

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 Programme includes projects where the funding and consequent revenue implications have been incorporated into the General Fund and Housing Revenue Account budgets for 2022/23 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 provided support through a series of grant payments, these have not covered all the Council's costs nor did the income compensation scheme fully mitigate income losses. The economic consequences and the financial impact on the Council will continue for some time. Projects suspended during the pandemic have been reviewed to determine which should remain as pipeline projects which will proceed when resources allow.

Appendix 9 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 2021/22 to 2025/26 be approved subject to reports on projects where appropriate; and**
- (ii) **the proposed financing arrangements be approved.**

Reasons for Decision

Reason: To recommend to the Council that it approves the capital resources for 2022/23 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 9 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 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 A review of these projects has been undertaken for this current draft Investment Programme with some projects moved onto the pipeline projects list and others removed where they are no longer required. The government settlement, announced in December 2021, was again for a single year which makes longer term planning difficult as work continues to establish a balanced medium term financial position.

3.0 Overview of the Investment Programme

- 3.1 The Investment Programme lists all the Council's projects, the summary 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 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.
6	General Fund Projects	A list of projects included in the Investment Programme (allowance made in the General Fund budget).

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Appendix	Title	Description
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	Pipeline Projects	A list of projects which are not currently being funded but placed on priority list subject to funding availability.
8	Cancelled Projects	A list of projects which have been removed from both the funded Investment Programme and the previously held 'temporarily suspended projects list' as they are no longer required or due to passage of time.
9	Glossary	An explanation of the technical terms used in the IP.
10	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 have been managed by New Vision Homes (NVH) but this will be brought back in-house from 1 April 2022. The breakdown of the Woking Borough Council Homes Section of the Housing Investment Programme (Appendix 5) is illustrative, and priorities will be agreed during the year. The Asset Management Plan is based on stock condition surveys which will be reviewed to develop the Asset Management Strategy through the financial year.
- 5.2 The total Asset Management Plan budget is £3,700,000 for 2022/23. This is funded by a contribution to the Major Repairs Reserve which is the value of depreciation charged on Council Dwellings.
- 5.3 The Mandatory Disabled Facilities Grants (DFG) item on the Housing Investment Programme is funded by a £1,338,000 grant provided as part of the Department of Health's Better Care Fund. This funding level has been confirmed up until 2025/26.

Provision of New Housing

- 5.4 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.
- 5.5 Land assets held by the authority, and other potential development sites around the Borough, have been reviewed to identify suitable new build affordable housing developments. The Housing Investment Programme lists these schemes. The developments detailed in the Housing Investment Programme will utilise all of the existing retained one for one receipts

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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.

- 5.6 The Council has secured Homes England Investment Partner Status. Officers continue to work with Homes England to access grant for other affordable housing schemes to deliver this programme.
- 5.7 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. Hale End Court is now completed, Bonsey Lane is expected to complete in 2023/24 and Rydens Way\Sundridge Road project is expected to complete in 2022/23.

Sheerwater Regeneration

- 5.8 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.
- 5.9 Following an update of the Sheerwater position presented by Thamesway, the Council has approved proceeding with the Red, Yellow and Copper phases of the regeneration.
- 5.10 The Sheerwater loan facilities approved by Council in February 2021 are shown in the table below. During the construction period Thamesway Developments Ltd (TDL) has a facility for maturity loans of up to 5 years. On sale of any properties to rent, from TDL to Thamesway Housing Ltd (THL), THL can take long term funding (50 years) for the operational period.

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

- 5.11 Given the low long term borrowing rates currently available, the Council agreed 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 Thamesway Group for the Sheerwater project should not exceed the long term facility of £290m previously agreed (excluding THL revolving facility and TEL facility).
- 5.12 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 has been forecast that a significant proportion of these accumulated reserves could be needed to cover revenue losses to support the Medium Term Financial Strategy as the economy recovers from the Covid pandemic. A minimum level of reserves has been established which will provide the Council with sufficient resilience and allow some one off expenditure.

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- 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 as the Council resets its financial strategy.
- 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.
- 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 a review of all projects whereby a number of projects where possible are moved down to the pipeline projects list and some cancelled as they are no longer required.
- 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 Corporate 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 2021. The items added to the programme are indicated below and further details can be found in Appendices 5 and 6.

- Decarbonisation – Export House/Midas House
- Town Centre Masterplan
- Fit for the Future external support
- Playground improvements
- Celebrate Woking
- Town Centre Help points
- Rainwater Gardens Project
- Buzz Theatre
- Re-deployable CCTV
- Eastwood Leisure Centre

Housing Infrastructure Fund (HIF)

9.2 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.

9.3 The terms of the funding were agreed in early 2020 and the Council has received £30,633,614 to date.

9.4 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.

9.5 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.

9.6 The additional £339k grant allocated for capacity funding for this current financial year has been reflected in the Investment Programme.

Victoria Square Woking Ltd (VSWL)

9.7 Construction of the Victoria Square regeneration project has been delayed by the impact of the Covid pandemic but is due to open in March 2022. The Investment Programme shows the remaining loan facility to Victoria Square Woking Ltd drawn in 2021/22 with the acquisition of the car park element by the Council in 2022/23. An update on the scheme is due to be reported to the March Executive meeting.

Brookwood Cemetery

- 9.8 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. 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 £300k for the capital grant and £150k revenue grant in 2021/22.
- 9.9 These grants were previously temporarily suspended in the Investment Programme and now moved onto the Pipeline Projects list. 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.
- 9.10 Allowance is made in the 2022/23 budget for no further revenue grant and £100k capital grant from the Council.

Opportunity Purchases

- 9.11 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.
- 9.12 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.

Playgrounds Improvements

- 9.13 Playgrounds improvements are planned at Horsell Moor, Oakfield, and Sutton Green during 2022/23. The Investment Programme also includes allowance for playground maintenance and surfacing repairs.

Flood Schemes

- 9.14 The Council has been seeking to progress a number of flood alleviation schemes which have been included in the Investment Programme. The assumed Council contribution to these projects has a significant impact on the revenue budget through the financing costs of the borrowing required.
- 9.15 In 2020/21 the projects were moved to the suspended list whilst the Council sought funding to ensure the delivery was affordable. Work continues with the Environment Agency and other partners and the schemes are shown in the pipeline list (Appendix 7) to be brought into the funded programme when an affordable funding proposal is available.

Medium Term Financial Strategy (MTFS) Requirement

- 9.16 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).
- 9.17 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.

- 9.18 The Investment Programme still includes provision for Opportunity Purchases as these are made for operational/regeneration purposes and not primarily for yield. These purchases will need to be considered on an individual basis.
- 9.19 Appendix 10 details which category the projects on the Investment Programme are classified as under the new PWLB lending rules.

SCC Long Term Empty Properties funding

- 9.20 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.
- 9.21 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.
- 9.22 These funds have been allocated to the Council contribution to the decarbonisation works at Export and Midas House.

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:

- Acquisition of Car Parks from Victoria Square Woking Ltd (TMP12)
- All Weather Pitch – Cardinals in the Community (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)
- 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 Thamesway Central Milton Keynes
- Mandatory Grants
- New Hostel Provision (TMP51)
- Opportunity Purchases for Regeneration
- Playgrounds Improvements
- Poole Road Energy Centre – Loan to Thamesway Energy Ltd
- Provision of New Homes
- SEN School at Brookwood Farm (funded from Grant)
- 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 Integrated Transport Package (20124)
- Woking Shopping Food Court & Vertical Circulation
- Woking Sustainable Transport Package (TMP8)
- Decarbonisation for Export House and Midas House (20280)

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 include projects at Monument Way, the former Robin Hood and Anchor pub sites, and land acquired at Egley Road. These projects will continue to be worked up and submitted to the Executive for consideration.

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 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."

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

13.0 Thameswey

- 13.1 The Thameswey group continues to work to existing Business Plans. During 2022 the group Business Plans will be reviewed in detail to ensure they support the Council's Corporate Strategy due to be adopted in April.
- 13.2 Existing loan facilities are sufficient to progress the Thameswey group plans in 2022. As set out in the Medium Term Financial Strategy (MTFS) and General Fund report also on this agenda, Thameswey Energy Ltd (TEL) has been provisionally allocated funding through the government Heat Networks Investment Project (HNIP). Discussions are continuing on the terms of this funding and it is proposed that the details of any additional loan facility required to support the project be considered by the Executive as part of the MTFS in March.

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 have been built into the Treasury Management Estimates.
- 14.2 Later phases of the General Fund programme, and the progression of the pipeline projects, rely on the affordability of financing borrowing costs or the identification and receipt of other new resources to enable projects to proceed.
- 14.3 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 there is a risk for the Council 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.

Equalities and Human Resources

- 14.4 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.

Sustainability

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

Legal

- 14.6 There are no specific legal implications arising from this report.

15.0 Engagement and Consultation

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

REPORT ENDS