

# CAPITAL PROGRAMME 2024-25 TO 2028-29

Meeting: **Executive**

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Will the decision be open for call in?  Yes  No

Does the report contain confidential or exempt information?  Yes  No

## 1.0 Purpose of Report

1.1 The Capital Programme sets out the expenditure necessary to support the achievement of the Council's strategies and objectives.

## 2.0 Recommendations

2.1 The Executive is requested to:

### RECOMMEND TO COUNCIL THAT

- (i) **the Capital Programme 2024/25 to 2028/29, as summarised in Appendices 1 to 4 to the report, be approved subject to reports on projects where appropriate; and**
- (ii) **the proposed financing arrangements at Appendix 2 to the report be approved.**

### Reason for Decision

2.2 To recommend to Council that it approves the capital programme and the proposed financing arrangements for 2024/25 onwards considered necessary to support the Council's service plans and objectives.

## 3.0 Background

3.1 The Capital Programme sets out the investments required to deliver the Council's key strategies and objectives. This was formerly known as the Investment Programme as it included revenue projects funded from reserves. The option of reserves funding is not currently available, and any transformation projects will have to be funded by the use of capital receipts or within the Exceptional Financial Support request, as agreed

by Government. All revenue expenditure is therefore captured in the base revenue service budgets.

- 3.2 The General Fund and Housing Revenue Account budgets for 2025/26, and the Capital and Investment Strategies (which appear elsewhere on the agenda) all incorporate the impact of the borrowing taken to carry out the Capital Programme.
- 3.3 As discussed in the Section 114 Notice issued in June 2023, the Council's previous Capital and Investment strategies have resulted in unaffordable borrowing, inadequate steps to repay that borrowing, and high values of irrecoverable loan investments. The Capital Programme has therefore been largely suspended with provisions only for items such as urgent health and safety and regulatory works, Housing Asset Management Programmes funded by the Housing Revenue Account, and payments only being made to companies and joint ventures to cover business cases agreed with the Commissioners\MHCLG. Only projects complying with the Council's capital principles, as set-out in the Capital Strategy and in this report, have been included in the Capital Programme.
- 3.4 The Council's Improvement and Recovery Programme will be fully spent in 2024-25 and a new allocation from flexible use of capital receipts will be required. Officers continue to work constructively with MHCLG in their review of the Council's borrowing.
- 3.5 The above factors have been key considerations in the preparation and review of the 2025/26 Capital Programme.
- 3.6 Appendix 5 provides a glossary explaining the technical terms used in this report.

### **4.0 Approach to updating the Capital Programme**

- 4.1 In July 2023 the following Capital Planning Principles were adopted by Council for the General Fund Capital Programme year 2024/25 and the period of this MTF5. Proposals that do not fall within these 'Capital Principles' will not be included within the Capital Programme.
  - Items of programming that relate to essential health and safety works and deliver compliance to the regulations within in the Council's property estate.
  - Essential investment in Information & Communications Technology to ensure that the Council has fit for purpose and secure tools and infrastructure to support operations generally where there is a suitable business case to support such investment.
  - Items where - following support from Government and from Commissioners - specific resources are provided to the Council by Government to complete or partially complete certain specified schemes that were already in delivery by the various companies owned by the Council when the Section 114 Notice was issued.
  - Any schemes that can be shown to be wholly funded from external resources without implying additional cost burdens for the Council.

## Capital Programme 2024-25 to 2028-29

- Where proposals are estimated to return a measurable revenue saving; for example, leasing of the Council's commercial property portfolio which may require modest upfront capital investment, and which then return a beneficial income stream to the revenue budget.

4.2 In addition, proposals funded by the Housing Revenue Account will be developed alongside these General Fund principles with the aim of supporting a sustainable HRA 30-year business plan.

4.3 The attached programme has been collated on this basis including only expenditure meeting the above principles. If a project is externally funded consideration needs to be given as to whether the project will generate additional maintenance costs in the future.

### 5.0 Overview of the Capital Programme

5.1 The Capital 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 3 and 4.

5.2 For each project a proposed source of funding is identified (for example capital receipts, grant, development contributions, or borrowing). Actual funding decisions will be taken at the end of the year to optimise use of resources. The Capital 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. Projects also need to go through the project approval process.

5.3 The following appendices are attached to this report:

Appendix	Title	Description
1	CP Summary	Sets out the total funded projects in the Capital Programme.
2	Financing summary	A summary of how the General Fund and Housing Capital Programme projects will be financed.
3	Housing Capital Programme	A breakdown of the projects included in the Housing Capital Programme (HCP) where allowance will be made in the General Fund or HRA revenue budgets.
4	General Fund Projects	A list of projects included in the Capital Programme (allowance made in the General Fund budget).
4a	IT Programme	A breakdown of the IT programme line in Appendix 4.
5	Glossary	An explanation of the technical terms used in the Investment Programme.

## 6.0 General Fund Capital Programme

6.1 The current and committed project details are set out in Appendix 4 and a summary shown in the table below.

	APPENDIX & PAGE REFERENCE	PLANNED EXPENDITURE				
		24/25	25/26	26/27	27/28	28/29
		£'000	£'000	£'000	£'000	£'000
<b>General Fund</b>	Appendix 4	20,406	7,004	5,600	5,534	0
<b>Housing Capital Programme</b>	Appendix 3	37,502	23,451	19,655	17,636	13,763
<b>Total Capital Programme</b>		<b>57,908</b>	<b>30,455</b>	<b>25,255</b>	<b>23,170</b>	<b>13,763</b>

6.2 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 Capital Programme projects.

6.3 For 2025/26, the total £30.455m expenditure is expected to be financed as follows:

Capital Financing	2025/26
	£000
General Fund Borrowing	6,954
S106 - GF Projects	50
Grants and Contributions (DFG)	1,660
<b>Subtotal General Fund Financing</b>	<b>8,664</b>
HRA Borrowing	3,126
S106 - HRA Projects	4,000
Housing Capital Receipts	9,701
HRA Major Repairs Reserve	4,964
<b>Subtotal HRA Financing</b>	<b>21,791</b>
<b>Total Financing</b>	<b>30,455</b>

## 7.0 Housing Capital Programme

7.1 The total Asset Management Plan budget for investment in the Council's housing stock is usually funded by a depreciation contribution to the Major Repairs Reserve, which is the value of depreciation charged on Council Dwellings. This contribution is estimated to be £4,122,071 in 2025/26. As detailed in the paragraphs below, and in the approved Housing Revenue Account (HRA) Business Plan, significantly more capital expenditure is required to ensure the Council's Housing Stock meets statutory obligations.

7.2 The breakdown of the Woking Borough Council Homes Section of the Housing Capital Programme (Appendix 3) is illustrative, and priorities will be agreed during the year with the priority being health and safety works. The Asset Management Plan is based on stock condition data, which will be reviewed following the completion of the current 100% survey.

Housing Asset Management Plan – HRA £16.0m

- 7.3 The Council's housing stock has suffered from many years of under-investment. Within the overall 2024/25 £37.5m budget, £16.8m (four times previous annual levels) was approved to invest in existing stock. Fire risk assessments in 2023 identified substantial fire safety remedial works required to the Council's apartment blocks and this will continue to be the priority for the capital programme in the short-term.
- 7.4 This report projects the Asset Management Programme (AMP) for council dwellings at £16 million for next year. The 2025/26 programme will be primarily financed through depreciation (which itself is funded by rents) and capital receipts from property disposals and historic Right to Buy sales. The remaining balance of approximately £3.1 million will require funding through borrowing, with the associated interest costs being incorporated into the 2025/26 HRA budget.
- 7.5 A 5-year capital programme has been developed, which seeks to balance maintaining the Council's Decent Homes position above 85% whilst delivering the fire safety remedial works as expediently as funds allow. This does mean it is likely to take the Council at least 3 years to complete the full fire safety remedial programme with works prioritised based on risk. It is anticipated that there will be a short-term decline in the Council's Decent Homes performance (forecast 87% in 2025/26) whilst it focuses on safety works.
- 7.6 A 100% stock condition survey is nearing completion and will inform future capital programmes. It is anticipated that significant capital investment in Council homes will continue to be required moving forward to achieve regulatory compliance. This work has been considered in the development of the 30-year Housing Revenue Account (HRA) Business Plan, which will be updated to reflect the survey results.

Sheerwater Refurbishments – HRA £1.80m

- 7.7 Following the scaling back of the Sheerwater regeneration scheme, it was agreed that the Council would retain and refurbish around 100 homes within the Housing Revenue Account (HRA), which is forecast to generate additional net income to the HRA of circa £650,000 per annum. The cost of these refurbishments is estimated at £2.9 million, and this will need to be met from capital receipts from disposal of empty HRA homes within the Sheerwater regeneration area or grant funding. £1.8 million is allocated towards delivering this refurbishment programme in 2025/26.
- 7.8 The Council was allocated £2,392,259 Local Authority Housing Fund (LAHF) grant funding in Round 1 to acquire 15 homes by March 2024. Due to the Council's wider financial challenges and the tight timescales for delivery, the Council was only able to deliver 5 homes by the deadline and spent £703,463 of the grant funding within this round. However, the Government has recently agreed to extend the deadline to 31 July 2025 to allow the Council to spend more of the grant and deliver the intended project outcomes. It is anticipated that the Council will be able to deliver the remaining 10 properties for a cost of circa £700k (50% LAHF funded) with the focus being on refurbishing Sheerwater empty properties.
- 7.9 Furthermore, the Council has been awarded further capital grant funding of £875,775 under LAHF Round 3. The basis for the Council's submission for LAHF Round 3 was

that the grant funding be used to refurbish another 12 long-term empty properties within the Sheerwater regeneration area that were previously due to be redeveloped.

Provision of New Housing – HRA £4.0m

- 7.10 Local Authorities are permitted to retain a portion of Right to Buy receipts for the purpose of funding one-for-one replacement housing. Under a current 2-year pilot, these receipts can contribute to the full cost of replacement housing and must be utilised within five years, or they will be returned to the Government. In recent years, these funds have been fully committed to new affordable housing schemes. There are no proposals in the 2025/26 capital programme to spend retained Right to Buy capital receipts for new build or acquisitions.
- 7.11 The Council does hold approximately £6 million of developer contributions (Section 106 receipts) that are tied to the provision of affordable housing. In line with the HRA Business Plan, £4 million of this is proposed to be allocated to acquisition of additional affordable homes through street property purchases funded from these Section 106 capital receipts.

Disabled Facilities Grants (DFG) - General Fund

- 7.12 The Mandatory Disabled Facilities Grants (DFG) item on the Housing Capital Programme is funded by a £1,660,000 grant provided as part of the Department of Health's Better Care Fund. This funding level has been confirmed for 2025/26. There is no provision in the capital programme for the Council to provide additional discretionary grants. It is anticipated that up to £150k from DFG in 2025/26 will be used to fund Careline Equipment upgrade, as set-out in Appendix 3.

**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 Capital Programme. Spending should only commence on a project once it has been through an authorisation process at Corporate Leadership Team and the budget released.
- 8.3 The latest monitoring of 2024/25's capital programme is reported as a separate item on the agenda (Q3 Budget Monitoring).
- 8.4 In 2025-26 the project monitoring will be strengthened further by implementing multiple year online forecasting.
- 8.5 Further detail on active projects is reported to the Executive through the project monitoring process.

## 9.0 Schemes included within the Financed Capital Programme – General Fund

9.1 The Capital Programme for 2025/26 includes the following new schemes which have been added since the programme was approved in February 2024. The items added to the programme are indicated below and further details can be found in Appendices 3 and 4.

- Integra Upgrade 2024-25 Project, part of the IT list (Appendix 4a)
- Idox Software Ltd MSSA Managed Service Agreement – Upgrade, part of the IT list (Appendix 4a)
- Careline Equipment funded by a small amount of DFG grant and the balance from borrowing.

### Project Updates

9.2 The following provides a brief summary of the major projects included on the Capital Programme.

### ICT Capital Programme

9.3 ICT Capital Spend requirement; To ensure that Woking has a robust, resilient, and flexible core technology foundation we require investment in our wide area network and internet, WiFi offering, virtual server estate, data storage, security, and backup solutions. In addition, ongoing and improved functionality within Finance and Housing requires two major application upgrades, and moving our cash receipting software to a hosted solution ensures ongoing PCIDSS (payment card industry data security standard) compliance. Finance is getting an essential upgrade to a new version of the ledger system, due to the incumbent version being unsupported.

### Road Safety Audit works to complete the Woking Integrated Transport Plan (WITP) Project

9.4 Following the completion of the Woking Integrated Transport Plan works Surrey County Council Highways department have completed their road safety audit of the construction works, identifying several minor defects which the Council need to address. An allowance for these works is included in the budget for the project previously presented to the Executive.

### Asset Management Plan (AMP)

9.5 The AMP complies with the capital principles outlined above and only includes essential works. The s114 notice issued in 2023 referred to the repairs and maintenance budgets being insufficient to maintain the Council's property portfolio. Catch up works are required to ensure the Council's properties are maintained to an acceptable standard. £20m has been set-aside as part of the 2024/25 Capitalisation Directive as a sinking fund for the commercial estate. Asset Condition surveys are being undertaken to establish the full scope of works required and the estimated costs.

9.6 Current plan is for small investment for condition surveys and development of a programme in 24/25 - c£100k - and request that the profile is slipped and rolled forward 1 year. Known areas of investment in pipeline are Civic Centre and Leisure

centres, including Pool in the Park (subject to leisure contract re-procurement). This will need adding into draft programme and the level of borrowing identified.

### Tennis Courts

- 9.7 This project has delivered two new tarmac tennis courts in place of the existing ball courts at West Byfleet Recreation Ground. The project budget of £128k has been covered in part by neighbourhood CIL (£72k agreed) and an external grant from the Lawn Tennis Association (£56k). This project is now in retention, with final payment due in 2025/26.

### Improvement and Recovery Programme (formerly Fit for the Future External Support)

- 9.8 External support will continue to be required to help achieve savings and drive transformation under the Improvement and Recovery Programme (formerly known as 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.
- 9.9 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 Improvement and Recovery Programme fits this criteria and therefore this item is financed by capital receipts on the Capital Programme.
- 9.10 Across 2025/26 and 2026/27, the programme is projected to cost £2.49m as detailed in Appendix 4 of the separate General Fund Budget agenda item. Should the General Fund Budget proposals be supported, this expenditure would be met from investment estate receipts including the receipt from Cleary Court in 2022/23.
- 9.11 The detailed proposals of the Improvement and Recovery Programme were set out in the March Medium Term Financial Strategy (MTFS) paper. On 30th March 2023 the Council resolved that approval of the proposed Flexible Use of Capital Receipts in 2023/24 and submission of a plan to DLUHC be delegated to the Strategic Director – Corporate Resources, in consultation with the Finance Portfolio Holder. This plan was submitted to DLUHC in April 2023. The amount in the Capital Programme is the updated estimated expenditure under the scheme.

### **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:
- Previously agreed loans to ThamesWey and to Victoria Square Woking Ltd
  - Improvement and Recovery Programme (formerly Fit for the Future External Support) (funded by capital receipts)
  - Mandatory Disabled Facilities (Disabled Facilities Grant – DFG)
  - CCTV Infrastructure Upgrade and Formation of Town Centre Control Room



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.

### **11.0 Group Business Plans**

11.1 Previously approved loans to group companies total £11.6m to Victoria Square Woking Limited (VSWL) and £26m to ThamesWey for Sheerwater Regeneration within 2024/25's capital programme. These funds are released as part of the approved capital programme, provided they are within the sums agreed in the Group Business Plans.

11.2 For 2025/26, no new loans to the group companies are currently proposed, other than those already approved within the 2024/25 programme. Any new proposals would require support from members, MHCLG and from Commissioners on a business case basis, as per the Council's agreed capital criteria. Further background on the companies' business plans is provided in the following paragraphs.

#### ThamesWey - Sheerwater Regeneration

11.3 Following the issuance of the S114 notice in June 2023, it became apparent that the Council cannot afford, nor can ThamesWey depend on, the future borrowing required to complete the Sheerwater Regeneration project. In July 2023, the Council agreed to terminate the existing Development Agreement with ThamesWey for the delivery of the Sheerwater Regeneration, with no new phases planned beyond those currently under construction.

11.4 To support the completion of the active construction phases, a business case was developed, seeking £57.7 million in loan funding from Government (covering land payments and professional costs). With the final phase of construction by ThamesWey now nearing completion, there is only limited remaining capital expenditure expected during 2025/26 to conclude their involvement in the regeneration scheme in accordance with the submitted business case.

#### Victoria Square Woking Limited (VSWL)

11.5 Similarly for VSWL, a business case was previously approved by Commissioners and MHCLG permitting further loan facilities to enable completion of specific construction phases. The loan facilities shown in the Capital Programme are based on these approved business cases. There is no provision built into the programme for future new Business Cases. The capital programme assumes that the remaining business case funds will be fully drawn down in 2024/25 however some of this expenditure may slip into 2025/26.

### **12.0 Schemes Removed**

12.1 The following schemes have been removed from the Capital Programme at this stage. Most have completed or are in the retention phase and some may be added back at a later date once sufficient resources are available or if it is determined that they are required;

- Purchase of Winston Lodge (funded by borrowing)
- Local Development Framework and Local Plan (funded by revenue)
- St Johns Lye Road Repairs (funded by revenue)
- Westfield Avenue Compound - Residential Planning Application (Funded by borrowing)
- Egley Road Development (Funded by Borrowing)
- Decarbonisation for Export House and Midas House (funded by Grant/Service Charges)

### **13.0 Schemes not yet taken account of**

13.1 Due to the financial position of the Council there is very limited scope in what schemes it can deliver. Where possible schemes have been suspended and only items complying with the Council's capital principles have been included.

### **14.0 Release of funding**

14.1 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.”

14.2 The use of this delegated authority is reported in the Financial Monitoring Reporting (formerly known as the Green Book).

### **15.0 Implications**

#### Legal

15.1 The Council has a duty under section 3(1) of the Local Government Act 2003 to determine and keep under review how much money it can afford to borrow. Section 3(5) of the Local Government Act 2003 provides that the Secretary of State may by regulations make provision about the performance of that duty.

15.2 Regulations made by the Secretary of State require the Council to have regard to the Prudential Code for Capital Finance in Local Authorities published by CIPFA regarding the affordability of the Capital Programme.

15.3 The legal implications for each individual scheme within the Capital Programme will be considered when approval is sought for that particular scheme. Each scheme within the Capital Programme will be approved in accordance with the Council's Constitution.

Resources (including finance)

15.4 The financial implications of the Capital 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.

15.5 Later phases of the General Fund programme, and the progression of any projects being developed, rely on the identification and receipt of other new resources to enable projects to proceed.

15.6 The project management arrangements provide for risk analysis as part of the improved control of Capital Programme projects; this seeks to minimise and manage risk.

Risks and Mitigation

15.7 Risks to be assessed, with mitigation options, within individual project business cases.

Consultation, Equality Impact Assessments

15.8 No general public consultations have been undertaken in connection with this report. The Capital Programme has been reviewed by Managers, Corporate Leadership Team and Portfolio Holders.

15.9 The Council has some core resources to manage the Capital 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. Greater corporate capacity is being developed through the Shareholder Advisory Group (SAG) and the Fit for the Future programme resource.

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

Environment and Climate Change

15.11 Implications to be assessed within individual project business cases.

## 16.0 Supporting Documents

### Appendices

- Appendix 1: Summary Capital Table
- Appendix 2: Capital Financing Summary
- Appendix 3: Housing Capital Projects
- Appendix 4: General Fund Capital Projects
- Appendix 4a: IT Capital Projects
- Appendix 5: Glossary

### Background Documents

None.

**Report Ends**