

Executive Report

Ward(s) affected: Holy Trinity, Ash South and Tongham, Normandy, Friary and St Nicolas, Onslow

Report of Managing Director

Author: Elizabeth Fleming

Tel: 01483 444528

Email: Elizabeth.fleming@guildford.gov.uk

Lead Councillor responsible: John Rigg

Tel: 07870 555784

Email: John.rigg@guildford.gov.uk

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Corporate Programmes COVID19 Projects Review

Executive Summary

The Current COVID-19 situation has put enormous pressure on the Council's reserves as it works to provide critical frontline services to the Borough's residents. It is not certain how long this situation will continue for but it is clear that there is a need to review the Council's priorities. Full Council has already approved a COVID19 emergency budget funded from reserves and these reserves will need rebuilding in the future.

There are a number of major projects, at different stages within their programmes, currently underway. It is not critical that they should all proceed and it is possible to either stop or defer the next stages for some where they can be reviewed more thoroughly in light of the pandemic economic fallout.

Additionally, in a number of cases external funding has been affected by the current pandemic and has had an impact on the ability of some projects to progress.

The Managing Director together with the Lead Councillor for Regeneration has requested that the Major Projects Portfolio is holistically reviewed in light of the above and a proposal put forward that would:

- allow some projects where the Council is already committed to spend to progress thereby providing some certainty of cash flow to supply chains involved
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- allow for some projects that are at convenient pause points, to be effectively closed down and the decision on their next steps deferred to post COVID19.

This review has now been undertaken.

Recommendation to Executive

(1) That, in consideration of the review of projects within the Major Projects Portfolio, the Executive agrees to adopt a stepped approach to reducing the number of projects to be progressed currently, in particular stopping or deferring work on:

- (a) Public Realm Improvements (Chapel Street, Swan Lane and Castle Street),
- (b) Blackwater Valley Hotspots
- (c) Guildford Museum Development Project, and
- (d) Guildford Community Bike Share Scheme

as set out in this report.

(2) That, if any of the four schemes referred to in paragraph (1) above are to be progressed in future, a new business case be submitted to the Executive for approval.

Reasons for Recommendation:

(1) To relieve the pressure on the Council's reserves and the need to borrow money in the current situation, while allowing the Council to continue to provide the key services necessary to support the Borough's vulnerable and needy.

(2) To still progress those projects that would put the Council in a good position once the current COVID-19 pandemic has passed or is controlled.

Is the report (or part of it) exempt from publication? No

1. Purpose of Report

- 1.1. To ask the Executive to support and approve stopping work on a number of Major projects while still progressing those that would position the Council well for economic recovery post the COVID19 pandemic.
- 1.2. This has the benefit of reducing the capital programme budget and reducing the Council's need to borrow money. This, in turn, results in lower borrowing interest and lower Minimum Revenue Provision (MRP) (simplistically the repayment of the borrowing) for the General Fund revenue account.

2. Strategic Priorities

- 2.1 The Major Projects Portfolio is a suite of programmes and projects to help enable the provision of infrastructure and redevelopment of key sites, in a coherent planned way. The overall aim of these programmes and projects is to support driving Guildford's economy forward promoting the town for business, providing jobs, new homes and an enhanced public realm for the benefit of all.

3. Background

- 3.1. These are unprecedented times and the current COVID19 pandemic has had an impact on the Council and its current priorities and those going forward, including on its Major Project Portfolio.
- 3.2. Additionally, Full Council on 5 May 2020, supported a request from the Chief Finance Officer for an emergency supplementary Budget - funded from reserves - to enable the continued delivery of key and critical services to the residents of Guildford Borough during the current pandemic.
- 3.3. It was understood by all at that meeting that this necessary additional budget would reduce the reserves – which would need to be built back up as soon as possible.
- 3.4. It was also understood that there would be a consequential direct impact on the Council's Major Projects.
- 3.5. The Major Projects Portfolio has approximately 17 key projects varying in size and budget - all at different stages of their lifecycles.
- 3.6. None of these are critical in nature - rather they reflect the agreed and, in some instances, necessary requirements within the Corporate and Locally Adopted Plans and meet obligations set out therein to develop, enhance and regenerate the Borough.
- 3.7. Some projects are funded fully by the Council, and some are partially funded through external funding schemes. A number of these external funding schemes have been affected by the COVID19 situation and have had an adverse impact on some projects.
- 3.8. The Government imposed COVID19 lockdown has made it difficult for some project supply chains to continue to offer services and comply with social distancing requirements.
- 3.9. The Council's preference is to continue to honour contracts already committed in order to provide suppliers with some certainty, but this has had an impact where suppliers have notified us that this is not possible. These issues have contributed to unexpected or unplanned changes being required to some projects plans.
- 3.10. The Managing Director and the Lead Councillor for Regeneration determined that in light of the need for the additional Emergency Budget, the impact that the pandemic has had on supply chains and not knowing how long the current situation will last, it would be prudent for the entire Major Projects Portfolio to be reviewed to determine which of these projects should continue to progress .

The Review

- 3.11. The review looked at the following:
 - Current stage in the project programme
 - Current financial commitments and ability to mitigate them
 - Supply chains ability to comply with the Government/Public Health guidance
 - Funding availability

- Best delivery method
- Council's priorities

The Options

3.12. The following options were considered:

- a) Stop all major projects as none of them are critical in nature under the current circumstances. This in itself would reduce the Council's underlying need to borrow and reduce the impact on borrowing costs and MRP in future years. However, as a number of these projects had started before the pandemic restrictions came into force, the Council had already committed to funding stages of work and suppliers would expect that these commitments would be met. To get out of these commitments could prove to be costly.
- b) Take a stepped approach to reducing the number of projects to be progressed. As none of these projects are currently critical, identify those which are at a convenient pause point due to unexpected/unplanned or planned issues, which would not expose the Council to further cost/commitment and could be deferred easily. This would also reduce the Council's underlying need to borrow and subsequently future borrowing costs and MRP on the General Fund revenue account.

3.13. Option (b) is the preferred option in the first instance. Consequently, the following projects were identified to be stopped or their progress deferred to a later date:

- **Public Realm Improvements (Chapel Street, Swan Lane and Castle street)**
- **Blackwater Valley Hotspots**
- **Guildford Museum Development Project**
- **Guildford Community Bike Share Scheme**

Their identification was based on the following:

- Whether there was a COVID-19 related funding issue
- Whether an unexpected re-design was required as the scope was not complete
- Whether the Council was best placed to deliver the scheme
- Whether it was at a convenient point to stop work without further financial commitment

3.14. Public Realm Project (Ph2)

- The design package contract for this has not yet been awarded.
- A revised proposal has not been forthcoming from the Design Consultant due to COVID19 absence
- Limited financial exposure for the Council until a design package contract is awarded
- The project could be looked at on a street by street basis because Swan Lane is in specific need of some work. However, this would make it an expensive project to mobilise if only one street was being upgraded at a time, this would reduce the economies of scale.

Therefore, it is proposed this project is stopped.

3.15. Blackwater Valley Hotspots

- These are highway works and as the highways authority Surrey County Council (SCC) would be best place to deliver this scheme.
- SCC have been asked to deliver on our behalf, with the Council making our matched funding available to them alongside the EM3 LEP funding. SCC have declined due to the need to deliver their own portfolio and the impact it will have on their own resources.
- Although there will be some sunk costs associated with this (£292k) and a need to repay an amount to the EM3 LEP (£252k), the underlying need to borrow would be reduced by approximately £1.4 million, and an approximate £91k saved on MRP and borrowing costs in the future.
- Were this to go ahead, the next steps would be to go out to tender and this would require financial commitment from the Council.
- The detailed design is complete and can be made available in the future (post COVID19) for implementation and construction.

Therefore, it is proposed this project is stopped.

3.16. The Museum

- Due to COVID-19 the Council's application for £4 million of National Lottery Heritage Funding has been withdrawn. This funding is being diverted by the National Lottery to support and fund the current front line COVID19 situation. This reduces the overall funding for this project. Under the current circumstances it would be difficult to find this additional funding elsewhere.
- The overarching cost of constructing the current design is high and in light of the COVID19 emergency budget, it is possible that there would be a shortfall in reserves and the Council would not be in a position to provide the necessary funding.
- This is an opportunity to consider a scaled down design for the Museum in an alternative location such as the North Street Development, that could be more easily delivered in terms of funding and historic consent.
- Much of the work undertaken to date on the services to be provided by the Museum can be reutilised and repurposed for an amended design and location.
- If the project is stopped there is no further financial exposure for the Council.
- The Council's underlying need to borrow would reduce by £6.5 million and approximately £369k saved on borrowing and MRP costs charged to the General Fund revenue account

Therefore, it is proposed that this project as it currently exists is stopped. However, it could be incorporated into the Guildford Economic Regeneration Programme going forward.

3.17. The Bike Share Scheme

- Currently there is a lack of available options for a combined e-bike scheme
- The University of Surrey is not in a position to enter into a joint venture with the Council for a combined scheme at this time.
- Our preference is for a single combined scheme so this project will be deferred to a later date.
- The Council had £530k budgeted and as such will reduce the underlying need to borrow and future MRP and borrowing costs of approximately £530k.

Therefore, this project will be deferred to a later date and a new business case will be put forward.

3.18. If any of these four schemes are to be progressed in future a new business case will be submitted for approval.

3.19. It is proposed that work continue on all other projects on the understanding that, should this pandemic continue indefinitely, the list will be revisited to consider the next tranche of projects that can be stopped or put on hold.

4. Consultations

4.1. The potential need to stop work on a number of major projects was the context within which the emergency COVID19 budget was discussed and approved at Full Council meeting on 5 May 2020. Therefore, all councillors are aware that this way forward is being considered.

5. Key Risks

All key risks have been considered as part of the projects review.

6. Financial Implications

6.1. This return to reserves reduces the amount of borrowing required as shown in Table 1 below.

Project	Capital budget: Approved '000	Capital budget: Provisional '000	Gross capital budget '000	External funding '000	Net capital budget '000	Capital Spend to 31/3/20 '000	Net Revenue spend to 31/3/20 '000	Total sunk costs '000	Saved interest & MRP costs pa '£000
Public Realm	1,631	0	1,631	(1,625)	6	15	0	15	0
Hotspots	3,900	0	3,900	(1,965)	1,935	268	24	292	91
Museum	1,652	16,810	18,462	(11,800)	6,662	188	179	367	369
Bike Share	0	530	530	0	530	0	82	82	65
	7,183	17,340	24,523	(15,390)	9,133	471	285	756	525

6.2. The table shows the capital and revenue budget and spend to 31 March 2020. Spend to date will be sunk costs, and the net capital budgets will be removed from the capital programme and will reduce the Council's underlying need to borrow by £10.1 million, resulting in an overall saving to the revenue account of £525,000 for interest and MRP costs. (Note, that the £525,000 is a total and does not reflect spending profile, therefore will not be a saving in the revenue account immediately all at once)

7. Legal Implications

7.1. The projects which the Council are no longer proceeding with and which are externally funded such as EM3 LEP and the National Lottery will require repayment of funds which have been drawn down in accordance with the relevant funding agreement and such agreements to be varied.

- 7.2. In relation to the projects which have consultants still in contracts and highways agreements in place, legal advice should be sought to ensure those contracts are lawfully terminated.

8. Human Resource Implications

- 8.1. Should the Executive agree to the proposal in this paper to cease work on these four projects, this will impact on the Project Management resource required within the Corporate Programmes team.
- 8.2. This has been reviewed and it could provide a saving of approximately £60,000 per annum. This will be a direct saving as it will reduce the hours required from interim project managers. It will not affect the stated FTE for the Corporate Programmes team.

9. Equality and Diversity Implications

- 9.1. This duty has been considered in the context of this report and it has been concluded that there are no equality and diversity implications arising directly from this report.

10. Climate Change/Sustainability Implications

- 10.1. The Blackwater Valley Hotspots scheme is a highways improvement project to ease congestion/ improve traffic flow at a known bottleneck. This project is aligned with the preferred strategy for Air Quality Action Plans particularly in terms of reducing queuing, idling and emissions improving air quality.
- 10.2. The Community Bike Share scheme's aim is to improve the sustainable transport options available for residents and visitors to Guildford helping to maintain air quality and improve public health and well-being.

11. Summary of Options

- 11.1. These are the options. Officers believe that option (b) is the preferable option in that it allows for a stepped approach to be taken in reducing the number of projects currently underway.
- a) Stop all major projects as none are critical in nature under the current circumstances. This in itself would reduce the Council's underlying need to borrow and therefore the borrowing and MRP costs attributable to the general fund revenue account. However, as a number of these projects had started before the pandemic restrictions started, the Council had already committed to funding stages of work and suppliers would expect that these commitments would be met. To get out of these commitments could prove to be costly.

- b) Take a stepped approach to reducing the number of projects to be progressed. As none are currently critical, identify those which are at convenient pause points due to unexpected/unplanned or planned issues and which would not expose the Council to further cost/commitment. These identified projects can then be either stopped or deferred. This would release ring-fenced capital to the reserves. This can be revisited in the future should it be necessary to stop work on other projects.

12. Conclusion

- 12.1. The Current COVID-19 situation has put enormous pressure on the Council's reserves as it works to provide critical frontline services to the Borough's residents. It is not certain how long this situation will continue for but it is clear that there is a need to review the Council's priorities.
- 12.2. Officers are therefore recommend taking a stepped approach to reducing the number of projects to be progressed. Public Realm Improvements (Chapel Street, Swan Lane and Castle street), Blackwater Valley Hotspots, Guildford Museum Development Project and Guildford Community Bike Share Scheme has been identified as outlined in the report.
- 12.3. If any of these four schemes are to be progressed in future a new business case will be submitted for approval.

13. Appendices

None