

## CAPITAL PROGRAMME 2023-24 TO 2027-28

### Executive Summary

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, as agreed by Government. All revenue expenditure will now therefore be captured in the base revenue service budgets.

The General Fund and Housing Revenue Account budgets for 2024/25 (which appear elsewhere on the agenda) incorporate the impact of the borrowing taken to carry out the Capital Programme.

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\DLUHC. As detailed in this report, only projects complying with the Council's capital principles have been included in the Capital Programme.

The Council's Improvement and Recovery Programme is ongoing and Officers 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 2024/25 Capital Programme.

Appendix 5 provides a glossary explaining the technical terms used in this report.

### Recommendations

The Executive is requested to:

#### **RECOMMEND TO COUNCIL That**

- (i) the Capital Programme 2023/24 to 2027/28 be approved subject to reports on projects where appropriate; and**
- (ii) the proposed financing arrangements be approved.**

### Reasons for Decision

Reason: To recommend to Council that it approves the capital resources for 2023/24 onwards considered necessary to support the Council's service plans and objectives.

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

## Capital Programme 2023-24 to 2027-28

**Background Papers:** None.

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## **1.0 Introduction**

- 1.1 The Capital Programme sets out the expenditure necessary to support the achievement of the Council's strategies and objectives.
- 1.2 Appendix 5 provides a glossary explaining the technical terms used in this report.

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

- 2.1 The Section 114 Notice issued in June 2023, stated that 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 General Fund Budget Report elsewhere on the agenda provides an update on the Council's financial position. Due to the issues detailed in the s114 Notice and the budget report, the Capital Programme has been largely suspended with provisions only for items meeting the Capital Principles outlined below.
- 2.2 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 MTFS. 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.
  - 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.
  - 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.
- 2.3 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.
- 2.4 Officers are also continuing to work constructively with the Department of Levelling Up Housing and Communities (DLUHC) in their review of the Council's borrowing.
- 2.5 This report 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 therefore all revenue projects have been incorporated into the service revenue budget reports and not part of this programme from 2024/25 onwards. The 2023/24 expenditure on the programme does include some revenue items as this reflects the approach taken when the 2023/24 budgets were set in February 2023.

### **3.0 Overview of the Capital Programme**

- 3.1 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.
- 3.2 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.
- 3.3 The following appendices are attached to this report:

| <b>Appendix</b> | <b>Title</b>              | <b>Description</b>   |
|-----------------|---------------------------|--|
| <b>1</b>        | CP Summary                | Sets out the total funded projects in the Capital Programme.   |
| <b>2</b>        | Financing summary         | A summary of how the General Fund and Housing Capital Programme projects will be financed.   |
| <b>3</b>        | 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. |
| <b>4</b>        | General Fund Projects     | A list of projects included in the Capital Programme (allowance made in the General Fund budget).  |
| <b>4a</b>       | IT Programme              | A breakdown of the IT programme line in Appendix 4.  |
| <b>5</b>        | Glossary                  | An explanation of the technical terms used in the IP.  |

### **4.0 General Fund Capital 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 Capital Programme projects.

### **5.0 Housing Capital Programme**

- 5.1 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 £4,272,000 in 2024/25. As detailed in the paragraphs below, and the Housing Revenue Account (HRA) budget report elsewhere on the agenda, significantly more capital expenditure is required in order to ensure the HRA meets its statutory obligations.
- 5.2 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. The Asset Management Plan is based on stock condition surveys which will be reviewed to develop the Asset Management Strategy through the financial year and ensuring the most urgent catch up works are prioritised.
- 5.3 The Mandatory Disabled Facilities Grants (DFG) item on the Housing Capital 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. There is no provision in the capital programme for the Council to provide additional discretionary grants.

## Capital Programme 2023-24 to 2027-28

- 5.4 Since the housing service returned in-house in April 2022, it has become clear that the Council's housing stock is in a poor condition and requires significant capital investment. In July 2023, the Council self-referred to the Regulator of Social Housing for potentially breaching the Homes Standard. Following ongoing engagement, the Council received a Regulatory Notice from the Regulator on 14 December 2023 for breaching the Homes Standard in respect of fire safety.
- 5.5 A programme of works has been developed and costed for the high risk fire safety remedial works and Decent Homes works at circa £37 million. These will need to be delivered over the next 2-3 years. The capital budget sought for 2024/25 is circa £16.8 million which will focus on the high risk fire safety remedial works, along with around half of the outstanding Decent Homes improvements.
- 5.6 This marks a significant upscaling of the Housing capital programme, which has stood at around £4 million for a number of years. The 2024/25 programme will be primarily funded from depreciation; Sheerwater capital receipts (from Purple, Red and Yellow phases); historic capital receipts from Right to Buy sales and disposal of a small number of void HRA assets. The balance of approximately £2.5 million will need to be funded through borrowing with the additional interest costs incorporated into the 2024/25 Housing Revenue Account (HRA) budget.
- 5.7 Work is ongoing to understand the capital funding requirements to achieve 100% Decent Homes in future years, along with completing the lower risk fire safety remedial works. It is expected that future years will see a continued need for substantial capital investment in our Council homes and this work will need to feed into the work on the 30-year HRA Business Plan.

### Sheerwater Refurbishments

- 5.8 Following the issue of the S114 notice, the Council agreed that the existing Development Agreement between the Council and ThamesWey for the delivery of the Sheerwater regeneration project be brought to an end and no new phases would commence following those currently under construction. In October 2023, it was agreed that the Council would retain and progress the refurbishment of 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.

### Provision of New Housing

- 5.9 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. These funds have all been committed to new affordable housing schemes in recent years. Due to the position of both the General Fund and the HRA consideration needs to be given on whether these receipts should be retained going forward.

### Sheerwater Regeneration

- 5.10 Following the issue of the S114 notice on 7 June 2023, it became clear that the Council cannot afford, and ThamesWey cannot rely on, the future borrowing required to complete the Sheerwater Regeneration. In July 2023, the Council agreed that the existing Development Agreement between the Council and ThamesWey for the delivery of the Sheerwater Regeneration Project be brought to an end and no new phases would commence following those currently under construction. A business case for funding of £57.7 million (including land

payments and professional costs) was developed and discussed with Government in order to complete these active construction phases of the Sheerwater regeneration.

- 5.11 The Sheerwater loan facilities in the Capital Programme are the amounts detailed in the business cases submitted to the Commissioners and DLUHC plus expenditure incurred under the former loan facility arrangements incurred early in 2023/24 prior to the business case submission.

### **6.0 Priorities**

- 6.1 The projects were previously included within the Capital Programme using the priorities established by the Capital Strategy outlined below. Due to the financial position of the Council the Capital Programme now only makes provisions for items meeting the Capital Principles outlined in section 2 above.

- 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.

### **7.0 Reporting of Project Progress**

- 7.1 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).
- 7.2 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 and the budget released.
- 7.3 Further detail on active projects is reported to the Executive through the project monitoring process.

### **8.0 Schemes included within the Financed Capital Programme**

- 8.1 The Capital Programme includes the following new schemes which have been added since the Investment Programme was approved in February 2023. The items added to the programme are indicated below and further details can be found in Appendices 3 and 4.
- Play Area Works (Funded by UKSPF Grant\Borrowing )
  - Parks and Other Green Space Works (UKSPG Grant Funded)
  - West Byfleet Recreation Ground tennis courts
  - Pool in the Park Urgent and Essential Works

### Project Updates

- 8.2 The following wording provides a brief summary of the major projects included on the capital programme.

### ICT Capital Programme

- 8.3 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, Wi-Fi 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.
- 8.4 Channel shift return on investment; This is a proposal to invest £700k in Customer Relationship management; telephony and contact centre; and web publishing and forms infrastructure over the coming two years. Around 50% is core infrastructural investment (maintaining a secure website, basic online services, maintaining phone lines). Around 50% (£350k) is related to 'channel shift' efforts – upgrading from the minimum technical provision, to supporting better, cheaper services. The modelling show that this additional £350k investment will result in returns of £350k in year three from the revenue budget. The main source of savings will occur through the reduction of staffing. Primarily through greater self serve by residents and customers, and greater efficiencies in back office processes. A further report on the Channel Shift Project will be received by the Executive at its meeting on 21 March 2024.

### Community Fund Committed Grant Awards (Linkable and New Life Church)

- 8.5 The Community Fund now only includes grants which the Council are contractually committed to for existing projects and will cease from 2024/25 onwards. The programme includes a provision for grant awards to Linkable and New Life Church in 2023/24 which were approved by the Executive on 10 December 2020 and 27 February 2020 respectively.

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

- 8.6 Following the completion of the Woking Integrated Transport Plan works it is necessary to carry out a Road Safety Audit in order for the responsibility for maintaining the network to be transferred to Surrey County Council. This is included in the budget for the project previously presented to the Executive.

### Housing Infrastructure Fund (HIF)

- 8.7 In July 2019 the Council was awarded a £95 million grant from the Ministry of Housing, Communities and Local Government Housing Infrastructure Fund administered by Homes England. The grant was to be used to make improvements to the A320 Guildford Road and Victoria Arch, to improve pedestrian and cycle routes and replace the railway bridge.
- 8.8 As reported to the Executive on the 5<sup>th</sup> October 2023, a joint decision between WBC and Homes England has been made to close the project. Officers are discussing the grant funding position with Homes England. The residual property assets acquired under the scheme will be reviewed as part of the Council's wider asset disposal scheme. The expenditure included in the Capital Programme for 2023/24 is the essential remaining spend required in order to bring the scheme to a close.
- 8.9 To date £34.5m has been received in grant funding relating to the scheme.

### Asset Management Plan (AMP) & Pool in the Park Capital Maintenance

- 8.10 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 over the Medium Term Financial Plan (MTFP) period (at £5m p.a. from 2024/25) has been added to the capital programme for these additional works. Stock Condition surveys will need to be carried to establish the full scope of works required and the estimated cost.
- 8.11 The 2023/24 AMP budget has been held at £1m while these stock condition surveys are scheduled. Any slippage due to under spends in previous years has not been brought forward.
- 8.12 The General Fund 2024/25 Budget assumes that the Pool in the Park will remain open and the Pool in the Park budgets are based on a Options Appraisal that will be recommended to Council on 8<sup>th</sup> February. A stock condition survey was carried out to inform the Options Appraisal and identified £2,593,000 in capital repairs and maintenance costs. These costs have been included in the Capital Programme over the MTFP period.

### Purchase of Winston Lodge

- 8.13 £512,000 is included in the Capital Programme for the committed purchase of Winston Lodge as part of the Co-Plan Development and to facilitate Seymour's (current owners of Winston Lodge) relocation to Victoria Place. This purchase was committed to in 2021/22. Any further acquisitions under this development should either be suspended or do not progress without specific approval by the Corporate Leadership Team and Executive. No budget provision has been made for further acquisitions.

### Group Loan Facilities

- 8.14 The loan facilities shown in the Capital Programme for ThamesWey and Victoria Square Woking Ltd (VSWL) are based on business cases approved by the Commissioners and the Department of Levelling Up Housing and Communities (DLUHC). 2023/24 expenditure incurred prior to the business cases has also been included. There is no provision built into the programme for future Business Cases.

### Playgrounds Improvements

- 8.15 This provision enables the most urgent play area works to be carried out where the Council has a legal duty (as landowner) to maintain a condition to ensure health and safety for users. Works will reduce the ongoing maintenance burden and pressure on existing / future budgets by bringing the facility into a better condition and prolong the life of these play areas. Specific works will include replacement and refurbishment of safety surfacing and equipment. This expenditure will be funded through the Council's UKSPF allocation. This amount also includes £5k held in retention from the play area refurbishment projects completed in 2023/24, for which the budget was previously agreed.

### Parks and Other Green Space Works

- 8.16 The budgeted £140k is for a package of parks and green space improvement works, which will be funded entirely from the Council's UKSPF allocation for 2024/25. These works will include improvements to existing footpaths, access roads and car parks within public green spaces, as well as other refurbishment / improvement works to other park features. The identified works are required for the Council to meet its legal duties (as landowner) to maintain its public spaces in a suitable condition for the health and safety of users and to reduce the current maintenance burden by bringing facilities into a better condition.

Tennis Courts

- 8.17 This project will deliver two new tarmac tennis courts on the existing ball courts at West Byfleet Recreation Ground. The proposed project budget of £128k will be covered in part by neighbourhood CIL (£72k agreed) and an external grant from the Lawn Tennis Association (£56k). The new tennis courts will be fenced with a gate entry system. Users will be able to book the courts through an online booking system. The income received will cover the cost of ongoing maintenance, with a sinking fund to cover future refurbishment costs.

Westfield Avenue Compound & Egley Road

- 8.18 These projects are included in the Capital Programme in order to bring them to a position where they can be sold.

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

- 8.19 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.
- 8.20 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.
- 8.21 The Council has a capital receipt available through the sale of Cleary Court, agreed during 2022/23. This receipt has been earmarked to be used to fund the Improvement and Recovery Programme.
- 8.22 The detailed proposals of the Improvement and Recovery Programme were set out in the March Medium Term Financial Strategy (MTFS) paper. On the 30<sup>th</sup> 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.

River Wey Flood Prevention

- 8.23 The Council's contribution to the above project would be made up of transferring flood scheme land that is already in the Council's possession (following capital programme funding for land management in Byfleet in November 2018), contributions in kind, and possible General Fund land maintenance costs. There is no provision for the project in the Capital Programme as no additional capital resources would be required.

## **9.0 Schemes in excess of £1m**

9.1 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:

- Loan to Victoria Square Woking Ltd
- Old Woking Community Centre Project (Woking College)
- Improvement and Recovery Programme (formerly Fit for the Future External Support) (funded by capital receipts)
- Sheerwater Regeneration - Loan to TDL
- Mandatory Disabled Facilities (Disabled Facilities Grant – DFG)

9.2 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.

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

9.4 Approved loans to group companies in total exceed £1 million and are released as required, providing they are within the sums agreed in the Group Business Plans. Loans are now only made based on the approved business cases agreed with DLUHC.

## **10.0 Schemes Removed**

10.1 The following schemes have been removed from the Capital Programme at this stage. These may be added back at a later date once sufficient resources are available or if it is determined that they are required;

- Victoria Way Central Reservation
- Rainwater Gardens Project
- Digital Centre of Excellence - Incubator Support Service
- Buzz Theatre
- River Wey Flood Prevention - Byfleet
- HIF Victoria Arch and Integrated South Side Works
- New Hostel Provision (funded from capital receipts/borrowing)
- HRA Market Purchases
- Local Authority Housing Fund (LAHF) Acquisitions

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

11.1 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.

## 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 Financial Monitoring Reporting (formerly known as the Green Book).

## 13.0 Implications

### Finance and Risk

13.1 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.

13.2 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.

13.3 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.

### Equalities and Human Resources

13.4 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.

### Sustainability

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

### Legal

13.6 There are no specific legal implications arising from this report.

**14.0 Engagement and Consultation**

14.1 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.

REPORT ENDS