developments coming online will restrict the resources available to finance Council projects. This may mean the WITP project may have to be financed from borrowing until future CIL contributions are received. Currently there is no borrowing assumed in the Investment Programme for this project.

9.4 Officers will report the Final Account of the project to the Executive during 2021/22.

Housing Infrastructure Fund (HIF)

9.5 In July 2019 the Council was awarded a £95 million grant from the Ministry of Housing, Communities and Local Government Housing Infrastructure Fund. The investment will be used to address inadequacies of the A320 Guildford Road and Victoria Arch, to improve pedestrian and cycle routes and replace the railway bridge.

9.6 The terms of the funding were agreed in early 2020 and the Council has received £21,423,771 to date.

9.7 As with the WITP above, the Council's contribution towards this project depends on developers contributions from the sites which will benefit from the infrastructure improvements.

9.8 The government funding towards this key infrastructure has been allocated based on delivery of increased housing numbers in the town centre. Any delay or reduction in forecast developments, will require the Council to borrow to finance these costs, with the interest costs putting additional pressure on the Council's future revenue budget.

9.9 Assumed development may be delayed as a result of the economic consequences of the pandemic. Given this risk, it is recommended that the Council seek a reduction in the PWLB rate for any borrowing associated with this project.

Victoria Square Woking Ltd (VSWL)

9.10 Delays due to Covid have led to cost overruns on the Victoria Square project. The reduction in PWLB interest rates will mitigate some of this impact. Any further reduction secured would improve the position, reducing the time taken for income to meet costs. Officers are reporting the updated overall position of the project to Council on 11 February. The Investment Programme includes the forecast loan requirement over 2020/21 and 2021/22.

Brookwood Cemetery

9.11 The Investment Programme includes capital and revenue grants to Brookwood Cemetery to fund backlog maintenance as well as capital improvements. The assumed level of these grants has been reduced in this Investment Programme, as both are ultimately funded from the Council's revenue reserves, to £150k for the capital grant and £150k revenue grant in 2021/22.

9.12 On 22 January the Cemetery Board considered the resources required to maintain the service and complete essential capital works. An additional £150k capital grant has been requested in 2021 which reflects slippage of ongoing capital projects from 2020.

We Are Woking

9.13 In recent years the We Are Woking campaign has sought to promote the town as 'open for business' during disruptive development works as well as attracting new commercial, visitor and local interest to the Borough.

9.14 Allowance for this campaign is still included in the Investment Programme in 2020/21. The budget has also been used to support residents and promote the work of local community groups during the first lockdown, as well as the safe accessibility to Borough businesses which have been open over (or open some of) the last six months.

9.15 Whilst this work is currently moved onto the temporarily suspended list of projects, it is clear that further spend will be necessary in 2021/22 and beyond to support the Council's commercial interests in the town centre. Promotion will be required to encourage residents and visitors to return to the town centre through the launch of Victoria Square and beyond. It is also likely that funding will be required to attract new tenants to vacant retail and hospitality spaces. The budget requirement for 2021/22 town centre recovery post Covid will be further considered in the March MTFS.

Opportunity Purchases

9.16 The Investment Programme includes a budget allowance for Opportunity Purchases. This is for property which becomes available and which would assist in progressing the Council's long term objectives.

9.17 It is assumed that all Opportunity Purchases will be neutral to the revenue budget, either providing an income stream to meet financing costs, or being part of a development site where financing costs can be capitalised until the asset is complete. It is important that future Opportunity Purchases do not result in increased revenue costs for the Council.

Transit Site

9.18 The project to develop a transit site for Surrey has long been a shared ambition of all Surrey authorities. A transit site in the County would enable Surrey Police to use Section 62a of the Criminal Justice and Public Order Act 1994 to direct travellers from Unauthorised Encampments (UEs) and to prohibit them from returning to any UE within the Borough for a period of 3 months. In addition the existence of a Transit Site will help minimise the conflict between travelling and settled communities and address the welfare needs of the travelling community.

9.19 A site has been identified in the East of the County which, subject to Planning Consent, could be developed into a 10-pitch transit site. Surrey County Council own the site and is willing to make it available and remove contamination from the site.

9.20 Borough and District Councils, other than the host Borough, have been requested to make a financial contribution in 2021/22 of:-

- a one off contribution of up to £127,000 in capital funding for the construction of the site; and
- an annual contribution of £7,500 revenue funding for the maintenance of the site.

Medium Term Financial Strategy (MTFS) Requirement

9.21 In November 2020 HM Treasury announced revised lending terms for the PWLB. The PWLB will no longer lend to any Local Authority which plans to buy investment assets primarily for yield (regardless of whether this purchase would be funded by PWLB borrowing or through other resources).

9.22 The main source of borrowing for Woking is the PWLB and the Council cannot risk loss of access to borrowing which is required to complete ongoing developments. Any property purchased would need to comply with the stricter definitions set by the new guidance and ensure there is no scope for the government to challenge the purpose of the acquisition.

9.23 The Investment Programme still includes provision for Opportunity Purchases in 2021/22 as these are made for operational\regeneration purposes and not primarily for yield. These purchases will be need to be considered on an individual basis.

9.24 Certain outstanding purchases approved under the MTFS Investment Strategy remain in the Investment Programme as 'Strategic Regeneration Site Acquisition'. Although they were approved under this strategy their primary purpose is regeneration and therefore complies with the new PWLB rules.

9.25 Appendix 9 details which category the projects on the Investment Programme are classified as under the new PWLB lending rules.

SCC Long Term Empty Properties funding

9.26 As set out in the General Fund budget also on this agenda, Surrey County Council (SCC) have proposed that any additional Council Tax generated through implementation of additional charges for Long Term Empty Properties may be used by the Districts for priority projects.

9.27 SCC would like the reallocated funding to directly support a County initiative or specific project. Examples include work that supports homelessness reduction, addresses climate change commitments and rethinking local transport delivery.

9.28 Officers are exploring climate change initiatives, which would otherwise not be able to proceed, to utilise this funding forecast as £135,000 to date.

10.0 Schemes in excess of £1m

10.1 In accordance with the Notice of Motion agreed by Council on 12 July 2007 the following schemes have costs exceeding £1m, not all of which have been contractually committed:

- 36 to 42 Commercial Way Property Purchase
- Acquisition of Car Parks from Victoria Square Woking Ltd (TMP12)
- All Weather Pitch – Woking Football Club/Woking College (20052)
- Brookwood Cemetery – Grant for Capital Works (20041)
- Capitalised Salary Costs for Projects (TMP23)
- Car Park Management System (TMP13)
- CCTV Infrastructure Upgrade and Formation of Town Centre Control Room (20122)
- Dukes Court Plaza (20209)
- Economic Regeneration
- Goldsworth Park Shopping Centre Purchase
- Green Homes Grant Local Authority Delivery scheme
- Housing Infrastructure Fund (HIF) Land Acquisition Strategy (20226)
- HRA Housing Developments (20191)
- HRA Property Purchases
- Loan re Greenfield School
- Loan re Wolsey Place

- Loans to Thameswey Central Milton Keynes
- Mandatory Grants
- New Hostel Provision (TMP51)
- Opportunity Purchases for Regeneration
- Playing Pitch and Outdoor Facility Strategy Action Plan (20081)
- Poole Road Energy Centre – Loan to Thameswey Energy Ltd
- Provision of New Homes
- SEN School at Brookwood Farm (funded from Grant)
- Sheerwater Dentist Surgery – Provision of new surgery building (20143)
- Sheerwater Regeneration - Loan to TDL
- Strategic Regeneration Site Acquisition
- Syrian Refugee Resettlement Programme (TMP15)
- Sythwood Residential Units (TMP52)
- Victoria Arch and Integrated South Side Works including Network Rail (20226)
- Victoria Square Phase 2 – Loan to Victoria Square Woking Ltd
- Wolsey Place Refurbishment and Reconfiguration
- Woking Borough Council Homes (10429)
- Woking Cinemas (TMP7)
- Woking Integrated Transport Package (20124)
- Woking Shopping Food Court & Vertical Circulation
- Woking Sustainable Transport Package (TMP8)

10.2 Other items in excess of £1 million include the Asset Management Plan, ICT Programme and Housing Repairs and Improvements programme which are each made up of a number of projects which vary in size.

10.3 Reports seeking approval to schemes will be made to the Executive as appropriate.

10.4 Approved loans to group companies in total exceed £1 million and are released on request, providing they are within the sums agreed in the Group Business Plans.

11.0 Schemes not yet taken account of

11.1 There are a number of initiatives that have not been included in the Investment Programme as they are not yet ready for formal consideration. These are noted below:-

11.2 Monument Way West – this proposal has three elements. A housing scheme, included in the Housing Investment Programme, subject to an active Planning Application that includes the provision of a new road junction with Monument Road. The redevelopment of the former 4GS site to provide a replacement warehouse, to facilitate the new road junction by the relocation of the occupier of the warehouse adjoin the housing site and enable the creation two industrial units to let, one new one and the warehouse adjoin the residential site.. The redevelopment of the former Gas Holder site to provide a permanent depot for Woking Community Transport.

11.3 Former Robin Hood pub site – proposals for residential development have been prepared and following consultation with Ward Members (three wards as the site adjoins St Johns, Knaphill and Goldsworth Park). A proposal will be submitted to the Executive.

11.4 Former Anchor Pub site, Knaphill – Planning Consent has been obtained for residential and the Director of Housing has been consulted concerning the use of the site for temporary accommodation. A proposal will be submitted to the Executive.

11.5 Woking College is seeking the long term use of part of the Old Woking Community Centre; Trustees of the Community Centre have supported exploring the proposal. The Council owns the site and leases it to the Community Centre. The proposal will require investment in alterations to the building to meet the both the requirements of Woking College and the Community Centre. A proposal will be submitted to the Executive.

11.6 The Housing Infrastructure Fund project to widen Victoria Arch will require a number of agreements between the Council and landowners to secure the delivery of additional homes in accordance with the approved contract with Homes England. Proposals will be submitted to the Executive in respect of each landowner or developer.

11.7 Woking Football Club project has been removed from the funded Investment Programme at this stage as planning permission for the scheme has not yet been achieved. The Council is committed to providing a loan financing facility should the project proceed following a successful appeal. The project would need to be reinstated to the funded Investment Programme, but as a margin is generated on the loan it will have a positive impact on the Council's financial position.

11.8 The Gymnastics Club project is included on the 'Temporarily Suspended' projects list, as this is associated with the Football Club development which does not currently have the planning permission to progress. Should the project proceed, this Gymnastics Club relocation would also be reinstated in the funded Investment Programme as a Council commitment through the development agreement.

12.0 Release of funding

12.1 The Council's Capital Strategy sets out the arrangements for managing the initiation and approval of projects and includes a delegated arrangement for the Executive to agree new schemes which fall within the following parameters:

12.2 "Where the scheme is a new scheme the proposal will be scheduled for consideration by the Executive. The Executive will be granted delegated authority to agree schemes which can be contained within the following parameters set by the Council:

- the capital cost of each individual project does not exceed £5m;
- the aggregate capital cost of schemes approves by the Executive under this delegation does not exceed £10 million in any one financial year; and
- the cost can be contained within the authorised borrowing limits.

The setting of the Authorised and Operational borrowing limits is reserved to the Council. Where the scheme is expected to be outside of the above parameters the scheme will need the approval of the Council."

12.3 The use of this delegated authority is reported in the Green Book.

13.0 Thameswey

13.1 Due to the Covid pandemic the Thameswey group has not produced revised Business Plans, instead continuing to progress the existing plans where possible until any consequences of the pandemic are clearer and a plan for the future can be assessed. Existing loan facilities are sufficient to progress the majority of the Thameswey group plans.

14.0 Implications

<u>Financial</u>

14.1 The financial implications of the Investment Programmes have been incorporated in the draft General Fund and Housing Revenue Account estimates. The Prudential Borrowing implications have been built into the Treasury Management Estimates.

14.2 Later phases of the General Fund programme, and the progression of the temporarily suspended projects, rely on the affordability of financing borrowing costs or the identification and receipt of other new resources to enable projects to proceed.

<u>Human Resource/Training and Development</u>

14.3 The Council has core resources to manage the Investment Programme but relies upon third party consultants to implement a number of its major projects. This is considered the most cost effective way of managing a varied programme.

<u>Community Safety</u>

14.4 This report has no specific community safety implications.

<u>Risk Management</u>

14.5 The project management arrangements provide for risk analysis as part of the improved control of Investment Programme projects; this seeks to minimise and manage risk. In corporate terms the main risk for the Council is in overstretching its capacity, this is recognised by Officers and from time to time it will be necessary to re-prioritise the programme to reflect the capacity of the Council.

<u>Sustainability</u>

14.6 Projects in the Investment Programme are progressed in accordance with the Procurement Strategy, Crime and Disorder Strategy, and the Climate Change Strategy.

<u>Equalities</u>

14.7 This report has no specific equalities implications.

<u>Safeguarding</u>

14.8 This report has no specific safeguarding implications.

15.0 Consultations

15.1 No general public consultations have been undertaken in connection with this report. The Investment Programme has been reviewed by Managers, Corporate Management Group, Portfolio Holders and Finance Task Group.

REPORT ENDS

INVESTMENT PROGRAMME SUMMARY
2020/21 - 2024/25

	APPENDIX & PAGE REFERENCE	PLANNED EXPENDITURE 20/21 £'000	21/22 £'000	22/23 £'000	23/24 £'000	24/25 £'000
General Fund	Appendix 6	441,916	179,645	52,579	33,764	5,616
Housing Investment Programme	Appendix 5	165,858	178,642	125,594	149,339	532,555
Total Investment Programme		607,774	358,287	178,173	183,103	538,171

APPENDIX 2

INVESTMENT PROGRAMME SUMMARY
2020/21 - 2024/25

	FINANCING SUMMARY												
	CHARGE TO GEN. FUND (Revenue) £'000	BORROWING				RESERVES							
		GENERAL FUND £'000	HRA £'000	TO FUND EXTERNAL LOANS £'000	CAPITAL RECEIPTS £'000	IT RESERVE £'000	HIP RESERVE £'000	GENERAL RESERVE £'000	MAJOR REPAIRS £'000	SECTION 106 £'000	COMMUNITY FUND £'000	GRANTS & CONTRIBS £'000	TOTAL
2020/2021	460	183,776	9,551	372,794	5,243	180	608	2,639	3,885	1,488	0	27,150	607,774
2021/2022	174	68,976	6,932	248,503	3,667	180	438	1,093	3,700	50	0	24,574	358,287
2022/2023	140	8,875	4,421	113,286	2,976	180	448	1,010	3,700	0	0	43,137	178,173
2023/2024	140	14,491	9,507	133,162	4,522	180	0	1,010	3,700	0	0	16,391	183,103
2024/2025	140	4,948	1,850	523,902	1,240	180	0	425	3,700	0	0	1,786	538,171

RESERVES FORECAST

AT 31 MARCH	2020	2021	2022	2023	2024	2025
	£'000	£'000	£'000	£'000	£'000	£'000
REVENUE RESERVES						
Investment Strategy Reserve	2,511	2,401	2,577	2,787	2,997	3,207
Forecast use of reserves due to COVID		-7,329	-9,562	-	-	-
Housing Investment Programme Reserve	4,835	3,956	2,698	1,430	610	-
Medium Term Financial Strategy Reserve	4,999	4,710	4,710	4,710	4,710	4,710
Provision for Flexibility Reserve	130	130	130	130	130	130
Leased Car Relief Vehicle Reserve	-	-	-	-	-	-
Freda Ebel Bequest	5	5	5	5	5	5
Community Fund	421	421	421	421	421	421
Insurance Fund	186	186	186	186	186	186
Parking Reserve	-	-	-	-	-	-
Environmental (CO2) Reserve	35	35	35	35	35	35
Wolsey Place Reserve	3,198	1,104	227	-676	-1,579	-2,782
New Homes Bonus Reserve	1,113	1,114	907	632	357	82
Group Company Reserve	750	750	750	750	750	750
Woking Palace Reserve	35	35	35	35	35	35
Equipment Reserve	430	451	431	481	531	531
Peer grant Reserve	38	38	38	38	38	38
Business Rates Equalisation Reserve	4,025	4,025	4,025	4,025	4,025	4,025
Local Council Tax Support Scheme Hardship Fund	48	48	48	48	48	48
Westfield Common Reserve	82	82	82	82	82	82
PFI Reserve	2,739	2,739	2,739	2,739	2,739	2,739
Town Centre Management Agreement Reserve	470	412	354	296	238	88
Victoria Square Reserve	1,985	3,632	4,470	4,470	4,470	4,470
Sheerwater Reserve	71	-314	-700	-1,085	-1,470	-1,470
Off Street Parking Reserve	2,000	2,000	2,000	2,000	2,000	2,000
Syrian Refugee Reserve	535	535	535	535	535	535
Homelessness Support Reserve	264	264	264	264	264	264
Dukes Court Reserve	3,273	3,273	3,273	3,273	3,273	3,273
	34,178	24,703	20,678	27,611	25,430	23,402
CAPITAL RESERVES & OTHER RESOURCES						
Usable Capital Receipts	5,249	1,862	2,859	1,051	-2,304	0
Set Aside Capital Receipts	52,697	54,567	56,646	58,747	60,972	63,197
Major Repairs Reserve	0	8	8	8	8	8
Development Contribution Reserve	11,415	1,427	377	377	377	377
	69,361	57,864	59,890	60,183	59,053	63,582
WORKING BALANCES						
GF Working Balance	1,500	1,500	1,500	1,500	1,500	1,500
HRA Working Balance	500	500	500	500	500	500
	2,000	2,000	2,000	2,000	2,000	2,000
TOTAL RESERVES	105,539	84,567	82,569	89,794	86,483	88,984

INVESTMENT STRATEGY RESERVE

	2020/21 Original £'000	2020/21 Revised £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Balance Brought Forward	**2,505**	**2,511**	**2,401**	**2,577**	**2,787**	**2,997**
<u>Source of Funds</u>						
Planned Contribution from General Fund	1,319	1,319	1,319	1,319	1,319	1,319
New Homes Bonus	276	276	81	0	0	0
Transfer from Town Centre Management Reserve	150	150	150	150	150	150
Total Available Funds	4,250	4,256	3,951	4,046	4,256	4,466
<u>Use of Funds</u>						
Management of Change (GF only)	-250	-250	-250	-250	-250	-250
Use of Selective Licensing Surplus						
Financing IP including Revenue Items	-340	-460	-174	-140	-140	-140
Celebrate Woking	-150	0	0	0	0	0
Flood Prevention Schemes	-900	0	0			
Best Bar None	-14	0				
Sheerwater Social Support	-125	-125	-125	-125	-125	-125
Countryside Management	-115	0	0	0	0	0
Sheerwater Football Club/Woking Football Club Ground Sharing	-100	0				
Queen Elizabeth Gardens Drainage, Landscaping and Lighting						
Transfer to Wolsey Place Reserve	-300	-300	-300	-300	-300	-300
Transfer to New Homes Bonus Reserve	-276	-276	-81	0	0	0
Transfer to Equipment Reserve	-50	-50	-50	-50	-50	-50
Transfer to Town Centre Management Account Reserve	-92	-92	-92	-92	-92	-92
Transfer of On-Street Parking to Surrey County Council	-116	-116	-116	-116	-116	-116
Transfer to Community Fund	-176	-176	-176	-176	-176	-176
Transfer to Provision for Flexibility	-10	-10	-10	-10	-10	-10
Total Use of Funds	-3,014	-1,855	-1,374	-1,259	-1,259	-1,259
Balance Carried Forward	**1,236**	**2,401**	**2,577**	**2,787**	**2,997**	**3,207**
Forecast use of reserves due to COVID		**-7,329**	**-9,562**			

HOUSING INVESTMENT PROGRAMME
2020/21 - 2024/25

APPENDIX 5

DETAILS OF PROJECT	20/21 £'000	21/22 £'000	22/23 £'000	23/24 £'000	24/25 £'000
Provision of New Homes					
Affordable Housing - Thameswey Housing Ltd					
Provision of New Homes	65,100	41,913	50,000	50,000	50,000
Medium Term Financial Strategy Additional Provision	0	0	0	0	0
Total Thameswey Housing Ltd	65,100	41,913	50,000	50,000	50,000
Sheerwater Implementation Costs					
Capital Expenditure Funded By WBC Borrowing:					
Sheerwater Regeneration - Loan to TDL (During Construction)	63,991	112,478	59,486	79,362	7,902
Sheerwater Regeneration - Loan to THL (Until Construction Compete)					
Sheerwater Regeneration - Loan to THL (Operational)					350,000
Sheerwater Regeneration - Loan to THL (revolving Loan Facility)					116,000
Sheerwater Regeneration - Loan to Thameswey Energy Ltd		5,250			
Red Line Properties Acquired By Thameswey Using WBC Loan Finance	3,000				
Assisted Purchases & Additional Properties By Thameswey Using WBC Loan Finance	110				
Project Management\Revenue Expenditure Originally Financed From The Sheerwater Regen Reserve:					
Sheerwater Regen Staff Costs	232	232	232	232	
Removal Costs	18	18	18	18	
Equalities Survey	18	18	18	18	
Miscellaneous Costs Including Subsidy to the Doctor's Surgery & 3rd Party Legal Fees	117	117	117	117	

HOUSING INVESTMENT PROGRAMME
2020/21 - 2024/25

APPENDIX 5

DETAILS OF PROJECT	20/21 £'000	21/22 £'000	22/23 £'000	23/24 £'000	24/25 £'000
Other Regeneration Expenditure\Additional Housing Purchases:					
Mortgages Of Last Resort	364				
Home Loss and Disturbance Payments	348	348	348		
Total Sheerwater Implementation Costs	68,198	118,461	60,219	79,747	473,902
General Fund Housing Developments					
New Hostel Provision (funded from capital receipts/borrowing)	1,000	3,308	3,307		
Sythwood Residential Units (funded from capital receipts/borrowing)	1,484				
Temporary Accommodation Acquisition and Conversion	2,636				
Temporary Accommodation Renovation of Existing Units	152				
21 Chertsey Road Purchase (Homes England Grant\General Fund Borrowing)	6,600				
Anchor Public House Purchase	954				
Total General Fund Housing Developments	12,826	3,308	3,307	0	0
Total Non HRA Homes	146,124	163,682	113,526	129,747	523,902
HRA Housing Developments:					
Old Woking Independent Living Scheme (Flat 1 to 23) (Part Funded by Retained Receipt	4,179	3,254			
Old Woking Independent Living Scheme (Flat 24 to 48) (Part Funded by Homes England	3,127	2,435			
Monument Way	160	160	3,315	10,939	
Bonsey Lane	10				
Corner Of Rydens Way\ Sundridge Road	366	368			

APPENDIX 5

HOUSING INVESTMENT PROGRAMME
2020/21 - 2024/25

DETAILS OF PROJECT	20/21 £'000	21/22 £'000	22/23 £'000	23/24 £'000	24/25 £'000
HRA Property Purchases:					
HRA Market Purchases	3,500	3,500	3,500	3,500	3,500
GreenOak Housing Purchase	2,944				
Total HRA Homes	14,286	9,717	6,815	14,439	3,500
Total Provision of Homes	**160,410**	**173,399**	**120,341**	**144,186**	**527,402**
Renovation & Improvements					
Woking Borough Council Homes					
New Visions Homes AMP (Illustrative breakdown)					
Communal Works	1,138	953	953	953	953
Lifecycle Dwelling Investment	948	948	948	948	948
Disabled Adaptations/Extensions	197	197	197	197	197
Works Arising From Cyclical Inspections	1,068	1,068	1,068	1,068	1,068
Capitalised Responsive Enhancements	44	44	44	44	44
Energy Reduction Programme	295	295	295	295	295
Development Projects	29	29	29	29	29
Fees & Consultancy	167	167	167	167	167
Statutory Inspections	0	0	0	0	0

HOUSING INVESTMENT PROGRAMME
2020/21 - 2024/25

APPENDIX 5

DETAILS OF PROJECT	20/21 £'000	21/22 £'000	22/23 £'000	23/24 £'000	24/25 £'000
Clientside Renovation & Improvements Projects					
Communal Heating and Hot Water Systems	110	90	100		
Sub Total - Woking Borough Council Homes	3,995	3,790	3,800	3,700	3,700
Private Sector Homes					
Mandatory Grants					
Mandatory Disabled Facilities	743	743	743	743	743
Fast Track Disabled Adaptation Grant	300	300	300	300	300
Palliative Care/end of Life Assistance	50	50	50	50	50
Discretionary Grants					
Discretionary Disabled Facilities Grant	80	80	80	80	80
Disabled Facilities Top-Up Grant	50	50	50	50	50
Moving Home Grant	20	20	20	20	20
Safe At Home Assistance	50	50	50	50	50
Warm At Home Assistance	100	100	100	100	100
Empty Homes Assistance	20	20	20	20	20
Sub Total - Private Sector Homes	1,413	1,413	1,413	1,413	1,413
Total Renovation & Improvement	**5,408**	**5,203**	**5,213**	**5,113**	**5,113**
Other Items					
Housing Needs Research	40	40	40	40	40
TOTAL OTHER ITEMS	**40**	**40**	**40**	**40**	**40**
TOTAL HOUSING INVESTMENT PROGRAMME	**165,858**	**178,642**	**125,594**	**149,339**	**532,555**

INVESTMENT PROGRAMME 2020/21 - 2024/25
GENERAL FUND PROJECTS
(Finance cost included in revenue budget)

APPENDIX 6

REVENUE/ CAPITAL	PROJECT REFERENCE	DETAILS OF PROJECT	20/21 £000	21/22 £000	22/23 £000	23/24 £000	24/25 £000
		Group/External Loans and Share Capital					
C	n/a	Loans to Thameswey Central Milton Keynes	2,400	3,400	2,300	3,000	
C	n/a	Poole Road Energy Centre - Loan to Thameswey Energy Ltd	33,905	1,600	1,500	800	
C	n/a	Victoria Square Phase 2 - Loan to Victoria Square Woking Ltd	197,210	83,790			
C	20104	Loan to Freedom Leisure - Pool Changing Rooms	0	15			
C	n/a	Loan to Freedom Leisure - Leisure Centre Dry Change	293	57			
C	n/a	Loan to Rutland - Robin Hood Pub	335				
C	n/a	Loan re Greenfield School	4,600				
C	n/a	Loan re Wolsey Place	1,850				
			240,593	88,862	3,800	3,800	0
		Woking Borough Council					
		Place					
C	Appendix 6(a)	Asset Management Plan - Wolsey Place/Export House (funded by borrowing)	165	465	0	0	
C	n/a	Wolsey Place Refurbishment and Reconfiguration (funded from Wolsey Place Reserve)	1,475	200	200	200	
C	TMP1	Wolsey Place Mall Refurbishments (funded by VSWL)	250				
C	n/a	Opportunity Purchases For Regeneration (funded by borrowing) *	5,773	3,000	3,000	3,000	3,000
C	TMP2	Dukes Court Refurbishment (funded by borrowing) *	440				
C	20209	Dukes Court Plaza (funded by borrowing)	4,101				
C	TMP4	Kestrel Way Industrial Units (funded by borrowing)	329				
C	n/a	Strategic Regeneration Site Acquisition (funded by borrowing) *	122,000				
C		36 to 42 Commercial Way Property Purchase	2,030				
C		Woking Shopping Food Court & Vertical Circulation (funded from borrowing)	6,034				
C		Goldsworth Park Shopping Centre Purchase (funded by borrowing)	17,130				
R	TMP8	Victoria Square Financial Modelling (funded by Victoria Square Reserve)	75				
C	TMP7	Woking Cinemas (funded by borrowing)	2,972				
R	10297	Local Development Framework (funded by revenue)	244				
C	10207	Suitable Alternative Natural Green Space (SANG) Maintenance (S106 funded)	50	50			
C	20124	Woking Integrated Transport Package (funded from S106 and grant)	1,391				
C	TMP8	Woking Sustainable Transport Package (funded from grant/contribution)	0	4,400			
C	20226	Victoria Arch and Integrated South Side Works (funded from grant \ CIL \ Interim Borrowing)	7,914	16,930	41,106	23,890	93
C	20226	Housing Infrastructure Fund (HIF) Land Acquisition Strategy (funded by grant \ interim borrowing) *	4,755				
C	10889	Town Centre Planned Maintenance (funded from reserves)	150	150	150	150	150
C	TMP10	Westfield Common Management (funded from S106)	47				
R	20067	Developing a Favourable Conservation Status Licence (funded from New Homes Bonus)		13			
C	TMP12	Acquisition of Car Parks from Victoria Square Woking Ltd (funded by borrowing)		58,000			

INVESTMENT PROGRAMME 2020/21 - 2024/25
GENERAL FUND PROJECTS
(Finance cost included in revenue budget)

APPENDIX 6

REVENUE/ CAPITAL	PROJECT REFERENCE	DETAILS OF PROJECT	20/21 £000	21/22 £000	22/23 £000	23/24 £000	24/25 £000
C	TMP13	Car Park Management System (funded by borrowing)	1,980				
R	TMP14	We Are Woking (funded from VSWL/Victoria Square reserve)	250	0			
R	20041	Brookwood Cemetery - Revenue Grant for Backlog Maintenance & Repairs (funded by New Homes Bon	150	150	150	150	150
C	20041	Brookwood Cemetery - Grant for capital works (funded by borrowing)	1,275	150	0	0	
C	TMP15	Syrian Refugee Resettlement Programme (funded by grant)	1,757	551	338		
R	20234	Planet Woking - Climate Emergency Funding (funded from revenue)	66	34			
C		SEN School at Brookwood Farm (funded from Grant)	1,000	1,000			
R	20235	Increasing Footfall in the Borough (funded from Grant)	12				
C		Economic Regeneration (funded from borrowing)	1,175				
C		Green Homes Grant Local Authority Delivery scheme (funded from Grant)	6,267				
		People					
C	10206	Playground Improvements Phase 4 (S106 & grant funded)	124				
C	20052	All Weather Pitch - Woking Football Club/Woking College (S106, grant and borrowing funded)	2,074				
C	20142	The Vyne Surgery Extension (funded by borrowing) *	30	695			
C	20143	Sheerwater Dentist Surgery - Provision of new surgery building (funded by borrowing) *	150	1,700			
C	10874	Rhoda McGaw Theatre Refurbishment (funded by borrowing)	91				
C	20081	Playing Pitch and Outdoor Facility Strategy Action Plan (funded from grant/contribution)	2,784				
R/C	Various	Personalisation and Prevention Fund - Over-arching project (funded from grant)	66				
C	20138	Community Meals - Kitchen Equipment Replacement (funded from equipment reserve)	29				
C		Pool in the Park - Accessibility Upgrades (new pool hoists - funded from equipment reserve)	0	70			
C		Transit Site Project (funded by borrowing)		127			
R	TMP17	Sheerwater Social Support (funded from reserves - Investment Strategy Reserve)	125	125	125	125	125
		Maybury Centre Café (funded by borrowing)		25			
		Us					
C	n/a	Asset Management Plan (funded by borrowing/revenue)	1,864	1,000	1,000	1,000	1,000
C	Appendix 6(b)	IT Programme (funded by borrowing)	405	1,140	1,902	641	290
C	10615	I T Infrastructure (funded 180k from IT reserve)	180	180	180	180	180
C	20122	CCTV Infrastructure Upgrade and Formation of Town Centre Control Room (funded by borrowing/grant)	1,516				
C	TMP23	Capitalised salary costs for projects (funded by borrowing)	628	628	628	628	628
			201,323	90,783	48,779	29,964	5,616
		Total	**441,916**	**179,645**	**52,579**	**33,764**	**5,616**

INVESTMENT PROGRAMME 2020/21 - 2024/25
GENERAL FUND PROJECTS
(Finance cost included in revenue budget)

APPENDIX 6

REVENUE/ CAPITAL	PROJECT REFERENCE	DETAILS OF PROJECT	20/21 £000	21/22 £000	22/23 £000	23/24 £000	24/25 £000

* Capitalisation/other mitigation of interest costs to apply

INVESTMENT PROGRAMME 2019/20 - 2024/25
GENERAL FUND PROJECTS
(Finance cost included in revenue budget)

APPENDIX 6a

REVENUE/ CAPITAL		PROJECT REF NUMBER	DETAILS OF PROJECT	20/21 £000	21/22 £000	22/23 £000	23/24 £000
			Asset Management Plan - Wolsey Place/Export House				
			Export House				
C	*	TMP24	Secondary Means of Escape and Staircases - Finishes	0	50		
C	*	TMP25	External Window Cleaning Cradle	0	80		
C	*	TMP26	External Concrete Cladding	0	60		
C	*	TMP28	Main Roof	0	80		
C	*	TMP29	Building Management System	55			
			Export House Sub-total	55	270	0	0
			Wolsey Place				
C	*	TMP30	Switch room and switchboard - back of house and lift supplies	0	65		
C	*	20066	Replacement generator	0	55		
C		TMP31	Former LL Stores including kitchen and WC facilities	0	35		
C	*	TMP32	Common Area - Floor Finish	110			
C	*	TMP34	Spalling and Concrete Damage	0	40		
C	*	20082	Central Square - Lighting and Ceiling Finishes and Door Heaters in Wolsey Walk East (to be split)				
C			**Wolsey Place Sub-total**	110	195	0	0
			Total	**165**	**465**	**0**	**0**

* Detailed costings are yet to be carried out. Accordingly a contingency has been included to cover the possibility c

** To be recovered through service charge.

INVESTMENT PROGRAMME 2019/20 - 2024/25
GENERAL FUND PROJECTS
(Finance cost included in revenue budget)

APPENDIX 6b

REVENUE / CAPITAL	PROJECT REF NUMBER	DETAILS OF PROJECT	19/20 £000	20/21 £000	21/22 £000	22/23 £000	23/24 £000	24/25 £000
		IT Programme						
		Microsoft 365		180				
		Cyber Security Measures			250	50	50	50
		Igel upgrade / replacement				97	31	
		Payment Card Industry Data Security Standards		20	70			
		Network Review				250	250	
		WiFi Review			30			
		SAN / Server Replacement				1,000		
		Customer Self Service			50	50	50	50
		NVH contract end ICT			50	50		
		Cloud for on-premise Apps			50	50	50	10
		Telephony / Unified Comms			300			
		Video conferencing			25	25		
		ICT Servicedesk system				60		
		Off-site printing			50			
		Replacement MFDs			10			
		Data Centre Facilities Refresh					30	
		Mobile phone refresh				90		
		Home Working		25	25			
		IPF System Upgrade			50			
		Infrastructure Refresh Budget		100	100	100	100	100
		Cyber Security Refresh Budget		80	80	80	80	80
		Total	**0**	**405**	**1,140**	**1,902**	**641**	**290**

TEMPORARILY SUSPENDED PROJECTS DUE TO COVID DETAILS OF PROJECT	20/21	21/22	22/23	23/24
Place				
River Wey Flood Prevention - Byfleet (funded by borrowing/reserves/grant)	0	5,100	5,500	
River Wey Flood Prevention - Old Woking (funded by borrowing)	0	0	0	0
Hoe Valley Flood Alleviation and Enhancement Scheme (funded by borrowing/reserves/grant)	0	558	2,000	2,000
Countryside Management (funded from reserves)	55	135	115	
Victoria Way Car Park Extension (funded by borrowing) *			9,535	7,500
Heathside Crescent Car Park Extension (funded by borrowing) *				11,000
Brookwood Cemetery - Revenue Grant for Backlog Maintenance & Repairs (funded by New Homes Bonus/Investment Strategy	1,269	500	500	500
Brookwood Cemetery - Grant for capital works (funded by borrowing)	1,402	1,000	1,000	1,000
Rainwater Gardens Project (funded by borrowing)	0	200	100	100
We Are Woking (funded from VSWL/Victoria Square reserve)		250		
Canal Boat Basin (funded by borrowing) *	0			5,000
People				
Community Fund Projects	100	100	100	100
Community Transport - Replacement vehicles (funded from reserves)	152	76	76	76
Celebrate Woking (funded from reserves)	93	150	150	150
Rhoda McGaw Theatre Minor Items (funded by borrowing)	10	10	10	10
Woking Gymnastics Centre (funded by borrowing)	2,443	3,000		
Redevelopment of YPod (funded by borrowing/grant/contributions) *	1,315			
Building Lives Academy \ Woking Youth Hub	100			
Us				
Provision for Feasibility Studies (funded by revenue)	50	50	50	50
Civic Offices - Upgrade of heating and ventilation systems (funded by borrowing)		900	300	
	6,989	12,029	19,436	27,486

INVESTMENT PROGRAMME - GLOSSARY OF TERMS

INVESTMENT PROGRAMME	A plan of the capital and one-off investment required to deliver the Council's key strategies and objectives. Projects/schemes will proceed only if resources permit.
CAPITAL EXPENDITURE	Expenditure that has a benefit exceeding a year (as opposed to revenue expenditure where the benefit is used up in the year).
FUNDS	Money resources needed to finance the Investment Programme. Funds will only be released to enable a project to proceed once the Chief Finance Officer is satisfied that the project is affordable and the resources are available.
REVENUE IMPLICATIONS	The ongoing costs such as maintenance and loan charges arising from capital investment.
HOUSING INVESTMENT PROGRAMME (HIP)	Planned spending on housing projects .
GENERAL FUND INVESTMENT PROGRAMME	All other projects.
CURRENT AND COMMITTED SCHEMES	Schemes which are currently underway, for which funds have been released or for which it is imperative that they proceed to achieve key objectives.
NEW PROPOSALS	Schemes for which resources have not been released and, probably, have yet to be fully scoped.
RESERVES	Money set aside to cover expenditure in the future (excluding provisions for future liabilities or losses).
IT IP RESERVE	Money set aside specifically for Information Technology schemes.
HIP RESERVE	Money set aside specifically for Housing Investment Programme (HIP) schemes.
INVESTMENT STRATEGY RESERVE	Money set aside for schemes not covered by other reserves, mainly General Fund Investment Programme schemes.
MAJOR REPAIRS RESERVE	Money set aside mainly from the Major Repairs Allowance paid annually by the Government to finance work on Council houses.
SECTION 106	Contributions received from developers as part of the Town Planning process to finance projects in the community.
BORROWING	Borrowing money from external sources in accordance approved borrowing limits and tests of affordability.
HOUSING CAPITAL RECEIPTS	Proceeds from the sale of housing assets, such as sales under Right to Buy.

GF CAPITAL RECEIPTS	Proceeds from the sale of assets other than Housing assets. No pooling is required.
GF REVENUE	Funding provided by the General Fund budget to finance one off revenue type Investment Programme projects.
COMM FUND	Community Fund – money set aside to provide financial assistance to local organisations for the provision of new or improved facilities for the benefit of the community.
GROUP COMPANY	Funding by Group Company.
PFI	Private Finance Initiative – a Government programme to bring private investment into social housing by allowing local authorities to work with a partnership of specialist organisations to build new homes or improve properties already owned by the Council.
OTHER	Funding from National Lottery, Government departments and other organisations.

INVESTMENT PROGRAMME 2020/21 - 2024/25
PROJECTS BY PWLB CATEGORY

DETAILS OF PROJECT	PWLB CATEGORY
Group/External Loans and Share Capital	
Loans to Thameswey Central Milton Keynes	Service Delivery - Energy Generation & Supply
Poole Road Energy Centre - Loan to Thameswey Energy Ltd	Service Delivery - Energy Generation & Supply
Victoria Square Phase 2 - Loan to Victoria Square Woking Ltd	Regeneration
Loan to Freedom Leisure - Pool Changing Rooms	Service Delivery - Recreation & Sport
Loan to Freedom Leisure - Leisure Centre Dry Change	Service Delivery - Recreation & Sport
Loan to Rutland - Robin Hood Pub	Housing
Loan re Greenfield School	Service Delivery - Early years & Primary Schools
Loan re Wolsey Place	Service Delivery - Culture & Heritage
Woking Borough Council	
Place	
Asset Management Plan - Wolsey Place/Export House (funded by borrowing)	Regeneration
Wolsey Place Refurbishment and Reconfiguration (funded from Wolsey Place Reserve)	Regeneration
Wolsey Place Mall Refurbishments (funded by VSWL)	Regeneration
Opportunity Purchases For Regeneration (funded by borrowing) *	Regeneration
Dukes Court Refurbishment (funded by borrowing) *	Regeneration
Dukes Court Plaza (funded by borrowing)	Regeneration
Kestrel Way Industrial Units (funded by borrowing)	Regeneration
Strategic Regeneration Site Acquisition (funded by borrowing) *	Regeneration
36 to 42 Commercial Way Property Purchase	Regeneration
Woking Shopping Food Court & Vertical Circulation (funded from borrowing)	Regeneration
Goldsworth Park Shopping Centre Purchase (funded by borrowing)	Regeneration
Victoria Square Financial Modelling (funded by Victoria Square Reserve)	Regeneration
Woking Cinemas (funded by borrowing)	Regeneration
Local Development Framework (funded by revenue)	Service Delivery -Planning & Development
Suitable Alternative Natural Green Space (SANG) Maintenance (S106 funded)	Service Delivery - Open Spaces
Woking Integrated Transport Package (funded from S106 and grant)	Regeneration
Woking Sustainable Transport Package (funded from grant/contribution)	Regeneration
Victoria Arch and Integrated South Side Works (funded from grant \ CIL \ Interim Borrowing)	Regeneration
Housing Infrastructure Fund (HIF) Land Acquisition Strategy (funded by grant \ interim borrowing) *	Regeneration
Town Centre Planned Maintenance (funded from reserves)	Regeneration
Westfield Common Management (funded from S106)	Service Delivery - Open Spaces
Developing a Favourable Conservation Status Licence (funded from New Homes Bonus)	Service Delivery - Open Spaces
Acquisition of Car Parks from Victoria Square Woking Ltd (funded by borrowing)	Service Delivery - Parking

INVESTMENT PROGRAMME 2020/21 - 2024/25
PROJECTS BY PWLB CATEGORY

APPENDIX 9

DETAILS OF PROJECT	PWLB CATEGORY
Car Park Management System (funded by borrowing)	Service Delivery - Parking
We Are Woking (funded from VSWL/Victoria Square reserve)	Revenue
Brookwood Cemetery - Revenue Grant for Backlog Maintenance & Repairs (funded by New Homes Bon	Revenue
Brookwood Cemetery - Grant for capital works (funded by borrowing)	Service Delivery - Cemeteries
Syrian Refugee Resettlement Programme (funded by grant)	Revenue
Planet Woking - Climate Emergency Funding (funded from revenue)	Revenue
SEN School at Brookwood Farm (funded from Grant)	Service Delivery - Education Special Schools & Alternative Provis
Increasing Footfall in the Borough (funded from Grant)	Revenue
Economic Regeneration (funded from borrowing)	Regeneration
Green Homes Grant Local Authority Delivery scheme (funded from Grant)	Service Provision - energy\climate change
People	
Playground Improvements Phase 4 (S106 & grant funded)	Service Delivery - Recreation & Sport
All Weather Pitch - Woking Football Club/Woking College (S106, grant and borrowing funded)	Service Delivery - Recreation & Sport
The Vyne Surgery Extension (funded by borrowing) *	Service Delivery - Social Care
Sheerwater Dentist Surgery - Provision of new surgery building (funded by borrowing) *	Regeneration
Rhoda McGaw Theatre Refurbishment (funded by borrowing)	Service Delivery - Culture & Heritage
Playing Pitch and Outdoor Facility Strategy Action Plan (funded from grant/contribution)	Service Delivery - Recreation & Sport
Personalisation and Prevention Fund - Over-arching project (funded from grant)	Revenue
Community Meals - Kitchen Equipment Replacement (funded from equipment reserve)	Service Delivery - Social Care
Pool in the Park - Accessibility Upgrades (new pool hoists - funded from equipment reserve)	Service Delivery - Recreation & Sport
Transit Site Project (funded by borrowing)	Housing
Sheerwater Social Support (funded from reserves - Investment Strategy Reserve)	Revenue
Maybury Centre Café (funded by borrowing)	Service Delivery - Social Care
Us	
Asset Management Plan (funded by borrowing/revenue)	Service Delivery - Central Services
IT Programme (funded by borrowing)	Service Delivery - Central Services
I T Infrastructure (funded 180k from IT reserve)	Service Delivery - Central Services
CCTV Infrastructure Upgrade and Formation of Town Centre Control Room (funded by borrowing/grant)	Service Delivery - Community Safety
Capitalised salary costs for projects (funded by borrowing)	Service Delivery - Central Services
All capital projects on the Housing Investment Programme have been classified under Housing	

EXECUTIVE – 4 FEBRUARY 2021

CAPITAL, INVESTMENT AND TREASURY MANAGEMENT STRATEGIES

Executive Summary

In accordance with statutory provisions it is necessary for the Executive to approve the Council's Treasury Management Strategy and to make recommendations to the Council in respect of the Minimum Revenue Provision (MRP) Strategy and the Treasury Management Prudential Indicators as required under the Chartered Institute of Public Finance and Accountancy's Prudential Code.

Since 2019/20 the Council has also been required to approve a Capital Strategy and Investment Strategy. These provide detail on the Council's activities, the reasons for and types of investments undertaken and the risk exposure as a result of these decisions. The intention is to provide a comprehensive and transparent picture of the Council's position which links into the Council's overall corporate plans and objectives.

Recommendations

The Executive is requested to:

RESOLVE That

(i) the Treasury Management Strategy set out in the report be approved; and

RECOMMEND TO COUNCIL That

(ii) the Capital and Investment Strategies for 2021/22 be approved; and

(iii) the Treasury Management Prudential Indicators set out in table 1 of Section 4 of the Treasury Management Strategy and the MRP policy set out in Appendix A be approved, subject to any changes arising from consideration of the Investment Programme, revenue budgets and Revenue Support Grant Settlement.

Reasons for Decision

Reason: To determine the Council's Treasury Management Strategy for 2021/22 and to recommend to Council the Capital and Investment Strategies, Treasury Management Prudential Indicators and MRP Strategy to be adopted.

The Executive has authority to determine recommendations (i) above; (ii) and (iii) will need to be dealt with by way of a recommendation to Council.

Background Papers:	None.
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Date Published:	29 January 2021

1.0 Introduction

1.1 Since 2019/20 the CIPFA Prudential Code for Capital Finance in Local Authorities, and new government guidance on Local Government Investments have required the publication of Capital and Investment Strategies. The government also introduced statutory guidance.

1.2 The Capital, Investment and Treasury Management strategies are presented together enabling the links to be highlighted whilst minimising duplication. A suite of appendices are included which can be referred to from any of the core strategies.

1.3 These strategies will continue to be developed further to support the understanding of the Council's capital investments and long term plans. The documents link with the Council's other long term plans and the Medium Term Financial Strategy to provide an overall picture of the Council's activity.

2.0 Capital Strategy

2.1 The Capital Strategy has a wide scope covering the Council's overall approach to capital investment. It demonstrates how the Council takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability.

2.2 The purpose of the capital strategy is to give a clear and concise view of how the Council determines its priorities for capital investment, decides how much it can afford to borrow and sets its risk appetite. It includes references to elements of the Investment Strategy, Treasury Management Strategy and the Council's Investment Programme.

2.3 The Capital Strategy sets out the Council's long term approach in line with the long term nature of capital and investment decisions. There is a direct link to the Council's Local Plan, place shaping activities and other long term strategies.

2.4 Group activities and joint ventures are also included in the Capital Strategy, including the processes for ensuring effective due diligence and defining the Authority's risk appetite.

2.5 The guidance requires that proportionality, in respect of overall resources, is also considered.

3.0 Investment Strategy

3.1 The Investment Strategy provides an explanation of investment activities, explaining 'why' as well as 'what' investments are made. A range of indicators and disclosures are recommended in the guidance.

3.2 Investments held for treasury management purposes are covered by the Treasury Management Strategy (see below), with the focus of the Investment Strategy being other investments such as loans, shares and property.

3.3 Property, loans and shares are treated as capital expenditure and financed in the same way as other Investment Programme projects, with allowance made to repay any borrowing over time. However the expenditure creates an asset shown as an investment on the Council's balance sheet and so the guidance has been applied.

3.4 Whilst the Council has a significant property portfolio, these assets are not held solely for investment purposes. Each acquisition has had a strategic purpose with a direct link to Council objectives or services. Shares and Loans are also used to support the Council's objectives.

4.0 Treasury Management Strategy

4.1 Treasury Management refers to the management of cash balances through borrowing and investment. Whilst the definition of investment has been qualified in the latest version of the Treasury Management Code, to include non-financial assets held primarily for financial returns, the Treasury Management Strategy remains focussed on financial investments.

4.2 The Treasury Management Strategy sets out the Council's strategy for borrowing and to prepare a strategy for setting out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

4.3 The Local Government Act 2003 and supporting regulations require the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

5.0 Future Developments

5.1 In October 2019 CIPFA published a Financial Management Code (FM Code). This provides guidance for good and sustainable financial management in local authorities and will provide assurance that authorities are managing resources effectively. It requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management. The FM Code identifies risks to financial sustainability and introduces a framework of assurance.

5.2 The first full year of compliance is 2021/22. This recognised that organisations would need time to reflect on the contents of the code and to demonstrate how they are working towards compliance. Due to the demands of the pandemic during 2020/21 it has not yet been possible to allocate resources to this exercise, however this work will be scheduled and any implications reported during 2021/22.

6.0 Chief Finance Officer

6.1 Taking into account the factors set out in the Capital, Investment and Treasury Management Strategies the Chief Finance Officer (CFO) has confirmed that the Council's investment plans are affordable and there are sufficient reserves in place to manage the immediate risks.

6.2 New investment decisions have been temporarily suspended, where possible, to allow time for the future financial position of the Council to become clearer following the Covid-19 pandemic. Should income levels continue to be affected beyond 2021/22 revenue and capital plans will need to be revised to maintain the sustainability of the medium term financial position.

7.0 Implications

<u>Financial</u>

7.1 The financial implications are set out in the three strategy reports.

<u>Human Resource/Training and Development</u>

7.2 Training and development are covered in each of the strategy reports. Where additional needs are identified the Council will provide specific, focussed training.

<u>Community Safety</u>

7.3 No community safety implications have been identified.

Risk Management

7.4 Each strategy sets out the risks involved in the Council's activities. The new Investment Strategy and Capital strategies seek to improve transparency and understanding of the total exposure to risk and mitigating factors. Risk is also considered in every investment and capital decision and reported regularly through the Council's monthly reporting (Green Book), Medium Term Financial Strategy (MTFS) and annual budget reports.

Sustainability

7.5 No specific sustainability implications have been identified. The Council's financial sustainability is considered as part of the annual budget process.

Equalities

7.6 No equalities implications have been identified.

Safeguarding

7.7 No safeguarding implications have been identified.

8.0 Consultations

8.1 There have been no specific consultations in relation to this report.

REPORT ENDS

CAPITAL STRATEGY REPORT 2021/22

1.0 Introduction

1.1 This capital strategy provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services together with an overview of how associated risk is managed and the implications for future financial sustainability.

1.2 Capital expenditure is focussed on the Council's priorities and is long term investment to secure long term improvements for the community. It is linked to the Council's long term strategies and vision in developing a sustainable future for the Borough. The Council's priorities areas are:

- Decent and Affordable Housing
- Economic Development
- The Environment; and
- Health and Wellbeing

1.3 Other important areas for capital investment are where there is a Health and Safety issue identified, or a need to make improvements to the Council's assets.

2.0 Capital Expenditure and Financing

2.1 Capital expenditure is where the Council spends money on assets, such as property or equipment, which will be used for more than one year. This includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy or develop assets.

2.2 Projects which involve capital expenditure are usually included in the Council's Investment Programme which is approved annually as part of the budget process. Financing costs in the General Fund and Housing Revenue Account budgets reflect the annual costs of implementing the Investment Programme.

2.3 It is possible that revenue (operational) budgets could be used for capital purposes however, there is not sufficient flexibility within service budgets to incur significant capital spend. The Council's Investment Programme includes both capital and revenue projects. Revenue projects such as feasibility studies are shown within the Investment Programme as they are one-off in nature. There is also often flexibility in timing as projects may be deferred if funding cannot be secured. Revenue budgets comprise operational costs and income which is expected to recur each year.

Investment Programme 2021/22

2.4 In 2021/22, the Council is planning Investment Programme expenditure of £358m as summarised below:

Table 1: Investment Programme February 2021

	2019/20 Actual £m	2020/21 Forecast £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m
General Fund	249	442	180	53	34	6
Housing (Including Council Housing)	109	166	179	126	149	533
TOTAL	357	608	358	178	183	538

2.5 The main General Fund capital projects in 2021/22 are:

- Poole Road Energy Centre – creating a new energy centre to supply Victoria Square and other town centre properties (£19m)
- Victoria Arch and Integrated South Side Works (HIF bid) – highway improvements and replacement of Victoria Arch unlocking housing sites (£18m)
- Woking Sustainable Transport Package.
- Acquisition of Car Parks from Victoria Square Woking Ltd – providing sufficient parking for future town centre growth.
- Investment in Thameswey Central Milton Keynes

2.6 Other significant projects in 2021/22 include the SEN School at Brookwood Farm, the Vyne Surgery Extension, and the provision of the new surgery building at the Sheerwater Dentist Surgery.

2.7 There is a £3m budget for 'Opportunity Purchases' in 2021/22. The Opportunity Purchases budget enables the acquisition of small sites or properties which are of use to the Council if they become available. In some instances these assets will be disposed of if the use is only temporary. Opportunity purchases are reported during the year in the Council's monthly performance and financial monitoring (Green Book).

2.8 The Investment Programme includes annual provision for works to the Councils assets (The Asset Management Plan) and development/replacement of ICT systems.

2.9 The Housing Investment Programme (HIP) sets out the Council's housing related projects. Some of these are General Fund housing, for example relating to private sector housing provision or homelessness. Other expenditure is on the Council's own housing stock and is financed through the Housing Revenue Account (HRA). The HRA is a ring-fenced account separating the income and expenditure relating to council housing from other Council activities.

2.10 The main HIP projects in 2021/22 are:

- Provision of new homes by Thameswey Housing Ltd (£42m)
- Sheerwater Regeneration scheme – project which will improve the Sheerwater area with new housing and leisure facilities (£118m)
- Provision of new HRA properties using retained Right to Buy receipts (£10m)

- Improvement works to existing HRA properties (£4m)

2.11 Other areas of HIP spend include Disabled Facilities grants and provision of a new hostel.

Investment Programme Governance

2.12 Projects may be initiated by Service managers, Councillors, Corporate Management Group (CMG) or be the result of an external source or opportunity. A project manager is appointed and will prepare a short summary of the project for consideration by CMG. If CMG are supportive, the project manager will complete a more detailed workbook which covers the objectives of the project, the costs, funding and risks. If necessary a report will be presented to the Executive or Council to approve use of resources.

2.13 Project progress reports are prepared for the Executive and highlight any issues relating to the timescale or budget of a project as well as providing a high level update. Variations to project timescales or budgets are submitted to CMG to be considered. If necessary these will be reported to the Executive.

2.14 Some projects, due to their scale and importance to the Council, will have specific project governance assigned. For example there are Officer and Member working groups for the Sheerwater regeneration project, and a Member Oversight panel for the Victoria Square development.

2.15 Projects which have been subject to detailed consideration by the Executive or Council will also follow the project management mandate and workbook process which ensures that all the relevant information is considered.

2.16 Projects are consolidated into the Investment Programme on an annual basis and presented to the Executive/Council in budget papers. Where relevant the debt financing and repayment costs of the Investment Programme are incorporated into the General Fund and Housing Revenue Account budgets, and reflected in the Prudential Indicators approved by Council. New projects may be approved during the year subject to the impact on the revenue budget being assessed and affordable.

2.17 The Executive has authority to approve new projects up to a total of £10m in any one year, with any individual project no more than £5m. Any projects approved under this authority are reported in the Green Book during the year. Any new capital expenditure which exceeds these parameters must have full Council approval. The Council would also need to approve any changes in borrowing limits necessary to accommodate additional borrowing.

Investment Programme Financing

2.18 All projects within the Investment Programme are financed either from grants or contributions (external sources), reserves or capital receipts (internal sources) or borrowing (including leasing/Private Finance Initiative). Table 2 shows the financing of the February 2021 Investment Programme.

Table 2: Investment Programme Funding February 2021

	2019/20 Actual £m	2020/21 Forecast £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m
Borrowing	314	566	324	127	157	531
Grants & Contributions	34	29	25	43	16	2
Reserves & Capital Receipts	9	14	9	8	9	6
TOTAL	357	608	358	178	183	538

2.19 The Council must make provision for the repayment of any borrowing used to finance capital expenditure. This is normally through the annual charge to the revenue budget known as the 'minimum revenue provision' (MRP). The Council has a policy for the calculation of MRP which can be found at Appendix A.

2.20 Where borrowing has been used to advance loans, the loan repayments are set aside as MRP for the future repayment of the underlying borrowing. If borrowing has been used as a temporary funding source, capital receipts, developer contributions or grant may be applied to reduce the outstanding debt. For property acquisitions funded by borrowing, the MRP is charged on an annuity basis comparable to the principle repayments on an underlying annuity loan.

2.21 Planned set aside for the repayment of underlying Council borrowing (MRP) is shown in Table 3 below.

Table 3: MRP

	MRP (excluding loan repayments) £'000	Loan repayments set aside £'000	Total MRP £'000
2019/20 Actual	6,077	4,665	10,742
2020/21 Forecast	5,540	1,944	7,484
2021/22 Budget	6,926	2,079	9,004
2022/23 Budget	8,476	2,269	10,745
2023/24 Budget	8,933	2,402	11,334
2024/25 Budget	9,408	2,543	11,950

2.22 The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces as funds are set aside to repay debt. The CFR is expected to increase by £315m during 2021/22. Based on the Council's Investment Programme the estimated CFR is as shown in Table 4 below:

Table 4: Estimate of Capital Financing Requirement (CFR)

	2019/20 Actual £m	2020/21 Forecast £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m
General Fund Services	462	640	702	703	708	704
Council Housing (HRA)	133	142	149	154	163	165
Capital Investments	784	1,155	1,402	1,513	1,644	2,165
TOTAL CFR	1,379	1,938	2,253	2,369	2,515	3,034

2.23 Where opportunities arise, the Council will apply for government or other external funding to contribute towards planned Investment Programme projects. The award of grants is subject to the conditions of the grant awarding body and will often include a requirement for match funding by the Council and a repayment clause if funds are not applied in accordance with the grant terms.

2.24 In July 2019 the Council was awarded £95m from the Homes England Housing Infrastructure Fund (HIF) towards the replacement of Victoria Arch and associated highways works. The full project is expected to cost £115m, with £10m contribution from Network Rail and £10m from the Council funded by development contributions (or interim borrowing if these contributions are not received at the time of financing the scheme).

Asset Management

2.25 To ensure that capital assets continue to be of long-term use, the Council includes an annual Asset Management Plan (AMP) allowance in the Investment Programme. This is used to improve the Council's existing assets. The planned use of the Asset Management Plan budget for 2021/22 is shown in an appendix to the Investment Programme.

2.26 If improvement works are required which cannot be met by the annual AMP budget a specific analysis will be prepared in order for the investment to be approved. Revenue budgets include allowance for day to day repairs and maintenance. Some works on commercial properties are the responsibility of the tenant. Other works may be recharged to tenants as part of the service charge either in-year or over a period of time.

2.27 The Council may invest in changes to commercial properties to secure a new tenancy or to relocate tenants to improve the offer, or diversity of services or employment space, within the Borough.

Asset Disposals

2.28 If an asset is not needed the Council may sell it generating a capital receipt. The capital receipt can be used for capital purposes such as to fund alternative capital investment, or to repay debt (MRP).

2.29 Repayments of capital grants, loans and investments also generate capital receipts. Where funded by borrowing the Council allocates these repayments as MRP for the repayment of the underlying debt.

2.30 When council houses are sold under the Right to Buy scheme the Council retains an element of the sale proceeds to be put towards replacement council housing. These receipts are held within the Council's capital receipts reserves but are separately identified due to the restrictions on use. If not spent within 3 years these receipts must be returned to the government with interest.

2.31 The Council is not actively holding assets for sale so a significant level of capital receipts is not expected to be available over the period of the Investment Programme. However, when opportunities arise, the Council will consider the disposal of assets if it is considered optimal to the vision for the Borough.

Table 5: Capital Receipts

	2019/20 Actual £m	2020/21 Forecast £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m
Asset Sales	0.5	0.7	0.0	0.0	0.0	0.0
Right to Buy Sales	1.9	1.2	1.2	1.2	1.2	1.2
Loan Repayments	4.7	1.9	2.1	2.3	2.4	2.5
TOTAL	7.0	3.8	3.2	3.4	3.6	3.7

3.0 Treasury Management

3.1 The Council's Treasury Management Strategy sets out how the Council manages cash balances. Surplus cash may be invested until required, while a shortage of cash will be met by borrowing.

3.2 For some time minimal cash balances have been held as the balances would earn little return due to current low interest rates. The Council's reserves have instead been used to reduce the overall borrowing drawn down which delays the Council incurring external financing costs for capital investment. Each year the annual budget assumes that the Council draws down the total level of borrowing required to fund the Investment Programme. Any under borrowing results in a saving against the interest cost budget.

3.3 During 2020/21 the Council has mostly taken short term borrowing which was cheaper than long term borrowing until the government reduced PWLB rates by 1% in November 2020. This provided a saving in the short term. The short term borrowing will be replaced with longer term PWLB borrowing as the loans mature, securing financing costs for the long term.

3.4 Borrowing for long term assets is financed through long-term loans reflecting the long term life of the asset and mitigating the risk of rising interest rates. However flexibility is maintained to use short term borrowing to manage short term cash flows, to manage the timing of long term decisions and to generate in-year interest savings.

3.5 In November 2020 HM Treasury announced revised lending terms for the PWLB. The PWLB will no longer lend to any Local Authority which plans to buy investment assets primarily for yield (regardless of whether this purchase would be funded by PWLB borrowing or through other resources).

3.6 The Council's Capital Programme has been reviewed by the s151 Officer and a return has been provided to the PWLB and HM Treasury which confirms that Woking complies with these new rules and is able to access PWLB Borrowing.

3.7 Borrowing and treasury investments are reported in the Council's monthly performance and financial monitoring (Green Book).

3.8 Projected levels of the Council's total outstanding debt (which comprises borrowing, PFI liabilities and leases) are shown below, compared with the capital financing requirement. Statutory guidance is that debt should remain below the CFR except in the short term. This demonstrates that borrowing is only being taken to meet capital financing needs.

Table 6: Gross Debt & Capital Financing Requirement

	2019/20 Actual £m	2020/21 Forecast £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m
Debt (including PFI & leases)	1,413	1,938	2,253	2,369	2,515	3,034
Capital Financing Requirement	1,379	1,938	2,253	2,369	2,515	3,034

Authorised and Operational borrowing limits

3.9 The Council is legally obliged to set an affordable borrowing limit known as the authorised limit each year. External debt must not exceed the authorised limit. A lower operational limit is also set which acts as a warning and requires a report to Council if breached.

3.10 The Authorised and Operational limits are set by full Council and reported on the Treasury pages of the Green Book each month so that actual borrowing can be assessed in the context of these limits.

3.11 The limits are calculated with reference to the planned Investment Programme, allowing scope for those projects funded by borrowing to proceed. When the Council approved the Victoria Square regeneration project the limits were increased to accommodate the full project cost from project commencement. This enabled flexibility to secure borrowing in at preferential rates, if available, in advance of cashflows.

3.12 The Treasury Management Strategy sets out the Authorised and Operational borrowing limits for 2021/22.

Treasury Management Strategy

3.13 Treasury Management is concerned with making investments of surplus cash and borrowing to manage delay in cash flows. Investments made for service reasons are not generally considered to be part of treasury management.

3.14 The Council's Treasury Management Strategy is to prioritise security and liquidity over yield for treasury management investments. Cash is invested securely with the Council's own bank, in diversified money market funds, or with other local authorities. The primary focus is on minimising risk rather than maximising returns.

3.15 Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Finance Director and finance team who follow the Treasury Management Strategy approved by the Executive. Treasury Management practices are in place which provide day to day guidance for treasury officers. The Green Book monthly monitoring report includes details of all investment and borrowing taken in the month and shows the overall position at the month end. A Treasury Management report is presented to the Executive after the end of the year detailing the activity for the year and the Overview and Scrutiny Committee receives a mid-year report.

4.0 Investments for Service Purposes

4.1 The Council uses different mechanisms and investment structures to secure capital developments for the Borough. This includes the use of its group companies through the Thameswey group, and joint ventures for example Victoria Square Woking Ltd, and enables the Council to take a longer term view than would otherwise be possible.

4.2 Investment in shares and loans to these entities is treated as capital investment and is financed within the Council's Investment Programme. Whilst these investments are made to secure service objectives, not for profit, the Council still plans to at least break even. The margins on loans made for service purposes have provided an additional income stream for the Council and have enabled services to continue despite reductions in government funding.

4.3 Due to the Covid pandemic the Thameswey group will not be producing revised Business Plans, instead continuing to progress the existing plans where possible until any consequences of the pandemic are clearer and a plan for the future can be assessed. The Thameswey group will then present detailed business plans to the Council. Existing loan facilities are sufficient to progress the majority of the Thameswey group plans in 2021/22.

4.4 There is monthly reporting in the Green Book and a set of protocols which govern the practices of the group. Decision making for other loans and investments follows the processes for the Investment Programme.

4.5 The Council's capital programme does not include purchases for assets primarily for yield. Any commercial properties acquired are not bought purely for income but for future service opportunities or growth (for example for regeneration purposes). General Fund property purchases are treated as capital expenditure with the associated financing and capital repayment (MRP) costs included in the Council's budgets.

4.6 With the exception of lower value property acquired using the Council's opportunity purchases budget, new property acquisitions will be the subject of Executive or Council approval. The ongoing revenue impact of these purchases will be presented along with the strategic reason of the purpose including details of quality of tenancies, vacant space provided, and the future opportunities the acquisition of the property will provide for the Council. The revenue impact of strategic properties acquired since 2016/17 is reported monthly in the Green Book.

5.0 Liabilities

5.1 In addition to the borrowing considered in the sections above, and the Treasury Management Strategy, the Council is committed to making future payments to cover its pension fund deficit valued at £68m at 31 March 2020.

5.2 The Council has a Private Finance Initiative (PFI) scheme which provides 224 houses at social rents for 25 years. The liability associated with the repayment of the liability through the unitary charge was assessed as £26.8m at 31 March 2020.

5.3 Decisions on incurring new discretional liabilities are taken in the same way as other Council expenditure and will be the subject of Executive/Council decisions if not covered by approved budgets.

5.4 Further details on liabilities can be found in of the Council's statement of accounts published on the Council's website.

6.0 Revenue Budget Implications

6.1 Capital expenditure is not charged directly to the revenue budget, instead the financing and capital repayment (MRP) is charged in year. The costs net of investment income are shown as net financing costs in the table below. The table compares the net financing costs to the net revenue stream (amount funded by Council Tax, business rates and RSG).

6.2 This indicator has increased substantially over recent years due to two factors:

- Net financing costs do not include the income generated from assets acquired or developed, for example commercial property, car park provision.
- Net revenue stream has steadily reduced through government funding cuts to government funding and restrictions on Council Tax increases

Table 7: Proportion of Financing Costs to Net Revenue Stream

	2019/20 Actual £m	2020/21 Forecast £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m
Financing Costs (£m)	13.8	11.9	15.4	17.3	17.2	17.0
Net Revenue Stream (£m)	12.9	12.6	12.3	11.6	11.4	11.3
Proportion of Net Revenue Stream	107%	94%	126%	149%	151%	151%

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6.3 Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure and will extend up to 50 years into the future. The Council links the use of long term borrowing to capital expenditure where the benefits are also expected to extend into the long term. In particular spend on the transformation and regeneration of the town centre will have a long term impact and infrastructure works are hoped to attract further private investment into the Borough.

6.4 The Investment Programme has been reduced in scope, with uncommitted projects funded by borrowing or reserves temporarily suspended while the Council assess the financial position post Covid. The Finance Director is satisfied that the proposed capital programme is prudent, affordable and sustainable in 2021/22, and that the revenue impacts of the projects included have been recognised in the budget. Future years will need to be reviewed as the economic consequences of the recovery from the pandemic become clearer.

6.5 The Medium Term Financial Strategy (MTFS) sets out the impact and pressures on the Council over a four year period. The net cost of decisions, assessed individually, are consolidated into the next update of the MTFS.

6.6 The 2021/22 budget forecasts significant use of reserves covering the projected loss of income due to the Covid-19 pandemic. During 2021/22 this use of reserves will need to be addressed either through recovery of the underlying income base, or efficiency and cost savings. The Council has held sufficient reserves to manage a short term downturn in income, but if the downtown is longer term or permanent, management action will be required to maintain a balanced budget.

7.0 Knowledge and Skills

7.1 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. The Finance Director, Financial Services Manager and senior members of the Finance team are qualified accountants with many years' experience. The Council has a Strategic Asset Manager and Estates Management team with experience in managing properties, and valuation. The Council also has an in-house legal team led by the Director of Democratic and Legal Services (Monitoring Officer).

7.2 External advisors and consultants are used where the Council does not have the technical knowledge, experience or skills required. They are also used to supplement the internal resource if Council staff do not have the capacity to manage the Council's requirements.

7.3 The Council supports training towards professional qualifications and for staff to attend relevant training courses for continued professional development. A management training programme is also being completed by senior members of staff. There is a Members' development programme and the Council has the Charter mark for Member Learning and Development. In October 2019 the Council was awarded the Investors in People Silver accreditation and the Health and Wellbeing Good Practice Award. Specific training and briefing sessions are organised on subjects or projects as needs are identified.

INVESTMENT STRATEGY REPORT 2021/22

1.0 Introduction

1.1 This investment strategy meets the requirements of statutory guidance issued by the government in February 2018. It focuses on non-cash investments as shown in the table below.

Type of Investment	Strategy
Day to day investment of surplus cash balances – Treasury Management Investments	Treasury Management Strategy
Loans and acquisition of shares in wholly owned companies, joint ventures and other organisations for service purposes	Investment Strategy
To earn investment income	Investment Strategy

2.0 Treasury Management Investments

2.1 The Council holds cash balances for day to day use, to make payments to suppliers, contractors and payroll. Balances arise as there are timing differences between Council Tax and Business Rates collected and distributed, and between other income generated and the associated service or debt management costs. The timing of long term borrowing will be determined depending on the interest rates available which may mean that funds are held for a short period before they are required or that short term borrowing is taken which is subsequently refinanced. The Council also holds reserves for future expenditure.

2.2 The consequential cash surpluses are invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA). The balance of treasury management investments is expected to fluctuate between £0m and £50m during the 2021/22 financial year. Higher cash balances will be held if long term borrowing rates fall and funds are secured for ongoing projects.

2.3 Cash surpluses are invested to ensure security, liquidity and some income generation from these Council resources in line with the Treasury Management Code.

2.4 Treasury Management Investments are reported each month in the Council's Performance and Financial Monitoring report, the 'Green Book', available on the Council's website.

3.0 Loans for Service purposes

3.1 The Council lends money to its subsidiary companies and joint ventures, suppliers, local businesses and charities, other local service providers, local residents and its employees to support local public services and stimulate local economic growth.

3.2 Provision of loan finance to another organisation can be an effective way for the Council to achieve its objectives whilst benefiting from the expertise or capacity of that organisation.

3.3 These loans are treated as capital expenditure and are financed by borrowing or other available resources. Where capital expenditure is funded by borrowing Minimum Revenue Provisions (MRP) are set aside for repayment of the borrowing. This MRP may be calculated to match the repayment of the funds advanced as loans by the Council.

3.4 The most significant loans are to the Thameswey Group (wholly owned subsidiary) and Victoria Square Woking Ltd. At 31 March 2020 the Council had made £217m of loans to Thameswey Housing to provide housing in the Borough, £52m to Thameswey Developments Ltd, £45m to Thameswey Energy and Thameswey Central Milton Keynes, to further the Council's energy efficiency policies, £57m to the Thameswey group relating to the Sheerwater project, and £356m to Victoria Square Woking Ltd for the town centre regeneration project.

3.5 Other loans have been advanced to the Peacocks to enable the improvement of the shopping centre, Woking Hospice to enable the development of the new hospice site, and Freedom Leisure for improvements at the Pool in the Park.

3.6 The main risk when making loans is that the borrower will be unable to repay the principal lent and/or the interest due. Loans are generally secured against assets which means the Council could take the assets in the event of default. The business case for the underlying investment is also considered before funds are loaned.

3.7 The table below sets out the loans for service purposes, as at 31 March 2020, together with commitments for loans for service purposes included in the February 2021 Investment Programme. It is considered that this remains an acceptable level given the diversification of loans advanced and the asset backed nature of loans. These total advances are the upper limits on the outstanding loans to each category of borrower approved by the Council and any additional loan advances would have to be subject to further consideration by the Council.

3.8 To facilitate the delivery of housing the Council allows for 50% of the following years Thameswey Housing approved budget to be drawn in advance. This ensures delivery of new properties is not constrained by changes in the timing of project costs.

Table 1: Loans and Loan Commitments for Service Purposes

Category of Borrower	Actual 31/03/2020 £'000	Investment Programme February 2021 2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Subsidiaries						
Thameswey Energy Ltd	12,889					
Thameswey Central Milton Keynes Ltd	32,023	2,400	3,400	2,300	3,000	-
Thameswey Housing Ltd	217,483	65,100	41,913	50,000	50,000	50,000
Thameswey Solar Ltd	1,158					
Thameswey Developments Ltd (THL)	45,250					
Thameswey Developments Ltd (TEL)	6,641	33,905	6,850	1,500	800	-
Thameswey Developments (Sheerwater)	5,000	63,991	112,478	59,486	79,362	7,902
Thameswey Housing (Sheerwater)	45,358	3,110	-	-	-	466,000
Thameswey Developments (S/W Leisure)	7,100					
Victoria Square Woking Ltd	356,425	197,210	83,790			
Rutland Woking	1,665	335				
Peacocks	6,350					
Woking Hospice	9,114					
Greenfield School	6,400	4,600				
Freedom Leisure	1,490	293	72	-	-	-
Kingfield Community Sports Centre Ltd	1,500					
Local Residents (Mortgages)	1,773	364				
Loan Re Wolsey Place		1,850				
Other	304					
TOTAL	757,923	373,158	248,503	113,286	133,162	523,902

3.9 If loans are expected not to be repaid in full, accounting standards require the Authority to set aside a loss allowance, reflecting the likelihood of non-payment. From 2018/19 onwards the Statement of Accounts show the loan balance net of this loss allowance. However, the Authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

3.10 The Council assesses the risk of loss before entering into, and whilst holding, service loans and undertakes further work where necessary to assess:

- who the loan is to be made to - with appropriate enquiries to fully understand the entity where the entity is not already known/associated with the Council
- the revenue stream associated with the loan to be made
- the loans will be secured against capital assets where possible to ensure the Council receives the assets in the event of non-repayment. Covenants or legal bonds may be taken against capital assets

3.11 Credit ratings are not routinely used for known associated entities, but would be used for supplier loans.

4.0 Shares for Service Purposes

4.1 The Council may invest in the shares of its subsidiaries, its suppliers, local businesses and organisations and other jointly owned public sector led activities, to support local services and stimulate local economic growth.

4.2 All investment in shares is treated as capital expenditure and is financed by available resources or borrowing. Where capital expenditure is funded by borrowing Minimum Revenue Provisions (MRP) are set aside for repayment of the borrowing which may be calculated to match asset life, or over a shorter period in line with the Council's MRP policy (Appendix A).

4.3 Shares have been used to provide subsidy into Thameswey Housing Ltd. As the shares do not have interest payable on them, the company is able to provide rents at sub market rates. The shares in Woking Necropolis and Mausoleum Ltd relate to the acquisition of the Cemetery. Whilst the cemetery business generates some income it would not be sufficient to meet financing costs associated with the purchase.

4.4 The Council has also invested in shares to support activity where the funding could otherwise have been through provision of a grant. The Municipal Bonds Agency (Local Capital Finance Company) is one example of this, where the Council has supported a sector wide initiative. The Credit Union investment is another example. In some circumstances it may be beneficial, for service and partnership reasons, to acquire an interest in the organisation as well as providing financial support.

4.5 If shares were being held as an investment, to achieve dividend income and for future sale, a fall in value whereby the initial outlay may not be recovered would be a risk. However, since the Council's investments in shares have been financed with any associated borrowing being repaid over time, or where the underlying expenditure is a long term asset, it is not considered that this is a significant risk.

Table 2: Shares for Service Purposes

	Actual	Investment Programme February 2021				
Investment	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Thameswey Ltd	31,193	No further share capital planned in Investment Programme February 2021				
Woking Necropolis & Mausoleum Ltd	6,000					
Victoria Square Ltd	14					
Local Capital Finance Company	50					
Boom Credit Union	50					
Woking Town Centre Management	1					
Kingfield Community Sports Centre Ltd	500					
TOTAL	37,808	-	-	-	-	-

4.6 The Authority assesses the risk of loss before entering into and whilst holding shares depending on the long term objective of the funding provided.

4.7 As shares are treated as capital expenditure, rather than investments for the purpose of financial income, investments in shares are not considered to be liquid in nature. That is, they cannot be readily converted back to cash through sale.

4.8 The Authority does not invest in any non-specified investment types. The government defines a non-specified Investment as a financial investment that is not a loan and does not meet the criteria to be treated as a specified investment. See Appendix D for definitions of specified and non-specified investments. Shares are treated as capital investment and therefore do not meet this definition.

5.0 Strategic Property Investments

5.1 The Ministry of Housing, Communities & Local Government (MHCLG) defines property to be an investment if it is held primarily or partially to generate a profit. The Council's Strategic Property portfolio, including assets held for future redevelopment are included in this category. However the Council does not acquire assets primarily for yield and the following paragraphs relate to the sustainability of strategic purchases made in order to meet Council service objectives such as regeneration.

5.2 The Council does invest in property if there is a strategic reason for the acquisition. Strategic property assets may be affordable to hold in the long term may also generate a profit that can be spent on local public services. Strategic properties may be held for a variety of reasons including:

- Proposed redevelopment of the site or surrounding area
- Future potential redevelopment of a site or surrounding area
- To influence commercial use of a site
- Consolidation of interests in a site
- To acquire part of a site for an alternative use
- To maintain a property with an existing use, or to make it available for an alternative use
- As a result of a relationship with a strategic partner, other public sector body or business within the Borough

5.3 The Council's commercial property portfolio has been acquired over time and comprises office, retail and industrial assets within Woking.

5.4 Since 2016/17 the Council has allocated borrowing to secure specific strategic property within the Borough and drive local economic regeneration. The financial position of these assets is reported in the Green Book. Properties are held for long term strategic purposes and are treated as capital expenditure with the financing interest and repayment costs charged to revenue budgets.

Table 3: Strategic Property acquired since 2016/17 and generating a commercial income (For financial performance see monthly Green Book reporting)

Property	Date of Acquisition	Net Income (Dec 2020) £'000	Acquisition Costs £m	Additional Investment £m	Accounts 31.3.2020 Gains or Losses £m	Accounts 31.3.2020 Value in Accounts £m
Cleary Court	2016/17	118	3.6	0.5	-0.8	3.2
Morris House	2016/17	-131	4.7	1.3	-3.0	2.9
6 Church St West	2016/17	-26	11.5	0.4	-4.1	7.8
Orion Gate	2016/17	924	22.7	0.2	-1.6	21.3
Dukes Court	2017/18	1,997	71.4	0.7	-17.4	54.7
Red House	2018/19	42	6.3		-1.0	5.3
CMS House	2018/19	48	2.0		-0.9	1.1
Victoria Gate	2018/19	478	37.9	5.0	-2.3	40.6
Midas House	2018/19	-297	25.3		-2.1	23.2
Albion House	2018/19	413	28.9		0.0	28.9
Commercial Buildings	2019/20	71	4.0		0.0	4.0
1 Christchurch Way	2019/20	248	11.5		0.0	11.5
Goldsworth Park Shopping Ctr	2020/21	246	17.1	Acquired during 2020/21		
36 to 42 Commercial Way	2020/21	75	2.0			

Excludes properties purchased under the HIF Project.

5.5 Within the base commercial rents originating prior to 2016/17, the most significant assets were the Council's interests in the Wolsey Place and Peacocks shopping centres, industrial estates across the borough and town centre office buildings.

5.6 The government guidance considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.

Valuations vary depending on many factors including the local, national and global economic climate. For property investments the valuation is directly related to the rental income achieved, a vacant area may therefore have a significant impact on the valuation. Whilst it is important to monitor the property valuations, the Council has treated these acquisitions as capital expenditure and appropriately funded these assets. Repayment of the costs is being provided on an annuity basis. The property assets are not being held for sale as a means to repay borrowing, the intention is for them to be held for the long term.

5.7 All properties are valued on an annual basis to provide a fair value for the preparation of the Council's accounts. Any impact of a change in valuation will be reported following the completion of the annual accounts.

5.8 The Council assesses the risk of loss before entering into and whilst holding property acquisitions. Consideration is given to the operational service or strategic benefit/opportunity provided by acquisition of the asset set against the risk of loss of income to service the capital expenditure. In each case the Council/Executive will receive information on the tenancies and likely income to be achieved from any vacant areas. Investment is in the context of the long term development plans and vision for Woking, and level of reserves to mitigate any economic downturn.

5.9 Property is held as a long term strategic asset and not a short term financial asset. It is funded as capital expenditure and it is not therefore being held with a view to being able to convert to cash at short notice, as a treasury investment would be. Where funding is by borrowing, the borrowing is long term to correspond with the long term nature of the asset. The Council's policy for repayment of the borrowing (MRP) can be found at Appendix A and determines that repayment is on an annuity basis for commercial property. This ensures that there is sufficient resource set aside to repay the borrowing as it becomes due. As borrowing is repaid, the debt associated with the asset reduces.

6.0 Proportionality

6.1 The Council has been able to increase service activity and support to the local community in recent years through use of the income generated from investments in group companies and strategic commercial income. Without this income, services would have had to be reduced at a time when they have been needed most as other support for the vulnerable is under pressure. However the changes to the PWLB Borrowing rules (discussed in reports elsewhere on the agenda) mean that Woking can no longer make acquisitions which could be seen as primarily for yield despite having sound strategic reasons.

6.2 Income has also supported the Council's long term redevelopment of Woking Town Centre, achieving a better offer for local people, attracting businesses and employers to the Borough and contributing towards housing needs. The long term assets driving these improvements are funded by borrowing whilst the income they generate in direct rents or investment income offsets these costs.

6.3 Table 4 below shows the balance between expenditure planned to meet the service delivery objectives and/or place making role of the Authority, interest costs on borrowing and investment/commercial rental income.

Table 4: Proportionality of Investments

	2019/20 Actual £m	2020/21 Forecast £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m
Gross Service Expenditure (GSE)	72.5	70.0	71.5	73.0	73.7	74.4
Interest & Repayment (MRP) costs	38.2	42.4	52.1	58.0	60.9	67.4
Treasury Investment Income	-25.5	-30.6	-36.7	-40.7	-43.7	-50.3
Commercial Rental Income	-22.8	-18.0	-18.9	-21.9	-21.9	-21.9
(Treasury + Commerical income)/GSE	-67%	-69%	-78%	-86%	-89%	-97%

6.4 The Council had accumulated reserves to mitigate temporary reductions in rental income, and to provide time for any long term adjustment in rents to be managed. Should there be a significant permanent reduction in income, due to the environment post Covid-19, service provision would need to be reviewed.

6.5 The Council's borrowing has been spread over many assets with residential property as well as strategic commercial properties in different sectors (retail, office) and let to a variety of tenants across different industries. This reduced the impact of an issue with any individual tenant or type of tenant.

6.6 The experience of the Covid-19 pandemic during 2020/21 has affected most tenants to some extent and some rents have not been paid. It has been possible to use available revenue reserves to cover losses in 2020/21 and the forecast impact of continued restrictions and the difficult economic environment during 2021/22. However, it will not be possible for the reduction in income to be sustained into future years and if levels don't increase it will be necessary for the Council to seek reductions in the costs of providing services.

7.0 Capacity, Skills and Culture

7.1 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. The Finance Director, Financial Services Manager and senior members of the Finance team are qualified accountants with many years' experience. The Council has a Strategic Asset Manager and Estates Management team with experience in managing properties, and valuation. The Council also has an in-house legal team led by the Director of Democratic and Legal Services (Monitoring Officer).

7.2 External advisors and consultants are used where the Council does not have the technical knowledge, experience or skills required. They are also used to supplement the internal resource if Council staff do not have the capacity to manage the Council's requirements.

7.3 The Council supports training towards professional qualifications and for staff to attend relevant training courses for continued professional development. A management training programme is also being completed by senior members of staff. There is a Members' development programme and the Council has the Charter mark for Member Learning and Development. In October 2019 the Council was awarded the Investors in People Silver accreditation and the Health and Wellbeing Good Practice Award. Specific training and briefing sessions are organised on subjects or projects as needs are identified.

8.0 Investment Indicators

8.1 The Authority has set the following quantitative indicators to provide information on the Authority's total risk exposure as a result of its investment decisions.

Total risk exposure and funding

8.2 Total risk exposure is the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down.

Table 5: Total Investment Exposure

Total Investment Exposure	31.3.2020 Actual £m	31.3.2021 Forecast £m	31.3.2022 Forecast £m
Treasury Management including Money Market Funds and Bank balance	19	2	2
Service Investments: Loans	749	1123	1,371
Service Investments: Shares	38	38	38
Commercial Investments: Property (at valuation)	362	509	512
TOTAL Investments	1,168	1,671	1,922

8.3 The Council is generally in an underborrowed position due to the ongoing borrowing requirement. This means that the Council's reserves and working capital balance is being used to reduce the actual borrowing taken. This has been the Council's approach for some years as current low interest rates mean that funds held in reserve as treasury investments would not achieve a significant return. Instead those funds enable the Council to delay drawing and paying the interest costs on long term borrowing. In setting the annual revenue budget it is assumed that the underborrowing position is corrected and that long term borrowing is taken to re-instate those reserves temporarily used.

Rate of return

8.4 This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested.

Table 6: Investment Rate of Return (net of all costs)

Investments net rate of Return	2019/20 Actual	2020/21 Forecast	2021/22 Budget
Treasury Management Investments	0.41%	0.15%	0.9%
Service Investments: Loans	0% - 2%		
Service Investments: Shares	Nil - do not expect any return on shares		
Strategic Property Investments since 2016/17	2.0%	1.6%	1.6%

Consideration of Other Indicators

8.5 The Capital Strategy and Treasury Management Strategy include additional focussed indicators which are not replicated here.

8.6 Monthly reporting through the Green Book enables performance to be assessed during the year and for the up to date position to be tracked. The Strategic Property performance shows the current status of newly acquired assets.

8.7 Consideration will be given to further performance indicators, to be included in future years, which would complement the information included in this report.

TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS 2021-22

1.0 Introduction

1.1 The Local Government Act 2003 and supporting regulations require the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

1.2 The Act requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance issued subsequent to the Act) (included as section 12); this sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

1.3 Revised reporting was required from 2019/20 onwards due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes include the introduction of a capital strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011.

1.4 Updated versions of the Prudential Code for Capital Finance in Local Authorities (Prudential Code) and Treasury Management in the Public Service Code of Practice and Cross-Sectoral Guidance Notes (Treasury Management Code) were issued in December 2017. Both of these codes are effective for the 2018/19 financial year.

1.5 There was no change in the definition of Treasury Management in the Treasury Management Code, but the term "investments" was specifically qualified to include non-financial assets which are held primarily for financial returns, such as investment property portfolios. The revised codes draw a clear separation between treasury and non-treasury investments and the role of the treasury management team. In as much as the treasury management team are clearly recognised as being unlikely to have specialist skills in such areas as property investment, reporting will focus solely on treasury (financial) investments, therefore the Treasury Management Strategy does not include any level of detail on non-treasury investments; the Council's overall Investment Strategy is contained in a separate appendix alongside this report.

2.0 Treasury Management Strategy 2021/22

2.1 The suggested strategy for 2021/22 in respect of the following aspects of the treasury management function is based upon the Treasury officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury advisor. The strategy covers:

- treasury limits in force which will limit the treasury risk and activities of the Council;
- Prudential Indicators;
- the current treasury position;
- the borrowing requirement;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- borrowing rescheduling;
- the investment strategy;
- creditworthiness policy;
- policy on use of external service providers;

- the MRP strategy; and
- Council loans to Group Companies

2.2 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions.

2.3 This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from:

- increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
- any increases in running costs from new capital projects

are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

2.4 The Council's reserves are set aside for specific purposes; in order to progress long term capital investment initiatives considered to be in the interests of residents where there are not sufficient reserves of capital or revenue, the Council needs to borrow. There is no absolute limit on what the Council can borrow; it can borrow what it considers it can afford to repay from its income sources such as council tax and service charges including rental income.

3.0 Treasury Limits for 2021/22 to 2024/25

3.1 It is a statutory duty under Section 3 of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. In England and Wales the Authorised Limit represents the legislative limit specified in section 3 of the Local Government Act 2003.

3.2 The revenue consequences of capital expenditure and financing decisions have been included in the General Fund and HRA reports (elsewhere on this agenda) and the assessment of the affordability of the Council's Investment Programme is made in the context of those reports. The Investment Programme is the subject of a separate report elsewhere on this agenda. The prudential limits contained in this report are therefore informed by the proposals in those reports.

3.3 The Authorised Limit for external borrowing is to be set, on a rolling basis, for the forthcoming financial year and three successive financial years.

3.4 In setting the Authorised and Operational limits, it should be noted that the limits in 2020/21 cover the full project costs for Victoria Square to enable borrowing to be taken in advance of need if borrowing rates are sufficiently advantageous.

3.5 The Treasury limits also include an allowance above the planned long term borrowing requirement for the year. This enables short term cashflow requirements to be covered and provides some flexibility to facilitate borrowing in advance for known future requirements at advantageous interest rates. The allowance is particularly important considering the potential cashflow implications of the current economic climate.

4.0 Prudential Indicators for 2020/21 to 2024/25

4.1 The prudential indicators in table 1 below are relevant for the purposes of setting an integrated treasury management strategy. Non-treasury management prudential indicators are set out in Appendix 3 to the General Fund Service Plans, Budgets and Prudential Indicators report elsewhere on this agenda.

PRUDENTIAL INDICATOR	2020/21	2021/22	2022/23	2023/24	2024/25
TABLE 1 - TREASURY MANAGEMENT PRUDENTIAL INDICATORS	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
	Estimate	**Estimate**	**Estimate**	**Estimate**	**Estimate**
Authorised limit for external borrowing -					
Non - HRA					
Borrowing	£1,992,366	£2,191,973	£2,313,327	£2,646,916	£2,901,865
Other long term liabilities	£24,676	£23,482	£22,242	£21,002	£19,762
Total Non - HRA	£2,017,042	£2,215,455	£2,335,569	£2,667,918	£2,921,627
HRA					
Borrowing	£142,347	£149,279	£153,700	£163,207	£165,057
Other long term liabilities	£0	£0	£0	£0	£0
Total HRA	£142,347	£149,279	£153,700	£163,207	£165,057
Total authorised limit for external borrowing	£2,159,389	£2,364,734	£2,489,269	£2,831,125	£3,086,684
Operational boundary for external borrowing -					
Non - HRA					
Borrowing	£1,982,366	£2,181,973	£2,303,327	£2,636,916	£2,891,865
other long term liabilities	£24,676	£23,482	£22,242	£21,002	£19,762
TOTAL Non - HRA	£2,007,042	£2,205,455	£2,325,569	£2,657,918	£2,911,627
HRA					
Borrowing	£142,347	£149,279	£153,700	£163,207	£165,057
other long term liabilities	£0	£0	£0	£0	£0
Total HRA	£142,347	£149,279	£153,700	£163,207	£165,057
Total operational boundary for external borrowing	£2,149,389	£2,354,734	£2,479,269	£2,821,125	£3,076,684
Housing Revenue Account Limit on Indebtedness *	n/a	n/a	n/a	n/a	n/a
Upper limit for fixed interest rate exposure	100%	100%	100%	100%	100%
Upper limit for variable rate exposure	70%	70%	70%	70%	70%
Upper limit for total principal sums invested for over 365 days (per maturity date)	£3,000	£3,000	£3,000	£3,000	£3,000

* The Housing Revenue Account Limit on Indebtedness (the 'Debt Cap') was scrapped by the Chancellor in the 2018 Autumn Budget.

Maturity structure of new fixed rate borrowing during 2021/22	upper limit	lower limit
under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

PRUDENTIAL INDICATOR	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000
	Estimate	Estimate	Estimate	Estimate	Estimate
Gross Borrowing : Capital Financing Requirement					
External Borrowing					
Borrowing at 1st April	£1,378,330	£1,938,082	£2,253,489	£2,369,326	£2,515,152
Expected change in borrowing	£536,167	£293,119	£94,835	£126,064	£500,228
Other long term liabilities	£24,676	£23,482	£22,242	£21,002	£19,762
Expected change in other long term liabilities	-£1,091	-£1,194	-£1,240	-£1,240	-£1,240
Gross Borrowing at 31st March	£1,938,082	£2,253,489	£2,369,326	£2,515,152	£3,033,902
Capital Financing Requirement at 31st March *	£1,938,082	£2,253,489	£2,369,326	£2,515,152	£3,033,902
Under/(over) borrowing	£0	£0	£0	£0	£0

* The Capital Financing Requirement includes borrowing undertaken for group company activities.

5.0 Current Treasury Position

5.1 The Council's position at 31st December 2020 is set out overleaf.

		Principal		Ave. rate
Borrowing		£m	£m	%
Long term borrowing:				
Fixed rate funding	PWLB	1,317.6		2.84
	Market	39.5		3.72
			1,357.1	2.88
Variable rate funding	PWLB	0.0		-
	Market	0.0		-
			0.0	
Other long term liabilities (PFI)			24.7	3.73
Total long term borrowing			1,381.8	2.88
Short term borrowing			252.0	0.44
Total Borrowing			1,633.8	2.50
Investments				
External Cash deposits				
- Long term on advice of TUK		0.0		-
- Short term on advice of TUK		0.0		
			0.0	
- Short term WBC Treasury			1.0	0.01
Long term investments in Group/External Companies			962.3	3.26
Total Investments			963.3	3.26

6.0 Borrowing Requirement

	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000 Estimate	£'000 Estimate	£'000 Estimate	£'000 Estimate	£'000 Estimate
New borrowing – Non – HRA	502,322	309,644	116,290	129,490	510,071
New borrowing – HRA	9,551	6,932	4,421	9,507	1,850
TOTAL	511,873	316,576	120,711	138,997	511,921

6.1 The borrowing requirement includes borrowing for the Investment Programme, Invest to Save schemes and advances to group companies and joint ventures, including the Victoria Square Development.

6.2 The replacement borrowing indicates the years in which the Council's loans mature and may need replacing. Replacement borrowing may also be required when LOBOs (Lender Option Borrower Option) reach a step up date, if circumstances dictate and the Council chooses to repay the LOBO.

7.0 Prospects for interest rates

7.1 The Council has appointed Link Asset Services as treasury adviser to the Council and part of their service is to assist the Council to inform our view on interest rates. Appendix B draws together a number of current City forecasts for short term (Bank Rate) and longer fixed interest rates.

7.2 Link Asset Services current Bank Rate forecast for financial year ends (March) is: -

- 2020/21 – 0.10%
- 2021/22 – 0.10%
- 2022/23 – 0.10%
- 2023/24 – 0.10%

8.0 Borrowing Strategy

8.1 The Link Asset Services forecast for the PWLB new borrowing rates for maturity loans is shown in the table below. These rates take into account the certainty rate discount of 0.20% but still include the premium of 0.80% over the actual cost of borrowing.

	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Mar-23	Mar-24
Bank rate	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
5 yr PWLB rate	0.80%	0.80%	0.80%	0.80%	0.90%	0.90%	1.00%
10 yr PWLB rate	1.10%	1.10%	1.10%	1.10%	1.20%	1.20%	1.30%
25 yr PWLB rate	1.50%	1.60%	1.60%	1.60%	1.60%	1.70%	1.80%
50 yr PWLB rate	1.30%	1.40%	1.40%	1.40%	1.40%	1.50%	1.60%

8.2 The timing of new long term borrowing will depend on the borrowing requirements (including the term of the projects being undertaken and resulting asset lives), the cost of carrying long term funding compared to short term borrowing; and the projections on interest rates. The Link forecasts above will be used as a suitable trigger point for considering fixed rate long term borrowing during 2021/22.

8.3 As the Council has secured significant levels of short term borrowing during 2020/21, long term borrowing may be taken at rates higher than the Link forecast to refinance this debt and if the rates meet business case objectives. This approach will provide certainty of funding and mitigate the risk of any unexpected interest rate changes.

8.4 As short term borrowing rates will continue to be cheaper than longer term rates, there are likely to be opportunities to generate savings by undertaking short term borrowing. Any short term borrowing will be considered in the light of the short term nature of the savings and the risk of adverse interest rate movements prior to refinancing.

8.5 Variable rate borrowing is expected to be cheaper than long term borrowing but given that interest rates are expected to rise in the medium to longer term, fixed rate borrowing is the Council's preferred option. In making a decision on the borrowing term and type of loan, consideration will be given to the purpose for which the borrowing is being taken and the market conditions at that time. Where a scheme being funded is relatively short term or tied to a specific funding decision, the borrowing will normally reflect this.

8.6 When undertaking new maturity borrowing, the Council looks to spread its loan maturity profile and this strategy will continue during the year ahead. Borrowing is likely to continue to be annuity loans for significant projects which ensure a consistent payment profile over the life of the loan. The current maturity profile is shown in Appendix I.

8.7 Consideration will be given to borrowing fixed rate market loans at 25 – 50 basis points below PWLB target rate.

8.8 It is possible that the Municipal Bond Agency will offer loans to local authorities in the future. The Council will review the options available through the Municipal Bond Agency for possible borrowing in the future if and when information is available.

PWLB Borrowing

8.9 On 25 November 2020, the Chancellor announced the conclusion to the review of PWLB borrowing terms. The margins over gilt yields for PWLB rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three-year capital programme. The new margins over gilt yields are as follows: -.

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

Asset Lives

8.10 The length of borrowing taken will be linked to the asset lives of the underlying Council Investment Programme. Treasury management decisions, and individual loans, are not directly associated with individual assets. However, if there are significant long or short term assets being acquired or loans advanced in any year, consideration will be given to matching these asset lives/terms in the underlying borrowing secured.

8.11 In recent years, and in 2021/22, the majority of borrowing is applied to very long term assets and projects with a 50 year business case. It is likely that the majority of borrowing taken in 2021/22 will be 50 year annuity matching the modelling of these projects.

Sensitivity of the forecast

8.12 In normal circumstances the main sensitivities of the forecast are likely to be the two scenarios below. The Council Treasury Officers, in conjunction with the treasury advisers, will continually monitor both the prevailing interest rates and the market forecasts, adopting the following approaches to changing circumstances:

- if it was felt that there was a significant risk of a sharp fall in long and short term rates, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

- If it was felt that there was a significant risk of a much sharper rise in long and short term rates than currently forecast, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are still relatively cheap, whilst taking into account the cost of carry of the borrowing until it is required.

9.0 External Borrowing v Investments

Comparison of gross and net borrowing positions at year end	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
External Borrowing - Non HRA	1,795.74	2,104.21	2,215.63	2,351.95	2,868.84
External Borrowing - HRA	142.35	149.28	153.70	163.21	165.06
Total	1,938.08	2,253.49	2,369.33	2,515.15	3,033.90
Cash Balances	- 2.00	- 2.00	- 2.00	- 2.00	- 2.00
Net Borrowing	1,936.08	2,251.49	2,367.33	2,513.15	3,031.90

9.1 The table above shows the Council's projected net external borrowing position (calculated as gross borrowing less cash balances including short term investments). As at 31 December 2020, cash balances totalled £17.7m giving a net external borrowing of £1,591.5m.

9.2 Treasury officers will monitor the interest rate market and report any decisions in the Monthly Performance and Monitoring Information ('Green Book').

10.0 Policy on borrowing in advance of need

10.1 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance for known requirements will be considered carefully to ensure value for money can be demonstrated and that the Council can ensure the security of funds.

10.2 In determining whether borrowing will be undertaken in advance of need the Council will;

- ensure that there is a clear link between the investment programme and maturity profile of the existing portfolio which supports the need to take funding in advance of need;
- ensure the on going revenue liabilities created, and the implications for future plans and budgets have been considered, including the cost of carry of the borrowing until it is needed;
- evaluate the economic and market factors that might influence the manner and timing of any decision to borrow;
- consider the merits and demerits of alternative forms of funding; and
- consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.

11.0 Borrowing Rescheduling

11.1 The introduction by the PWLB in 2007 of a spread between the rates applied to new borrowing and repayment of borrowing means that PWLB to PWLB restructuring is currently much less attractive. This was compounded in October 2010 by a considerable further widening of the difference between new borrowing and repayment rates as part of the Comprehensive Spending Review, through the addition of a premium on the cost of borrowing. In particular, consideration would have to be given to the costs which would be incurred by prematurely repaying existing PWLB loans and it is very unlikely that these could be justified on value for money grounds if using replacement PWLB refinancing. This still remains the case despite the recent changes to the margins discussed above. However, some interest savings may still be achievable by using LOBO (Lenders Option Borrowers Option) loans and other market loans in rescheduling exercises rather than using PWLB borrowing as the source of replacement financing.

11.2 The reasons for any rescheduling to take place will include:

- The generation of cash savings and / or discounted cash flow savings;

- Enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

11.1 Should market conditions indicate there is an advantage to rescheduling borrowing, Officers will call a meeting of the Treasury Management Panel to consider the proposals. Any rescheduling will be reported to the Executive in the Monthly Performance and Monitoring Information ('Green Book').

12.0 Annual Investment Strategy

Investment Strategy

12.1 The Council's in house managed funds are mainly cash flow derived. Investments will accordingly be made with reference to cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Were there to be any core balance of funds up to £10 million available for investment over a 0-5 year period, these funds that would be managed on the advice of Tradition UK.

12.2 The Council currently holds no investments for which the remaining time to maturity is in excess of one year.

12.3 Bank Rate has been maintained at 0.10% since March 2020. Link Asset Services' Bank Rate forecast as shown in paragraph 8.1 shows the rate is forecast to remain at this level until at least March 2024.

12.4 The Council will avoid locking into longer term deals while rates are at historically low levels unless attractive rates are available which make longer term deals worthwhile.

12.5 For its cash flow generated balances, the Council will seek to utilise its Lloyds business reserve account, money market funds and short-dated deposits (overnight to three months) using secure counterparties in order to benefit from the compounding of interest.

12.6 The Council will receive monthly reports on its investment activity in the Green Book, an annual monitoring report to the Overview and Scrutiny Committee and at the end of the financial year as part of its Annual Treasury Report.

Investment Policy

12.7 The Council will have regard to the MHCLG's Guidance on Local Government Investments ("the Guidance") issued in February 2018, CIPFA's Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the CIPFA TM Code") and the CIPFA Treasury Management Guidance Notes 2018.

12.8 The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of this Council is low – the Council's investment priorities will be security first, liquidity second and then return.

12.9 The borrowing of monies purely to invest or on-lend to external parties to make a return is unlawful and this Council will not engage in such activity. This excludes lending to group companies and other organisations which is carried out in order to achieve the Council's strategic objectives.

12.10 Part of the Council's investments may be managed on the advice of Tradition UK (TUK) and will reflect TUK's views of market and the future for interest rates. Subject to the availability of funds, TUK may be asked to manage up to £10m. TUK are the only external fund manager involved in the management of the Council's funds, although no funds are held with them at the present time.

12.11 All investments of the Council's funds will comply with the Annual Investment Strategy. The arrangements between the Council and TUK additionally stipulate guidelines and duration and other limits in order to contain and control risk.

12.12 Investment instruments identified for use in the financial year are listed in Appendix D under the 'Specified' and 'Non-Specified' Investments categories (determined by level of risk). Counterparty limits will be as set through the Council's Treasury Management Practices Schedules. The limits shown are maximum levels. The Chief Finance Officer in consultation with Treasury Officers has the scope to reduce these limits (below those shown) to minimise the level of cash at risk in the light of market conditions. As Money Market Funds (MMFs) are diversified by nature and AAA rated, the Chief Finance Officer, in consultation with Treasury Officers, will vary the limits of these funds in order to manage cash flows. These limits will be updated in the Treasury Management Practices.

12.13 When the Council has funds in excess of normal limits that it is not possible or economical to invest with a suitable counterparty, these will remain on deposit with Lloyds Bank, the Council's banker.

Credit Worthiness Policy

12.14 The Council uses Fitch ratings to derive its investment criteria (used in the table Appendix D). Where a counterparty does not have a Fitch rating, the equivalent Moody's rating will be used. The Council is alerted to all credit rating changes on a daily basis through its use of the Link Asset Services creditworthiness service. If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

12.15 The Link Asset Services creditworthiness service uses a modelling approach with credit ratings from all three rating agencies – Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses credit watches, credit outlooks and other information in a weighted scoring system. The end product is a series of colour code bands which indicate the relative creditworthiness of counterparties and give a recommended duration for investments.

12.16 When placing investments Treasury Officers will take account of this information, although it is not followed entirely such as in the use of building societies.

12.17 Treasury officers are of the view that credit rating agencies and Link Asset Services have underestimated the level of support within the building society sector. Consequently the

Council will continue to use Building Societies based on asset value and market sentiment indicating that the risk is acceptable.

12.18 This Council will not use the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties as this would leave the Council with few financial institutions on its approved lending list. The Link Asset Services creditworthiness service does use ratings from all three agencies, but by using a scoring system, does not give undue preponderance to just one agency's ratings.

12.19 The Council's credit limits have historically been set at a sufficiently high level that none of the institutions that have not been able to meet their commitments in recent times, have been on the Council's lending list, or those that have got into difficulties have received government support. Similarly none of the building societies in which the Council has invested have failed to meet their commitments. On this basis the Council will continue to use Link Asset Services' creditworthiness service, credit ratings and asset value (for building societies) for determining eligibility for the lending list. As indicated in paragraph 12.8, the risk appetite of the Council is low, and the priority for investment is security, followed by liquidity, then return.

Country Limits

12.20 The Council will only use approved counterparties from the UK and countries with a minimum sovereign credit rating of AA+ from Fitch Ratings (or equivalent from other agencies if Fitch does not provide). The list of countries that qualify using this criteria are shown in Appendix E. This list will be added to or deducted from by officers should ratings change in accordance with this policy.

12.21 The Executive resolved in June 2016 that the UK be excluded from the sovereign rating criteria, as it is not felt that there is additional risk to undertaking investments in the UK.

12.22 Should the level of the Council's investments increase it will seek to avoid a concentration of investments in too few counterparties or countries (although a concentration in the UK is not considered to be undesirable).

13.0 Use of External Service Providers

13.1 As previously stated the Council uses Link Asset Services as its external treasury management advisors in order to acquire access to specialist skills and resources. The services provided include the following:-

- Provision of interest rate forecasts and advice on borrowing and investment strategies;
- Regular updates on economic and political changes;
- Forecasts of movements in Public Works Loan Board rates;
- Advice on debt rescheduling, funding policy, volatility and maturity profile analysis;
- Advice on investment counterparty creditworthiness;
- Provision of annual template documents and advice on the various Treasury Management reports; and
- Treasury Management training.

13.2 Although external treasury management advisors are used, responsibility for treasury management decisions remains with the Council at all times and undue reliance is not placed upon the external service provider.

14.0 MRP Policy

14.1 As required by MHCLG regulations, the Council has adopted a policy for setting aside funds for the repayment of borrowing through the Minimum Revenue Provision. Appendix A contains the policy statement.

15.0 Council Loans to Group Companies

15.1 Council loans to Group Companies will continue to be structured to give a benefit to council tax payers.

15.2 The loans will be 'eliminated' on consolidation in to group accounts. Therefore, the prudential indicators set out in this report exclude these inter-group loans.

15.3 Where the Council finances loans to Group Companies by external borrowing, these external loans are taken account of in setting the borrowing limits. The limits set out in this report take into account the requirements set out in the approved Group Business Plans. The borrowing limits will need to be reviewed if the Council approves taking additional borrowing to fund new group company projects in the future. Borrowings by the Group Companies themselves do not count against the Council's borrowing limits.

REPORT ENDS

Annual Minimum Revenue Provision Report and Policy Statement

Introduction

A statement on the Council's policy for setting aside funds for repayment of borrowing, its annual Minimum Revenue Provision (MRP), must be submitted to the full Council for approval before the start of the financial year to which the provision will relate.

The Council is legally obliged to "have regard" to the Guidance, which is intended to enable a more flexible approach to assessing the amount of annual provision than was required under the previous statutory requirements. The Guidance explains how the MRP might be determined, with an overriding recommendation that the Council should make prudent provision to redeem its debt liability over a period which is reasonably commensurate with that over which the capital expenditure is estimated to provide benefits.

Essentially, the Guidance may only be applied to new capital expenditure relative to the period to which the annual MRP relates. This means that debt which remains outstanding in respect of earlier capital expenditure will continue to be subject to MRP at the rate of 4% per annum or 1% for share purchases. New expenditure to be financed from borrowing is recommended to be subject to MRP on the estimated useful life basis. This may either be assessed as equal annual instalments, or lower early year charges on an annuity basis, or in accordance with depreciation accounting methods.

In general it is recommended that the Council should adopt the recommendations contained within the Guidance. However, in certain cases the Guidance recommends a useful life period/MRP for expenditures which it would not be appropriate to adopt, such as in the case of long term debtors arising from loans made to group companies and other third parties. These loans will be repaid by the third parties, and the principle repayments from these loans will be set aside for the repayment of the underlying debt.

The following Policy Statement is therefore recommended for adoption.

MRP Policy Statement

The Council implemented the new MRP Guidance in 2007/08, and has assessed the Minimum Revenue Provision for 2007/08 and subsequent years in accordance with the main recommendations contained within the Guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003. In particular, the Council are satisfied that the guidelines for their annual amount of MRP set out within this Policy Statement will result in their making the requisite prudent provision that is required by the Guidance.

Certain expenditures reflected within the debt liability at 31st March 2007 will under delegated powers be subject to either the uncompleted scheme or the anticipated life expectancy provisions of the asset life method.

In cases where schemes are not fully completed at the end of the financial year, expenditure on these may be deferred from any MRP charge in the subsequent year but reconsidered for MRP in a later year, subject to the date of their completion.

The spreading of the MRP charge under the estimated life period approach will be carried out in an aggregate manner. Details of individual schemes, whilst required for supporting information purposes in the year for which MRP liability is first being assessed, have no beneficial purposes thereafter. Schemes will accordingly be grouped within differing life periods where such apply.

The Council also determines that available resources for financing capital expenditure, such as capital receipts, will be applied to new expenditures in a manner that is considered appropriate in any financial year. For example, it will not be considered imprudent to apply such resources in the first instance to expenditures that have a shorter estimated lifespan.

When adopting this aspect of the recommendations the Council may treat any new capital schemes which are both commenced and finalised within the financial year as having been financed from any associated grants, S.106 monies, or similarly earmarked funds. This is however entirely at their discretion. In cases where expenditure is incurred on only part of a scheme which is not completed by the year end, any grant or similar financing resources may be either allocated to other new expenditures under delegated powers, or carried forward for MRP purposes, as necessary or appropriate.

Final decisions regarding the manner in which such resources are deemed to be allocated to schemes will be taken under delegated powers.

Where schemes require interim financing by loan, pending receipt of an alternative source of finance (for example capital receipts), no MRP charge shall be applied.

Estimated life periods will also be determined under delegated powers. For example, it is likely that new buildings or similar structures will have an estimated life, set by Asset Management, of over 70 years, as will any new land purchases. In this latter case, it is considered that the recommended life period of 50 years for land contained within the Guidance does not adequately reflect its realistic life period, which is considered to be at least as great as would be the case if a building is placed upon it. The Council are aware when approving this that the Guidance recommends only that the life period should bear some relation to that over which the asset is estimated to provide a service.

In the case of new capital expenditures which serve to add to the value of an existing capital asset, these will be estimated to have the same useful life as the asset whose value is enhanced.

To the extent that expenditures are not on the creation of an asset, and are of a type that are subject to estimated life periods that are referred to in the Guidance, these periods will generally be adopted by the Council. However, in the case of long term debtors arising from loans or other types of capital expenditure made by the Council which will be repaid under separate arrangements (such as long term investments)the principle repayments will be set aside for the repayment of the underlying debt. The loans and underlying security are monitored and any issue around recoverability will require a review of the MRP. From 2009/10 the Council has made a Minimum Revenue Provision on investments in shares based on a 100 year life; the latest Guidance suggests 20 years for shares. Investments in shares tend to be long term in nature, however, going forward, borrowing applied to shares will be subject to MRP at the time length specified in the Government guidance.

Commercial properties acquired through borrowing will be subject to MRP matching the principle repayments under an indicative annuity schedule for the underlying debt. Therefore over the life of the relevant asset the MRP will be consistent with the repayment of the corresponding borrowing used to finance the purchase of the asset. This method may also be extended to individual operational assets if it is deemed more appropriate for the circumstances around that asset.

In view of the variety of different types of capital expenditure incurred by the Council, which is not in all cases capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure, and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

The determination as to which schemes shall be deemed to be financed from available resources, and those which will remain as an outstanding debt liability to be financed by borrowing or other means will be assessed under delegated powers.

INTEREST RATE FORECASTS

The data overleaf shows forecasts published by Link Asset Services and Capital Economics (an independent forecasting consultancy).

The PWLB rates and forecasts shown are at the certainty rate which is available to the Council and is a 20 basis points reduction compared to the standard published PWLB rates.

The rates used in preparing budgets and forecasts have been drawn from these diverse sources and officers' own views.

APPENDIX B

Link Group Interest Rate View 9.11.20 (The Capital Economics forecasts were done 11.11.20)

These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20

	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
10 yr PWLB	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
25 yr PWLB	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
50 yr PWLB	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60
Bank Rate													
Link	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Capital Economics	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	-	-	-	-	-
5yr PWLB Rate													
Link	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
Capital Economics	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	-	-	-	-	-
10yr PWLB Rate													
Link	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
Capital Economics	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	-	-	-	-	-
25yr PWLB Rate													
Link	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
Capital Economics	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	-	-	-	-	-
50yr PWLB Rate													
Link	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60
Capital Economics	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	-	-	-	-	-

Link Asset Services' View on the Economic Background

- **UK.** The key quarterly meeting of the Bank of England Monetary Policy Committee kept **Bank Rate** unchanged on 5.11.20. However, it revised its economic forecasts to take account of a second national lockdown from 5.11.20 to 2.12.20 which is obviously going to put back economic recovery and do further damage to the economy. It therefore decided to do a further tranche of **quantitative easing (QE) of £150bn**, to start in January when the current programme of £300bn of QE, announced in March to June, runs out. It did this so that "announcing further asset purchases now should support the economy and help to ensure the unavoidable near-term slowdown in activity was not amplified by a tightening in monetary conditions that could slow the return of inflation to the target".
- Its forecasts appeared, at that time, to be rather optimistic in terms of three areas:
    - The economy would recover to reach its pre-pandemic level in Q1 2022
    - The Bank also expected there to be excess demand in the economy by Q4 2022.
    - CPI inflation was therefore projected to be a bit above its 2% target by the start of 2023 and the "inflation risks were judged to be balanced".
- Significantly, there was no mention of **negative interest rates** in the minutes or Monetary Policy Report, suggesting that the MPC remains some way from being persuaded of the case for such a policy, at least for the next 6 -12 months. However, rather than saying that it "stands ready to adjust monetary policy", the MPC this time said that it will take "whatever additional action was necessary to achieve its remit". The latter seems stronger and wider and may indicate the Bank's willingness to embrace new tools.
- One key addition to **the Bank's forward guidance in August** was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate. Our Bank Rate forecast currently shows no increase, (or decrease), through to quarter 1 2024 but there could well be no increase during the next five years as it will take some years to eliminate spare capacity in the economy, and therefore for inflationary pressures to rise to cause the MPC concern. **Inflation** is expected to briefly peak at just over 2% towards the end of 2021, but this is a temporary short lived factor due to base effects from twelve months ago falling out of the calculation, and so is not a concern. Looking further ahead, it is also unlikely to be a problem for some years as it will take a prolonged time for spare capacity in the economy, created by this downturn, to be used up.

- **Public borrowing** was forecast in November by the Office for Budget Responsibility (the OBR) to reach £394bn in the current financial year, the highest ever peace time deficit and equivalent to 19% of GDP. In normal times, such an increase in total gilt issuance would lead to a rise in gilt yields, and so PWLB rates. However, the QE done by the Bank of England has depressed gilt yields to historic low levels, (as has similarly occurred with QE and debt issued in the US, the EU and Japan). This means that new UK debt being issued, and this is being done across the whole yield curve in all maturities, is locking in those historic low levels through until maturity. In addition, the UK has one of the longest average maturities for its entire debt portfolio, of any country in the world. Overall, this means that the total interest bill paid by the Government is manageable despite the huge increase in the total amount of debt. The OBR was also forecasting that the government will still be running a budget deficit of £102bn (3.9% of GDP) by 2025/26. However, initial impressions are that they have taken a pessimistic view of the impact that vaccines could make in the speed of economic recovery.

- Overall, **the pace of recovery** was not expected to be in the form of a rapid V shape, but a more elongated and prolonged one. The initial recovery was sharp after quarter 1 saw growth at -3.0% followed by -18.8% in quarter 2 and then an upswing of +16.0% in quarter 3; this still left the economy 8.6% smaller than in Q4 2019. While the one month second national lockdown that started on 5th November caused a further contraction of 5.7% m/m in November, this was much better than had been feared and showed that the economy is adapting to new ways of working. This left the economy 'only' 8.6% below the pre-crisis level.

- **Vaccines – the game changer.** The Pfizer announcement on 9th November of a successful vaccine has been followed by approval of the Oxford University/AstraZeneca and Moderna vaccines. The Government has a set a target to vaccinate 14 million people in the most at risk sectors of the population by 15th February; as of mid-January, it has made good, and accelerating progress in hitting that target. The aim is to vaccinate all adults by September. This means that the national lockdown starting in early January, could be replaced by regional tiers of lighter restrictions, beginning possibly in Q2. At that point, there would be less reason to fear that hospitals could become overwhelmed any more. Effective vaccines have radically improved the economic outlook so that it may now be possible for GDP to recover to its pre-virus level as early as Q1 2022. These vaccines have enormously boosted confidence that **life could largely return to normal during the second half of 2021**. With the household saving rate having been exceptionally high since the first lockdown in March, there is plenty of pent-up demand and purchasing power stored up for when life returns to normal.

- Provided that both monetary and fiscal policy are kept loose for a few years yet, then it is still possible that in the second half of this decade, the economy may be no smaller than it would have been if COVID-19 never happened. The significant risk is if another mutation of COVID-19 appears that defeats the current batch of vaccines. However, now that science and technology have caught up with understanding this virus, new vaccines ought to be able to be developed more quickly to counter such a development, and vaccine production facilities are being ramped up around the world.

This recovery of growth which eliminates the effects of the pandemic by about the middle of the decade, would have major repercussions for public finances as it would be consistent with the government deficit falling to around 2.5% of GDP without any tax increases. This would be in line with the OBR's most optimistic forecast in the graph below, rather than their current central scenario which predicts a 4% deficit due to assuming much slower growth. However, Capital Economics forecasts assumed that politicians do not raise taxes or embark on major austerity measures and so, (perversely!), depress economic growth and recovery.

- There will still be some **painful longer term adjustments** as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever, even if vaccines are fully successful in overcoming the current virus. There is also likely to be a **reversal of globalisation** as this crisis has exposed how vulnerable long-distance supply chains are. On the other hand, **digital services** are one area that has already seen huge growth.

- **Brexit.** The final agreement of a trade deal on 24.12.20 has eliminated a significant downside risk for the UK economy. The initial agreement only covers trade so there is further work to be done on the services sector where temporary equivalence has been granted in both directions between the UK and EU; that now needs to be formalised on a permanent basis. As the forecasts in this report were based on an assumption of a Brexit agreement being reached, there is no need to amend these forecasts.

- **Monetary Policy Committee meeting of 17 December.** All nine Committee members voted to keep interest rates on hold at +0.10% and the Quantitative Easing (QE) target at £895bn. The MPC commented that the successful rollout of vaccines had reduced the downsides risks to the economy that it had highlighted in November. But this was caveated by it saying, "Although all members agreed that this would reduce downside risks, they placed different weights on the degree to which this was also expected to lead to stronger GDP growth in the central case." So, while vaccines are a positive development, in the eyes of the MPC at least, the economy is far from out of the woods in the shorter term. The MPC, therefore, voted to extend the availability of the Term Funding Scheme, (cheap borrowing), with additional incentives for small and medium size enterprises for six months from 30.4.21 until 31.10.21. (The MPC had assumed that a Brexit deal would be agreed.)

- **Fiscal policy.** In the same week as the MPC meeting, the Chancellor made a series of announcements to provide further support to the economy: -
  - An extension of the COVID-19 loan schemes from the end of January 2021 to the end of March.
  - The furlough scheme was lengthened from the end of March to the end of April.
  - The Budget on 3.3.21 will lay out the "next phase of the plan to tackle the virus and protect jobs". This does not sound like tax rises are imminent, (which could hold back the speed of economic recovery).

- The **Financial Policy Committee** (FPC) report on 6.8.20 revised down their expected credit losses for the banking sector to "somewhat less than £80bn". It stated that in its assessment, "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.

- **US.** The Democrats gained the presidency and a majority in the House of Representatives in the November elections: after winning two key Senate seats in Georgia in elections in early January, they now also have a very slim majority in the Senate due to the vice president's casting vote. President Biden will consequently have a much easier path to implement his election manifesto. However, he will not have a completely free hand as more radical Democrat plans may not be supported by all Democrat senators. His initial radical plan for a fiscal stimulus of $1.9trn, (9% of GDP), is therefore likely to be toned down in order to get through both houses.

- **The economy** had been recovering quite strongly from its contraction in 2020 of 10.2% due to the pandemic with GDP only 3.5% below its pre-pandemic level and the unemployment rate dropping below 7%. However, the rise in new cases during quarter 4, to the highest level since mid-August, suggests that the US could be in the early stages of a fourth wave. The latest upturn poses a threat that the recovery in the economy could stall. This is **the single biggest downside risk** to the shorter term outlook – a more widespread and severe wave of infections over the winter months, which is compounded by the impact of the regular flu season and, as a consequence, threatens to overwhelm health care facilities. Under those circumstances, individual states might feel it necessary to return to more draconian lockdowns.

- The restrictions imposed to control the spread of the virus are once again weighing on the economy with employment growth slowing sharply in November and declining in December, and retail sales dropping back. The economy is set for further weakness into the spring. **GDP growth** is expected to rebound markedly from the second quarter of 2021 onwards as vaccines are rolled out on a widespread basis and restrictions are loosened.

- After Chair Jerome Powell unveiled the **Fed's adoption of a flexible average inflation target** in his Jackson Hole speech in late August 2020, the mid-September meeting of the Fed agreed by a majority to a toned down version of the new inflation target in his speech - that *"it would likely be appropriate to maintain the current target range until labour market conditions were judged to be consistent with the Committee's assessments of maximum employment and inflation had risen to 2% and was on track to moderately exceed 2% for some time."* This change was aimed to provide more stimulus for economic growth and higher levels of employment and to avoid the danger of getting caught in a deflationary "trap" like Japan. It is to be noted that inflation has actually been under-shooting the 2% target significantly for most of the last decade, (and this year), so financial markets took note that higher levels of inflation are likely to be in the pipeline; long-term bond yields duly rose after the meeting. The FOMC's updated economic and rate projections in mid-September showed that officials expect to leave the fed funds rate at near-zero until at least end-2023 and probably for another year or two beyond that. There is now some expectation that where the Fed has led in changing its inflation target, other major central banks will follow. The increase in tension over the last year between the US and China is likely to lead to a lack of momentum in progressing the initial positive moves to agree a phase one trade deal.

- The Fed's meeting on **5 November** was unremarkable - but at a politically sensitive time around the elections. At its **16 December** meeting the Fed tweaked the guidance for its monthly asset quantitative easing purchases with the new language implying those purchases could continue for longer than previously believed. Nevertheless, with officials still projecting that **inflation** will only get back to 2.0% in 2023, the vast majority expect the Fed funds rate to be still at near-zero until 2024 or later. Furthermore, officials think the balance of risks surrounding that median inflation forecast are firmly skewed to the downside. The key message is still that policy will remain unusually accommodative – with near-zero rates and asset purchases – continuing for several more years. This is likely to result in keeping Treasury yields low – which will also have an influence on gilt yields in this country.

- **EU.** In early December, the figures for Q3 GDP confirmed that the economy staged a rapid rebound from the first lockdowns. This provides grounds for optimism about growth prospects for next year. In Q2, GDP was 15% below its pre-pandemic level. But in Q3 the economy grew by 12.5% q/q leaving GDP down by "only" 4.4%. That was much better than had been expected earlier in the year. However, growth is likely to stagnate during Q4 and in Q1 of 2021, as a second wave of the virus has seriously affected many countries. The €750bn fiscal support package eventually agreed by the EU after prolonged disagreement between various countries, is unlikely to provide significant support, and quickly enough, to make an appreciable difference in the countries most affected by the first wave.

- With **inflation** expected to be unlikely to get much above 1% over the next two years, **the ECB** has been struggling to get inflation up to its 2% target. It is currently unlikely that it will cut its central rate even further into negative territory from -0.5%, although the ECB has stated that it retains this as a possible tool to use. The ECB's December meeting added a further €500bn to the PEPP scheme, (purchase of government and other bonds), and extended the duration of the programme to March 2022 and re-investing maturities for an additional year until December 2023. Three additional tranches of TLTRO, (cheap loans to banks), were approved, indicating that support will last beyond the impact of the pandemic, implying indirect yield curve control for government bonds for some time ahead. The Bank's forecast for a return to pre-virus activity levels was pushed back to the end of 2021, but stronger growth is projected in 2022. The total PEPP scheme of €1,850bn of QE which started in March 2020 is providing protection to the sovereign bond yields of weaker countries like Italy. There is therefore unlikely to be a euro crisis while the ECB is able to maintain this level of support. However, as in the UK and the US, the advent of highly effective vaccines will be a game changer, although growth will struggle before later in quarter 2 of 2021.

- **China.** After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and then into Q3 and Q4; this has enabled China to recover all of the contraction in Q1. Policy makers have both quashed the virus and implemented a programme of monetary and fiscal support that has been particularly effective at stimulating short-term growth. At the same time, China's economy has benefited from the shift towards online spending by consumers in developed markets. These factors help to explain its comparative outperformance compared to western economies. However, this was achieved by major central government funding of yet more infrastructure spending. After years of growth having been focused on this same area, any further spending in this area is likely to lead to increasingly weaker economic returns in the longer term. This could, therefore, lead to a further misallocation of resources which will weigh on growth in future years.

- **Japan.** A third round of fiscal stimulus in early December took total fresh fiscal spending this year in response to the virus close to 12% of pre-virus GDP. That's huge by past standards, and one of the largest national fiscal responses. The budget deficit is now likely to reach 16% of GDP this year. Coupled with Japan's relative success in containing the virus without draconian measures so far, and the likelihood of effective vaccines being available in the coming months, the government's latest fiscal effort should help ensure a strong recovery and to get back to pre-virus levels by Q3 2021 – around the same time as the US and much sooner than the Eurozone.

- **World growth.** World growth will has been in recession in 2020 and this is likely to continue into the first half of 2021 before recovery in the second half. Inflation is unlikely to be a problem for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.

- Until recent years, world growth has been boosted by increasing **globalisation** i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high tech areas and production of rare earth minerals used in high tech products. It is achieving this by massive financial support, (i.e. subsidies), to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a **reversal of world globalisation and a decoupling of western countries** from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation.

Summary

Central banks are, therefore, likely to support growth by maintaining loose monetary policy through keeping rates very low for longer. Governments could also help a quicker recovery by providing more fiscal support for their economies at a time when total debt is affordable due to the very low rates of interest. They will also need to avoid significant increases in taxation or austerity measures that depress demand and the pace of recovery in their economies.

If there is a huge surge in investor confidence as a result of successful vaccines which leads to a major switch out of government bonds into equities, which, in turn, causes government debt yields to rise, then there will be pressure on central banks to actively manage debt yields by further QE purchases of government debt; this would help to suppress the rise in debt yields and so keep

the total interest bill on greatly expanded government debt portfolios within manageable parameters. It is also the main alternative to a programme of austerity.

Specified Investments

All specified investments will be sterling denominated, with maturities up to a maximum of 1 year, meeting the minimum 'high' rating criteria where applicable.

	Minimum 'High' Credit Criteria	Use
Debt Management Agency Deposit Facility	N/a	In-house and fund managers
Term deposits – UK government	N/a	In-house and fund managers
Term deposits – other LAs	N/a	In-house and fund managers
Funds on deposit with the Council's main banker – Lloyds Bank – no limit	N/a	In-house
Term deposits to 4m– banks *	AAA or Aaa	In-house and fund managers
Term deposits to 2m– banks *	AA- or Aa3	In-house and fund managers
Term deposits up to 4m– building societies *	with gross assets in excess of £1,000m	In-house and fund managers
Term deposits up to 2m – building societies *	with gross assets between £500m and £1,000m	In-house and fund managers
Callable deposits	As above	In-house and fund managers
Certificates of deposits issued by banks and building societies	As above	In-house and fund managers
Money Market Funds – Constant Net Asset Value	AAA	In-house
Money Market Funds – Low Volatility Net Asset Value	AAA	In-house
UK Government Gilts	AAA	Fund Managers
Gilt Funds and Bond Funds	AAA	Fund Managers
Treasury Bills	N/a	Fund Managers

* If forward deposits are made by in-house managers, the forward period plus the deal period should not exceed one year in aggregate.

Changes to investment rules were came into force on 3rd January 2018 with the introduction of the MIFID (Markets in Financial Instruments Directive) II regulations. Under the new rules, all local authorities are classified as retail counterparties, and authorities have to consider whether to opt up to professional status and for which types of investments. Some investment options are not available to retail counterparties, and as a result Woking Borough Council has opted up to professional status for three out of four of its existing money market funds (Federated, Standard Life and Deutsche). This has not been necessary for the remaining money market fund (LGIM), which would countinue to deal with retail counterparties. A view will be taken going forward on any new investments on a case by case basis and the arrangements will be regularly reviewed as appropriate.

Non-Specified Investments

At the time of placing an investment, a maximum of 35% will be held in aggregate in non-specified investments (including in-house and externally managed funds).

	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
Term deposits – UK government (with maturities in excess of 1 year)	N/a	In-house and fund managers	35%	5 years
Term deposits – other LAs (with maturities in excess of 1 year)	N/a	In-house and fund managers	35%	5 years
Term deposits – banks and building societies (with maturities in excess of 1 year)	As for specified investments	In-house and fund managers	35%	5 years

Callable deposits (with maturities in excess of 1 year)	As above	In-house and fund managers	35%	5 years
Certificates of deposits issued by banks and building societies	As above	In-house and fund managers	35%	5 years
UK Government Gilts with maturities in excess of 1 year	AAA	Fund Managers	35%	5 years
Bonds issued by multilateral development banks	AAA	In-house on a 'buy-and-hold' basis. Also for use by fund managers	35%	5 years
Bonds issued by a financial institution which is guaranteed by the UK government	N/a	In-house on a 'buy-and-hold' basis. Also for use by fund managers	35%	5 years
Sovereign bond issues (i.e. other than the UK govt)	AAA	Fund Managers	35%	5 years
Corporate Bonds : ***the use of these investments would constitute capital expenditure***	N/a	N/a	Nil	N/a
Floating Rate Notes : ***the use of these investments would constitute capital expenditure***	N/a	N/a	Nil	N/a

Guide to Ratings

Fitch	Moodys	Standard and Poor's
Rating Levels to be used in Treasury Management		
AAA AA+ AA	Aaa Aa1 Aa2	AAA AA+ AA
Fitch's individual ratings measure an institution's intrinsic safety and soundness on a stand-alone basis, and provide an assessment of the strength of the institution's financial structure, its performance and its credit (and therefore, risk) profile. The laws and accounting practices that govern the operations, reporting and disclosure of financial information in the country in which the institution operates, would have a bearing on the assessment. These ratings are divorced entirely from considerations of external support, from either parent or the government, and are, therefore, useful indicators of credit. At present, Fitch is the only agency which explicitly states its view of the likely presence of a lender of last resort, either government or parent, with the willingness and the resources to aid a failing financial institution.	Moody's Bank Financial Strength Ratings (BFSRs) represent Moody's opinion of a bank's intrinsic safety and soundness and, as such, exclude certain external credit risks and credit support elements that are addressed by Moody's Bank Deposit Ratings. In addition to commercial banks, Moody's BFSRs may also be assigned to other types of financial institutions such as multilateral development banks, government-sponsored financial institutions and national development financial institutions. BFSR's are a measure of the likelihood that a bank will require assistance from third parties such as its owners, its industry group, or official institutions. BFSR's do not take into account the probability that the bank will receive such external support, nor do they address risks arising from sovereign actions that may interfere with a bank's ability to honour its domestic or foreign currency obligations. Factors considered in the assignment of BFSR's include bank specific elements such as financial fundamentals, franchise value, and business and asset diversification. Although BFSR's exclude the external factors specified above, they do take into account other risk factors in the bank's operating environment, including the strength and prospective performance of the economy, as well as the structure and relative fragility of the financial system, and the quality of banking regulation and supervision.	Long Term credit ratings are based, in varying degrees, on the following considerations: • Likelihood of payment—capacity and willingness of the obligor to meet its financial commitment on an obligation in accordance with the terms of the obligation; • Nature of and provisions of the obligation; • Protection afforded by, and relative position of, the obligation in the event of bankruptcy, reorganization, or other arrangement under the laws of bankruptcy and other laws affecting creditors' rights. Issue ratings are an assessment of default risk, but may incorporate an assessment of relative seniority or ultimate recovery in the event of default

Approved countries for investments

AAA

- Australia
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

Approved countries for investment are based on the lowest rating from Fitch, Moody's and S&P.

Note: The UK is excluded from the minimum sovereign rating criteria (report paragraph 12.21 refers.

Treasury Management Policy Statement

1. This organisation defines its treasury management activities as: "The management of the authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

2. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

Treasury management scheme of delegation

(i) Executive

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of annual strategy
- approval of/amendments to the organisation's adopted clauses and treasury management policy statement
- budget consideration and approval
- approval of the division of responsibilities
- receiving and reviewing regular monitoring reports and acting on recommendations

(ii) Overview and Scrutiny Committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

(iii) Treasury Management Panel

- consideration of proposals to reschedule borrowing.

The treasury management role of the Section 151 officer

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit
- appointment of external service providers
- preparation of a capital strategy to include capital expenditure, capital financing and treasury management
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all investments and is in accordance with the risk appetite of the authority.

LONG TERM BORROWING MATURITY PROFILE AS AT 28 JANUARY 2021

	PWLB	LOBO	OTHER	ALL
2020 /2021	9			9
2021 /2022	34		10	44
2022 /2023	9			9
2023 /2024	10			10
2024 /2025	19			19
2025 /2026	18			18
2026 /2027	13			13
2027 /2028	10			10
2028 /2029	11			11
2029 /2030	11			11
2030 /2031	16			16
2031 /2032	16			16
2032 /2033	12			12
2033 /2034	17			17
2034 /2035	22			22
2035 /2036	18			18
2036 /2037	18			18
2037 /2038	16			16
2038 /2039	18			18
2039 /2040	17			17
2040 /2041	19			19
2041 /2042	15			15
2042 /2043	18			18
2043 /2044	15			15
2044 /2045	16			16
2045 /2046	16			16
2046 /2047	16			16
2047 /2048	17			17
2048 /2049	17			17
2049 /2050	21			21
2050 /2051	18			18

	PWLB	LOBO	OTHER	ALL
2051 /2052	19			19
2052 /2053	23			23
2053 /2054	33			33
2054 /2055	35			35
2055 /2056	24	5		29
2056 /2057	37			37
2057 /2058	38			38
2058 /2059	57			57
2059 /2060	64			64
2060 /2061	48			48
2061 /2062	62			62
2062 /2063	32			32
2063 /2064	33			33
2064 /2065	54			54
2065 /2066	44			44
2066 /2067	76			76
2067 /2068	35			35
2068 /2069	31			31
2069 /2070	5			5
2070 /2071	4			4
2071 /2072				
2072 /2073				
2073 /2074				
2074 /2075				
2075 /2076				
2076 /2077		10	10	20
2077 /2078			5	5
2078 /2079				
2079 /2080				
2080 /2081				
2081 /2082				
	1256	15	25	1296

EXECUTIVE – 4 FEBRUARY 2021

HOUSING MANAGEMENT AND MAINTENANCE SERVICE

Executive Summary

In 2012, New Vision Homes (NVH) was appointed to deliver the Housing Management and Maintenance Services Contract on behalf of the Council. Initially, this was for a period of 5 years, with an option to extend for a further 5 years, which was exercised in 2017. Therefore, as at 31 March 2022, the term of the Contract with NVH will end. With the contract drawing to a close, the Council needs to agree on the model for the future delivery of these services.

At its meeting on 15 October 2020, the Council approved the preferred approach of Housing Management and Asset Management Services being brought back in-house and housing repairs and maintenance works and services being procured through third party contractors from 1 April 2022, subject to tenant and leaseholder consultation. The statutory tenant and leaseholder consultation, as determined by Section 105 (s.105) of the Housing Act 1985, was undertaken for 6-weeks during November and December 2020.

The survey was sent to over 3,500 tenants and leaseholders with the majority (82%) of respondents being broadly supportive of the Council's proposal.

In light of this strong overall support from residents, this report seeks approval to proceed with bringing the Housing Management and Asset Management services back in house and the procurement of third party contractor(s) to deliver the Housing Repairs and Maintenance works and services from 1 April 2022 when the existing contract with New Vision Homes expires. The recommended model will provide the Council with an opportunity to re-position the housing service with the aim of improving a broad range of outcomes for over 3,800 households (tenants and leaseholders). In addition, the Council would anticipate making net savings of circa £135,000 per annum, which can be directed towards service improvement and investment in the Council's housing stock.

Recommendations

The Executive is requested to:

RECOMMEND TO COUNCIL That

the proposal to bring Housing Management and Asset Management services back in-house and procure Housing Repairs and Maintenance works and services through third party contractors from 1 April 2022 be approved.

Reasons for Decision

Reason: To determine and agree the future delivery model for the Council's Housing and Maintenance service after the end of the current contract with New Vision Homes on 31 March 2022.

The item(s) above will need to be dealt with by way of a recommendation to Council.

Background Papers:	Sustainability Impact Assessment Equality Impact Assessment
Reporting Person:	Louise Strongitharm, Director of Housing Email: louise.strongitharm@woking.gov.uk, Extn: 3599
Contact Person:	Hazel Craig Waller, Resident Services Contract Manager Email: hazel.craig-waller@woking.gov.uk, Extn: 3802
Portfolio Holder:	Councillor Debbie Harlow Email: cllrdebbie.harlow@woking.gov.uk
Shadow Portfolio Holder:	Councillor Liam Lyons Email: cllrliam.lyons@woking.gov.uk
Date Published:	29 January 2021

1.0 Introduction

1.1 In 2012, New Vision Homes (NVH) was appointed to deliver the Housing Management and Maintenance Services Contract on behalf of the Council. Initially, this was for a period of 5 years, with an option to extend for a further 5 years, which was exercised in 2017. There is no further option to extend beyond March 2022.

1.2 The existing contract with NVH has approximately 15 months remaining and it is necessary to decide the future approach to service delivery of housing management and maintenance services, so that due process can commence immediately.

1.3 At the meeting of Council on 15 October 2020, various options for the future of the service were considered. The Council resolved that:

(i) approval be given to the preferred approach of Housing Management and Asset Management Services being brought back in-house and housing repairs and maintenance works and services being procured through third party contractors (Option 2) from 1 April 2022, subject to tenant and leaseholder consultation;

(ii) the Director of Housing, in consultation with the Portfolio Holder for Housing, be authorised to take such decisions as may be necessary to facilitate the process of transition to a new model of Housing Management and Maintenance Service, including any decisions around procurement timing and approach;

(iii) the Director of Housing, in consultation with the Head of Legal and Democratic Services and the Portfolio Holder for Housing, be authorised to undertake the statutory tenant and leaseholder consultation, as determined by s.105 of the Housing Act 1985 and s.20 of the Landlord and Tenant Act 1985 (as amended by s.151 of the Commonhold and Leasehold Reform Act 2002) as necessary, regarding the future of the Housing Management and Maintenance service post 31st March 2022; and

(iv) following the statutory consultation and engagement process, a report on the outcome is brought back to the Executive and Full Council in February 2021 to inform the final decision on the future of the Housing Management and Maintenance Service.

1.4 This preferred approach will provide the Council with an opportunity to re-position the housing service with the aim of improving a broad range of outcomes for over 3,800 households (tenants and leaseholders). In addition, the Council would anticipate making net savings of circa £135,000 per annum, which can be directed towards service improvement and investment in the Council's housing stock.

1.5 This report seeks to provide an update following the statutory consultation (as determined by s.105 Housing Act 1985) and approval to proceed with implementation of the preferred approach.

2.0 Stakeholder Engagement: Statutory Consultation s.105, Housing Act 1985

2.1 Section 105 (s.105) of the Housing Act 1985 provides that:

(1) A landlord authority shall maintain such arrangements as it considers appropriate to enable those of its secure tenants who are likely to be substantially affected by a matter of housing management to which this section applies:-

(a) to be informed of the authority's proposals in respect of the matter, and

(b) to make their views known to the authority within a specified period;

and the authority shall, before making any decision on the matter, consider any representations made to it in accordance with those arrangements.

2.2 Following the Council's decision in October 2020, a 6-week consultation period was undertaken, as this was deemed to be proportionate and reflected the nature and impact of the preferred proposal, allowing tenants and leaseholders sufficient time to respond. The consultation commenced on 10 November 2020 and ended on 20 December 2020.

2.3 Within this period, tenants and leaseholders were consulted on the preferred approach (as agreed at the October 2020 Executive and Council) to take back responsibility for the delivery of Housing and Asset Management services and directly outsource the Repairs and Maintenance services.

2.4 *Appendix 1* contains a copy of the letter sent.

Methodology

2.5 Whilst undertaking the consultation, officers ensured that the form of consultation was accessible and clear, and used different channels of delivery, including letter, email and text messages. The methods used complied with national and local guidance in relation to the Covid-19 pandemic.

2.6 In addition, a dedicated eForm on the Council's website and email address were created to capture respondents' comments in a quick and easy format, which were well used.

2.7 To ensure the maximum response rate, a text message reminder was sent to tenants and leaseholders using the Council's new software system (OPENHousing), which generated a number of additional responses.

2.8 The letter was sent to circa 3,500 residents who will be impacted by the suggested proposal for the future of the Housing Management and Maintenance Service. At the close of the consultation period, the Council received 108 responses (3% return rate).

Response analysis

2.9 The majority of respondents (65%) explicitly supported the Council's preferred option and proposal post April 2022, whilst just 1.9% explicitly opposed and 4.6% remained neutral. As the consultation was a general and open request for comments, there were some responses where the Council's proposal was not directly or explicitly addressed. In these instances, Officers have categorised the responses on the balance of the content contained in the response (i.e. whether positive or negative towards the current service provision). In total, (82%) of respondents were broadly supportive of the Council's proposal.

Feedback response	Number of responses	%
Fully Support	70	64.8
Indirect/Implied Support	19	17.6
Neutral	5	4.6
Indirect/Implied Opposed	6	5.6
Opposed	2	1.9
Undefined response	6	5.6
TOTAL	**108**	**100.0**

Key Themes and Trends Identified

2.10 There were a number of themes and trends identified from the responses, which are summarised in the table below:

Key Themes in Order of Frequency Raised	**High Level Detail**
1. Resident Involvement and Engagement	The general consensus is that residents would like the Council to deliver an efficient and effective service to residents, ensuring they are included in decision making and provided with support when they encounter issues, rather than being passed between organisations, departments and teams.
2. Repairs and Maintenance	One of the key themes in responses was around the repairs service having deteriorated in recent years, specifically operatives didn't have a "first time fix" mentality and in certain cases jobs would be left for weeks, months and even years with no resolution. On a positive note, some had confirmed (in particular newer tenants) that Breyer Group had provided a better and more positive experience than with previous contractors.
3. Communication	Residents reported that initial contact with New Vision Homes was satisfactory. However, once issues were logged, communication appeared to lessen and the onus was on residents to contact New Vision Homes, Breyer and TSG. Residents feel that responsiveness needs to improve as they need to constantly chase for updates and still receive limited success when doing so. It was noted that residents would welcome closer interaction with the Council.
4. Value for money	Residents believe bringing the service in house will ensure the Council will receive better value for money.
5. Grounds maintenance	Cleaning in the communal areas is generally well received. Most felt it has improved over the last year or so and it is now of an acceptable standard. The external estate management service met with less positive feedback. Residents continue to be unclear as to who is responsible for which external estate management service.
6. Dealing with anti-social behaviour (ASB)	A small percentage of residents specified issues relating to ASB that had not been addressed, which affected the enjoyment of their property.

2.11 Longstanding tenants, in particular, expressed their support and welcomed the Council's proposal to work more closely with tenants to provide a holistic approach with its other housing services.

2.12 Those that opposed the Council's proposal cited concerns over the Council's ability to match the service provided by New Vision Homes, which they considered to be of a good standard.

2.13 It is also worth noting that there were a number of responders who praised the work of New Vision Homes. However, these respondents were not averse to seeing a change.

2.14 The responses received contained a wealth of feedback and suggestions, not all pertaining to the consultation proposal. However, it has provided a good insight into what tenants would like the Council to consider in the longer term, such as the possibility of creating a Direct Labour Organisation (DLO) in the future.

Summary and Main Points

2.15 It is clear from the results of the consultation, that there is strong support for the Council's proposal to bring the Housing Management and Asset Management service back in-house and outsource the Repairs and Maintenance service in the short to medium term.

2.16 Comments from residents stated their appreciation at being included in this decision making process, which was particularly positive given the Council's re-stated commitment to increasing resident engagement and involvement.

2.17 The results of the s.105 consultation align with those of the 'Annual Tenant and Leaseholder Survey' carried out in early 2020. With a higher response rate of 19%, the annual survey also showed that the majority of residents would like the Council more heavily involved in delivering their Housing Services in the future.

2.18 The results of the 2020 survey, coupled with the s.105 consultation, will not only feed into our plans for the wider development and improvement of our future housing services, but importantly will also serve as a conduit and first step in re-building the Council's relationship with its tenants and leaseholders.

3.0 Next Steps

3.1 Following the consultation, the recommendation is that the Council proceeds with the preferred approach agreed in October 2020 with Housing Management and Asset Management Services being brought back in-house and housing repairs and maintenance works and services being procured through third party contractors from 1 April 2022.

3.2 This will provide the Council with an opportunity to re-position the housing service with the aim of improving a broad range of outcomes for over 3,800 households (tenants and leaseholders). There are expected savings associated with returning Housing Management and Asset Management Services in-house. The savings will be achieved from profit and overheads currently payable under the NVH contract, although these savings will be partly offset by loss of commercial rental income (for NVH office space) and an expected increase in repairs/maintenance costs. Nevertheless, a net annual saving of circa. £135,000 per annum is considered achievable, which can be directed towards service improvement and investment in our housing stock.

3.3 The Director of Housing, supported by a Project Delivery team, will oversee and plan for a smooth period of transition and in the longer term, a more fundamental transformation of the service, if the Council decides to formally adopt this preferred option. There will need to be due diligence conducted on the commercial activities that NVH are engaged in, to ensure any contractual obligations are accounted for and correct notices are served.

3.4 Following the end of the 'Transition Period' to leave the European Union, public procurement regulations will be affected after 31 December 2020. Public Procurement Note (PPN) 10/20, details the main change to the existing public procurement regulatory regime as follows:

'…from 23:00 on 31 December 2020, new UK public procurement opportunities will need to be published on the UK e-notification service called Find a Tender Service (FTS). The FTS means new UK opportunities will no longer be sent to the Official Journal of the European Union (OJEU) or Tenders Electronic Daily (TED).'

3.5 Officers have secured the services of a consultant, Primary Business Support, to assist in the Procurement of the necessary contracts. A total of 24 contracts have been identified that need to be in place for 2022/23 (although not all of them are needed on 1 April 2022). Work is well advanced in identifying contract values to establish the correct route for procuring as directed by Public Procurement Note (PPN) 10/20 (see 4.2) and prioritising the order in which these contracts are tendered.

3.6 Following the decision by Council, work will commence on the specifications for the three major contracts - responsive repairs (including voids), gas installation and servicing and disabled adaptations. Smaller contracts are being reviewed to combine (where appropriate) and to see whether there is potential for joint working with neighbouring local authorities.

3.7 The Council is already planning a proactive communication and engagement programme with tenants and leaseholders. A regular newsletter is due to roll out within the coming weeks to keep residents updated on various housing initiatives, including the NVH service transition. Tenants and leaseholders were also asked if they would be interested in a more active role in shaping housing services during the 2020 survey. Over 150 volunteers came forward and these will be followed up with a view to creating a representative panel for tenants and leaseholders (building on the existing Resident Operations Board). This approach aligns with the recent Social Housing White Paper, which places the tenants' voice at the heart of Housing Services, as well as, contributing to the Council's restated commitment to resident engagement.

4.0 Implications

Financial

4.1 Should approval be given, there will be a nominal amount of financial resources required to enable engagement with tenants and leaseholders and to secure specialist procurement support. It is anticipated that costs of employee resource will be absorbed within the current Housing Service budgets.

4.2 There are expected savings associated with returning Housing Management Services in-house. The savings will be achieved from profit and overheads currently payable under the NVH contract, although these savings will be partly offset by loss of commercial rental income (for NVH office space) and an expected increase in repairs/maintenance costs. Nevertheless, a net annual saving of circa. £135,000 per annum is considered achievable.

Human Resource/Training and Development

4.3 Prior to the transfer careful change management planning will be needed to make sure that all Council and NVH staff are well informed and supported both initially on transfer, but throughout the following transition period.

4.4 Initial presentations have been made to all staff affected, outlining the future plans. An agreed timetable of the process required will be agreed in consultation with the Head of HR as well as colleagues from New Vision Homes and their parent company, Pinnacle Group.

4.5 TUPE is likely to apply, and therefore at all stages, the process will comply with statutory regulations and staff and union consultation.

4.6 Currently, the number of NVH staff likely to be affected is circa. 28 and they will require a *formal* notice/consultation period of at least 45 days. The last possible date for this would be January 2022. However, it is our intention to commence this sooner.

4.7 Before the formal consultation, there is key existing information to be obtained from NVH and reviewed. This includes the exact numbers of employees to be transferred, job roles and descriptions and terms and conditions.

4.8 The TUPE process will be supported by the HR teams of both organisations.

Community Safety

4.9 None arising from this report.

Risk Management

4.10 An in-house Housing Management and Asset Management service offers the opportunity of merging the capacity and capabilities of both organisations and so strengthening the opportunities for deploying resources to improve outcomes for Woking residents. It is recognised that this approach may also result in the loss of some key employees with related knowledge, skills and experience, which will need to be mitigated and managed.

4.11 The Project Board will oversee risk management for the project.

Sustainability

4.12 None arising from this report. See separate 'sustainability assessment'.

Equalities

4.13 None arising from this report. See separate 'equality impact assessment'.

Safeguarding

4.14 None arising from this report.

REPORT ENDS

Copy of s.105 Consultation Letter

Dear

Consultation regarding the way that housing services will be delivered from 1st April 2022

The purpose of this letter is to seek your comments on our proposed approach to housing services from April 2022.

Woking Borough Council appointed New Vision Homes (NVH) to deliver housing management, repairs and maintenance services on behalf of the Council in 2012. The arrangement was initially for five years, but was extended for a further five years in 2017. The contract cannot be extended again and will end on 31 March 2022.

The satisfaction survey earlier this year told us a lot about the improvements tenants and leaseholders want to see. It showed that there was often confusion about who delivers what service and in particular, there was a strong feeling that the Council should be more heavily involved. The Council is committed to improving the service and ensuring we deliver an efficient service that meets local needs.

At its meeting on 15 October 2020, the Council agreed its preferred option for the service from April 2022, subject to tenant and leaseholder consultation. The preferred approach is to take back responsibility for the delivery of housing and asset management services by employing and managing these staff directly. Repairs and maintenance would still be delivered by third-party contractors, but overseen by the Council itself. The Council will make its final decision in February 2021.

Further details can be found here: www.woking.gov.uk/housing/changes-housing-services

The benefits of this option are:

- The Council will be responsible and accountable for all your housing services.
- There will be more flexibility to change services when needed.
- The Council will engage directly with tenants and leaseholders and involve you more in future service delivery.

The change is manageable with little disruption to services expected.

Small cost savings are anticipated, which can be directed towards service improvement and investment in our housing stock.

The Council still benefits from the technical skills of specialist repairs contractors, but with direct control over their performance.

The Council also considered putting in place another outsourced service (similar to the current arrangement with NVH) and employing its own repairs and maintenance workforce. However, the Council does not believe these to be the best options at the current time.

We would like to hear your views. We are required to undertake consultation with secure tenants who are likely to be substantially affected by a matter of housing management in specific circumstances and to consider any representations.

This requirement is contained in Section 105 of the Housing Act 1985 available on the Government's website www.legislation.gov.uk/ukpga/1985/68/section/105. This letter forms part of these requirements. However, we are also consulting leaseholders to ensure the greatest opportunity for all of our customers to comment.

If you would like to comment on the proposals, please use either of the following methods:

- By **e-form** via our website: **www.woking.gov.uk/hmst22**;
- By **email** to **HMST22@woking.gov.uk**;
- By **post** to Hazel Craig-Waller, Housing Services Team (HMST22), Woking Borough Council, Civic Offices, Gloucester Square, Woking GU21 6YL.

Your comments should be received by **Sunday 20 December 2020**. You should ensure that your comments include your name and address.

All responses received will be treated confidentially and if referred to in any subsequent report will be summarised and anonymised to protect the identity of those responding.

Yours sincerely,

Director of Housing

EXECUTIVE – 4 FEBRUARY 2021

TERMS OF JOINT STUDY ON THE FUTURE INFRASTRUCTURE REQUIREMENTS OF THE EAST OF WOKING

Executive Summary

At the Council meeting on 3 December 2020 it was resolved that 'Council calls for a joint study with other authorities and partners on the future infrastructure requirements of the east of Woking based on both current and future demand and that the terms of the study come to the next meeting of the Executive'. The report sets out what has already been done to assess the nature, type and scale of infrastructure to support the development identified in Byfleet and West Byfleet up to 2027 and the terms of what would be done to assess future requirements.

The Study will be done in two phases. The first phase will focus on updating four key infrastructure areas in the IDP – transport, education, flooding and health. These are the infrastructure areas that received significant number of responses during the consultation of the main modifications to the Site Allocations DPD. It is anticipated that this phase will be completed in April/May 2021. The second phase will cover the rest of the other infrastructure areas in the IDP. This will be completed in August 2021. The 2018 IDP will provide a robust foundation for the review.

Recommendations

The Executive is requested to:

RESOLVE That

(i) the infrastructure already identified to support the proposed development in the Site Allocations Development Plan Document (DPD) relating to Byfleet and West Byfleet, as set out in Appendix 1 to the report, be noted; and

(ii) the terms of the study to identify the future infrastructure requirements to support proposed development in Byfleet and West Byfleet be agreed.

Reasons for Decision

Reason: To enable the assessment of the infrastructure requirements to support proposed future development in Byfleet and West Byfleet.

The Executive has the authority to determine the recommendations set out above.

Terms of Joint Study on the Future Infrastructure Requirements of the East of Woking

Background Papers:	Infrastructure Delivery Plan (2018) Woking Core Strategy Site Allocations Development Plan Document (DPD)
Reporting Person:	Douglas Spinks, Deputy Chief Executive Email: douglas.spinks@woking.gov.uk, Extn: 3440
Contact Person:	Ernest Amoako, Planning Policy Manager Email: ernest.amoako@woking.gov.uk, Extn: 3427
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Date Published:	29 January 2021

Terms of Joint Study on the Future Infrastructure Requirements of the East of Woking

1.0 Introduction

1.1 This background provides the context of what the Council is required to do by national policy to identify the necessary infrastructure to support planned development, what it has done in accordance with the national policy and what it will do to meet the infrastructure needs to support future development in Byfleet and West Byfleet.

1.2 The Council, at its meeting on 3 December 2020, had before it a petition signed by 2,739 individuals that called for the 'withdrawal of modified Site Allocations Development Plan Document and resubmission of a new plan'. The petition was debated by Members and, whilst the concerns of residents were noted, Members resolved not to withdraw the Site Allocations Development Plan Document (DPD). The DPD has evolved over many years with significant community involvement. It was considered that its withdrawal at this stage will cause significant delay to its preparation with significant adverse implications for managing development across the Borough. The Site Allocations DPD is going through Independent Examination conducted by an Inspector of the Secretary of State. The Examination Hearings considered how the Council has identified the necessary infrastructure to support development, including development proposed in Byfleet and West Byfleet. The need for infrastructure to support the delivery of the allocated sites was a key discussion at the Hearings. The Council is expecting the Inspector's Report in due course.

1.3 The main modifications to the Site Allocations DPD was published for consultation between 18 September 2020 and 14 December 2020. The petition was submitted as a representation to the consultation and has been logged by the Council as a duly made representation, and together with all the other representations received during the consultation will be sent to the Inspector to be taken into account before he submits his Final Report. The Examination should be allowed to run its course to be able to assess the Inspector's conclusions on the issues raised during the consultation, including the release of Green Belt land. Members have called for 'a joint study with other authorities and partners on the future infrastructure requirements of the east of Woking based on both current and future demand and that the terms of the study come to the next meeting of the Executive'. If the Inspector was to find the Site Allocations DPD sound and legally compliant, the outcome of the Study will assist in delivering the proposed development. The report sets out the terms of the study with timescales for carrying it out.

1.4 A lot of work has been done by the Council to identify the infrastructure needed to support development identified in the Core Strategy and the Site Allocations DPD. National planning policy requires local plans to make provision for infrastructure to support planned development. The Council has an adopted Core Strategy and had prepared an Infrastructure Capacity Study and Delivery Plan in 2011 (IDP) to identify what infrastructure would be needed and how it can be funded and brought on-stream at appropriate time. This was scrutinised by the Secretary of State at the Examination of the Core Strategy and was considered by the Inspector as sufficiently robust. Whilst the IDP covered the period up to 2027, it was comprehensively reviewed only in 2018 to bring it up to date to inform the preparation of the Site Allocations DPD. The revised IDP was considered by the Woking Joint Committee at its meeting on 26 September 2018 and was well received. The revised IDP was a supporting evidence submitted to the Inspector as part of the Examination Documents for the Site Allocations DPD, and is considered robust and defensible. The IDP is on the website and can be accessed by this link: https://www.woking2027.info/ldfresearch/infrastructure/idp2018.pdf.

1.5 The 2018 IDP sets out the capacity of existing infrastructure and the impact of future development on that infrastructure including all the development proposals identified in Byfleet and West Byfleet. It also sets out the mechanisms in place to ensure that the additional infrastructure necessary to support the development is provided over the plan period. This includes the scale of the new infrastructure to be provided, by whom, how, at what cost and to what timescales.

1.6 The IDP has always remained a live document that is actively monitored and updated to ensure that it is robust and up to date as possible, taken into account changes in need, capacity and the availability of funding sources.

1.7 The IDP has been prepared with the active involvement of the relevant infrastructure providers and partners such as Surrey County Council, Environment Agency, Thames Water, Affinity Water, Thameswey Group and Surrey Police Authority. All neighbouring authorities were consulted and their comments taken into account before the IDP was finalised. The list of partners involved in its preparation is listed in the IDP for reference (see pages 33 – 34 of the IDP). The IDP is informed by a number of technical evidence base studies (see pages 30 – 32 of the IDP).

1.8 It should be noted that there could be other specific infrastructure over and above what is identified in the IDP that might be secured through Section 106 Agreement when specific proposals come forward for development. Attention is drawn to the key requirements of the proposals in the Site Allocations DPD. They set out the potential site specific infrastructure requirements that will make the development of the sites acceptable.

2.0 List of infrastructure identified in the IDP to support proposed development in Byfleet and West Byfleet up to 2027

2.1 Appendix 1 is an extract from the 2018 IDP listing the infrastructure already identified to support the proposed site allocations in Byfleet and West Byfleet. As can be demonstrated, a lot of work has been done to assess the necessary infrastructure that will be required to support development in Byfleet and West Byfleet, how they will be provided, by whom, at cost and by what timeframe. This covers transport, education, green infrastructure, health, flood alleviation, open space, social and community infrastructure, public service and utilities. This work was done in 2018 and was considered by the Woking Joint Committee before it was published. The IDP was well received by the Joint Committee. The IDP was submitted to the Inspector conducting the Examination of the Site Allocations DPD as supporting evidence. The Council has committed to the bi-annual review of the IDP, and that work has just begun. The Study requested by Council will form part of this work.

3.0 Terms of the study on the future infrastructure requirements of the East of the Borough

3.1 The study will comprise of a comprehensive review of the 2018 IDP with an extract setting out the specific infrastructure requirements to support development proposals in Byfleet and West Byfleet. The Study will cover – the policy context for the study, the partnership and governance arrangements for the study, standards to identify existing deficiencies (surplus) and to identify requirements, likely impacts of development planned including anticipated demographic, social, and green infrastructure, and infrastructure delivery plan and validation. The Director of Planning will oversee the Study.

3.2 The Study will be done in two phases. The first phase will focus on updating four key infrastructure areas in the IDP – transport, education, flooding and health. These are the infrastructure areas that received significant number of responses during the consultation of the main modifications to the Site Allocations DPD. It is anticipated that this phase will be completed in April/May 2021. The second phase will cover the rest of the other infrastructure areas in the IDP. This will be completed in August 2021. The 2018 IDP will provide a robust foundation for the review.

3.3 The work will be done in-house. Officers will work in partnership with all the relevant infrastructure providers and neighbouring authorities to carry out the Study. Byfleet and West Byfleet both have Neighbourhood Forums. Officers will ensure that they are consulted at key stages of the Study. The Study will be informed by various technical studies and up to date information provided by the relevant infrastructure providers. The outcome of the Study will be reported to the LDF Working Group, the Joint Committee and Executive.

4.0 Implications

Financial

4.1 The cost of carrying out the Study will be met from existing Planning Policy Service Plan budget and approved Investment Programme.

Human Resource/Training and Development

4.2 No additional human resource/training and development implications.

Community Safety

4.3 There are no community safety implications.

Risk Management

4.4 The delivery of the proposals in the Site Allocations DPD should be informed by up to date assessment of the necessary infrastructure to support the development. It is important that this is regularly reviewed to bring it up to date.

Sustainability

4.5 There are no specific sustainability impacts associated with reviewing the IDP. It should be noted that the outcome of the study will help to ensure the sustainable delivery of future development.

Equalities

4.6 There are no specific equalities implications.

Safeguarding

4.7 There are no safeguarding implications.

5.0 Consultations

5.1 The Portfolio Holder for Planning has been consulted.

REPORT ENDS

Infrastructure Capacity Study and Delivery Plan (IDP) – Extracts of infrastructure identified to support proposed development in West Byfleet and Byfleet from the 2018 IDP

Purpose: the IDP assesses the likely impact of growth foreseen in Woking 2027 (the Development Plan for the area) on the Borough's physical, social and green infrastructure. It sets out the mechanisms in place to ensure that the additional infrastructure necessary to support new development is provided over the plan period. It is a living document and is updated as ongoing cooperation with infrastructure and service providers takes place.

The following provides a summary of infrastructure needs identified in the West Byfleet and Byfleet ('the Byfleets') area to support new development, from the latest IDP (published April 2018). However, it should be recognised that some larger schemes identified to meet development growth elsewhere in the Borough may have repercussions for infrastructure capacity in this locality, for example transport infrastructure schemes which may ease congestion on the wider network; and flooding infrastructure schemes which may reduce flood risk elsewhere in the catchment area.

Transport and accessibility

- Woking's Local Transport Strategy (LTS) and Forward Programme (last updated in 2018) supports the growth set out in the Core Strategy and provides a programme of transport infrastructure required to deliver this growth. Schemes planned for the Byfleets area to improve transport and accessibility infrastructure capacity include:
    - Woking east Quality bus corridor improvements – Byfleet/Sheerwater corridor: reliability measures including bus priority and junction improvements; improvements/enhancements to existing bus stops and smarter ticketing technology;
    - Access to and from West Byfleet railway station via all modes including bus integration, cycling, car parks and walking, to improve accessibility and encourage more sustainable modes of travel choices;
    - West Byfleet one-way system improvements, including pedestrian and cycle access to the station; bus stop locations around the railway station; routeing of buses;
    - High quality cycle route on A245 from Byfleet to Pyrford Common;
    - Signed cycle route from West Byfleet to join new cycle infrastructure at Wisley.

  Potential funding sources included Local Enterprise Partnership funding, WBC / SCC funding, developer contributions via S106 Agreement or Community Infrastructure Levy (CIL) (see below), and from providers such as bus operators and Network Rail.

- West Byfleet District Centre was identified as an area of the Borough most likely to be affected by proposed residential and commercial development envisaged by the Core Strategy. Whilst significant highway infrastructure improvement measures on the road network were not considered necessary, the 2010/11 Transport Assessment concluded that some highway capital schemes at key junctions and other sensitive locations would be required to manage additional demand caused by planned development, to manage and improve journey time reliability and ensure congestion did not become more acute. Further studies have since been undertaken to support the preparation of the Site Allocations DPD, to assess the capacity of the A245 corridor to accommodate growth from proposed development in the Byfleets area. The proposed mitigation measures are not of such a scale that they require safeguarding of land in the Site Allocations DPD, but are included as priorities in the Council's Regulation 123 List for attracting CIL funding; and can be subject to other funding mechanisms. They include:

    - West Byfleet one-way system improvements, including pedestrian and cycle access to the station;
    - Bus stop locations around West Byfleet railway station and routeing of buses;
    - A245 cycle and pedestrian improvements, including A245 Parvis Road cycle route between West Byfleet and Byfleet.

- Further transport modelling analysed the capacity of transport infrastructure to accommodate growth from committed and planned development in the Core Strategy, plus 592 dwellings on Green Belt land at West Byfleet. Impacts were identified the A245 Parvis Road as likely to require mitigation to facilities any new development in the Byfleets area, via 'hard' (e.g. engineering measures) or 'soft' (travel plan implementation encouraging travel by sustainable modes) measures, or a combination of both. Subsequently, key requirements written into policies allocating land located in the Byfleets area require developers to conduct detailed Transport Assessments/Transport Statements and Travel Plans to further assess impacts on transport infrastructure and identify appropriate mitigation measures (see Appendix 1 below). Target areas include:
    - A245 Parvis Road / Byfleet corridor;
        - Chertsey Road roundabout
        - Brooklands Road roundabout
    - A245 Byfleet Road / B365 Seven Hills Road junction;
    - A245 Parvis Road / Camphill road junction.

  Developer contributions would be sought to implement identified mitigation measures.

- Highways England note that it is unlikely that the majority of development foreseen in the Site Allocations DPD will result in a significant impact on the Strategic Road Network, but would welcome the opportunity to be consulted at the development management stage should development come forward on land surrounding West Hall, West Byfleet, and Broadoaks, Parvis Road.

- Highways England have progressed with the M25 junction 10 / A3 interchange scheme. Should this receive consent, it is thought that the scheme would result in secondary beneficial impacts on reducing congestion on the A245 corridor, improving infrastructure capacity in this area.

- Investment in cycling infrastructure is an important part in the area's strategy for accommodating additional movement generated by substantial development growth. A Local Cycling and Walking Infrastructure Plan for Woking will identify more detailed capacity issues on the sustainable transport infrastructure network, and identify priorities for cycling and walking investment.

Early Years, Primary and Secondary Schools

- Surrey County Council uses a model to forecast future school place provision. Byfleet and West Byfleet is one of five individual 'primary planning areas' in the Borough. SCC's forecasts take into account the number of pupils likely to be generated by planned development (figures are supplied to SCC by WBC on a biannual basis).

- It is forecast that demand for primary places, whilst significantly above levels recorded in 2010, will stabilise. Since the adoption of the Core Strategy, bulge classes and permanent expansions have been commissioned at a number of schools across the Borough to meet rising demand, including at Pyrford Primary School, West Byfleet Infant School, West Byfleet Junior School and Byfleet Primary School.

SCC intends to continue to meet future primary school demand predominantly through expansion in admission numbers rather than through building new schools.

- It is recognised that the Byfleet and West Byfleet primary school planning area will be affected by additional need for school places generated by new housing. The School Commissioning Team at SCC will continue to work with WBC to identify future projects which will attract developer contributions. A key requirement has been included in the policy allocating land at surrounding West Hall to consult with SCC in conducting an up-to-date assessment of education infrastructure needs, when a development proposal comes forward (which, for example, will give a clearer idea of housing types and mix, which affects pupil numbers).

- Woking Borough is a single secondary school place 'planning area' – as secondary schools have a wider geographical intake. Forecasts indicate that the demand pressures experienced in primary schools is now moving into the secondary sector. Capacity has been improved through permanent expansions at several schools. In order to improve capacity to meet future need, including that generated by planned development in the Byfleets area, SCC has built in a future option to expand Bishop David Brown by a further 2FE (300 pupils) and Chertsey High School will reach full capacity of 900 students by September 2021 (thus easing pressure on Fullbrook School).

- Policies of allocated sites in the Byfleets area set out where development is expected to pay CIL. CIL is the primary means of securing developer contributions towards infrastructure provision, including primary, secondary and early years education infrastructure. WBC continues to work with SCC to identify projects to support future housing development. The existing Regulation 123 list sets out how 19 primary school classrooms, 13 secondary school classrooms and early years provision will be prioritised for CIL funds secured through planning approval. Updated calculations in the 2018 IDP indicate that up to 22 additional primary classrooms and 16 additional secondary classrooms will be required to accommodate needs generated by housing to 2027. WBC is working with SCC to identify specific projects, and this will take into account the distribution of housing in the Byfleets area.

<u>Health</u>

- Clinical Commissioning Groups (CCG) are responsible for commissioning healthcare facilities to meet the needs of the population. In terms of primary healthcare provision, West Byfleet Health Centre has limited capacity to meet future needs generated by additional development as each of the three general practices are heavily subscribed. Whilst there is capacity at surrounding health centres that can help meet the needs of development growth in the Byfleets area, the Council continues to engage with the Estates team at the CCG to understand how needs of a growth population can best be met. This must take into account the changing models of service delivery (for example through new digital technology allowing for online GP consultations to relieve pressure on local GP practices) and national shift towards preventative healthcare. Dialogue with the CCG continues, to determine whether there is justification to use CIL income to help fund healthcare infrastructure to accommodate development growth.

<u>Social and Community Infrastructure</u>

- A site has been allocated in the Byfleets area at Broadoaks, Parvis Road, to include accommodation to meet the needs of the elderly.

- The Borough is well-served by a range of community facilities, but some of these facilities would benefit from refurbishment or redevelopment in order to meet demand generated by future development. In the Byfleets area, the following community facilities are identified as requiring improvement:
    - Byfleet Cricket Club;
    - Library facilities – land at Station Approach and in Byfleet has been allocated in the Site Allocations DPD for mixed-use development to include new, replacement libraries to serve the growing community;
    - Camphill Club and Scout Hut, Camphill Road - the site has been allocated in the Site Allocations DPD for replacement community facilities as part of a mixed-use scheme.

- Woking's Playing Pitch and Outdoor Facilities Strategy 2017-2027 assesses whether there is enough infrastructure to meet future demand for participation in sport (football, cricket, rugby, hockey, tennis, bowls), generated by people moving into new housing in the Borough. The study concludes that improving the capacity of existing facilities will be necessary, by improvements to pitch quality and/or changing facilities; securing access to existing pitches which currently do not have community use; marking out pitches on currently unused areas of existing playing field sites; providing artificial grass pitches, and through better scheduling of matches and flexibility in kick-off times. The accompanying Action Plan identifies potential capacity improvements at Byfleet Recreation Ground, West Byfleet Recreation Ground, Byfleet Cricket Club, West Byfleet Junior School, Byfleet Lawn Tennis Club, St Mary's Primary School and the Marist Primary School. Land surrounding West Hall, Parvis Road, is identified as having potential to provide new, formal sports pitches. It is expected that some of the potential infrastructure will be funded wholly or partly by developer contributions in the form of S106 agreements and/or through CIL, in addition to other funding mechanisms.

- The IDP cites the West Byfleet Neighbourhood Plan which highlights a shortage of capacity of non-faith meeting facilities, such as a village hall. Policies within the Plan support the delivery of new and improved social and community facilities to meet growing demand, and list various projects which the community element of CIL will be spent on. The Plan highlights the need to seek additional developer contributions from future housing development within the Neighbourhood Area, to improve any community and social facilities affected by growth directly caused by such development.

- The IDP recognises the need to improve the public realm as part of any redevelopment of Sheer House, West Byfleet.

Public services

- A new Surrey Waste Local Plan is being drafted to ensure land is available so that sufficient waste management facilities can be provided to manage future needs (to 2033) across Surrey. The largest proportion of extra capacity is provided by new facilities on allocated sites – the proposed sites are elsewhere in the county. A proportion of additional capacity is provided by new facilities on unallocated sites, and through intensification and enhancement of sites in existing waste use. In the Byfleets area, Byfleet Industrial Estate and Camphill Road Industrial Estate have been identified as having potential for waste management or waste-related development facilities to serve future needs. Outside of the Byfleets area, but serving residents within the area, land at Martyrs Lane is retained as an allocated site for waste infrastructure development. Updates will be given in future IDP reviews once the final plan is adopted.

- Surrey Police identify a need for 2 additional police officers serving the Byfleet, West Byfleet and Pyrford area to serve needs generated by planned development. Subject to these requirements being defined as infrastructure in accordance with the Planning Act 2008, WBC will maintain a dialogue with Surrey Police to determine if CIL income can be used to deliver police infrastructure (in addition to other funding streams such as Council Tax derived from new housing).

Utilities

- Adequate capacity exists to meet the projected new demand for gas and electricity from new development in Woking. Needs tend to be planned for and scheduled at the planning application stage rather than site allocation stage, when it is clear that new loads will need to be connected to the network. If enhancement or provision of additional infrastructure is required to serve new development, a financial contribution will be sought at planning application stage.
- There is potential for development at sites in the Byfleets to be supplied by new decentralised energy and distribution infrastructure to meet future energy needs – key requirements have been included in the relevant site allocation policies highlighting this potential.

- Local network reinforcements are likely to be needed to meet demand for water supply from new development sites in West Byfleet. Early consultation with Affinity Water is recommended.

- Thames Water anticipates that sewage treatment infrastructure will require improvements to accommodate expected population/housing growth. Funding is secured through OFWAT to enable such works, which are included in Thames Water's Business Plan. In addition, key requirements have been included in the policies of site allocated in the Byfleets, where Thames Water has indicated that early consultation is necessary to establish the development's demand for wastewater infrastructure and to secure any improvements where capacity constraints are identified. Land at Station Approach, and land surrounding West Hall, in West Byfleet, are two sites where upgrades to the existing drainage infrastructure are likely to be required and where developers will need to provide a detailed drainage strategy, as well as commitments to implement any mitigation measures.

Flood alleviation

- Existing and future residents in the Byfleets area will benefit from the Byfleet Flood Alleviation Scheme, planned to provide flood defences at Sanway Road, Booklands Road and Wey Road.

- Sites have been allocated using a sequential test as advocated in national planning policy – where development is directed towards areas of lower flood risk. Where any part of the site falls within Flood Zone 2 and/or 3 (such as land at Broadoaks, Parvis Road; and the Library, 71 High Road, Byfleet), key requirements have been included in the site allocation policy to ensure built development is focused in the part of the site at lower risk.

- Key requirements have also been included in site allocations within or adjacent to areas at risk of flooding – as identified by the Strategic Flood Risk Assessment –

requiring detailed Flood Risk Assessments be submitted at planning application stage to demonstrate that the development will not increase flood risk elsewhere, or exacerbate the existing situation from all sources of flooding, taking into account the impacts of climate change (see Appendix 1).

- The IDP recognises that sites may also be subject to other sources of flooding, such as pluvial flooding (surface water run off). Where a site, or part of a site, falls within the 'high risk' area for surface water flooding – assessed using Environment Agency data – key requirements have been included in site allocation policies to ensure surface water drainage strategies are submitted at planning application stage (see Appendix 1).

Green infrastructure

- Green infrastructure to support growth will be a product of both increased provision of dedicated space, as well as enhancing the quality of existing sites and supporting the functionality of the wider environment.
- Residential proposals, including those planned in the Byfleets, will be expected to mitigate against the impact of development on natural and semi-natural greenspace such as the Thames Basin Heaths Special Protection Area through developer contributions secured against any planning permission. The Community Infrastructure Levy is the primary means of securing developer contributions towards Suitable Alternative Natural Greenspace (SANG) infrastructure in the Borough. Existing SANGs have capacity to provide mitigation against impacts of development until around 2022, after which, additional SANG is required. Land has been allocated in the Byfleets to provide around 15.43ha of natural greenspace – mitigation for approximately 799 dwellings. Proposal sites in the Byfleets area will also fall within catchment areas of SANGs proposed in other areas of the Borough.

- New residential development will put pressure on existing play and teenage provision in the Borough. Facilities in the Byfleets have been identified that require capacity improvements; and parts of West Byfleet and Byfleet have been identified as areas requiring new place space. New developments are expected to provide on-site provision where appropriate, in accordance with Fields in Trust benchmarks (paragraph 15.88 of the IDP). In this regard, new play facilities should be incorporated into the design of development on land surrounding West Hall, in West Byfleet. A financial contribution through S106 or CIL towards improvement of an existing play space may be sought in lieu of on-site provision for larger-scale play spaces, or where existing play space lies within walking distance of a proposed development.

- Any development of the land surrounding West Hall is required to incorporate significant elements of green infrastructure to meet needs. Detailed policy requirements have been included in the draft site allocation.

- Funding for open space is included on the CIL Regulations 123 List. Where relevant, new development coming forward in the Byfleets area will be expected to contribute to open space infrastructure via CIL or S106 contributions to improve capacity as identified in the IDP, Natural Woking and Woking's Playing Pitch and Outdoor Facilities Strategy 2017-2027.

APPENDIX 1: KEY REQUIREMENTS INCORPORATED INTO SITE ALLOCATION POLICIES IN THE BYFLEETS AREA TO IMPROVE INFRASTRUCTURE CAPACITY

Site allocation ref (latest version)	**Site address**	**Allocated uses**	**Development of the site will be required to improve infrastructure capacity through the following 'key requirements':**							
			Transport and accessibility	**Education**	**Health**	**Social and community infrastructure**	**Public services**	**Utilities**	**Flood alleviation**	**Green infrastructure**
UA1	Library, 71 High Road, Byfleet	Mixed-use comprising residential and community uses, including a replacement library	Transport Statement to identify any impacts and set out mitigation measures			Providing a replacement community library			Flood risk assessment to identify any impacts and set out appropriate mitigation measures	Contribution towards Suitable Alternative Natural Greenspace via CIL payment
			Appropriate car and cycle parking infrastructure							Proportionate on-site measures to support biodiversity and green infrastructure enhancement
UA38	Camphill Tip, Camphill Road, West Byfleet	Industrial use	Transport Assessment to identify any impacts and set out mitigation measures, including highways improvements along Camphill Road.					Consider potential wastewater network capacity constraints (early consultation with water and sewerage undertaker advised)	Flood risk assessment to identify any impacts, taking into account location in surface water flood risk area, and setting out appropriate mitigation measures	
			Travel Plan to minimise car use of prospective occupants						Detailed surface water drainage design incorporating sustainable drainage systems	
			Appropriate car and cycle parking infrastructure							
UA39	Car park to east of Enterprise House, adjacent Social Club, Station Approach, West Byfleet	Mixed-use comprising retail and residential uses	Transport Assessment to identify any impacts and set out mitigation measures							Contribution towards Suitable Alternative Natural Greenspace via CIL payment
			Travel Plan to minimise car use of prospective occupants							Proportionate on-site measures to support biodiversity and green infrastructure enhancement
			Appropriate car and cycle parking infrastructure							
UA40	Land at Station Approach, West Byfleet	Mixed-use comprising community, office, retail and residential uses	Transport Assessment to identify any impacts and set out mitigation measures			Providing a replacement community library		Early consultation with water and sewerage undertaker to identify any constraints on capacity	Detailed surface water drainage design incorporating sustainable drainage systems	Contribution towards Suitable Alternative Natural Greenspace via CIL payment
			Travel Plan to minimise car use of prospective occupants			Public realm improvements				Proportionate on-site measures to support biodiversity and green infrastructure enhancement
			Appropriate car and cycle parking infrastructure							
			Enhance pedestrian and greenspace connectivity							
UA41	Camphill Club and Scout Hut, Camphill Road, West Byfleet	Residential and community uses	Appropriate car and cycle parking infrastructure			New, replacement community facility				Contribution towards Suitable Alternative Natural Greenspace via CIL payment
										Proportionate on-site measures to support biodiversity and green infrastructure enhancement
GB9A and GB9	Land surrounding West Hall, Parvis Road, West	Residential use and green infrastructure	Contribute to provision of essential transport infrastructure necessary to mitigate the	Up-to-date assessment of education needs arising from				Wastewater drainage strategy to consider wastewater network	Flood risk assessment to identify any impacts, taking into account site's location	Significant new and enhanced elements of green infrastructure

Site allocation ref (latest version)	Site address	Allocated uses	Development of the site will be required to improve infrastructure capacity through the following 'key requirements':							
			Transport and accessibility	**Education**	**Health**	**Social and community infrastructure**	**Public services**	**Utilities**	**Flood alleviation**	**Green infrastructure**
	Byfleet		impacts of development, informed by a Transport Assessment	development and contribute towards provision of essential infrastructure to mitigate any identified impacts of development				capacity constraints, impact on network and inform any necessary upgrades to existing drainage infrastructure (early consultation with water and sewerage undertaker advised)	adjacent to Flood Zone 2 and 3, and setting out appropriate mitigation measures	
			Enhanced pedestrian and cycling links						Detailed surface water drainage design incorporating sustainable drainage systems	Strengthen woodland, traditional orchard and parkland setting
			Improved bus services and access to bus stops							New or improved open space for leisure and recreation
			Appropriate car and cycle parking infrastructure							Improve connectivity to green infrastructure network, including Wey Navigation
			Travel Plan to minimise car use of prospective occupants							
GB10	Broadoaks, Parvis Road, West Byfleet	Mixed-uses comprising office and research, and residential uses	Contribute to provision of essential transport infrastructure necessary to mitigate the impacts of development, informed by a Transport Assessment			Care home and assisted living accommodation		Wastewater drainage strategy to consider wastewater network capacity constraints, impact on network and inform any necessary upgrades to existing drainage infrastructure (early consultation with water and sewerage undertaker advised)	Flood risk assessment to identify any impacts, and setting out appropriate mitigation measures	Significant elements of new and improved green infrastructure, and connections to wider green infrastructure network
			Appropriate car and cycle parking infrastructure						Detailed surface water drainage design incorporating sustainable drainage systems	
			Enhanced pedestrian and cycling links							
			Bus stop improvements							
GB12	Byfleet SANG, land to the south of Parvis Road, Byfleet	Suitable alternative natural greenspace (SANG)	Pedestrian and cycling links to improve access to the site						Sustainable drainage measures and flood attenuation and floodplain storage within the landscape	15.43ha of SANG to be used as informal public recreation space
									Flood risk assessment to inform site design	Improve connectivity of habitats within site and to wider green infrastructure network

Note: if required, safeguarded site references GB4 and GB5 are anticipated to come forward outside the IDP period (after 2027) and are therefore not included in the infrastructure capacity assessment. Any policy key requirements for development would be set out as part of an updated Core Strategy and/or Site Allocations DPD.

Note: the reasoned justification of allocation policies sets out where development will be liable to pay the relevant Community Infrastructure Levy (CIL) – the primary means of securing developer contributions towards infrastructure provision - and where justified, additional site specific measures via planning obligations. The CIL fund is used to deliver infrastructure to support development, including transport, SANG, education and open space schemes.

EXECUTIVE – 4 FEBRUARY 2021

MONITORING REPORTS - PROJECTS

Executive Summary

The Executive receives regular reports on the progress of projects in the interests of financial prudence and to ensure open and transparent corporate governance.

This report details the status of projects as at the end of December 2020, incorporating capital and revenue projects, and is attached at Appendix 1.

As requested by the Executive, the attached list includes only active projects and those closed during this reporting period. The agreed reporting protocol stipulates that projects overdue against the published end date will be classified as amber if the over-run is less than 25% of total project schedule and red if above this level.

The project management methodology includes a formal approval process to extend project timescales, where there are clear practical and business reasons to do so. Appendix 1 includes a column showing revised end date, reflecting application of the approval process. For completeness the original end date is retained on the report.

A new column has also been added to Appendix 1 called ‘Overview Status’, which provides a quick visual prompt to show if the status of a project has changed (better, worse or the same) since the previous report;

There are no specific areas for concern or action by the Executive.

Recommendations

The Executive is requested to:

RESOLVE That

the report be received.

Reasons for Decision

Reason: To monitor the position of active projects on SharePoint.

The Executive has the authority to determine the recommendation(s) set out above.

Background Papers:	None.
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Date Published:	29 January 2021

1.0 Introduction

1.1 Attached at Appendix 1 is the report on projects at the end of December 2020 (produced from the SharePoint system).

1.2 All active projects continue to be included in the report for completeness. Members will note a number of projects are listed as showing delays in the project being closed. This is to reflect the requirement that evaluation and closure of the project is necessary after it has been completed (normally after the defect period, which may be some time from completion of the actual delivery).

1.3 Projects completed during the period are included at the end of Appendix 1. These projects will be removed from the report next time it is published, as no further reporting is required on projects that have been formally closed.

2.0 Exception items

2.1 In accordance with Financial Regulations, the following projects are being reported to the Executive because project costs exceed the original or approved revised budget by the greater of £10k or 5%.

2.2 Project No. 10297. Local Development Framework. No change since first on the exception report at 19/11/20 Executive.

2.3 Project No. 10785. Leisure Management Contract Investment Scheme. No change since the exception report at 20/11/2014 Executive.

2.4 Project No. 10911. Goldwater Lodge Fire Reinstatement Works. No change since the exception report at the 21/07/2016 Executive.

2.5 Project No. 10930. Goldsworth Park Rec Public Toilets. No change since first on the exception report at 4/02/2016 Executive.

2.6 Project No. 20061. Export House - WC and Lift Lobby Upgrade - Floors 2-14. No change since first on the exception report at 11/02/2018 Executive.

2.7 Project No. 20124. Woking Integrated Transport. No change since first on the exception report at 19/11/20 Executive.

2.8 Project No. 20126. Leisure Centre - Upgrade of External Cladding. No change since first on the exception report at 10/10/19 Executive.

2.9 Project No. 20134. Pool in the Park Replacement Roof- Phase 4. No change since first on the exception report at 10/10/19 Executive.

2.10 Project No. 20139. 18-19 High Street Refurbishments. No change since first on the exception report at 13/07/17 Executive.

2.11 Project No. 20146. Leisure Lagoon Modernisation. No change since first on the exception at 27/06/19 Executive.

2.12 Project No. 20182. Refurbishment of 6 Floors at Export House. No change since first on the exception. No change since first on the exception at 27/06/2019 Executive.

2.13 Project No. 20219. Pool in the Park Structural Works- Phase 1. No change since first on the exception report at 19/11/20 Executive.

3.0 Implications

Financial

3.1 No implications. The project listing includes costs related to each project.

Human Resource/Training and Development

3.2 No implications.

Community Safety

3.3 No implications. Community Safety is considered for every project as part of Project Workbook completion.

Risk Management

3.4 No implications. Risk management is considered for every project as part of Project Workbook completion. The SharePoint system also enables risks to be captured and managed by the project manager for each project.

Sustainability

3.5 No implications. Sustainability is considered for every project as part of Project Workbook completion.

Equalities

3.6 No implications. Equalities is considered for every project as part of Project Workbook completion.

Safeguarding

3.7 No implications.

4.0 Consultations

4.1 The report has been compiled in consultation with Project Managers.

REPORT ENDS

Project Report (as at the end of December 2020)

Ref	Project Name	Overview	Status	Overview Reason	Risks	Issues	Budget	Schedule	Manager	Sponsor	Start Date	End Date	Revised End Date	Costs Planned (£)	Costs Actual (£)
10206	Playground Improvements Phase 4	Amber	→	The Play Strategy has been agreed and priorities for improvements and refurbishments of play areas have been determined. A project brief for the final four sites to be refurbished has been drafted. Loop Road play area to be progressed during 2020/21, and expected to be completed by spring 2021. Other three remaining play area refurbishments are currently on hold and to be reviewed in 2021/22. There is a risk that there will be further delays due to changes in priorities and as funding releases rely on receipt of section 106/Community Infrastructure Levy (CIL), agreements. Project is amber as Covid-19 priorities and focus on funding has changed, and as a result we have been asked to put the remaining three play area refurbishments on hold for the time being.	Amber	Amber	Green	Green	Arran Henderson	Geoff McManus	01/08/2007	30/04/2009	31/03/2021	613,155	475,720
10207	SPA Interim Strategy	Amber	→	Work is complete at Horsell Common under remit of Horsell Common Preservation Society. Footpath and boardwalk construction at White Rose Lane will now be considered under the Hoe Valley Flood Alleviation Scheme. All works at Brookwood Country Park have been completed. Project is amber as over schedule. Project can now be closed.	Green	Green	Green	Amber	Arran Henderson	Geoff McManus	01/01/2007	01/12/2008	30/09/2020	1,194,632	1,046,990
10221	Private Finance Initiative	Amber	→	All of the 224 PFI houses are now occupied by families nominated from the Council's housing register. 147 private sale homes were completed in August 2018 . There are open spaces that are still to be handed over. Although construction is complete, advisors may be required for outstanding issues as the handover of the open space has not yet been achieved, and the standards specified by the tender documents have not been met. Project schedule is amber due to this.	Green	Amber	Amber	Green	Paola Capel-Williams	Ray Morgan	02/01/2005	31/12/2010	30/06/2022	4,420,000	4,490,307
10297	Local Development Framework	Red	↓	The Development Management Policies (DPD) has been adopted and is now part of the Development Plan for the area. The Site Allocations DPD was submitted to the Secretary of State by July 2019 and the examination hearing completed in December 2019. The inspectors report is likely to be issued mid 2021. Project is red as the original budget was set for a three year period (which has already been spent). Additional funds have been identified in the Investment Programme, and will be submitted for release.	Green	Green	Red	Amber	Ernest Amoako	Douglas Spinks	01/04/2010	01/12/2014	30/06/2020	389,550	589,025
10867	Gresham Mill SANG Proposal	Red	→	Landscape architects have produced a draft site master plan in line with Natural England's Suitable Alternative Natural Green Space (SANG) guidelines. Project schedule is red because it was on hold while awaiting further details regarding incorporating flood alleviation elements into the project. This work will now be incorporated into the wider scheme, so this project can now close.	Green	Amber	Green	Red	Arran Henderson	Geoff McManus	01/09/2012	01/12/2013	01/12/2017	14,000	10,789
10881	Civic Offices Accommodation Strategy	Red	→	The initial scope of the project has been achieved. All staff have now been relocated around the Civic Offices following the Corporate Restructure. Project is red as it is over schedule and slightly over budget as there was an increase in scope to include some work at the Community Centres. This project is now ready to close.	Green	Green	Amber	Red	David Loveless	Douglas Spinks	01/10/2012	31/08/2013	31/03/2017	275,000	276,748
10916	Hoe Valley Flood Alleviation and Enhancement Appraisal	Green	↑	A contractor has been appointed and outline design work has been completed. The Consultation began on the 18th September 2017, and closed on 30th October 2017. Project is being developed further but due to current the COVID-19 situation this will be delayed until further notice.	Green	Green	Green	Green	Katherine Waters	Geoff McManus	01/04/2016	31/10/2017	31/07/2023	1,103,205	772,835
10923	Woking Park Play Area	Amber	→	This project was completed and play area opened in December 2014. The outstanding issues have now been completed. The project is amber as it is over schedule while awaiting closure.	Green	Green	Green	Amber	Arran Henderson	Geoff McManus	01/05/2014	30/09/2014	31/12/2019	650,000	633,538
20011	Parking Notice Processing and Permit System Procurement	Red	→	The new system is now live. Project is red as closure was delayed while waiting for the invoice from the contractors. This invoice has now been received and the project is now ready to close.	Green	Green	Green	Red	Geoff McManus	Douglas Spinks	20/10/2015	30/03/2016	31/03/2018	17,500	14,250
20019	Heather Farm SANG	Amber	→	Land has been leased to the Council and leased back to Horsell Common Preservation Society to manage site as a Suitable Alternative Natural Green Space (SANG). All the financial and legal requirements have been completed. The SANG opened in January 2016, but the delivery of the SANG proposals will continue for the next five years. The council has recently provided funding for the expansion of car parking spaces to support the increasing use of SANG. Planning permission has already been granted for an additional 54 parking spaces, which the funding will be used to deliver. Project is amber due to delay in closure.	Green	Green	Green	Amber	Ernest Amoako	Douglas Spinks	31/10/2014	31/10/2019	31/10/2019	1,749,856	1,707,071
20027	MWE Depot Boiler Replacement	Red	→	Project is red as has been delayed due to lack of resources. Project is now delayed until after winter 2021/22.	Green	Green	Green	Red	David Loveless	Douglas Spinks	19/06/2015	30/10/2015	30/10/2017	50,000	1,806
20034	Integra Upgrade	Red	↓	The majority of the implementation has now been completed. Project schedule is red due to discussion around final module implementation. Consideration is being given to closing the project and dealing with the module separately.	Green	Green	Green	Red	Chris White	Leigh Clarke	01/04/2015	30/09/2015	30/09/2019	110,000	101,813

Project Report (as at the end of December 2020)

Ref	Project Name	Overview	Status	Overview Reason	Risks	Issues	Budget	Schedule	Manager	Sponsor	Start Date	End Date	Revised End Date	Costs Planned (£)	Costs Actual (£)
20035	Personalisation and Prevention Partnership Fund	Green	↑	The Personalisation and Prevention Partnership Fund (PPPF) project is working to keep local residents over 50 independent and living in their own homes as long as possible as well as enhancing their general wellbeing. In partnership with the Clinical Commissioning Group we are now offering a social prescribing referral service with all GP practices in the Borough. Work has been completed at Brockhill displaying adaptations to enable people to stay in their homes. Covid-19 restrictions are currently preventing project activity.	Green	Green	Green	Green	Julie Meme	Julie Fisher	31/12/2012	31/12/2017	31/03/2022	690,000	489,013
20067	Developing a Favourable Conservation Status Licence	Green	→	The project was established working closely with Natural England. The Council's Strategic Organisational Licence, issued by Natural England, was renewed in Sept 2020. Major year four habitat improvement works were completed in February 2020. Surveys were not undertaken IN spring 2020 due to Covid. Plans in hand for 2021 and the subsequent five year period.	Green	Green	Green	Green	Tracey Haskins	Ray Morgan	31/08/2015	31/03/2021	31/03/2021	181,000	137,956
20118	Bats Conservation	Amber	↓	It was earlier reported that due to reprioritisation, Natural England cannot offer full support for the original bat scheme. As part of the Natural Woking strategy and action plan, officers will develop in-house projects for bats and other Favourable Conservation Status species for consideration. Project is amber as the original schedule was for the project to run to the end of Dec 2020.	Green	Green	Green	Amber	Lara Beattie	Ray Morgan	01/11/2017	31/12/2020	31/12/2020	145,000	0
20120	Rainwater Gardens	Green	→	First pilot rain garden completed successfully in Blackdown Close, Sheerwater, in February 2019. Alpha Road rain garden under construction with completion imminent. Further pilot locations have been identified.	Green	Green	Green	Green	Lara Beattie	Ray Morgan	01/06/2018	31/03/2019	31/03/2021	50,000	44,711
20122	CCTV Upgrade and New Control Room	Red	→	The Control Room has been constructed. The next phase of migrating each individual control room has commenced. Surrey Police are now operating from within the new control room. The second control room (Woking Car Parks) transferring across by March 2021. Project status is red due to delays in agreeing a process in how the control room should operate.	Green	Green	Green	Red	David Loveless	Douglas Spinks	24/06/2019	31/03/2020	31/03/2020	2,175,000	884,477
20124	Woking Integrated Transport	Red	→	Works to public realm outside the Railway Station and improvements along High Street are complete. Works to Church Path and Chapel Street public realm is complete. Project status is red due to budget as there has been additional highway safety and public realm improvement schemes added to the project which have been delivered. An example of these additional schemes is new surfacing and paving in Locke Way and Broadway with a new junction treatment at Maybury Road and Stanley Road, new zebra crossing at Walton Road/Stanley Road, new paving on Church Street East, Church Path and Chapel Street.	Green	Green	Red	Amber	Louisa Calam	Ray Morgan	01/06/2016	31/12/2020	31/12/2020	23,444,000	28,580,436
20159	Turf and Drainage Improvements at St Johns Lye Cricket Pitch	Green	↑	Initial drainage work and cricket outfield improvements completed. Further work to the pond and ditch required. Remaining work to be progressed 2021.	Green	Green	Green	Green	Arran Henderson	Geoff McManus	25/03/2018	31/10/2018	30/09/2021	21,225	9,275
20160	Car Park Enhancement	Amber	→	Currently 127 cars on Mini Park. Staff are monitoring the systems capabilities. Project is complete but project status is amber because the project is slightly over budget and has not yet been closed. Going forward this will only be used until January 2021 due to new ticketless system being installed.	Green	Green	Amber	Amber	Hayley Hewitt Dutton	Geoff McManus	09/07/2018	30/04/2019	31/08/2020	36,250	36,660
20172	Open Housing Implementation	Red	↓	Project is to replace the Capita Academy Housing System with Capita Open Housing. This will bring all Housing Management data together in one database and increase self service and mobile working. Phase 1 core went live to the public on 2 December 2019 and was well received. Project is now red due to further delays with the planned implementation. Uncertainty around Phase 2 scope and timescale caused by lack of supplier and partner resources is also reflected in the RAG flag status.	Red	Green	Green	Green	Alison Cornacchia/ Adele Devon	Ray Morgan	01/08/2018	31/03/2020	31/05/2021	822,000	689,350
20188	Community Matters Partnership Project	Amber	→	There was a successful launch event in January 2018 and there are now 11 partners involved in the Community Matters Partnership (CMP). A steering group has been set up and is being chaired by a local business. The website launched in February 2019. The CMPs first Give and Gain day took place in July 2019 at Brockhill. Project is amber as over budget due to a contractor being required for longer than planned. Project is now complete and ready to close.	Green	Green	Amber	Green	Elspeth Andrews	Ray Morgan	01/05/2017	31/03/2021	31/03/2021	16,700	23,460
20191	Old Woking Independent Living	Green	→	Project on programme and within budget. Due to complete September 2021.	Green	Green	Green	Green	Ian Tomes/ Sam O'Neill	Douglas Spinks	17/12/2017	21/09/2021	21/09/2021	16,700,000,000	9,198,463
20194	Entiledto Software Implementation	Red	→	Entitledto software has been in use for the last two years by the Private Sector Housing and Housing Options teams and their customers which provides a standardised framework. Project can now close. Project is red due to delay in closure.	Green	Green	Green	Red	Jacqui Dixon	Louise Strongitharm	20/08/2018	31/07/2019	31/07/2019	4,100	4,100
20196	Remote Working for Uniform	Red	→	The Building Control hardware and application has been successfully rolled out. After initial testing Planning required some different hardware from the original specification. Project is red as delayed due to this hardware change. Software now updated to match hardware. Project is now complete and can be closed.	Green	Green	Green	Red	David Edwards	Douglas Spinks	17/10/2018	31/05/2019	31/07/2019	33,480	22,122

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Ref	Project Name	Overview	Status	Overview Reason	Risks	Issues	Budget	Schedule	Manager	Sponsor	Start Date	End Date	Revised End Date	Costs Planned (£)	Costs Actual (£)
20209	Duke's Court Plaza	Green	→	Works started on site 2019 and are due for completion based on the current program for early 2021. Since initiation the project has been divided into two parts, the service and highway works which are the responsibility of the WITP team, and the Green Wall and Restaurant kiosk which will remain with Estate Management/Dukes Court Team. The green wall has been installed Dec 2020.	Green	Green	Green	Green	Vanessa Tabner	Douglas Spinks	01/06/2019	30/04/2020	31/01/2021	4,525,000	597,168
20221	Microsoft Office 365 Implementation	Green	NEW	Project is progressing well. Scoping workshops have been undertaken between the consultants and technical project team. All outputs will be reviewed and will form the base of a detailed project plan.	Green	Green	Green	Green	Pino Mastromarco	Adele Devon	01/10/2020	31/05/2021	31/05/2021	142,025	24,700
20222	Moorcroft Cafe Refurbishment	Green	→	The St Mary's Centre has been designed as the community model. The Moorcroft Centre is being developed and involves the community at a grass roots level. As funds have been released from other sources, there are no additional funds required. This project is now ready to close.	Green	Green	Green	Green	Adam Thomas	Ray Morgan	19/09/2020	31/12/2020	31/01/2021	0	0
20223	New Temporary Accommodation	Green	→	Generally the project is progressing well. The project board meets every six weeks to monitor and highlight reports are available. The majority of units are occupied and full occupancy is anticipated for 121 Chertsey Road. Waterman House is on course for completion in spring 2021.	Green	Green	Green	Green	Jon Herbert	Louise Strongitharm	01/08/2019	31/12/2020	31/12/2020	4,567,087	4,236,511
20224	Stock Conversion	Green	NEW	The project is to convert the existing disused common rooms at 53-75 Cobbetts Close, 26-70 Colliers Close and 61-83 Frenches Wells into habitable HRA housing stock, suitable for allocation via the Hometrak housing register. Project to be closed.	Green	Green	Green	Green	Hazel Craig-Waller	Louise Strongitharm	27/08/2019	20/01/2020	20/01/2020	255,167	255,167
20229	Car Park management systems	Green	NEW	Supplier appointed and contract signed.	Green	Green	Green	Green	Ian Reynolds	Geoff McManus	01/11/2020	30/11/2021	30/11/2021	1,980,000	2,582
20234	Planet Woking	Green	NEW	Planet Woking launched on 24 Sept 2020. The standalone website is live at www.planetwoking.co.uk. Advertising for the programme and website is enabled through social media channels with the help of Air Social. The first public online talk took place on 20 Oct 2020 with the next one scheduled for 2 Feb 2021.	Green	Green	Green	Green	Lara Beattie	Ray Morgan	01/09/2020	30/09/2021	31/07/2021	94,580	69,938
20235	Increasing Footfall in Woking	Amber	↓	Project started at the beginning of Sept 20. Project is amber as the objectives of the project may not be met by current end date as Covid-19 is impacting the project due to restrictions on pavement facing businesses and the delivery partners.	Green	Amber	Green	Green	Chris Norrington	Julie Fisher	01/08/2020	30/05/2021	30/05/2021	12,100	0
20245	IDOX Publisher for Planning Policy LDF Consultation	Green	NEW	Live and test systems have been implemented. Project can now be closed.	Green	Green	Green	Green	Jimi Ogunsola/ Etienne Pienaar	Douglas Spinks	19/10/2020	16/11/2020	16/11/2020	7,175	7,175
20248	Sutton Green Flood Alleviation Scheme	Green	→	Delivery has been delayed due to COVID-19 but time extension has been granted.	Green	Green	Green	Green	Katherine Waters	Geoff McManus	01/07/2020	30/09/2020	30/03/2021	195,000	0
				Projects at Practical Completion											
10621	Ditch Restoration Smarts Heath	Green	→	The ditch restoration work is complete and all associated works were finished by December 2010. The final monitoring report has been submitted to Natural England an we are awaiting final sign off from them.	Green	Green	Green	Green	Arran Henderson	Geoff McManus	24/05/2010	30/11/2010	31/12/2010	35,000	34,621
10634	Hoe Valley Main Scheme Construction Phases	Green	→	The defect and maintenance period has now expired on the Hoe Valley and the project has now entered the 12 year liability period and the Environment Agency has taken over the liability for the flood defence maintenance. The general park area is now included within the Council's public realm contracts.	Green	Green	Green	Green	Mark Rolt /Pino Mastromarco	Ray Morgan	06/07/2010	31/12/2015	31/12/2015	43,700,000	23,830,014
10785	Leisure Management Contract Investment Scheme	Red	→	All works complete. Project is red as WBC and Freedom Leisure are currently in discussions about what proportion of the project they should pay.	Green	Green	Red	Green	David Loveless	Douglas Spinks	01/11/2011	30/04/2013	30/04/2013	1,565,047	1,664,753
10874	Rhoda McGaw Theatre Refurbishment Phase 1	Amber	→	All works are complete. Project is amber due to an overspend. Discussions with the consultant and contractor are underway to establish the specifics.	Green	Green	Amber	Green	David Loveless	Rose Blackley	01/01/2013	01/12/2013	01/12/2013	328,000	340,122
10911	Goldwater Lodge Fire Reinstatement Works	Red	→	All works are now complete and project is in retention. Project is red as it finished over schedule due to an issue with the power supply serving the Goldsworth Park Community Associations Demise. Project is red as it is over budget due to a number of issues including a consultant providing an incorrect specification for the power supply and failing to include a soft play area. Other budget overspends were due to the discovery of unforeseen works including additional damage to steel frames and masonry. This project is now ready to close.	Green	Green	Red	Red	David Loveless	Douglas Spinks	01/01/2014	30/09/2014	30/09/2014	1,865,000	2,084,979
10930	Goldsworth Park Rec Public Toilets	Red	→	Project is complete. The project is now in retention. Project is red as over budget for a number of reasons; these include the discovery of asbestos materials, additional drainage works and making good works identified following the initial demolition. Overspend will be covered by the contingency sum included within the 2015/16 Asset Management Plan. This project is now ready to close.	Green	Green	Red	Green	David Loveless	Douglas Spinks	31/08/2014	30/11/2014	09/10/2015	40,000	59,168

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Ref	Project Name	Overview	Status	Overview Reason	Risks	Issues	Budget	Schedule	Manager	Sponsor	Start Date	End Date	Revised End Date	Costs Planned (£)	Costs Actual (£)
20018	Civic Suite Refurbishment	Green	→	Project is complete and was in retention. Defects have been addressed. Project to be closed.	Green	Green	Green	Green	David Loveless	Douglas Spinks	01/08/2014	31/05/2015	31/05/2015	600,000	576,918
20040	Hoe Valley School	Amber	→	The school has been handed over and is now operating. Sportsbox commenced operation with our contractor Freedom Leisure in early July 2018. Project is amber for budget as there has been some additional costs to compensate Freedom Leisure for grass pitches not being available due to dry summer. There was a safety audit on the crossing outside the school and additional works have been completed. Surrey County Highways have now agreed under a Section 278 agreement to adopt the completed area of highway. The intention is to now close the project.	Green	Green	Amber	Green	Ian Tomes	Ray Morgan	01/06/2015	31/05/2018	31/05/2018	44,680,000	44,895,628
20045	Horsell Allotment Amenity Hut	Green	→	Project is now complete. Final invoice has been paid. Project will be closed.	Green	Green	Green	Green	David Loveless	Geoff McManus	01/12/2015	31/08/2016	31/05/2017	170,000	145,052
20058	Wolsey Place Service Decks A and B	Green	→	All works complete and defects are being addressed.	Green	Green	Green	Green	David Loveless	Douglas Spinks	01/08/2016	30/11/2016	30/11/2016	450,000	438,163
20061	Export House WC Refurbishment-floors 2-15	Red	→	Project is complete and defects have been addressed. Project is red due to overspend resulting from the need for additional plastering works that were required once the existing wall finishes were removed.	Green	Green	Red	Green	David Loveless	Douglas Spinks	01/09/2016	30/04/2017	30/04/2017	489,302	519,695
20076	Woking Park Tennis Court Improvements	Red	→	Project is now in retention. Works have been completed, defects with the tarmac on some of the courts have been addressed. Project is red as over schedule due to the time taken to address the defects highlighted above.	Green	Green	Green	Red	David Loveless	Emma Louise-Webb	01/09/2018	30/11/2018	30/06/2019	143,039	136,764
20100	Civic Offices Ground Floor Refurbishment	Red	→	Project is complete and in retention. Project is red due to a decision to delay works as the tenant was not due to move in until February 2018. Capitalised staffing costs were not included in original approved budget. This project is now ready to close.	Green	Green	Amber	Red	David Loveless	Douglas Spinks	01/12/2016	30/11/2017	30/11/2017	1,500,000	1,571,333
20106	Civic Offices Refurbishment of the 2nd Floor and Basement	Red	→	Work now complete. Project is red due to delays caused by complications with Surrey Police access control and IT systems. The Police moved in January 2018. This project is now ready to close.	Green	Green	Green	Red	David Loveless	Douglas Spinks	01/05/2017	28/09/2017	28/09/2017	200,000	197,316
20109	New Entrance for Export House	Green	→	Project is complete and ready to close.	Green	Green	Green	Green	Ian Tomes	Douglas Spinks	01/07/2016	24/12/2016	21/01/2017	914,820	640,668
20126	Leisure Centre - Upgrade of external cladding	Red	→	Works are complete. Project is red as it is over budget because there were additional asbestos works needed. Project is over schedule due to this issue and a delay in getting the project approved.	Green	Green	Red	Red	David Loveless	Douglas Spinks	01/10/2016	31/03/2017	31/10/2017	50,000	90,115
20131	Wolsey Place Shopping Centre - Replacement Roofs	Green	→	Project is complete and in retention.	Green	Green	Green	Green	David Loveless	Douglas Spinks	01/10/2016	01/03/2017	28/09/2018	260,000	211,531
20132	Wolsey Place Shopping Centre Replacement of the Galley Lift	Red	→	Project is red as there was a delay appointing the contractor and the works could not be commenced and completed before the Christmas retail period. Works commenced in January and are now complete. Project is in retention and is now ready to close.	Green	Green	Green	Red	David Loveless	Douglas Spinks	01/10/2016	30/09/2017	30/09/2017	80,000	78,377
20133	Pool in the Park - Replacement Roof Phase 3	Red	→	Project is now in retention. A mechanical and electrical upgrade design needed to be finalised prior to this project commencing. Project is red due to delays caused by this issue. This project is now ready to close.	Green	Green	Green	Red	David Loveless	Douglas Spinks	01/10/2016	30/04/2017	31/10/2017	125,000	87,873
20134	Pool in the Park - Replacement Roof Phase 4	Red	→	Works began on site in January and a number of hidden defects were identified, including corroded steal work and inadequate fixings of the canopy. This has led to a delay in the roofing works and an overspend. Works are now complete, subject to minor defects. Project is red due to delays and increased costs caused by this issue. This project is now ready to close.	Green	Green	Red	Red	David Loveless	Douglas Spinks	01/10/2016	01/10/2016	31/10/2017	75,000	196,200
20139	18-19 High Street Refurbishments	Red	→	Marjorie Richardson Centre has opened and the project is in retention. Project is red as it is over budget and over schedule as there were some additional unforeseen works needed including works to the roof and removal of asbestos. Project is now ready to close.	Green	Green	Red	Amber	David Loveless	Camilla Edmiston	01/05/2016	31/01/2017	31/01/2017	310,000	337,076
20146	Leisure Lagoon Modernisation	Red	→	Works are progressing on site. Flumes have been installed and opened. Project is red for schedule because of concrete repairs and a delay in agreeing the terms of the loan between WBC and Freedom Leisure. The terms of the loan have now been agreed.	Green	Amber	Red	Red	David Loveless	Ray Morgan	01/06/2017	30/04/2018	30/04/2018	800,000	904,907
20183	Business Incubator Kitchen Improvements	Green	→	All works are complete and project is now in retention.	Green	Green	Green	Green	David Loveless	Chris Norrington	01/11/2017	31/05/2018	31/07/2018	25,930	20,153
20186	Woking Park-CCTV Installation	Amber	→	Project is now complete. Project is amber due to issues with the fibre network which prevented a signal being sent back to Export House. This has now been resolved. This project is now ready to close.	Green	Green	Green	Amber	David Loveless	Douglas Spinks	01/12/2017	31/05/2018	31/05/2018	235,000	162,298
20187	Woking Park- Wi-Fi Installation	Red	→	Project is now complete. Project is red for schedule as there were issues with the fibre network which prevented a signal being sent back to Export House. This has now been resolved. This project is now ready to close.	Green	Green	Green	Red	David Loveless	Douglas Spinks	01/12/2017	31/05/2018	31/05/2018	250,000	181,319

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Appendix 1

Ref	Project Name	Overview	Status	Overview Reason	Risks	Issues	Budget	Schedule	Manager	Sponsor	Start Date	End Date	Revised End Date	Costs Planned (£)	Costs Actual (£)
20219	Pool in the Park Structural Works- Phase 1	Red	→	The project is now in retention. The works on site are substantially completed. With only minor snagging works outstanding. Project is red as it is over schedule and budget due to an increase in scope of work due to issues identified during the initial site investigation works.	Green	Green	Red	Red	David Loveless	Douglas Spinks	01/06/2019	31/03/2020	31/03/2020	750,000	1,112,652
Projects Closed During Reporting Period															
10840	Goldsworth Park Recreation Ground and Lake Improvements- Feasibility Study	Amber	→	Following the Playing Pitch Strategy it has been decided that there will no longer be additional football pitches included as part of the proposed improvements. Local residents, through the Goldsworth Park Community Association, have proposed a community led project to enhance the North Meadow where the pitches were originally proposed to go. Project is amber due to the delay in closure but has now been closed. It will now be progressed by the community, with support from Officers.	Green	Green	Green	Amber	Arran Henderson	Geoff McManus	01/01/2015	31/07/2015	31/03/2020	11,434	2,095
20150	West Byfleet Play Area Improvements	Amber	→	New play equipment has been installed and opened to the public. Project is Amber as it is slightly over budget due to some additional groundworks required during the project. This project is now closed.	Green	Green	Amber	Green	Arran Henderson	Geoff McManus	01/05/2017	31/10/2017	30/06/2019	60,000	62,719
20171	Queen Elizabeth Gardens drainage and landscaping	Amber	→	Works have been completed. Project is amber due to the delay in closure.	Green	Green	Green	Amber	Arran Henderson	Geoff McManus	01/03/2018	31/07/2018	30/04/2020	21,500	10,581
20182	Refurbishment of 6 floors at Export House	Red	→	Works are complete and project is now closed. Project is red for schedule because the scope of works changed and it took longer to award the tender than anticipated.	Green	Green	Red	Amber	Ian Tomes	Douglas Spinks	15/02/2018	30/09/2018	30/09/2018	260,000	284,072

KEY	
Green	Project is progressing according to agreed plans and targets and is within all tolerances.
Amber	Project contains areas of concern which are impacting on delivery and may need remedial action.
Red	Project is failing in one or more areas and is in need of immediate attention.
↑	Overview RAG Flag has improved since the last Project Monitoring Report.
→	Overview RAG Flag is the same as the last Project Monitoring Report.
↓	Overview RAG Flag is worse than the last Project Monitoring Report.
Revised End	Indicates that CMG has authorised an extension to the schedule of a project. If a project exceeds its budget/timescale and a formal request for an extension to either is agreed, the rag flags will be baselined against the revised budget/timescale.