

Council

19 October 2023



Title	Addendum to the 2023-24 to 2026-27 Capital Programme for suspension of the direct housing projects.
Purpose of the report	To approve the revised 2023-24 to 2026-27 Capital Programme
Report Author	Paul Taylor Chief Accountant
Ward(s) Affected	All Wards
Exempt	No
Corporate Priority	Community Affordable Housing Recovery Environment Service Delivery
Recommendations	Council is asked to approve the proposed revised Capital Programme for 2023-24 to 2026-27, as set out in Appendix B.
Reason for Recommendation	On 11 September 2023, the Corporate Policy & Resources Committee agreed to suspend the direct housing projects, and this is now reflected in the revised 2023-24 to 2026-27 Capital Programme.

This report is subject to the decision to be made at the Corporate Policy & Resources Committee on 16 October 2023, and may be subject to change.

1. Key issues

1.1 Council approved the 2023-24 to 2026-27 Capital Programme at its February meeting, as shown in **Appendix A** and highlights the following:

- (a) Gross cost - £446.045m
- (b) Funding – (£107.613m)
- (c) Net borrowing requirement - £338.432m.

The Funding element of the Capital Programme includes third party funding from Homes England to reduce the Council borrowing requirement.

1.2 On 11 September 2023, the Corporate Policy & Resources Committee confirmed its support to suspend the direct housing projects as listed below, and at their meeting on 16 October 2023 confirmed that the following projects, as represented by the grey block filling in **Appendix B** and shown below are to be suspended:

- (a) £28.528m - Reduction in the Street Acquisitions Budget

- (b) £0.6m - Recruitment of a property manager, which was funded from the Street Acquisitions budget
- (c) £13.94m - Ashford MSCP Residential Scheme
- (d) £4.172m Whitehouse - Design Fees & Construction Phase B
- (e) £77m Thameside House
- (f) £47.25m - Oast House
- (g) £25.94m - Victory Place (Ashford Hospital car park site)
- (h) £5.348m - Elmsleigh Centre
- (i) £5.926m - William Hill (91/93 High Street)
- (j) £62m - Tothill MSCP
- (k) £3.5m - Ashford Community Centre
- (l) £8.662m - Benwell 2

1.3 The revised 2023-24 to 2026-27 Capital Programme in **Appendix B** reflects the suspended projects mentioned in 1.2 above and highlights the following:

- (a) Gross costs - £58.604m
- (b) Funding – (£3.536m)
- (c) Net borrowing requirement - £55.068m

1.4 The change in the 2023-24 to 2026-27 Capital Programme projects has resulted in the following:

- (a) (£387.441m) – Reduced gross costs.
- (b) £104.077m – Reduced funding income not received.
- (c) (£283,365m) – Reduced net borrowing costs.

1.5 These reductions will form the basis for the reduction in the Authorised Limit and Operational Boundary recommended in the Addendum Treasury Management Strategy, submitted for approval at tonight's meeting.

1.6 In producing this report, it has been assumed that all projects will be suspended, and that whatever option is finally agreed for certain projects, it will not involve the Council in direct construction of these projects.

1.7 All other capital projects are unaffected by this adjustment.

1.8 The impact on the following:

- (a) Capita Financing Requirement
- (b) Authorised Limit
- (c) Operational Boundary

Will be quantified in the addendum Treasury Management Report

2. Capitalised costs

2.1 By suspending the Direct Housing Development Projects, approximately £14.7m of capitalised costs (interest, salaries, design fees, security, etc.) as shown below by project:

- (a) £0.634m – Whitehouse Residential
- (b) £4.381m – Thameside House
- (c) £5.0m – Oast House
- (d) £0.111m – 91/93 High Street
- (e) £0.115m – Benwell

The above amounts to £10.2m, which must be charged to the 2023-24 Revenue Budget.

The following project costs amounting to £4.527m are subject to the final Council decision on the way forward:

- (f) £3.832m Ashford Victory Place
- (g) £0.345m Ashford MSCP
- (h) £0.35m Tothill

On the basis that Council wish to progress these sites to completion, (excluding direct delivery), i.e., as part a joint venture or selling the sites to a third party, these costs can remain in the balance sheet as capitalised costs.

If Council decides that these sites will not form part of a joint venture or are not to be sold, then these costs must be charged to the Revenue Budget immediately.

- 2.2 In respect of all of these projects, there will be ongoing costs, that can no longer be capitalised, and again subject to Council's final decision, additional annual ongoing costs of up to £2m per annum covering interest, Minimum Revenue Provision (MRP), capitalised salaries, will be incurred and need to be funded by either utilising reserves, cutting services or raising fees and charges.
- 2.3 Please note that under the Council's MRP policy, when a project is suspended, MRP is charged to the revenue budget 12 months after the suspension of the direct housing delivery projects has been confirmed by Council, rather than being deferred until the project is completed.

3. Equality and Diversity

- 3.1 The suspension of the direct housing projects will have a significant impact on the 1,700 residents currently on the Council's waiting list for housing including key workers, the young and most vulnerable within the Borough.

4. Sustainability/Climate Change Implications

- 4.1 There will be no impact on the Passivhaus capabilities for the leisure centre.

5. Procurement

- 5.1 There will be a reduction in the number of planned procurement projects, because of suspending the direct housing development projects. However, the Council may need to procure joint venture partners.
- 5.2 Some projects, where the procurement is already commenced and are underway, will need to be formally abandoned.

6. Legal

- 6.1 There are no legal impacts on the Council because of suspending the direct housing development projects.

7. Timetable for implementation

- 7.1 The changes to the Capital Programme as set out in **Appendix B**, will take immediate effect, if approved by Council on 19 October 2023.

Background papers:

Estimated 2023-24 to 2026-27 Capital Programme (February Council meeting)

Treasury Management strategy (February Council meeting)

2023-24 Reserves strategy (February Council meeting)

Addendum to the Treasury Management Strategy (19 October Council meeting)

Addendum to the 2023-24 Reserves Strategy (19 October Council meeting)

Appendices:

A - 2023/24 to 2026/27 Capital Programme – original programme

B - 2023-24 to 2026-27 Capital Programme – revised programme