

DRAFT INVESTMENT PROGRAMME 2021-22 TO 2025-26

Executive Summary

The Investment Programme sets out the capital and one off investments required to deliver the Council's key strategies and objectives.

The Covid pandemic has had a considerable impact on local government finances. Whilst the economy has reopened, the financial impact on the Council will take much longer to recover. The Council was particularly affected by reductions in parking income and commercial rents. It is still too early to be able to confidently forecast when this income will return.

In preparing the draft Investment Programme for 2021/22 a number of projects were temporarily suspended. These were projects which had not yet been committed and would have revenue consequences through use of the Council's revenue reserves or financing costs of borrowing.

These projects continue to be suspended in this draft Investment Programme. A 3 year government settlement is expected in December and work continues to establish a balanced medium term financial position. Ahead of finalising the Investment Programme, suspended projects will be reviewed to establish if any can be re-instated or should be removed from the Investment Programme at this time.

This paper is the first iteration in the process of updating the Investment Programme for 2022/23 onwards. This will continue to be refined and the plans challenged.

The detail of the Investment Programme is included in appendices attached to this report and the impact reflected in draft General Fund and Housing Revenue Account budgets also on this agenda. The financial forecast continues to be uncertain and there will be a need to use reserves to meet revenue losses as the economy recovers from the pandemic.

Recommendations

The Executive is requested to:

RESOLVE That

- (i) the draft Investment Programme for 2021/22 to 2025/26 be received;
- (ii) a budget of £100,000 be approved for the Celebrate Woking programme in 2022/23; and
- (ii) Managers, Corporate Leadership Team and Portfolio Holders be asked to review the Programme, including temporarily suspended projects, considering project costs and timing.

Reasons for Decision

Reason: To agree the draft Investment Programme for consultation before submission for final approval to the Council in February 2022.

The Executive has the authority to determine the recommendation(s) set out above.

Draft Investment Programme 2021-22 to 2025-26

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.

2.0 Approach to updating the Investment Programme

2.1 The Covid pandemic has had a considerable impact on local government finances. Whilst the economy has reopened, the financial impact on the Council will take much longer to recover. The Council was particularly affected by reductions in parking income and commercial rents. It is still too early to be able to confidently forecast when this income will return.

2.2 In preparing the draft Investment Programme for 2021/22 a number of projects were temporarily suspended. These were projects which had not yet been committed and would have revenue consequences through use of the Council’s revenue reserves or the financing costs of borrowing.

2.3 These projects continue to be suspended in this current draft Investment Programme. A 3 year government settlement is expected in December and work continues to establish a balanced medium term financial position. Ahead of finalising the Investment Programme, suspended projects will be reviewed to establish if any can be re-instated or should be removed from the Investment Programme at this time.

3.0 Overview of the Investment Programme

3.1 The Investment Programme lists all the Council’s projects and includes a separate appendix to show projects which have been temporarily suspended. The estimated costs of the funded projects are shown in total in Appendix 1 and in more detail in Appendices 3 and 4.

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	Housing Investment Programme	A breakdown of the projects included in the Housing Investment Programme (HIP) where allowance will be made in the General Fund or HRA revenue budgets.
4	General Fund Projects	A list of projects included in the Investment Programme (allowance made in the General Fund budget).
5	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
6	Glossary	An explanation of the technical terms used in the IP.
7	Housing Investment	A summary of expenditure slipped from 2020/21 to 2021/22

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	Programme slippage	
8	General Fund Projects slippage	A summary of expenditure slipped from 2020/21 to 2021/22

4.0 General Fund Investment Programme

- 4.1 The current and committed project details are set out in Appendix 4.
- 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. External resources mean that some projects have been able to continue despite the need to preserve reserves.
- 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.
- 4.4 Some projects are income generating and have therefore remained in the Programme.

5.0 Housing Investment Programme

- 5.1 Works on the Council's housing stock through to 2025/26 are reflected in the Housing Investment Programme.
- 5.2 The breakdown of the Woking Borough Council Homes Section of the Housing Investment Programme (Appendix 3) is illustrative and priorities will be agreed. The Asset Management Plan is based on stock condition surveys and is continually reviewed to develop the Asset Management Strategy for the stock.
- 5.3 The total Asset Management Plan budget is £3,800,000 for 2022/23. 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.

Provision of New Housing

- 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 40% of the cost of the replacement housing and must be used within 5 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 40% retained receipts and 60% 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 40% 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.

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- 5.7 The Council has 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), Bonsey Lane and the Corner of Rydens Way\Sundridge Road sites. Hale End Court has now been completed, Bonsey Lane expected to complete in 2023/24 and Rydens Way\Sundridge Road project is expected to complete in 2022/23.
- 5.9 Previously the Housing Investment Programme has also included estimated costs for a new development at Monument Way. At this time the costs reflected are to progress plans to the planning stage and details will then be brought forward for further consideration.

Sheerwater Regeneration

- 5.10 In February 2020 the Council approved the updated Sheerwater Regeneration project and financing arrangements. It was noted that close monitoring and further work would be required to seek to improve the financial position of the project. Project financing remains within the approvals set by Council. The Council on 30 July 2020 authorised the use of Compulsory Purchase Order (CPO) powers for the scheme.
- 5.11 The new Eastwood Leisure Centre and the initial 'Purple' phase of residential properties have now been completed. Work is underway preparing for the next phases. Financial risks remain in the current climate, as inflation and interest rate changes will impact the financial modelling.
- 5.12 The allowance for Sheerwater Social Support remains in the funded Investment Programme, recognising the need to support the community through this project.

6.0 Reserves Forecast and Resources Statements

- 6.1 The Council has established a number of reserves which reflect funds set aside to manage the Council through its Medium Term Financial Strategy, including the town centre regeneration. Post Covid the economic recovery may require the use of a significant proportion of these to manage the impact of lost income.
- 6.2 The Reserves section of the Investment Programme will show 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 The reserves forecast will be presented with the next version of the Investment Programme once expenditure plans and forecasts have been reviewed and refined.
- 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 the current economic uncertainty, the Council's financial position will be considered before projects commence, and further delaying 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 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 Supporting detail for projects will be presented with the final Investment Programme in February. This is generated from project data on SharePoint and provides further information on the project objectives. The inclusion of the project reference also enables cross reference to the quarterly progress report.

9.0 Schemes included within the Investment Programme

9.1 The Investment Programme includes the following new schemes which have been added since the Investment Programme was approved in February 2021.

- Decarbonisation – Export House/Midas House
- Town Centre Masterplan
- Fit for the Future external support

Victoria Square

9.2 The pandemic continues to have a significant impact on the progress of the Victoria Square town centre regeneration. Progress has been much slower than planned as the site was affected by the lockdowns, necessary social distancing measures and supply issues. Delay in the programme ultimately increases costs of the contractor, professional support and financing of the construction. A later opening and more uncertain economic environment also impacts the operations of the scheme once complete.

9.3 Following the delay in opening from November 2021 to Spring 2022, the Victoria Square financial model is being reviewed and updated. A review of future Governance and Strategic Options is also being completed by EY.

Housing Infrastructure Fund (HIF)

- 9.4 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.
- 9.5 The terms of the funding were agreed in early 2020 and the Council has received £30,633,614 to date.
- 9.6 The Council's element of the project funding depends on developers contributions from the development sites which will benefit from the infrastructure improvements. The potential medium term economic consequences of the pandemic, including the time for the economy to recover, may result in a delay in the assumed development.
- 9.7 An update on this project was provided to the Executive in October and the Director of Planning, in consultation with the Executive Member, was delegated authority to reach agreement with Homes England and Network Rail on the proposed revised timetable for the project noting a revised start date to the commencement of physical works until later in 2022/23.
- 9.8 The additional £339k grant allocated for capacity funding for this current financial year has been reflected in the Investment Programme.

Opportunity Purchases

- 9.9 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.
- 9.10 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.

Brookwood Cemetery

- 9.11 The Investment Programme previously included capital and revenue grants to Brookwood Cemetery to fund backlog maintenance as well as capital improvements at £1m capital grant and £500k revenue grant each year.
- 9.12 These grants are temporarily suspended in this draft Investment Programme as both are ultimately funded from the Council's revenue reserves. The Cemetery board has been requested to consider the minimum resources required to continue the service until the Council has a secure financial plan for the future.

Celebrate Woking

- 9.13 The Celebrate Woking programme of events was temporarily suspended in preparing the Investment Programme in 2020. It is proposed that a £100,000 budget be released for 2022/23 to enable a programme to be planned, including events celebrating the Queen's Platinum Jubilee. Future years budgets will continue to be subject to consideration of the Council's overall financial position.

10.0 Schemes in excess of £1m

10.1 In accordance with the Notice of Motion agreed by Council on 12 July 2007 the final Investment Programme report will set out the schemes where costs exceed £1m, not all of which have been contractually committed.

11.0 Funding requirements – Thamesway Group

11.1 The Thamesway group will not be producing revised Business Plans, this year, but will instead continue to progress the existing plans. Business Plans will be revisited following the Council approving its Corporate Strategy in February 2022. This will ensure that future activity aligns with the Council's priorities.

11.2 Existing loan facilities are sufficient to progress the majority of the Thamesway group plans. The Thamesway update report, also on this agenda, sets out the additional funding requirements of the group pending full review of the plans. Any approved changes will be included in the updated Investment Programme in February.

11.3 There has been a reduction in the forecast drawdown of approved loan finance by Thamesway Housing Ltd (THL). This reflects a reduction in development of new housing, with the exception of the Sheerwater regeneration scheme and has reduced the forecast margin received by the Council. As THL remains key to the Council's delivery of affordable housing, Officers will work with Thamesway to review future plans.

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:

"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 approved 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."

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

13.0 Corporate Strategy

13.1 Projects included within the Council's Investment Programme support the Corporate Plan priorities. The allocation of resources will be further reviewed as the Council sets its 5 year Corporate Strategy in February 2022.

14.0 Implications

Finance and Risk

- 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 will be built into the Treasury Management Estimates.
- 14.2 The draft Investment Programme will continue to be reviewed for the timing, scope and funding of projects during the budget process to identify any further possible savings. The status of those projects currently suspended will also be considered.
- 14.3 The Reserves Forecasts and Resource statements will be presented with the next version of the Investment Programme.
- 14.4 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 a risk for the Council is in overstressing 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.
- 14.5 As a result of the Covid-19 pandemic it has been necessary to scale back the Investment Programme to focus on just those projects which are committed until such time as the financial future is more certain.

Equalities and Human Resources

- 14.6 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.

Legal

- 14.7 None identified at this time.

15.0 Engagement and Consultation

- 15.1 No general public consultations have been undertaken in connection with this report. The Investment Programme will be reviewed by Managers, Corporate Leadership Team and Portfolio Holders, including temporarily suspended projects, considering project costs and timing.

REPORT ENDS