

DRAFT INVESTMENT PROGRAMME 2022-23 TO 2026-27

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. The financial pressures the Council faces are detailed in the General Fund\HRA Budget Reports and Medium Term Financial Strategy (MTFS) Report elsewhere on the agenda.

The Fit For The Future Programme is ongoing and aims to achieve the £11m MTFS savings target. Officers also continue to work constructively with the Department of Levelling Up Housing and Communities (DLUHC) in their review of the Council's borrowing.

The above factors have been key considerations in the preparation and review of the 2022/23 Investment Programme.

This paper is the first formal iteration in the process of updating the Investment Programme for 2023/24 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 2022/23 to 2026/27 be received; and
- (iii) Managers, Corporate Leadership Team and Portfolio Holders be asked to review the Programme 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 2023.

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

Draft Investment Programme 2022-23 to 2026-27

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.

2.0 Approach to updating the Investment Programme

2.1 As detailed in the budget papers elsewhere on the agenda, the economic conditions following the Covid pandemic have 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.

2.2 The Fit For The Future Programme is ongoing and aims to achieve the £11m MTFs savings target. Officers also continue to work constructively with the Department of Levelling Up Housing and Communities (DLUHC) in their review of the Council's borrowing.

2.3 These factors have been key considerations in preparing and reviewing the latest Investment Programme.

3.0 Overview of the Investment Programme

3.1 The Investment Programme lists all the Council's projects. 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	Glossary	An explanation of the technical terms used in the IP.
6	Housing Investment Programme slippage	A summary of expenditure slipped from 2021/22 to 2022/23.
7	General Fund Projects slippage	A summary of expenditure slipped from 2021/22 to 2022/23.

4.0 General Fund Investment Programme

4.1 The current and committed project details are set out in Appendix 4.

Draft Investment Programme 2022-23 to 2026-27

- 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.

5.0 Housing Investment Programme

- 5.1 Works on the Council's housing stock through to 2026/27 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 £3,700,000 for 2023/24. This is funded by a contribution to the Major Repairs Reserve which is the value of depreciation charged on Council Dwellings. This charge is being reviewed and will be updated for the final estimates.
- 5.4 The Mandatory Disabled Facilities Grant (DFG) items 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.

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.
- 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 the Corner of Rydens Way\Sundridge Road sites. and Bonsey Lane.
- 5.9 As a result of Government imposed rent cuts/caps combined with the financial impacts of the Sheerwater regeneration, the amount of development the HRA can carry out is limited. The level of borrowing taken to carry out new build schemes and market purchases needs to be proportionate to the size of the HRA and financial pressures will limit the amount of new build schemes going forward. The HRA Market purchases budget has been reduced from £3m per annum to £1m in the latest version of the Investment Programme.

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 has been open to the public since October 2021 and the initial 'Purple' phase of residential properties have now been let. Work is underway on Red, Copper, and Yellow 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. This item is funded from revenue has been reduced from £125,000 to £50,000.

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.
- 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 2022.

- Decarbonisation Improvement
- River Wey flood Prevention
- Old Woking Community Centre Project
- Digital Centre of Excellence - Incubator Support Service
- Midas House - Reconfiguration of two vacant floors areas

Victoria Square

9.2 The Victoria Square Update Report elsewhere on the agenda provides the latest position of the Victoria Square project. The loan facility in the Investment Programme is based on the original £700m facility approved. The previous Investment Programme published in February 2022 included £58m for the acquisition of the Victoria Square Car Park. As set out in the update report, the Car Park currently remains held by the company. The implications of the decisions made in respect of the report will be reflected in the final Investment Programme.

Housing Infrastructure Fund (HIF)

9.3 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.

9.4 The terms of the funding were agreed in early 2020 and the Council has received £31,273,103 to date.

9.5 The Council's element of the project funding depends on developers contributions from the development sites which will benefit from the infrastructure improvements. The economic conditions following the pandemic, particularly significant construction inflation, have had a major impact on the financial position of the project. The project is under review and a Housing Infrastructure Fund (HIF) Update report is due to go to the December Executive and will detail the latest project position.

Opportunity Purchases

- 9.6 The Investment Programme included a budget allowance for Opportunity Purchases. This was for property which became available and which would assist in progressing the Council's long term objectives. In the backdrop of the Fit For The Future savings exercise, and working with DLUHC in reviewing the level of Council borrowing, this item has been removed from the Investment Programme.

Celebrate Woking

- 9.7 The Celebrate Woking programme of events was temporarily suspended in preparing the Investment Programme in 2020. A Celebrate Woking revenue resource is now included in the base revenue budget but this does not appear on the Investment Programme.

River Wey Flood Prevention

- 9.8 The above project has been added to the Investment Programme as approved by the Executive as part of the March 2022 MTFS Report. The Council's contribution to the project will be made up as follows;

- The flood scheme land that is already in the council's possession following investment programme funding for land management in Byfleet back in November 2018.
- Contributions in kind.
- General Fund land maintenance costs (costed over 100 years).

Fit for the Future External Support

- 9.9 External support will be required to help achieve savings and drive transformation under the Fit For The Future Programme. This expenditure will be revenue and not capital. Usually revenue expenditure cannot be financed by capital resources such as borrowing or capital receipts.
- 9.10 On 6 February 2018 the Secretary of State issued a direction under Section 16(2)(b) of the Local Government Act 2003 and guidance under section 15(1)(a) of the Local Government Act 2003 to allow local authorities to spend capital receipts on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs/produce savings. The Fit For The Future Programme is likely to fit this criteria and therefore this item is financed by capital receipts on the Investment Programme.
- 9.11 In order to us these receipts Council approval is required and the Government need to be notified of the planned approach. This is discussed in the detailed report elsewhere on the agenda.

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 loan facilities included in the Investment Programme for the Thamesway Group will be updated for the final budget papers presented in February. These changes will incorporate the latest Thamesway Business plans. The figures in the Draft Investment Programme for TEL

and TCMK are based on the forecasts prepared as part of the Ernst and Young review. The figures for THL and Sheerwater are based on existing Thamesway Business 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 Working for All Corporate Strategy priorities.

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.

Equalities and Human Resources

14.5 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

14.6 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, considering project costs and timing.

REPORT ENDS